2nd Edition

JOHN MADELEY

BIG BUSINESS POOR PEOPLES

HOW TRANSNATIONAL CORPORATIONS DAMAGE THE WORLD'S POOR

Big Business, Poor Peoples

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Preface to the Second Edition

In preparing this second edition, some nine years after the first, I have been struck by how it is the names, the figures, the cases of abuse of power that have changed rather than the underlying analysis. Transnational corporations (TNCs) have become even more powerful – many of the figures in these pages bear testimony to the rise and rise of the corporate world – but are being monitored more closely. Some major companies did not exist in 1999. Some TNCs have been more dominant, others have declined. The overall behaviour of TNCs is little changed, but there is increased awareness of their activities.

And there are new factors in the analysis. In 1999 climate change was a relative newcomer to the scene. Today it is clear that climate change is having a huge impact on the poor. Less well known is that TNCs are major emitters of greenhouse gases. Agrofuels were relatively new in 1999. These again have considerable implications for the poor.

Most of the material in this edition is new. It includes some of the latest examples of the corporate impact on the poor. The original examples are retained where still relevant. The structure of the book is that chapters covering the service sectors are now together – tourism, health and a new chapter on water supply. Chapter 12 ('Tackling the Power: Regulation, Bypass, Action') is substantially widened, and there is a new concluding chapter.

'Why are we so rich and yet so poor?' asks a neurologist at an African hospital.[1] This is the great irony. Many so-called 'poor' countries are rich in resources. Why are their riches not enjoyed by their people? Part of the answer is that TNCs have exploited those riches; they have abused their power. It is time for the exploitation to stop. My hope is that this book will stimulate attention, research and action to end the damaging impact of TNCs on the world's most vulnerable people.

John Madeley

Preface

Many books have been written about TNCs. But their impact on the poor has barely been examined. This is a serious omission. TNCs are now enormously powerful, more powerful than governments in many respects, not least because they are usually efficient at what they do – and what they do is make money for their shareholders. The cost in human terms of commercial success needs to be assessed. The impact of *government* policies on the poor is frequently analysed. In contrast, TNCs have escaped lightly.

When 'efficiency' is not accountable to people, it can become exploitation. When the impact of these unelected, and largely unaccountable, undemocratic corporations on materially resource-poor communities is analysed, a picture emerges of damaged livelihoods which brings no credit to the companies. TNCs have used their money, size and power to influence international negotiations and taken full advantage of the move towards privatization to influence the policies of governments. The most serious charge, however, is that the large corporations especially have used their power to effectively cause hardship for millions of the poor in developing countries. The story of how they do it is told in this book; it is a human story that needs to be revealed.

Most books on TNCs have been written by economists and teachers/lecturers in business management. This one is written by a former TNC employee turned economic journalist, whose interest in the corporations extends over half a century. On leaving school I worked for a TNC for ten years, including three years selling the company's products. This enabled me to 'see the inside' and provided a basic understanding of the rationale and thinking of the large firm with a global reach. More recently, as a journalist and writer for the last 30 years, I have travelled and worked in around 50 developing countries, to write about matters which affect the poor. TNCs are one of them.

Much of the research into TNCs has focused on their economic impact in terms of efficiency, profit maximization, capital flows and so on; it has overlooked the economic, social and cultural effects on the world's poor. The journal *Transnational Corporations* examines TNC activities from almost every angle, but, like most literature on the corporations, rarely mentions the people affected by them.

The academic community, in management and business schools, is largely failing to give students a perspective of how TNCs affect the poor. I make no apology for rushing in where academics fear to tread. In a book on the corporations written in 1973, Louis Turner says: 'In researching the book, I found it chastening to discover how often journalists raised crucial issues years before academic authorities had begun their analysis.'[1]

Academics urgently need to begin their analysis of TNCs and the poor. Too many years have already gone by. As the academic literature is sparse about the effects of TNCs on people, let alone on the poor, I have supplemented my own direct research in developing countries by drawing on newspapers and specialist journals which have given the matter more attention and also have the advantage of being more up to date. I have also drawn on the findings of non-governmental organizations (NGOs) which have done pioneering work in highlighting corporate activity. As I have researched this book, what has become clear is that the effects of TNCs on the poor are huge, but often hidden and rarely reported. I found that the effects of TNCs on the poor are more severe than I had expected. A great deal more needs to be done to stop abuses of corporate power.

The main activities in which TNCs are engaged in developing countries are covered in these pages. These are chiefly food and agriculture, forestry, fishing, water supply, health, mining, manufacturing, energy, and tourism – and public relations. Some of the largest corporations are active in more than one of these sectors. As the corporate spread widens, so public concern over TNC activities is growing. It is now hard to detect the absence of TNCs from any sizeable area of economic activity that could possibly yield a profit.

David Korten describes TNCs as 'instruments of a market tyranny that is extending its reach across the planet like a cancer, colonizing ever more of the planet's living spaces, destroying livelihoods, displacing people, rendering democratic institutions impotent, and feeding on life in an insatiable quest for money'.[2] The worst aspect of

this tyranny is that it hits hardest at the most vulnerable people, the poor.

'Market tyranny' effectively delivers developing countries into corporate hands. The birth of the World Trade Organization in 1994 strengthened the TNCs considerably: it means that governments are less able to regulate and control them. Words like 'globalization' and 'liberalization' bring joy to TNC directors. Although the corporations have become more powerful, the UN has abandoned its attempt to frame a code of conduct to regulate them. The TNCs may claim that self-regulation can control the industry, but this has not stopped abuses of power.

Ironically, economic recession in developing countries has often strengthened the TNCs, who use the opportunity to present themselves as a country's saviour. Often out of economic desperation rather than conviction, governments may try to attract them. In some rural areas of Africa, government services such as healthcare, education and agricultural research no longer exist. There is a vacuum that either TNCs or NGOs could fill. But there are huge dangers in TNCs assuming such a role.

Countries are now competing to give foreign investors a 'favourable climate'. But this usually means that TNCs can do what they like. The corporations protest otherwise, but with little conviction. 'TNCs are implausible as social consciences, defenders of the poor, human value setters', says Reginald Green, because 'their capacity and legitimacy for independent action in these areas is nil and such action contradicts their logic'.[3]

A theme running through this book is the impact that TNCs have on a country's physical environment. A company that damages the physical environment of an area undermines its natural resources to the detriment of local people. When TNC activity damages a physical environment, it reduces the ability of the people who live there to make a living. And it usually hits the poorest the most, for they have fewer options – they depend on natural resources rather than on purchased goods. They cannot very easily move and make a living elsewhere, although in desperation this may happen.

Effects

This book contains many examples of the effects of large TNCs on the poor. Small transnational firms, employing less than 500 people, are not covered; these account for less than 10 per cent of foreign direct invest-

ment. The examples are not necessarily the worst; they do not pretend to be comprehensive, but are rather an indication of what is going on. Some of the cases I have seen at first hand.

While the book concentrates on the impact of TNCs on the poor in developing countries, this is not to say that these large corporations have no impact on the poor in Western countries. The corporate rip-off has become big business the world over. Control over human and natural resources is being inexorably ceded to TNCs at the expense of local communities. Although they are affected by the corporations, local people have little power to influence their decisions.

The Introduction gives an overview of the role of TNCs; it examines how they have grown both in size and power, especially in developing countries. In addition to direct investment, TNCs now have more non-ownership arrangements and non-equity links, such as sub-contracting. In this way, the corporations make profits without risking their money. The risk is transferred to developing countries, to the poor.

TNCs are very different from local Third World companies. Their size and internationalism give them a power over governments that national firms do not have. The sizeable amounts of money they have enable them to engage in activities that effectively harm the poor. More jobs is a carrot that TNCs often hold out for governments, yet the jobs created can be both fickle and few.

Chapter 1 looks at why developing countries 'want' TNCs. Economic weakness is a major reason. In a world of structural adjustment programmes, globalization, liberalization and privatization, governments of developing countries seem to have little choice but to attract the corporations. But these modern-day 'izations' are having a profound effect on the poor, playing straight into the hands of TNCs who could scarcely have imagined a more profitable scenario. Battered by economic recession, it is not always apparent to governments that the right of their country to develop its own economy and technologies is under threat.

Both debt relief and development aid may be made conditional on countries liberalizing their economies, which means making them open to the corporations. There is enormous pressure on developing countries to jump on board the globalization bandwagon.

The devil is in the detail, and most of this book examines, by sector, the details of TNC activities. Chapter 2 looks at the world's largest economic sector of all, agriculture. TNCs are most visible and often most

controversial when engaged in agriculture: they sell seeds, fertilizers and pesticides to farmers, patent new crop varieties, own plantations, and are involved in genetic modification, processing, marketing and exporting. They dominate world markets in internationally traded agricultural commodities, with a small number of companies accounting for a large percentage of the trade. The chapter also looks at the rise of agrofuels, again dominated by TNCs. The expanding acreage under these fuels threatens land which is at present farmed by smallholders.

Chapter 3 examines some of the major products in which TNCs are involved – in particular tobacco, baby foods, bananas, soft drinks, fruit, vegetables and flowers. The production, trade and use of these commodities often damage the lives of the poor. With people in the North gradually giving up smoking, the TNCs that dominate the tobacco industry view the South as the market that will keep them in business. More than one million children are dying each year who might have lived if they had been breastfed in infancy. This does not deter the promotion of breastmilk substitutes to mothers by some of the world's most prominent TNCs.

One of the most flagrant abuses of TNC power, and arguably the one with the most serious effects on millions of the poor, is highlighted in Chapter 4 on health. Medicine for the poor is big business for the rich. In many developing countries, 20–30 per cent of the health budget is spent on drugs, most of them made by pharmaceutical TNCs. This chapter shows how the companies promote their products and how countries can be hindered from pursuing a national drugs policy, thus denying the poor access to low-cost, locally made drugs.

There is no more important service than water supply and TNCs are seeking to profit from it. But charging for water, as Chapter 5 explains, means that people with no money are denied access. There are alternatives to the privatization of this life-giving resource.

Tourism earns foreign currency for the developing world, and many countries see it as one of their few growth sectors. It seems an attractive way of diversifying the economy, escaping from dependence on traditional exports. But most of the foreign exchange that developing countries earn from international tourism goes to TNCs rather than to the people of those countries. Poorer people, especially, are often the victims rather than the beneficiaries of the tourist industry. As Chapter 6 shows, tourism also has a huge and often damaging impact on local environments.

Tropical rainforests are often of critical importance for the poor, and TNCs are involved in the destruction of this precious resource. When they damage forests, they harm more than trees – they harm the livelihoods of the people who live there. Chapter 7 looks at the rampant logging which is now going on. This chapter also looks at the role of TNCs in the overfishing which has caused stagnating world fish catches. Using 'modern technology', trawlers from Western countries, mostly owned by the corporations, are sweeping up fish from Third World waters in an unsustainable manner, threatening the catches and livelihoods of local fishers. Again, it is poorer communities who bear the brunt, not least because fewer fish are available for them.

Mining is an environmentally destructive activity, but hugely profitable for TNCs. As Chapter 8 shows, much of their activity is playing havoc with the economies and cultures of the poor. Across Asia, the Pacific, Africa and Latin America, mining is being undertaken with little regard for the people who live in the immediate area. Mining often takes over land where people once lived and farmed; it produces huge waste dumps, which are often health hazards, contaminating water sources sometimes far beyond the immediate area.

Clothes, toys and shoes are among the main manufactured goods that TNCs and their sub-contractors produce in developing countries. Many of these goods are top-quality brand names that fetch high prices in the shops, but the people who produce them see little benefit. As Chapter 9 shows, low wages, long hours and poor working conditions are common in the factories in developing countries that have been sub-contracted to make toys, garments and footwear for TNCs.

Every year between the mid-1980s and the mid-1990s around four million people were displaced from their homes by large hydro-electric dam schemes. Large corporations are a vital link in the big dam chain; their experience of such schemes gives them an expertise that national companies usually lack. Chapter 10 considers some of these schemes. This chapter looks at the energy TNCs, including the activities of some of the world's largest corporations.

TNCs are the great persuaders. The money they spend on public relations can almost be seen as a measure of their abuse of power. They spend, because there is so much to explain away. Instead of acting more responsibly, they choose to spend large sums to put a good 'spin' on what they are doing. Chapter 11 examines how they operate. What is both startling and disturbing is the way that the United Nations and

some of its agencies have been effectively nobbled by the TNCs; their influence on UN bodies is huge.

Regulation, bypass and action are ways of tackling TNC power, and are discussed in Chapter 12. TNCs may be powerful, but they cannot force people to play their game. The corporations depend for their survival on the people who use their technologies and buy their products. They depend on the markets they promote. Global laws are needed for global companies, but citizen action is not waiting for regulation. People are bypassing TNCs when they can; citizens, farmers and shareholders are taking action.

The Conclusion starts with some of the questions I have been asked since the publication of the first edition of this book. In reply, I note that new social organizations and communities are emerging; alternatives are developing that could turn the TNC-dominated world upside down. TNCs are powerful, but citizens are realizing their own power.

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Introduction: the Corporate Spread

Government by organized money is just as dangerous as government by organized mobs. (Franklin D. Roosevelt)

The problem of power is how to get men of power to live for the public rather than off the public. (Robert F. Kennedy)

To the TNCs the poor are normally invisible. (Reginald H. Green)

Transnational corporations are one of the most important bodies in the global economy, occupying a more powerful position than ever before. Sixty years ago, only a handful existed. Now they number tens of thousands, and have a profound political, economic, social and cultural impact on countries, peoples and environments. Defined by the United Nations as '[enterprises] with activities in two or more countries with an ability to influence others', TNCs produce a vast range of goods and services for international trade and often for the domestic markets where they operate. Sometimes called multinational corporations, they operate 'across national boundaries in a context of nation states'.[1] Their power is huge, their impact on the poor colossal but often hidden.

Still mostly based in Western countries, many TNCs have become a significant adjunct of Western economies. When they operate in developing countries, their sheer size can give them disproportionate effect and power. Governments of developing countries nevertheless generally try to attract them, while non-governmental organizations (NGOs), especially those in the South which see corporations at work and the effects they have, are often fiercely critical. A huge gap in attitudes to TNCs has opened up between governments and most development and environmental NGOs.

TNCs have to make profits for the shareholders who own them: this is their overriding loyalty, their duty as corporate entities. And TNCs are booming. Globalization, the world as a single market, has helped them to accelerate at a dramatic pace. According to UNCTAD's 2007 *World Investment Report* there are now 78,000 TNCs (compared to 7,000 in the early 1970s), with 780,000 foreign affiliates.

Foreign direct investment

Foreign direct investment (FDI) soared by a massive 38 per cent in 2006, to reach US$1.306 billion. FDI is dominated by transnational corporations. 'The rise in global flow was partly driven by increasing corporate profits and resulting higher stock prices.'[2] TNCs based in developed countries accounted for 84 per cent of FDI, with almost half originating from European Union countries, notably France, Spain and the UK.

The largest TNCs have annual sales which exceed the output of most developing countries. About 400 corporations account for more than half the total TNC sales. In their persistent battle to increase profits, TNCs have increasingly turned to the developing world, which holds many attractions for them. Wages and operating costs are usually much lower than in developed countries, organized labour unions may not exist, environmental controls are often lax, there is scope for transfer pricing and governments may offer a 'tax-free holiday'. Under this arrangement, a firm pays no tax for the first five or even ten years of its operation. There are also geographical reasons: developing countries have land for agriculture, land with minerals and land for tourists to explore.

'Employment in foreign affiliates of TNCs has increased nearly threefold since 1990. . . . Governments continue to adopt measures to facilitate FDI. In 2006 147 policy changes making host-country environments more favourable to FDI were observed.'[3] FDI inflows into Africa in 2006 were twice their 2004 level; into West Asia, they rose by 44 per cent over 2005, into South, East and South-East Asia by 19 per cent, and into Latin America by 11 per cent.

The corporations concentrate most of their FDI in developing countries with relatively authoritarian governments as these are judged to be reliable 'client' states. TNCs are more likely to invest in countries where the government appears stable. Instability is bad for business.

The top 20 TNCs, ranked by market value

	Market value US$m (30 March 2007)	Turnover US$m	Net income US$m
1 ExxonMobil	429,566.7	365,467.0	39,500.0
2 General Electric	363,611.3	160,657.0	20,829.0
3 Microsoft	272,911.7	44,282.0	12,599.0
4 Citigroup	252,857.3	21,538.0	
5 AT&T	246,206.3	63,055.0	7,356.0
6 Gazprom	245,911.4	53,197.2	11,962.7
7 Toyota	230,831.6	178,530.8	11,645.1
8 Bank of America	228,177.3	21,133.0	
9 Indl & Coml Bk of China	224,787.6	4,851.9	
10 Royal Dutch Shell	214,018.4	318,845.0	25,442.0
11 BP	208,843.5	265,906.0	22,000.0
12 HSBC	202,146.3	15,789.0	
13 Procter & Gamble	199,293.8	68,222.0	8,684.0
14 Wal-Mart	193,642.8	344,992.0	11,284.0
15 Altria (Philip Morris)	184,277.3	70,324.0	12,022.0
16 China Mobile HK	181,798.6	38,158.8	8,530.2
17 Pfizer	179,015.4	48,371.0	19,337.0
18 American International	174,878.3	14,048.0	
19 Johnson & Johnson	174,397.2	53,324.0	11,053.0
20 Berkshire Hathaway	168,279.8	108,990.0	11,015.0

Source: *Financial Times*, 29 June 2007.

Nervousness among developing country governments about the activities of TNCs caused a brisk period of expropriation of their assets in the late 1960s and early 1970s. Governments believed that by nationalizing TNCs they could expropriate for themselves the profits that were going to the companies. But the expropriation period was short-lived. The corporations are skilled at operating an economic activity at a profit – they would not stay in business otherwise. Governments quickly realized that they could not run the often quite complex, usually Western-style type of TNC operation with the same degree of profitability. The hoped-for gains from expropriation failed to

materialize, and nationalization of TNCs was dropped as the answer to the problem.

Around two-thirds of international trade is between the transnational corporations. 'The marketing, processing or production of several commodities – including bauxite, copper, iron ore, nickel, lead, zinc, tin, tobacco, bananas and tea – is dominated in each case by a small number of transnational corporations.'[4]

It is common for a small number of TNCs to account for over 80 per cent of the trade in specific agricultural products (see Chapter 2). 'Outside the primary sector, upwards of two-thirds of the world's exports of goods and services are accounted for by TNCs; and 30–40 per cent of these take place within these same institutions.'[5] One estimate suggests that the biggest 500 TNCs 'control about 70 per cent of world trade, 80 per cent of foreign investment and about 30 per cent of world GDP'.[6] About one-third of world trade is conducted by TNCs within their own organizations – a subsidiary in one country selling to and/or buying from a subsidiary in another, or dealing with head office.

The corporate case rests on the theory of comparative advantage: that everyone gains when countries specialize and that TNCs help in that specialization. According to John H. Dunning: 'One of the tasks of the international market place is to allocate resources and capabilities in such a way that each country engages in the kind of economic activities to which it is comparatively best suited.'[7] But the theory of comparative advantage, the very engine of the TNC motor, has lost credibility. Countries have specialized economically but millions have not gained. Nonetheless, the ability of TNCs to produce goods and services that can earn foreign exchange and create extra jobs puts them in a position of considerable power over economies, trade and people. But this power is open to abuse; it effectively gives TNCs a high degree of governance over a developing country, even one with a democratically elected government.

Greater privatization and liberalization help to facilitate the world as a single market. Globalization is corporate-led; it is companies not countries that trade. Globalization received a huge boost in the early 1980s with the advent of World Bank/IMF structural adjustment programmes. Under SAPs most developing countries liberalized their economies by removing tariff barriers, non-tariff barriers, price controls, subsidies and other restraints on the free play of economic

market forces. Privatization of an economy usually makes a country more attractive for the TNCs and has increased the number of developing countries in which the corporations will consider investing.

The World Trade Organization (WTO) – which came into being in 1995 – has increased the influence of TNCs in a number of ways. WTO agreements mean that governments cannot use the controls they once exercised – over trade-related aspects of investment measures (TRIMS), for example.

Why TNCs are different

Investment by TNCs in developing countries is fundamentally different from investment by local companies. TNCs 'directly control the deployment of resources in two or more countries, and the distribution of the resulting output', says Dunning.[8] They can use international experience, knowledge and muscle in a way that is not usually open to domestic firms. They are more likely to be able to exert market power. According to Sheila Page:

> they are more likely to have experience in trading in markets outside the host country . . . more likely to be aware of and experienced in exploiting the advantages of moving between exporting and investing abroad, and therefore more likely to respond to new opportunities.[9]

Transnational corporations can therefore play a far more powerful role than purely local companies in developing countries. The size of the larger corporations, especially, gives them enormous power over the governments of most developing countries, especially smaller countries. With size comes the promise of what they can offer. They can provide the capital – to invest, for example, in activities such as prospecting for mineral deposits – that national companies may not have. They may have superior management and organizational skills. These, combined with international marketing outlets and experience, make them a force that national enterprises are unlikely to match. When they negotiate with governments of developing countries, TNCs are in a position to get a deal which local companies could not usually expect.

Transnational corporations are also different because they tend to make decisions in their head office country and not in the countries where they operate. Decisions affecting the people of developing countries are made in TNC offices in cities such as Washington, London

and Tokyo. In the countries where they operate, TNCs are usually under no obligation to consult local people about their plans.

Even the affiliate company of a TNC in a developing country may have little say over its own operation. 'Most decisions, the outcome of which affects the behaviour of foreign affiliates, are taken by their parent companies on the basis of information and expectations known only to them.'[10] And they operate in a round-the-world 24-hour market 'that pays no homage to national economic planning'.[11] 'Decision taking rests outside the country which is affected by the decision', Dunning points out, and 'the more global the investing force is in its activities, outlook and strategy, the more the pattern of output and growth of its affiliates will be determined by forces outside their control'.[12]

TNCs intensify the effects of big business on the poor. Purely local firms are unlikely to have the same impact. The inherent conflict between profits and people's rights is sharper in the case of TNCs. Dunning also points out that 'foreign investment transmits a way of life from the investing countries to the host country'.[13]

The poor

In contrast to the TNCs, the poor have little or no say in the way their countries are run. Around 1.2 billion people in Africa, Asia and Latin America are materially poor, with incomes of less than a dollar a day. Survival is a daily struggle.

Many of the poor are either landless or have tiny plots, often with poor soil. If they work in the informal economy, they are often under-employed. Women and girls make up 70 per cent of their number. These 1.5 billion resource-poor people are hungry for much of the time, many are poorly educated and in poor health, their housing and shelter are meagre, they have few resources at their command. They may go hungry even when food in the area where they live is relatively plentiful. Their poverty means they do not have the land to grow the food they need, nor the money to buy food. The life expectancy of the poor is short and shortening in some countries. Many are jobless and voiceless; many have seen their livelihoods damaged by the increased severity of environmental conditions.

Climate change is already having a major impact on millions of the poor, serving to reinforce poverty. It has brought more extreme weather, more floods, windstorms and rising yet variable temperatures.

Severe droughts, floods and hurricanes are happening with increased frequency. Rainfall patterns and monsoon systems are changing and there is a disturbing increase in disease, with more dying from climate-related diseases such as malaria (see also below and Chapter 4).

With climate change, more land is becoming arid and degraded, threatening crops, livestock and food supplies. Deserts are spreading, forcing people to leave their homes because they can no longer survive there. The number of environmental refugees is growing at an alarming rate – mostly they are people who live on the fringes of deserts and who have seen the desert take over their land. They have abandoned their homes, often for the shanty towns of nearby cities, with little hope of returning. As the earth warms and ice caps melt, so sea levels are rising. If current trends continue, Bangladesh, for example, and other low-lying countries will be swamped.

The starkest contrast between the poor and the TNCs is that the poor have little power. And while the corporations have gained from the changes in the global economy, the poor have lost, often from those same changes. However, while they are frequently demoralized and disorganized, there are examples of the poor uniting in efforts to stand up to the power of the TNCs and to realize their own power. The poor aspire to a better way of life and this natural aspiration often brings them into contact with TNCs. With clever advertising the corporations present an image of the better life the poor can have if they only use their products. Throughout the developing world the poor have been persuaded to spend some of their scarce resources on luxury goods such as, for example, cigarettes and canned baby foods, and food and drink of low nutritional value.

TNCs have successfully persuaded people in developing countries to adopt products such as Coca-Cola, Seven-Up, Pepsi, Kentucky Fried Chicken, beefburgers, cigarettes and so on as part of their way of life. Such goods cost a sizeable proportion of the poor's earnings, with the result that traditional and usually more nutritious foods cannot be afforded, and health suffers. By consuming inappropriate products, the poor have less money to buy basic necessities (see Chapter 3 on tobacco).

Also, by spreading the 'West is best' message, TNCs can reduce the demand for locally produced goods and therefore damage local industries. The poor buy the products of TNCs and work for the corporations on terms that the corporations decide; they live in areas

where TNCs operate and are affected by changes in the environment brought about by the corporate presence.

Size

Size alone makes for an unequal relationship between TNCs and the poor, both governments and peoples. Government negotiations with a TNC that is thinking of investing are loaded in favour of the corporation. Their size and power, the jobs they offer to create and the taxes they pay put TNCs in a powerful position to influence government policy. This raises questions about the democratic process itself. For example, what right does a TNC that is unaccountable to people in developing countries have to influence the way that a country is run? Does their power enable them to effectively subvert democracy? Are we getting close to the point when voters will question the value of voting in elections when our elected leaders are subservient to the corporations?

Changes at the global level give governments even less control over the TNCs. Structural adjustment programmes and the emergence of the World Trade Organization have weakened the sovereignty of government. 'There has been an erosion of the decision-making powers of government', in the view of Kenneth Dadzie, former UNCTAD Secretary-General, and 'national governments cannot play the role they did in the past'.[14] Neither may the TNCs be too particular about standards. Marketing executive Lewis Pringle told a Nestlé-sponsored conference this in November 1995: 'In many (if not all) emerging markets, it is simply impossible to make significant money without overt violation of normal Western ethical principles.'[15]

Transnational corporations have the money to make a big sales pitch to developing countries, financing millions of salesmen and saleswomen to go around selling drugs to doctors and pharmacies, and chemicals to farmers, for instance. With more funds usually available to them than government has at its disposal, the corporations can cover the ground more thoroughly than government services. This sales effort is reflected in the relatively high prices of TNC products. Therefore, ultimately, it is the consumers who pay the salesperson's wages.

When West-based TNCs invest in the economies of other countries, they do so because they believe that a profitable operation is possible. TNCs are usually ruthlessly efficient. Small-scale companies in develop-

ing countries, however, discover that such ruthless efficiency can drive them out of business.

Gain or loss?

The money that TNCs invest in developing countries seems welcome, but the question is whether it results in a net gain for a country's economy. The money invested by a corporation is often not its own – it may have been borrowed from banks in developing countries, reducing the amount of money that the banks have available to lend to smaller businesses in their country.

Neither can TNCs be relied on to stay in a country. They tend to be less interested in long-term sustainable operations in any one country. They are more concerned about their own profits than with the welfare of a host country. This sometimes results in the closing down of an entire operation, an action which can have a devastating impact. Again, what distinguishes a TNC from a domestic firm is that the corporation can more easily shift its operation to another country. The priorities of a TNC are unlikely to coincide with those of local people. 'They are not those of the majority of the population, even though they may coincide with those of a wealthy minority', say Dinham and Hines of TNCs in Kenya's food and agricultural sector.[16]

TNCs have been powerful enough to lead industrialization in some countries. But there is evidence that such TNC-led industrialization has been achieved at a severe cost to agriculture and rural development. Governments have often tended to keep farm-gate prices low, both to save money for industrialization and to enable workers in new export-orientated factories to have cheap food so that they will not demand high wages. Again, people had to be attracted to work in industry. In Taiwan, for example, 'the government has intentionally held down peasants' incomes so as to transfer these people into industry', admitted Taiwan's President Lee Teng-Hui.[17]

It is of particular significance that the presence of TNCs in poorer countries has widened internal inequalities. Almost all the studies that have been done on the effects of FDI have concluded that it has led to an uneven income distribution in developing countries, especially in East and South-East Asian countries.[18]

TNCs produce goods and services for those who have purchasing power; they cannot meet the basic needs of people who do not have the

money to express their needs in the market place. The corporation applies its knowledge to goods and services that are comparative luxuries in the countries where it operates. Its products and knowledge by their nature 'create biases against the poor; very few [of the poor] are its direct customers, employees or sources of supply'.[19]

Physical environment

The impact of TNCs on a country's physical environment is huge. Agri-corporations are more likely to be involved in the production of crops for export than domestic companies. The cultivation of export crops can mean the removal of the poor from their land; it often involves monocropping, which damages soil more than mixed cropping. The production of cotton and tobacco has severe environmental costs (see Chapter 3). TNCs import into developing countries goods which are banned in their home countries, such as some chemical products. They export hazardous waste to developing countries on a considerable scale, thus making disasters more likely to happen.

Flying and shipping goods around the world in vast and ever-growing quantities make TNCs among the largest emitters of carbon into the atmosphere. They are therefore implicated in climate change, which is reinforcing the poverty of the poor (see above and Chapter 4).

The WorldWatch Institute's 2008 report suggests there is growing evidence 'that the global economy is now destroying its own ecological base and offering little to billions of impoverished people'.[20]

Employment

The contracting out of jobs from Western to developing countries has become common, but TNCs have long sought cheap labour as a means of increasing profits. Low wages are one of the reasons why TNCs are attracted to developing countries. Host governments hope that they can create jobs and that more jobs will result indirectly from linkages to the rest of the economy. But jobs in TNCs are vulnerable, and linkages to other sectors of economies resulting from FDI have often been weak.

According to an UNCTAD *World Investment Report*:

> Greater mobility of capital and technology under TNCs may bring about dramatic shifts in production and employment at the local,

> national and regional levels, generating considerable albeit temporary strains on workers in certain industries and/or labour markets.[21]

For workers who lose their jobs when a TNC moves to another country, the 'strain' may, however, be more than temporary. The workforce employed by TNCs 'generally enjoys superior wages, conditions of work and welfare services relative to conditions prevailing in domestic firms'.[22] Comparisons can be misleading, however, as TNCs tend to be concentrated in high-skill, capital-intensive industries. But the majority of jobs in such enterprises are low-skilled, low-paid production and assembly jobs. They tend to be highly specialized, with a greater division of labour. 'Advanced' technology is used, on mass production lines. A worker will perform a small, specialized task in a large operation. This may be good for profits, but such tasks are likely to be monotonous and effectively turn workers into little more than the arm of a machine. Neither do they equip workers with skills they can use elsewhere – in domestic firms for example.

Low wages were one of the chief reasons why TNCs actively sought business in Burma in 2007, despite the appalling record of the country's military junta. Attracted by employment conditions that are highly favourable to employers, up to 150 TNCs trade with Burma – particularly in the oil, travel, timber, gems and clothing sectors – making a total investment of £1.2 billion every year. The US energy giant Chevron, the French oil group Total and China's National Petroleum Corporation are among companies giving income to Burma. The UK-based Burma Campaign alleged that TNCs effectively paid for the bullets used by the military junta to crack down on dissent. It urged foreign companies to pull out of the country.[23]

Employment by TNCs has also become more uncertain because of the WTO agreement on trade-related investment measures. The TRIMS agreement means that countries have to overturn laws that require foreign enterprises to purchase inputs from local sources. One of these inputs is labour. TNCs are therefore no longer under any obligation to use local labour or materials – they can shop around for the cheapest possible source. Because of the agreement, governments of developing countries cannot be sure that a TNC will employ its citizens.

TNCs often, although not always, pay higher wages than local firms. But for people who work for TNCs there is a serious downside. Their

negotiating rights are likely to be more restricted. TNCs, unlike trade unions, 'can operate on a global basis so that each union in one piece of a TNC ends up negotiating with the whole TNC', as Reginald Green points out. 'TNCs are larger and better organized than other employers, and therefore more able to bear the costs of industrial action.'[24] For workers, the feeling of being a small cog in a large wheel is not unique to large corporations, but 'is shown in its extreme form by the large TNCs', says Dunning.[25]

According to an International Labour Organization (ILO) report, the role of TNCs in job creation is 'at best marginal'. It points out that if TNC employment is growing at all, it is 'due to acquisitions and mergers rather than to new employment opportunities'.[26] A new TNC-owned factory may create jobs but at the cost of existing jobs in locally owned factories, displacing workers in competing domestic industries.

Dual economies

Attracting TNCs is costly. It demands that governments allocate resources for the purpose. This means there is less for other sectors of the economy, such as agriculture, education and healthcare. Export processing zones (EPZs) have been set up with the aim of creating jobs and increasing export earnings (see Chapter 9), but they have often led to 'dualism'. 'Dual' economies come into being: modern-style economies that are receiving abundant funds exist alongside traditional, subsistence economies that have fewer funds as a result of the modern ones.

The benefits of the modern sector might, in theory, trickle down to the traditional sector or even pull it up out of poverty. But generally this has not happened. Rather, what happens is that dualism breeds inequality within countries, with two economies existing side by side, the stronger one feeding off the weaker, bringing no benefit to the vast majority of people.

As discussed above, a modern economy does not necessarily make links with the rest of the economy. Mexico, for example, has had an EPZ-type programme called *maquila* ('in-bond' assembly) since 1965. The promotion of employment in Mexico's border regions is one of the programme's chief objectives. Over a million Mexicans work in more than 3,000 *maquiladoras*. Overwhelmingly they produce parts and products for the United States. Mexican labour is inexpensive and,

because of the North American Free Trade Agreement, taxes and customs fees are almost nonexistent, which benefits TNC profits.

Maquiladoras are owned by US, Japanese and European companies and some could be considered 'sweatshops', in which young women work for as little as 50 cents an hour for up to ten hours a day, six days a week.[27] Few linkages with the rest of the country's economy have been created; less than 2 per cent of the materials used in the plants came from Mexican sources. 'The *maquila* industry … is not integrated into the rest of the regional economy or the national economy.'[28]

As a result of this lack of integration, a robust domestic supply sector has not developed in Mexico. The *maquila* programme has not helped sustainable development. Although the country possesses the capacity to produce an array of intermediate products competitively, this capacity is not being realized. The enclave is hindering Mexico's ability to develop a balanced economy.

Competition from China has 'weakened the allure of *maquiladoras* in recent years' and some reports suggest that more than 500 plants have closed since the beginning of the decade, 'causing a loss of several hundred thousand jobs'.[29]

Child labour

While TNCs generally claim not to use child labour, cases are still coming to light where the practice goes on. According to the ILO's latest estimates (2006), over 200 million children are involved in child labour, doing work that is damaging to their mental, physical and emotional development. Children work because their survival and that of their families depend on it. Child labour persists even where it has been declared illegal, and is frequently surrounded by a wall of silence, indifference and apathy.

Nearly three-quarters of working children are engaged in the worst forms of child labour, including trafficking, armed conflict, slavery, sexual exploitation and hazardous work. There is progress. Child labour fell by 11 per cent globally between 2002 and 2006, says the ILO, and the number of children in hazardous work decreased by 26 per cent.[30]

Over 70 per cent of all child labourers work in agriculture. From tending cattle or harvesting crops to handling machinery or holding flags to guide planes spraying pesticides, over 132 million girls and boys, aged 5 to 14, help produce food and drink, fibres and primary

agricultural materials. On farms and plantations of all types and sizes, a large number of these children carry out hazardous child labour, which is work that can threaten their lives, limbs, health and general well-being. In terms of loss of life, accidents and work-related ill health, agriculture is one of the three most dangerous industries in which to work. About a million children, many of them girls, also work in mines, and some in factories making high-value toys, footwear and garments for TNCs (see also Chapters 3 and 9).

Transfer pricing

By having subsidiary companies, TNCs are able to make use of transfer pricing, which operates to the detriment of developing countries. Transfer pricing is the price charged by one associate of a corporation for goods, services or know-how to another associate of the same corporation in another country.

'Transfer pricing is a strategy frequently used by TNCs to book huge profits through illegal means.'[31] Under transfer pricing, the parent TNC sells materials to a subsidiary in another country at an artificially high price. Such materials are then used in a manufacturing process or service industry. Having to pay these high prices reduces the profits of the subsidiary company; it thus pays less tax in the country where it operates, which is therefore cheated out of tax revenues. For a developing country especially, this may represent a large loss of revenue that it can ill afford.

> Not only do TNCs reap higher profits by manipulating transfer pricing: there is also a substantial loss of tax revenue to countries, particularly developing ones, that rely more on corporate income tax to finance their development programs. . . . Fictitious transfer pricing creates a substantial loss of foreign exchange.[32]

The difference between the declared profit of a TNC subsidiary and its real profit can be considerable. In Colombia, for example, the overcharging of drugs by foreign-owned drug companies meant that TNC subsidiaries reported a 6 per cent profit to the Colombian government, whereas the real profit was over ten times higher. While the extent of transfer pricing is unknown – TNCs are unlikely to give details in their balance sheets and observers have difficulty obtaining evidence – the practice appears to be widespread.

In addition to tax avoidance, a further reason why TNCs use transfer pricing is that profits are often difficult to take out of a developing country, which naturally hopes they will be reinvested there. However, with the liberalization of trade there has been some relaxation of previous restrictions on financial flows, which could lessen the incidence of transfer pricing. The growing international mobility of capital allows the corporations to play one country off against another, in search of the cheapest production costs.

Governments of developing countries have been slow to stop the abuse of transfer pricing. Brazil and India are among countries that are now clamping down on the practice. International coordination is called for. 'The abuse of transfer pricing mechanisms could be drastically curbed if there is an enhanced international coordination among national tax authorities.'[33]

Services

An important growth sector for TNCs in developing countries is services such as tourism, finance and banking, and water supply. Developing countries are obliged to allow the giant TNC banks free access to their banking markets. This can be highly damaging to developing countries' own banks, struggling to find their feet. In any country the banking sector can be a powerful instrument for controlling or influencing production and even the pace and character of economic development. Banks decide who has credit, how much and at what price. Micro-credit schemes for the poor – which have been a success in many developing countries – could suffer if TNC banks come to monopolize a developing country's banking sector and insist on borrowers offering collateral to guarantee repayment. Citizens of developing countries may feel they have no way of redressing what they believe are injustices in the bank's lending policy. In this way, foreign-owned banking services are likely to be less democratic, less accountable and less useful.

The liberalization of international trade in banking services has substantial dangers for developing countries, warns an UNCTAD report. A commitment to liberalize cross-border transactions in banking services would entail dismantling significant parts of national regimes of exchange control.[34] In many developing countries these regimes are essential to micro-economic management. Liberalization could also reduce the effectiveness of monetary policy in developing countries,

which often rely heavily on direct methods of controlling credit and interest rates.

'A new political class has appeared on the world stage', say Hans-Peter Martin and Harald Schumann:

> It can no longer be shaken off by any government, any corporation, still less any ordinary taxpayer. Currency and security dealers acting on a world scale direct an ever-growing flow of footloose investment capital and can therefore decide on the weal and woe of entire nations, and do so largely free of state control.[35]

The dealers are difficult to name; while some work for large companies, others are relatively small-scale, but all are transnational in character. In 1997 the banking sector in Asia – notably in South Korea, Thailand and Indonesia – went through a severe crisis of confidence caused by large currency movements, as international speculators lost confidence in these Asian economies and moved their funds elsewhere. For the poor, the results of these currency movements were tragic. Millions of livelihoods have been devastated. An ILO report said that millions would lose their jobs in the worst-affected Asian countries as a result of retrenchments, especially in the construction, financial services and manufacturing sectors. Underemployment and a steep fall in the real earnings of those who hang onto their jobs were predicted as a result of the decline in labour demand and the inflation induced by large currency devaluations. Most dramatically, the report predicted that the impressive trends in poverty reduction achieved in these countries over the past 20 years would be reversed.[36]

The crisis led to increases in the prices of basic commodities, including some staple foods, which hit hardest the people with very limited incomes. Higher prices for farm inputs, and also sharply higher interest rates, forced some farmers into bankruptcy, with small farmers being especially vulnerable. When small farmers go under, it is farmers with larger landholdings and capital who gain by buying up more land, making the pattern of land ownership more concentrated.

A key lesson developing countries can learn from the US sub-prime home-mortgage sector problems in 2007 'is to be very cautious about allowing our financial institutions and system to be so liberalized and deregulated that they too are caught up in the web of international investment and speculation', says Martin Khor of Third World Network.[37]

Excessive dependence on imported services can be detrimental to development efforts. When key service sector activities are not being run by local people, skills are not being developed. Furthermore, a heavy reliance on imported services means that value is added abroad rather than domestically. Services are more likely to make a contribution to development in poorer countries if they develop locally rather than being imported, via TNCs. Neither do service sector activities generally create many jobs. In many of these activities, the affiliates of TNCs are capital-intensive even compared to the corporate manufacturing sector.

Conclusion

Transnational corporations play an increasingly dominant role in developing countries. As governments have retreated in recent years, so the role of TNCs has become larger, with their economic and industrial power deepening and expanding. Northern governments have exploited the weak bargaining position of Southern countries to open up new opportunities for their TNCs.

Yet the corporations are powerful, secretive and largely unaccountable. By virtue of their size and power, TNCs appear to count a great deal more with government than do the views of the public, who do not have such access to policy makers. Acting with little or no government control, no effective responsibility to developing countries and peoples, and leaving few, if any, long-term benefits, TNCs can be highly detrimental to a poorer country's political, economic and social health. But the worst aspect is that resource-poor peoples and communities suffer the most.

CHAPTER 1

Why Poor Countries 'Want' the Corporations

> *Globalization is not a serious concept. We have invented it to disseminate our politics of economic entry into other countries. (John Kenneth Galbraith)*

If there is little or no net gain for most developing countries from the presence of TNCs, the question is why do their governments continue to attract them? The basic reason is poverty. Governments of developing countries are in a dilemma. Apprehensive about TNCs they may be, but they recognize nonetheless that a wounded person needs help. TNCs offer help to countries that have economic wounds such as severe unemployment, chronic shortage of foreign exchange and sizeable foreign debts. The corporations appear to be the engineers of wealth, with the money and skills to earn additional foreign exchange and create jobs. They seem to be an almost magical answer. The deeper problems they can bring may not be considered alongside more pressing economic needs.

The 'magic' is an illusion, but developing country governments will be persuaded by Western governments and international financial institutions that they have no option but to open their markets, embrace globalization and attract the corporations.[1] It is made difficult for them not to 'want' to attract TNCs. Control of TNCs in developing countries is deliberately made lax, or even nonexistent. And governments may even turn a blind eye to the exploitation of their citizens by the TNCs they have courted. The corporations are powerful, have considerable knowledge and experience of producing goods and services, and are often in a position to mislead ministers and officials who make policy. Governments may even end up defending the very corporations that are exploiting their country.

In practice, the corporations are strong enough to write their own rules for their presence. According to Vandana Shiva, 'governments have been dismembered by TNCs'.[2] It is the corporations that run the show, with governments under their thumb. The Western government/corporate 'spin' has been skilful. The prescription of globalization, liberalization and privatization is 'presented with an air of inevitable and overwhelming conviction. Not since the heyday of free trade in the 19th century has economic theory elicited such widespread certainty.'[3] When such 'widespread certainty' abounds, and when such 'spin' sounds so convincing, developing countries want to be part of it.

Globalization

Economic globalization – the world as a single market, without barriers, as opposed to a world divided up into separate markets – has become one of the controversial issues of our time.

'Globalization is not a policy choice, it is a fact', US President Bill Clinton told the World Trade Organization ministerial meeting in May 1998, again putting a 'spin' on the concept which suggests that countries have no choice, all must have it. Liberalization and privatization took off in the 1980s with the advent of World Bank/IMF structural adjustment programmes, and have been further advanced by the World Trade Organization and the TNCs.

Free market economists believe that liberalization reforms, which are being adopted by more and more developing countries, are the key to improvements in a country's economic prospects. TNCs support liberalization measures such as cutting import and export barriers to trade, and reducing the role of the state, as these measures give them a more powerful role in a country's economy. But while TNCs both benefit from and promote liberalization and globalization, they also press for their interests to be protected. They have craftily engineered a form of globalization that is fuelled not just by liberalization but by protectionism when this is in the corporate interest.

Globalization has profound implications for developing countries, but it is the product of human decisions, not inevitable forces. Globalization locks developing countries into the global economy and makes it more difficult for them to pursue a genuinely independent economic course. It can affect the poor in fundamental ways such as raising the prices of basic foodstuffs and threatening to wipe out small-

scale family farms in favour of TNCs. But it may look to developing country governments as if there is no alternative. They may feel they have no option but to go along with it if they want aid or help with foreign debt relief, which is often made conditional on reforms that embrace the 'free' market.

The escalation of globalization in the 1990s and the 2000s has had a huge impact on the poor. Millions of people are now worse off than in 1980. Globalization has helped the traders, the TNCs, but not the economies of developing countries. Globalization is widening the gap between the rich (including TNCs) and the poor, leading to a more divided world. This has been admitted by the World Bank.[4] An UNCTAD *Trade and Development Report* has pointed to mounting evidence 'that rising inequalities are becoming more permanent features of the world economy'.[5] Far from helping to integrate people, globalization and TNC activity are widening the divisions between them.

Over a decade later it has to be asked why, when the evidence was clear in the 1990s, institutions such as the World Bank – which has a mandate to combat poverty – are doing so little to combat a practice that is harming the poor.

It is clear that the poorest developing countries are not developing. According to the United Nations Development Programme's *Human Development Report 2003*, 'more than 50 nations grew poorer in the last decade'.[6] 'A new face of "apartheid" seems to be spreading across the globe', says a UNICEF paper, 'as millions of people live in wretched conditions side-by-side with those who enjoy unprecedented prosperity.'[7]

Developing countries were growing at about 3 per cent between 1960 and 1980, but they grew at only about 1.5 per cent during 1980 and 2000 – this means that they are falling behind the developed countries, whose growth also slowed down from 3.2 per cent but only to about 2.2 per cent. During the last 20 years, African economies have been shrinking (at a rate of about 0.8 per cent per year, reversing an earlier growth rate of 1.6 per cent), while Latin America has been basically stagnant (growing at 0.3 per cent as opposed to 2.8 per cent earlier).[8]

Awareness of the negative aspects of globalization is growing, particularly among people in poorer countries who have little or nothing to trade and who are victims not beneficiaries of the process. Concern over globalization has surfaced at World Trade Organization ministerial

meetings. For example, 'many of the developing country statements echoed the apprehension expressed by people's organizations concerning the impact of liberalization and globalization'.[9] Citizens and governments of developing countries are beginning to see economic globalization for what it is – a trap as brutal as it is subtle.

Privatization

The third element of the trio, alongside liberalization and globalization, is the privatization of state assets. This is again part of the structural adjustment process. Over the last 25 years, many developing countries have sold off most of their state-owned companies to large private companies such as TNCs.

While privatization may improve the efficiency of an enterprise that was formerly run by the state, it means that state assets are sold off, sometimes cheaply, to private, often foreign interests. Privatization effectively transfers some of the capital resources of a developing country to a TNC. For the corporations, privatization has therefore been good business, especially as they can often acquire state companies at knockdown prices. Under the Bahamas government privatization programme, for example, a local hotel that was sold to a hotel chain for US$8 million was considered by opposition politicians to be worth US$20 million.

Privatization has come in for strong criticism from people affected by it. In Sri Lanka, for example, disquiet among the labour force about the proposed privatization of public utilities led to strikes that severely affected industrial output. The process can be very damaging for services of considerable importance to the poor – especially healthcare, education and agricultural research. Services the state used to provide free of charge are in private hands – at a cost. In healthcare, many state budgets and services have been cut drastically. People on very low incomes, who are more prone to ill health, are particularly affected. In a number of countries, increased malnutrition and other diseases have appeared in the wake of healthcare privatization. In the 1990s in Zimbabwe, for example, diseases such as cholera and TB, which had virtually been eradicated in that country, began to reappear.

Education has also been affected; here too people have had to pay for services that previously were free. One example of the effects of this can be seen in the North Western Province of Zambia. Under a project

funded by the UN's International Fund for Agricultural Development, the province increased food output between 1985 and 1995 to become self-sufficient in maize. But the higher food output did not lower malnutrition rates. A project official said that 'when people grow more food, they might sell it and use some of the money to send their children to school. They do not necessarily eat more.'[10]

Privatization diminishes the capacity of the public sector to do agricultural research. Drought-tolerant varieties of staple crops such as beans, for example, rarely interest TNCs, which prefer to develop high-value crops. But the poor cannot afford such crops. If everything is left to the private sector, the market will fail to deliver the food that is needed by hungry people. While governments have shown that in most cases they cannot run large-scale economic enterprises, many have jumped from one unsuitable vehicle ('running it themselves') into another ('let foreigners run it'). This, however, could be even worse. TNCs can effectively turn developing countries into satellites of Western countries, seriously undermining national sovereignty and democracy. Widespread privatization is a virtual abdication of government. TNCs are left to get on with their activities, with little control by the people's elected representatives who make up governments.

A way of furthering privatization in Africa has been put forward by the London-based Institute of Economic Affairs. 'There is a radical free-market solution to Africa's problems,' it says. The 'solution' is a revival of the charter company idea. These were companies such as the Imperial British East Africa Company that operated in colonial days. The way to do it today, it believes, would be:

> to auction leases to govern African countries, giving the successful applicant the right to levy taxes in return for the provision of specifically stated services … because the sums involved would be large, bidders would be likely to be multinational companies or a consortium of companies … the various bids would have to be voted on by the population.[11]

Such a proposal may seem bizarre, but the idea of the wholesale privatization of African countries would only be to develop what is now going on. Colonialism by companies, rather than countries, is already happening. TNCs would hardly be interested in the idea of taking over countries, however, because they now have power without ownership. Taking over a country would give them responsibilities.

External debt

External debt has been a major issue affecting developing countries since the beginning of the 1980s, when international interest rates soared, owing to the tighter monetary policies of major Western countries.

Developing countries, having borrowed money in the 1970s at around a 10 per cent rate of interest – often for unwise, large-scale projects – found themselves in the 1980s having to repay at around 20 per cent. At the same time, commodity prices fell sharply and Western countries were continuing to protect their markets heavily against manufactured goods from developing countries. With aid stagnating, developing countries were having to find more foreign exchange, while receiving less. Balance of payments problems resulted and the door was open for the World Bank and the IMF to come forward with structural adjustment programmes.

Developing countries were offered help, provided they liberalized and privatized their economies, slashed social services, cut subsidies, generally reduced bureaucracy, and made their economies more welcoming to foreign investment. While some reforms were needed, it was the poor who paid the price. And it was TNCs who gained as they came in on the coat-tails of the adjustment programmes.

Foreign debt has emerged as one of the biggest single factors keeping people in poverty. Over 50 countries, mostly African, are carrying severe debt burdens and having to switch money away from essential services, such as healthcare and education, in order to make debt repayments.

The total external debt of developing countries rose from 'US$9 billion in 1955 to US$572 billion in 1980 and to over US$2,000 billion in 1996'.[12] The money is owed to Western governments, governmental aid agencies, the IMF, the World Bank and other banks. By 2005, the poorest 149 countries had debts of US$2,700 billion.[13] During 2005, developing countries paid the rich world US$513 billion to service (interest and repayment of capital when due) these debts – nearly US$1.5 billion a day. The poorest 53 countries paid nearly US$43 billion to the rich world – US$118 million a day.[14]

In 2005, development assistance from Western to developing countries totalled US$106.8 billion, according to the Organization for Economic Cooperation and Development.[15] Against this the developing countries paid Western countries US$513 billion, almost five times as much. It raises the question: who is aiding whom?

When developing countries have to repay so much money, their options are restricted. Their need to earn more money for the repayments is a major reason why poor countries 'want' TNCs. The human cost of this debt burden is enormous, and so also would be the benefits of relief. The *Human Development Report 1997* estimated that if severely indebted countries were relieved of their annual debt repayments they could use funds for investments 'that in Africa alone would save the lives of about 21 million children by 2000 (seven million lives a year) and provide 90 million girls and women with access to basic education'.[16]

With debt relief, developing countries have more of their own funds to invest, and less need of TNC investment. In 1996 the IMF and the World Bank launched a Heavily-Indebted Poor Countries Debt Initiative. But this is a very limited scheme and debt relief has since proceeded at a snail's pace. Some donors appear to be including in their aid spending the money they have cancelled for debts.

There is enormous pressure on developing countries to jump on board the globalization bandwagon, Their right to determine their own development policy was affirmed by G8 leaders when they met in Scotland in July 2005. In practice, however, developing countries are put under enormous pressure to 'conform'.

The aid connection

Developing countries want aid to promote economic and social development and reduce poverty. But if they accept aid, they accept TNCs, for the corporations are major beneficiaries of aid spending. Donor governments 'tie' most of their bilateral aid to the purchase of goods from companies in the donor country. A developing country may receive aid for a dam project, for example, on condition that companies of the donor country receive the contract to build it (see Chapter 10). Power stations, agriculture and the tourism sector have all attracted aid, which in turn has helped the corporations.

Over half the aid from Japan, one of the world's largest donors, goes through its financial aid agency, the Overseas Economic Cooperation Fund, to the electric power and gas, and transportation sectors – in practice, to large-scale projects. The Japanese government makes no secret of the fact that the aid helps its own companies to win contracts abroad.

The United Nations Development Programme (UNDP), a technical aid agency, has encouraged developing countries to open up their

borders to mining and tourism TNCs, among others. In the Philippines the UNDP helped to finance government efforts to attract foreign mining investors, even though this could deprive many of the country's poorest people of their lands and livelihoods. Following public protests, the government imposed conditions on the corporations (see also Chapter 8).

The World Bank, the world's largest multilateral aid agency, part-funded from donor government aid budgets, is using aid money to promote the interests of the TNCs. Many of the big dam projects that have boosted TNC profits but displaced millions of people are funded in part by foreign aid from the Bank and other donors. The World Bank has also funded large-scale agricultural, mining and tourism projects. It has helped TNCs by providing loans to help finance the setting up of privatization agencies in a number of African countries. Through its structural adjustment policies, the Bank is at the forefront of efforts to persuade countries to deregulate and liberalize their economies – removing controls, including those on TNCs.

The World Bank pressed for deregulation and liberalization of the drugs industry in Bangladesh, so undermining one of the most important and successful national drugs initiatives ever undertaken by a developing country (see Chapter 4). It has promoted 'non-traditional' agricultural exports as part of trade liberalization and structural adjustment policies in Latin America. The winners from such deregulation are TNCs, the losers are the poor.

The World Bank's 'direct financial links to the transnational corporate sector … have received far too little attention', warns David Korten. Although the Bank lends to governments, its projects 'normally involve large procurement contracts with transnational construction firms, large consulting firms and procurement contractors', he points out.[17]

'Private sector investment is the most important source of growth in developing economies', claims the World Bank.[18] The Bank holds seminars, publishes material and holds exhibitions to do all it can to smooth the path for TNC investment in poor countries. According to Bernard Pasquier, of the Bank's Private Sector Development (PSD) group, 'we are creating a front gate so that we can help companies better. The idea is . . . to, shall we say, put a little oil in the machine to help it go more smoothly. Our objective is to help multinational and home-grown companies in the developing countries to build up a thriving private sector.'[19]

The World Bank's Multilateral Investment Guarantee Agency (MIGA) states that its mission is 'to promote foreign direct investment into developing countries'.[20] In practice the agency offers major benefits to the private sector; in many cases it provides guarantees against political risks, such as nationalization, losses on currency transfers, wars and civil disturbances. The MIGA has guaranteed, for example, a new gold mine on Lihir Island, Papua New Guinea, to be part-operated by a TNC. Bankers found it virtually impossible to raise money for schemes like this in PNG. The World Bank stepped in, providing the funds that the market failed to provide – the very market it piously counsels developing countries to adopt.

Aid agencies are supposed to help the world's poor. They are funded with aid money which is intended to combat poverty. Yet all too often the agencies' policies are helping not the poor but the rich – the world's big business corporations.

Conclusion

To the concepts of globalization, liberalization and privatization, should be added a fourth that these three together make possible or even inevitable: corporatization. And it is corporatization which poses the biggest threat to the poor. Developing countries do not necessarily 'want' the corporations. In an economic world order where Western countries control the purse strings, and where the purses of many developing countries are empty, the West and the international agencies they control have effectively cornered poor countries into submission – ever so diplomatically, of course. Using its economic power, the West has used poverty in the developing world to force through its own ideological, free-market agenda. There is nothing inevitable about globalization. It is a policy choice that has opened wide the gate for the TNCs to the detriment of the poor. It is a policy of the most dubious morality, a serious misuse of power.

CHAPTER 2

The Agri-Corporations: from Production to Trade

Big agri-corporations create a curious capitalist mirror-image of former Soviet state farms. (Christopher Jones, UK farmer)

For people who want to buy corn, there really isn't much choice but to come to us. (Bob Kohlmeyer, former manager, Cargill)

For poor farmers, GM technology is not an option. (Miguel Altieri)

Agriculture, the process of growing food, is more than an industry. Rather it is the activity, the primary activity, that gives people the most basic need of life. It is the activity where most of the world's poor make their living. Farming, caring for small plots of land, makes the difference between life and death.

Food is likewise more than a commodity that is sold and bought; it is even more than the nutrients that people consume. Food is, or should be, a unique, bonding experience to be shared at every level: personal, family, community, national and international.

Yet over 800 million people are estimated to be chronically short of food. Almost half of humanity are hungry, living on the equivalent of less than two dollars a day. The food system is failing them. The international community has failed to develop a system that would match their need for food with the food that the world can grow. The hungry need to have bread, rice, maize, sorghum or cassava on their tables. Instead, they have transnational corporations.

TNCs have become increasingly dominant in the food and agricultural system. They are active in every part of the food chain, from seeds to consumers. In interlocking arrangements, they research, test and sell new seeds, take our patents on new crop varieties, and sell farmers fertilizers and pesticides to go with the seeds. They sell services,

which might include advice on hybrid crop varieties and management practices. They process a vast variety of foods, and dominate trade in key agricultural inputs. And they seek to extend their control of the food chain through genetic engineering.

'A wave of mergers and business alliances has concentrated market power in very few hands,' says an ActionAid report, *Power Hungry*.[1] The power and influence of the few have also increased because of the trade liberalization policies being pushed by the WTO, the IMF and the World Bank with the support of Western governments.

Yet the dominance of TNCs in agriculture serves only to aggravate poverty. Such is TNC power that agriculture and food policy is coming under the control of the corporations. They have too much power over food prices and farmers' lives. Agribusiness TNCs have gobbled up smaller companies (see 'Seeds', below), and expanded to link up with companies in related sectors.

Many of the agri-corporations are wealthier than the countries in which they do business. Nestlé, for example, recorded profits greater than Ghana's GDP in 2002. Unilever profits were a third larger than the national income of Mozambique; Wal-Mart profits are bigger than the economies of both countries combined.

With governments of developing countries spending little on agricultural development, the TNCs are taking on an ever larger role – plant breeding, for example, has become a major corporate activity. Claiming to have the technology that will increase crop yields, destroy pests and disease, and feed the world, the TNCs downplay traditional, organic agriculture, and local production systems, and claim they have a key role to play in the agricultural sectors of developing countries.

Smallholder farmers supply TNC retailers such as Tesco and Carrefour with increasing volumes of fruit, vegetables, meat and dairy products. But their exacting food safety and environmental standards can drive small farmers out of business.

Seeds

In the mid-1980s, 7,000 companies produced seeds. In the wake of seed and fertilizer developments in the 1960s – the so called 'green revolution' – the chemical TNCs began to buy up small family seed companies. In 1998, there were around 1,500 seed companies in the world, with 24 of them accounting for about half the commercial seed market. Ten

years later, ten businesses now dominate half the market. Seeds have become huge business for agribusiness TNCs, with the seeds industry an arm of the biotech industry.[2]

The seeds created by the TNCs thrive with the help of the chemicals they also produce. TNC distribution channels for seeds are identical to those of crop chemicals, opening up the possibility of linking chemical and seed development and marketing. But, for farmers, buying a company's seeds can lock them into buying its fertilizers and pesticides. The integration of technologies into one marketing package allows the company to sell more seed and chemicals. A double market is therefore created – for both these products. TNCs have taken out patents on seeds which oblige farmers to pay for their use – even though their patented products will have been developed from farmers' seeds (see below).

There is a serious danger that the growth of TNC power and control could jeopardize the independence of farmers, force them from their land and threaten food supplies. The seed technologies promoted by the TNCs have led to the loss of thousands of traditional plant varieties. This loss of diversity makes it harder for breeders and farmers to have the range of genetic material they need to develop improved crops that yield more food and resist pests and disease. Around three-quarters of the genetic diversity found in plants has been lost over the last century, according to the UN Food and Agriculture Organization, a loss of major concern.[3]

Patents

From the dawn of agriculture some 10,000 years ago, farmers have produced and saved their seeds for sowing in the next season. This necessity has contributed to the development of genetic diversity and resulted in varieties that are well adapted to specific conditions. But the traditional practices of farmers are under threat, as companies take out patents on seeds that farmers have used for generations. The world of the poor farmer has become linked with TNCs.

Farmers have something that the corporations believe they can turn into a profit. Seeds that have been developed and improved by farmers over centuries are now being used by the corporations to make further product lines and profits.

Patents are the lifeblood of the agrochemical industry, the means through which agribusiness companies can exercise control. TNCs are

especially powerful in countries where laws give them patents or other rights over new varieties they develop. The effects of this activity on millions of resource-poor farmers are profound. Whereas there is no question of farmers taking out patents on their improvements to seeds, the TNCs seek to patent new seed varieties that they claim to have 'invented', but which farmers have helped to develop.

'The idea that farmers do not innovate or generate knowledge unless they can derive private profits is wrong,' points out the Indian environmentalist Vandana Shiva. Patenting, believes Shiva, will mean farmers become dependent on TNCs for their seeds, and that the companies will decide what is grown by farmers. There is a danger, she warns, of 'a very slippery slope ending in multinational totalitarianism in agriculture' and leaving farmers with considerably less choice.[4]

Patents threaten the livelihoods of millions of resource-poor farmers:

> The creation of strong global rules granting and protecting intellectual property rights (IPRs) over plant varieties and new seed technologies (such as GM seeds) has enabled TNCs to raise the prices they charge for these products. Smallholders who produce for commercial markets are being caught in a 'cost–price squeeze': companies are able to charge higher prices for agricultural inputs, and at the same time pay lower prices for farmers' goods.[5]

The agri-corporations have taken out over a thousand patents on rice, maize, wheat, soybean and sorghum, foods of vital importance to the poor. 'The number of patents on the five crops that account for 70 per cent of the world's food supply is rising steadily by the month. And six corporations now hold the lion's share.'[6] Patents give power to the patent holder, they can make smallholders dependent on TNCs for seeds, jeopardizing their independence and ensuring they have to pay the corporations high prices for patented varieties.

TNCs argue that they can only afford to invest large sums of money in researching and breeding new crops if they have protection to safeguard that investment. But patents for a corporation can mean the exclusion of the poor. Patents were designed for industrial processes – patents on plants are open to a number of objections. They are an attempt to patent a life form, a gene. Genes are not inventions. Patents can be seen as a corporate attempt to patent a life form.

The USA was the first country to grant patents on plant varieties. Before 1997, other countries 'judged patent systems to be an unsuitable

form of intellectual property rights for living things'.[7] Some patents create confusion. RiceTec, a Texas-based company, has taken out a patent, for example, on an aromatic rice grown in the USA which they label 'Basmati'. But about 250,000 farmers in India and Pakistan have traditionally grown basmati rice. Taking out a patent on it is like Australians taking out a patent on champagne. RiceTec is also marketing what it labels as 'Jasmine' rice. But jasmine rice comes from Thailand, where it is grown by over five million resource-poor farmers. US consumers could be confused into thinking they are products from developing countries. In reality they are buying patented domestic products.

In 1998 the European Parliament approved the Life Patents Directive which states that plant and animal varieties 'shall not be patentable', but the directive added that 'inventions which concern plants or animals may be patented if the invention is not technically confined to a particular plant or animal variety'.[8] The legislation allows for an invention to be patentable provided the application of that invention is not confined to a single plant or animal variety. So a plant with a particular gene changed can be patented but, if a new plant variety is bred, it cannot be patented. A Barcelona-based NGO, Genetic Resources Action International, says that the legislation means companies can patent plants and animals as long as they do not call their end product a variety.[9] It could give industry patent control of the whole supply chain, from the basic genetic material, through the processes which make use of the genes and gene sequences, to the products which result. Important staple foods are therefore in danger of becoming the private property of a TNC. The legislation remained in force in 2008.

While it would be unthinkable for a car manufacturer to be granted a patent on the automobile, such patents are in danger of happening on crops. A patent on an entire crop, such as soya for example, would mean that if a farmer did not pay royalties on the crop, it would be illegal for her or him to plant it. It would also mean that an activity such as baking biscuits from soya seed would be illegal.

Broad patents on plants are therefore a threat to diversity, to farmers and to food output. Patents invariably establish private, exclusive, monopolistic control over plant genetic resources, resulting in farmer dislocation which, in turn, is a threat to food security. Such 'rights' can deprive farmers of their rights – the right to develop and exchange their own seed, and, ultimately, the right of survival, as mentioned above.

Furthermore, the TNCs are often ceasing the sale of traditional varieties because no patent-like control can be obtained over varieties that predate patent laws. This could result in many traditional varieties falling out of use and becoming extinct.

Self-reliance in agriculture is becoming harder. Saving agriculture's genetic diversity does not guarantee self-reliance or development, but losing this diversity reduces options and fosters dependency.

Genetic modification

Genetic modification (GM), also known as genetic engineering, appears to offer large increases in crop yields – as high as 500 per cent for crops like coconut and cassava are claimed. For agrochemical corporations, genetically modified seeds offer the opportunity to extend their control over the food chain.

GM seeds are highly controversial in many ways. With GM crop technology an alien gene is inserted into a plant to give it traits such as vitamin enrichment and drought tolerance. The gene may come from a different kind of plant, from an animal, a virus or a bacterium. In crop-breeding terms the introduction of such genes is unnatural and the effects are unknown.

The application of GM technology could also be a death knell for millions of small farmers and do nothing to feed the hungry. For while the technology may eventually lead to higher yields – although this has yet to be proved – the problems run deep. 'We are tampering with the foundations of life. If you make a mistake with GM technology, you could ruin your genetic base', warns Ethiopian scientist Tewolde Egziabhe. 'If we ever find that GM technology would bring major benefits in years to come, then let's look at it. It is vital to get the technology right . . . even if it takes two or three generations.'[10]

The specific problem for small farmers is that the seeds of GM crops could spread onto their land, contaminating their own crops and making them unviable. This would ruin millions of livelihoods and seriously reduce food output and security. These seeds would 'push many subsistence and small-scale growers of diverse types of food off their land'.[11]

Coexistence of the two is not possible; safe distances between GM crops and non-GM crops are increasingly an illusion. Winds, likely to become fiercer with climate change, are capable of blowing GM seed

over vast distances. Wheat farmers in North Dakota (USA), for example, who live almost 50 miles from the nearest GM canola (rapeseed), say that canola is a pest in their wheat fields. As the GM genes that contaminate are patented, that means that farmers growing non-GM crops find they have a unwanted crop on their land on which they may have to pay royalties. This happened to Percy Schmeiser, a Saskatchewan (Canada) farmer, whose canola fields were contaminated with Monsanto's GM canola which had drifted onto his fields.

Monsanto took Schmeiser to court, suing him for £182,000 for using their GM canola without a licence. Monsanto's position was that it did not matter whether Schmeiser knew or not that his canola fields contained the GM canola, the point was it was there. Schmeiser lost, but took the case to the Supreme Court of Canada who agreed with Schmeiser, ruling that he did not have to pay Monsanto. This case served as a 'wake-up call about the dangers to farmers and biodiversity everywhere from the growing dominance and market aggression of companies engaged in the genetic engineering of crops. . . . Numerous farmers continue to contact Schmeiser with tales of threats and intimidation from Monsanto.'[12]

In 2008 the roles were reversed. Schmeiser took Monsanto to court, suing the company for £300 in his local small claims court. At stake, he said, 'is millions of pounds of compensation for those who have seen their land contaminated with GM material, and the rights of organic farmers and others to produce GM-free crops'. Monsanto called the case 'specific and local'.[13] The case was heard in March 2008, with Schmeiser gaining the compensation he sought.[14] In December 2007, Percy Schmeiser and his wife Louise were presented with a Right Livelihood Award for their courage in defending biodiversity and farmers' rights.

The widespread adoption of GM crops would mean the spread of monoculture and cause further loss of plant genetic diversity. This could affect the work of those who protect plant genetic diversity – like, for example, the centres that make up the Consultative Group on International Agricultural Research.

According to Hans Herren, director-general of the International Centre of Insect Physiology and Ecology in Nairobi:

> The narrow genetic base of genetically modified crops is against them. The adoption of GM crops would cause the further loss of diverse plant

> species which scientists need to breed new crop varieties . . . too narrow an approach to food security issues is dangerous. Africa needs a broad range of ecologically-suited crop varieties. The concept of genetically modified crops is not based on the welfare of farmers. GM crops will not feed the hungry, they will make them poorer.[15]

A further threat to farmers comes from herbicides. Many GM crops are made to resist herbicides. But herbicide applications could kill everything else, apart from the GM crop, including beneficial insects, such as ladybirds, and also important medicines and herbs. Should GM seeds spread, more herbicide would have to be applied and weeds in nearby fields would develop resistance to the poison. Such 'superweeds' would require higher doses of herbicide. Applications will not necessarily go down with GM crops. Trials of GM cotton in India showed there was little difference in the amount of pesticide that had to be sprayed on GM and conventional cotton.

The biggest problem for smallholder farmers is that GM technology is firmly under corporate control. The leading ten companies – including Monsanto of the USA and Novatis and Syngenta of Switzerland – have around half the GM seed market, and consolidation is increasing. For developing countries, such control could be highly damaging. The agrochemical corporations could demand that farmers buy their GM seeds each year. Unless the corporations are willing to let go of the patents they hold on the seeds, control of GM technology cannot pass to the farmer. But they show no signs of doing that. Only if they have control over the technology could small farmers develop GM in a way that would reduce the poverty that keeps them hungry.

Africans have made clear their doubts about GM technology. At a meeting of the FAO's Commission on Genetic Resources, 24 delegates of African governments issued a strongly worded statement saying that GM technologies 'will destroy the diversity, local knowledge and sustainable agricultural systems that our farmers have developed for millennia, and thus undermine our capacity to feed ourselves'.[16]

Because of corporate control over the food chain, GM technology is more likely to worsen rather than improve the chances of hungry people getting hold of enough food. It threatens to destroy livelihoods and is a diversion from the task of developing systems that would halve the incidence of world hunger by 2015. The solution lies not with GM

crops, but with a different approach that enables farmers to have manageable solutions to their agronomic problems.

Terminator

An additional genetic modification issue opened up when a US firm, Delta & Pine Land, the world's largest cotton seed company, and the US Department of Agriculture (USDA) received a patent on a technique that means seeds can only be planted once. The technology genetically disables a seed's capacity to germinate if it is planted again – it terminates a plant's reproductive processes so that harvested seed will be sterile if farmers attempt to replant. This could bring about the most profound revolution ever to hit agriculture because it threatens the farmers' practice of saving seed from one season to use in the next. Farmers would lose from this terminator technology, or suicide seed as it has come to be known; the seed TNCs would gain from increased sales.

Terminator also has wider implications. 'Crop geneticists who have studied the patent are telling us that it's likely that pollen from crops carrying the terminator trait will infect the fields of farmers who either reject or can't afford the technology,' says Camila Montecinos of a Chile-based organization, Centro de Educacion y Tecnologia (CET), which works with farming communities.[17]

Monsanto soon applied for patents on terminator seeds in over 70 countries. But following a worldwide outcry against the technology, the United Nations Convention on Biological Diversity recommended, in 2000, a moratorium on the field-testing and commercial sale of terminator seeds. The moratorium was reaffirmed in 2006. India and Brazil have passed national laws to prohibit the technology.

Researchers are, however, 'continuing to develop and win patents on Terminator because seed sterility is simply too lucrative for industry to abandon', in the view of Lucy Sharratt of the Canadian Biotechnology Action Network.[18] The threat to farmers posed by terminator seeds is therefore still present.

Biopiracy

'Biopiracy' is the acquisition of biodiversity, such as plant and animals, and their parts, or of traditional knowledge related to that biodiversity,

'without the prior informed consent of those whose biodiversity or traditional knowledge has been taken'.[19]

TNCs are actively making profits from biopiracy while local communities receive little or nothing. Biopiracy can take the form of companies (sometimes via academic research departments, whom they sponsor) taking plant species from developing countries without permission or compensation. The University of Wisconsin received two US patents for a protein derived from the berry of a plant that growers in Gabon called *Pentadiplandra brazzeana*. The berries were collected by a University of Wisconsin researcher, working in Gabon. The researcher found that a sweet protein could be derived from the berries. The University of Wisconsin call the protein 'brazzein', and estimate that it is 2,000 times sweeter than sugar; it now has exclusive rights to brazzein which it intends to license to corporations who are players in the $100 billion-a-year-plus worldwide market for sweeteners. Thus Gabon's contribution to the development of the new sweetener goes uncompensated.

Under its former name Rural Advancement Foundation International (RAFI), the Canada-based Action Group on Erosion, Technology and Concentration (ETC) compiled a list in the late 1990s of instances where genetic resources and/or local knowledge in the South have made, or are making, a contribution to agriculture, food processing, or pharmaceutical development in the North. The list contained more than 100 examples of developing country contributions to food and medicines in Western countries. They included Bayer's synthetic aspirin, the world's most widely used drug, which is derived from a traditional Arab medicinal plant.

Wheat material from the Mexico-based International Maize and Wheat Improvement Centre is estimated to contribute US$3.1 billion annually to the total farmgate value of the US wheat crop – around 34 per cent. Pau D'Arc, a medicinal plant from Latin America used to combat malaria and cancers, has a market value in the North of US$200 million a year.[20]

A RAFI report prepared for the United Nations Development Programme found that contributions of plant genetic resources and knowledge from farmers in the South are worth US$4.5 billion a year to the North. But the South received nothing for those contributions; it was effectively cheated out of that sum, alleged RAFI. This is just in agriculture; it is the value added to agricultural prices in the North.[21]

'What is being pirated is not one invention of one individual or corporation, but the collective creativity and inventiveness of millions of people over millennia, a creativity . . . that is necessary for meeting the needs of our people in the future', says Vandana Shiva.[22]

The problem of biopiracy goes on. A report in 2006 found 'a litany of cases of suspicious biodiversity acquisition. It's not about suspicious acquisition. It's about cases of biopiracy, or, to use the more old-fashioned term, "theft". It's a free-for-all out there.'[23]

Most countries in Africa have been affected. In the Kalahari desert in southern Africa, for example, a plant called *Hoodia* was developed and patented by the South African Council for Scientific and Industrial Research as an appetite suppressant. This capitalized on the traditional knowledge of the San people. Exclusive rights were sold to a British company. Only after worldwide outcry did a percentage of the royalties – 'a miniscule percentage – come to the San'.[24]

Tighter national legislation is needed to prevent the unauthorized collection of germplasm, especially by TNCs. Many countries have already imposed such bans, including Ethiopia, Iran, Iraq and China.

Agrofuels (biofuels)

In late 2007 it appeared that the growing of crops for use as fuel – food for cars – was set for a dramatic increase. 'Biodiesel and ethanol may make up 7 per cent of world demand for liquid fuels in 2030, with consumption rising fourfold to 36 million metric tonnes a year from today's level of about 8 million tonnes', reported the FAO in November 2007.[25]

For the world's poor this could be disastrous, and by April 2008 a huge rethink was under way. Rising world food prices were at least partly caused by tighter food supplies due to land under agrofuels (see below). But the crops still pose a threat. TNCs envisage that crops for fuel – which can include maize and wheat as well as sugar and palm oil – could be grown on land which at present grows food for people. Crops for fuel could also be planted in forest areas and contribute to a degraded environment, including a worsening of global warming. Biofuel programmes could result 'in a concentration of ownership that could drive the world's poorest farmers off their land and into deeper poverty', says a UN report.[26]

In what amounts to an agrofuel gold rush, TNCs have moved into the activity in a big way. The wave of investment in agrofuels (also

called biofuels) is restructuring agribusiness itself. New, powerful players are converging on the sector. Cosmetics corporations are selling biodiesel. Earning millions from higher oil prices, the giant oil companies are buying up plantations. Wall Street speculators are swinging deals with feudal sugar barons. All of this money circulating around the globe is reorganizing and intensifying transnational structures, linking the most brutal land-owning class of the South with the most powerful corporations of the North.[27]

Agriculture commodity companies like Cargill and Archer Daniels Midland are investing heavily, along with companies that specialize in the sugar trade, palm oil, and, to a lesser extent, forestry. Oil companies such as British Petroleum, Mitsui, Petrobrás of Brazil and PetroChina are making substantial investments. Sir Richard Branson, owner of the Virgin Group and now Virgin Fuels, 'has a growing portfolio of agrofuel investments'.[28]

Risks to investors are being cushioned by governments and international lending agencies such as the World Bank and the regional development banks. The money they provide through direct subsidies, tax breaks, publicly built transportation routes, carbon-trading schemes and soft loans are making agrofuels economically viable. Governments of OECD countries are providing incentives and subsidies estimated at US$15 billion a year.[29]

It is of particular concern that TNCs are pouring money into Africa for agrofuel crop production, 'fuelling a land rush reminiscent of Europe's initial colonial expansion'.

Petrobrás, for example, has made deals for ethanol imports with a range of African countries, from Senegal to Nigeria, Mozambique to Angola. The government of Tanzania has negotiated with 11 foreign companies for investment in agrofuels crop production in the country.

There are a number of NGO-led, small-scale biofuel projects in Africa, some of which go back a long way, that produce oil for both local use and soap making. The current agrofuels boom has little to do with such small-scale agriculture.

Agrofuels will power the cars of the wealthy at the expense of the lives of the poor. It makes no sense for rural families to replace their sustainable and food-secure agricultural systems and forests with foreign-owned industrial plantations. 'The privatization of the land that is the source of Africa's wealth will undermine any chance that African countries have of determining their own future.'[30]

Criticism of the growth in agrofuels has come from the United Nations Special Rapporteur on the right to food, Jean Ziegler. In his interim report to the UN General Assembly in October 2007, Ziegler recommended a five-year moratorium on biofuel production. He stressed that rushing to turn food crops into fuel for cars, without first examining the impact on global hunger, would be a recipe for disaster. He identified among the potential impacts: increasing food prices, increasing competition over land and forests, forced evictions, impacts on employment and conditions of work, and increasing prices and scarcity of water.[31]

There are signs that people affected by agrofuels are fighting back. In South Africa, civil society has rejected the government's proposal to use tribal and communally owned land in the Eastern Cape for agrofuels. In Uganda, civil unrest forced the government to withdraw a permit it had granted to a company to exploit the Mabira forest to plant sugar cane for agrofuels.[32] Resistance can be expected to grow.

The UK-based Royal Society reported on the turn to biofuels in early 2008, warning that it risked failing to deliver significant reductions in greenhouse gas emissions from transport, and could be environmentally damaging in other ways.[33]

In April and May 2008, rising world food prices put biofuels and the extension of land use for this purpose under the public spotlight as a contributory factor. The need for a substantial reassessment became clear. But TNCs are likely to continue to pursue biofuels in order to protect their investments. Without public acceptance, however, biofuels have a limited future. They need to be limited to waste land that is unsuitable for food crops.

Agrofuels are a TNC activity too far, one that shows them 'red in tooth and claw' in the rush to further their profits whatever the serious consequences for the poor. Environmental damage is already being caused, not least through the escalation of palm oil production (see Chapter 3).

Pesticides

Since 1997 the agrochemicals sector has witnessed numerous corporate mergers, leading to even greater dominance of the biggest companies. Global pesticides sales in 2006 were US$30.4 billion, with the big six TNCs (Syngenta, Bayer, Monsanto, BASF, Dow, DuPont) accounting for 85 per cent of sales.[34]

Pesticides are poisons which are difficult to use safely in developing countries. Labels on cans may not be understood, soap and water may not be available to wash the chemical off the skin after an accidental spillage, and protective clothing may be too expensive to buy or too warm to wear. Pesticides also cause damage to the environment by running off into rivers and reservoirs, contaminating drinking water and fish stocks. They are applied mainly by poor people, often causing health problems and even death.

Insecticides to ward off pests, fungicides to tackle diseases, and herbicides to combat weeds make up a profitable trio of products for the industry. As subsidies to farmers in Western nations are lowered, so sales of pesticides in the West are less buoyant. Pesticide manufacturers have increasingly looked to developing countries as an outlet for their products.

Huge advertising campaigns by the chemical corporations have turned developing countries into a booming growth market for pesticides and also a dumping ground. While many pesticides are exported by Western-based TNCs, others are produced in developing countries by TNC subsidiaries. In developing countries, most pesticides are applied to crops that are grown for export.

The most dangerous pesticides, including DDT, aldrin and paraquat, are either banned or severely restricted in Western countries. But some are still exported to developing countries by the agri-corporations. 'A scandal of global proportions' is one description of such exports.[35] While Shell ceased production of the widely banned pesticide dieldrin, there are large obsolete stocks in Africa (see below).

In developing countries, lack of information about restricted pesticides, together with the absence of regulation, can combine with illiteracy and repressive working conditions to turn them into deadly substances that poison people, land and water courses.

Bananas

To combat threats from insects, fungal disease and weeds, the banana companies apply a great deal of pesticide. Five companies – Dole, Del Monte, Chiquita, Fyffes and Noboa – grow most of the world's bananas on large plantations.

'Most plantation owners will spend more money on agrochemicals than on their workforce.'[36] The chemicals used on the plantations include at least four that are classified by the World Health Organization

as extremely hazardous. Chemicals are aerially sprayed and applied by hand. A high proportion of pesticides sprayed on crops from planes does not land on the crop. It falls on the soil and into waterways – affecting workers on the plantations, and in their homes inside and near to plantations. According to law in some countries, workers should not be in the fields when spraying takes place, but this law is violated. In other countries, there is not even any regulation.

Water pollution also occurs. 'The intensive production of bananas places huge demands on the water-courses and poses threats to those downstream using the polluted water for drinking, meal preparation and washing.'[37]

The impacts of pesticides on health is a major cause for concern. These include: depression, respiratory problems, damage to the eyes, cancers, sterility and skin infections. Women can either miscarry or give birth to children with birth defects. Workers are rarely offered adequate protective gear, equipment or training. Those employed in both the plantations and the packing houses undertake backbreaking and repetitive work in hot and humid conditions. There are unlikely to be medical staff on the plantation and doctors are often employed by the companies and therefore unwilling to identify exposure to chemicals or industrial injuries.[38]

Tens of thousands of banana workers in Latin America have sought redress in the courts. Dole, Del Monte and Chiquita, and the chemical companies Dow, Shell and Occidental, have faced lawsuits over the harmful effects of the highly toxic chemical Nemagon (DBCP) which include birth defects, damage to the liver and kidneys, and alleged sterility in male workers. In November 2007 Nicaraguan farmworkers won $3.2 million in compensatory damages from Dole. The workers alleged they had been rendered sterile by the pesticide DBCP which was used on Dole plantations.[39]

More lawsuits were pending in which thousands of workers from Costa Rica, Honduras, Guatemala and Panama allege that they were injured by the use of DBCP on plantations.

Rice

Pesticide use is increasingly questioned. The chemical TNCs have persuaded farmers the world over to buy them, but their effects have led to serious misgivings. In Asia, where the chemical industry has made deep inroads into the rice sector, large quantities of chemicals have destroyed the natural enemies of pests, eaten into farm profits and

lowered returns to farmers. Asian rice growers are beginning to question whether they really need these products.

There is considerable evidence, plus growing awareness among Asian rice growers, that yields can be maintained and even increased by using less pesticide. Like most other crops, rice attracts insects that cause damage. To control the pests, farmers have been persuaded to reach for the chemical can. 'For over 40 years, farmers in Asia have relied on chemical pesticides as though they're medicines', says Dr Kong Luen Heong of the International Rice Research Institute (IRRI).[40] According to Dr Paul Teng of IRRI, farmers are exposed to propaganda from companies about pesticides, and think of insecticide as insect-killing medicine. It takes an effort to wean them away from that thinking. The companies are usually better organized and have more money than government services to get their message across.[41]

Handing out free T-shirts and company caps, the chemical companies have sought to encourage a brand loyalty among farmers who did not question the need for pesticide. Heavy radio advertising and large roadside billboards have played on emotions, chiefly fear of loss, to reinforce the message the companies want farmers to believe. 'A lot of the company advertising is very scary', according to Heong. But a dramatic change has started to occur. Despite the heavy advertising, farmers are showing a willingness to get off the pesticide treadmill, not least because it can give them higher earnings.

A nine-country FAO Inter-Country programme for integrated pest management (IPM) in Asia encouraged rice farmers in 8,000 villages to cut insecticide use drastically. In total, a 75 per cent reduction was achieved in these villages and yields have increased by an average of 10 per cent.[42]

The rise in awareness about natural ways of pest control is providing small-scale farmers with higher returns at the expense of TNC sales. Rumbled by farmers, chemical companies are also facing action by a number of Asian governments that is likely to reduce their sales.

Non-traditional crops

A recent threat to health is coming from the large amounts of pesticides that are being applied to non-traditional export crops, such as fruit, vegetables and flowers. Persistent exposure to highly toxic chemicals is now causing serious health problems in a number of Latin American countries, especially for women engaged in flower production, who

suffer high miscarriage rates, recurrent headaches and dizzy spells. Economic problems arise, too. Producers can lose the entire value of a crop, and also face stiff penalties, if pesticide residues in foodstuffs violate an importing country's standards.

Workers who suffer heath problems from the effects of applying pesticides can be expected to follow the example of banana workers and seek redress in the courts. Agri-TNCs may be large and powerful but, again, the poor are showing a willingness to fight back.

Trade

Two-thirds of world trade is between transnational corporations. TNCs dominate world markets in internationally traded agricultural commodities, with a small number of companies accounting for a large percentage of the trade. Two TNCs, DuPont and Monsanto, together dominate the world seed markets for maize (65 per cent), and soya (44 per cent). Six TNCs – BASF, Bayer, Dow, DuPont, Monsanto and Syngenta – control 75–80 per cent of the global pesticides market (down from 12 corporations in 1994). Monsanto controlled 91 per cent of the global genetically modified seed market in 2001, having taken over 60 per cent of the Brazilian non-GM maize seed market in the space of two years (1997–9).

Five companies control 90 per cent of the international grain trade; six companies account for 75 per cent of the global pesticide market. Cargill and two other companies dominate Côte d'Ivoire's cocoa processing industry, where 95 per cent of processing capacity is controlled by TNCs. Five companies – Chiquita, Del Monte, Dole, Fyffes and Noboa – control over 80 per cent of the global banana market, with Chiquita and Dole Foods accounting for almost 50 per cent. Three companies control 85 per cent of the world's tea market, with Unilever the biggest tea supplier. Nestlé has established a virtual monopoly of the UHT milk market in Pakistan, and controls around 80 per cent of Peru's milk production. The 30 largest food retailing corporations account for around one-third of all world grocery sales. Of all food sales in Thailand, 36 per cent are now channelled through TNC retailers: Tesco had 48 outlets and sales of around US$1.2 billion there in 2003.[43]

Trade in agricultural products and foodstuffs grew from US$65 billion in 1972 to US$468 billion in 1997, and to US$634 billion in 2004.[44]

These increases – part of the globalization process – have transformed little-known firms into major TNCs with significant political clout. But this has serious implications for the poor. Because of the need to earn more hard currency to repay foreign debt, developing countries have been encouraged by the World Bank and other donors to pay their farmers more to grow and to trade agricultural commodities, such as coffee, cocoa and tea. But this has resulted in 'over-supply' of many commodities, causing historically low prices, often below the costs of production, leading to hardship and worsening poverty for growers.

The power of the TNCs means that resource-poor farmers are likely to receive few benefits from international trade. Western government leaders talk about huge gains that will come from trade liberalization. Britain's Prime Minister said in November 1995, for example, that 'developing countries could gain $47 billion in increased agricultural exports'.[45] But in terms of trade working for the poor, figures like this are an illusion. Few developing counties have stocks of food they are waiting to sell to the West if only the West would let them. Their own people need food; there are few genuine surpluses.

The chief beneficiaries from this $47 billion would not be the poor. 'When huge gains are attributable to trade reforms, we need to look at the fine print: almost all those gains accrue to the richest countries and the middle income countries, not the poorest countries and especially not the poorest countries in Africa.'[46] And the gains would go largely to traders, not countries or farmers. 'For low-income agricultural producers, the benefits of liberalization … are likely to be very limited.'[47]

TNCs usually press for liberalization – freer trade – to be the chief trade reform: only when it suits them, however. The 1994 GATT Uruguay Round agreement ushered in an era which is favourable to their business. One of the agreements that came from the round, and the birth of the World Trade Organization in 1995, was the Trade-Related Intellectual Property Rights agreement. While the WTO is an organization that promotes free trade, TRIPs is a protectionist agreement. TNC pressure was responsible. The TRIPs agreement was the brainchild of an industry coalition made up of 13 major US corporations including Bristol Myers Squibb, Dupont, Monsanto and General Motors. They wanted the agreement because it protects their patents. While arguing for free trade, TNCs want their own interests to be protected.[48]

World production and trade in grains exceed those for any other crop. Cargill, a private US company based in Minneapolis, is the world's largest international grain trader, accounting for over half the trade. Cargill is followed by Mitsui/Cook of Japan, Louis Dreyfus of France (controlled by the French family of that name), the Swiss firm André/Garnac (also named after its family owners), and Brazil's Bunge and Born (another family firm). A small number of families and a Japanese conglomerate therefore account for most of the international grain trade. These companies are estimated to hold about 60 per cent of all the world's grain stocks.

Cargill describes itself as 'an international provider of food, agricultural and risk management products and services with 158,000 employees in 66 countries'. Cargill originates, processes and distributes grain, oilseeds and other commodities to makers of food and animal nutrition products. It also provides crop and livestock producers with farm services and products.[49] 'Cargill aims to be the global leader in nourishing people,' said Paul Conway, Senior Vice-President of Cargill, in July 2007.[50]

As a private company, Cargill is not obliged to tell the public about its operations. A Cargill subsidiary once claimed that both the firm and its employees would be open to criminal prosecution if it supplied information to the US government about some of its activities. 'It takes no great effort to imagine the response to an underdeveloped country which had the temerity to raise such awkward questions.'[51] According to Kevin Watkins, author of a study on the GATT, Cargill 'assumed responsibility for preparing the United States negotiating papers' for agriculture in the Uruguay Round.[52] This is denied by the company, which says only that it made its views known to the US administration and European governments.

Cargill's activities directly affect the poor in developing countries. 'Cargill's corporate goal is to double every five to seven years, but the achievement of this goal requires the occupation of more and more territory, and the expulsion of whole societies from their settlements and their commons.'[53]

Land

TNCs require land that is at present in the hands of food crop smallholders. With the food industry being globalized, the transfer of land

from food crops to export crops is growing fast; an extra million hectares a year is going under plantation crops. Plantations are almost always geared to the export market. Such rapid conversion of land from smallholder agriculture to estates producing for export threatens the existence of resource-poor farming communities and indigenous peoples. It is bad for rural economies and peoples, and is likely to increase the migration of people to urban areas. TNCs involved in agricultural trade are nonetheless likely to continue the globalization process.

The issue of whether good land should be used for growing crops for export, rather than food for local people, has long been debated. While food is the most basic need, it is lack of money and purchasing power which is responsible for a great deal of hunger. While sale of export crops brings in money, their prices, as mentioned above, are often too low to give the producer a decent return. As millions of smallholders who grow crops for export are benefiting little from the export trade, the food/export crop balance needs shifting in favour of more emphasis on food for local consumption.

Faced with falling prices because of overproduction, the leading coffee-producing countries agreed in October 1994 to withdraw supplies from the export market. World coffee prices rose, at least partly as a result. They reached their highest level for 20 years in May 1997, after producers had again made clear their intention to withhold supplies to keep up the price.[54]

The widespread nationalization of foreign companies by developing countries in the 1970s included many of the large-scale plantations growing export crops. In the late 1980s a number of developing country governments invited foreign investors back, often on a joint-venture basis. In some countries, the traditional plantations of colonial times have been replaced by out-grower schemes, in which large numbers of farmers grow and sometimes process a crop on contract. The farming out of tobacco growing by TNCs is a classic example of this, but such arrangements have numerous pitfalls (see Chapter 3).

Conclusion

Millions of people die every year because they do not get enough food. They are the poor, without the money to buy, or the resources to grow enough food. This is arguably the biggest scandal of the early twenty-

first century. Food and agricultural systems are needed that enable the poor to have the food they need. The dominant role of TNCs is not helpful. The needs of all must come before the profits of a few.

CHAPTER 3

Agri-Commodities Take Their Toll

Many millions of people in developing countries are involved in producing foodstuffs and agricultural commodities. So too are transnational corporations who have considerable involvement in their production, marketing and trade. Tobacco, baby foods, bananas, flowers, cola drinks, cotton and palm oil are prominent among them.

Tobacco

Tobacco is one of the world's largest traded agricultural commodities. Its use is also a major public health disaster. Smoking is the leading preventable cause of death, killing nearly five million people a year, with disease and death shifting to the South. With smoking in the North on the decline, the industry has increasingly targeted the South, seeing it as the market that will help maintain profits.

In the North, fewer than three out of ten adults now smoke, compared with around six out of ten 40 years ago, and smoking is no longer socially acceptable in most homes, public places and workplaces. Smoking-related disease kills around two million people a year in the North, where most people now recognize that smoking is a killer. Although awareness of the dangers is growing worldwide, smoking in the South is on the increase. At current levels of tobacco consumption, smoking is expected to kill about 10 million people a year by 2020, two-thirds of the deaths occurring in developing countries. In the 1960s only about 20 per cent of men in the South smoked – and virtually no women. Now, after some subtle persuasion from the tobacco companies, 50 per cent of men and 9 per cent of women smoke.[1]

Tobacco production and trade are largely concentrated in TNC hands. Four corporations, Altria Group (Philip Morris), BAT (British American Tobacco), Reynolds American and Japan Tobacco account

for around 70 per cent of global tobacco production (excepting China, which is a state monopoly). Tobacco TNCs are on the defensive as chronically ill smokers begin to sue them for the damage they allege has been caused to their health. Some doctors believe that within 30 years, smoking in industrialized countries could very largely be a habit of the past.

For governments there appears to be money in tobacco. If the crop is large enough, it can be taxed and exported. For a few countries, tobacco is a major foreign exchange earner. Jobs are created. But there is a price. Tobacco is worsening the health of many millions of people. For health services in developing countries the need to treat smoking-related disease puts an additional strain on often already over-stretched budgets. Smoking undermines a nation's health service. When a country has to spend money treating smokers, it has less for treating other diseases.

Smokers in China earn the exchequer more than US$5 billion a year in taxes. But China spent (in 2002) US$3.5 billion on healthcare costs attributable to tobacco. If these costs were reduced by 20 per cent, China could afford to hire more than half a million additional primary school teachers.[2]

While smoking worsens people's health, governments seem reluctant to tackle the powerful tobacco industry. Hospitals in developing countries are now taking the strain of illnesses caused by smoking. In Zimbabwe, for example, lung cancer resulting from heavy smoking has become one of the commonest complaints at the Mpilo Hospital in Bulawayo. In Sudan, coronary heart disease has become one of the most common causes of death.[3]

Land under tobacco means less land growing food According to the FAO, Malawi has 4.3 per cent of its land under tobacco, and Zimbabwe 2 per cent. While these percentages are small on the national scale, they can rise dramatically in specific areas where peasant farmers have been persuaded to put a sizeable part of their land under tobacco.

Dr Judith MacKay, Director of the Asian Consultancy on Tobacco Control in Hong Kong, claims that tobacco's use of land deprives 10 to 20 million people of food. 'Where food has to be imported because rich farmland is being diverted to tobacco production, the government will have to bear the cost of food imports,' she points out.[4]

Heavy advertising of tobacco by the TNCs can persuade the poor to smoke more, and to use money they might have spent on food or

healthcare to buy cigarettes instead. According to Dr Fami-Pearse of the University of Lagos, people in Bangladesh on low incomes, who had been persuaded to smoke five cigarettes a day, had to cut food purchases by 15 per cent, which reduced their daily calorific intake by 300 from an already low 2,000.[5]

The industry concentrates heavy advertising on children and young people to recruit new smokers. The advertising pays off. Every day, at least another 4,000 young people start smoking. An article in the December 1991 issue of the *Journal of the American Medical Association* points out that very young children see, understand and remember advertising. It says that some cartoon-style advertisements were far more successful in marketing cigarettes to children than to adults. Another pernicious form of advertising is that of depicting cigarettes or their logos on toys. The industry has also promoted itself through sponsorship of sporting events that are popular with children; it has an ongoing and pressing need to recruit people as smokers to replace the ones who are dying, and the earlier in their life the industry recruits them, the sooner they can contribute to company profits.

In tobacco-growing developing countries the TNCs often contract out production to small farmers, giving advice, selling them the necessary seeds, fertilizers and other inputs, and then buying the dried tobacco leaf from them. But returns to growers are usually low.

In Uganda, around four-fifths of Uganda's tobacco is grown in the West Nile region, in the north-west of the country. Around 10,000 small-scale farmers grow the crop under contract for BAT, which has a monopoly on tobacco in the country. The company supplies farmers with a package deal (usually on credit) that includes inputs such as fertilizers, seeds, pesticides and technical advice, and buys the cured tobacco from them, at a price the company determines.[6]

In the Philippines, the National Tobacco Authority set a floor price for tobacco leaf of 20 pesos a kilo (about 50p), says Simon Chapman. But Philip Morris and R. J. Reynolds pay farmers only 7 pesos a kilo (about 17p).[7] According to Chris Palabay, spokesman for Solidarity of Tobacco Planters Against Exploitation, interest rates for tobacco growers in the Philippines for a four-to-five-year loan 'range from 75 to 100 per cent'.[8]

Debt could explain why many farmers continue to grow tobacco: they owe money to companies. Malawi is often cited by tobacco TNCs as a country where the crop plays a major economic role, but

ordinary Malawian farmers – mainly women – 'do not benefit from the tobacco economy', as a former employee of the Commonwealth Development Corporation in Malawi points out: 'Thousands of Malawian farmers have been moved off their land to make way for large tobacco estates.'[9]

Environment

Most tobacco in developing countries is grown in semi-arid areas. Trees are usually sparse in these areas and the industry is heavy in its use of trees. About half the South's output of tobacco leaves is cured with wood. This curing causes a serious loss of trees, putting an additional strain on forests. The resultant axing of trees can remove the land's natural protection and turn food-growing land into a barren waste. In Uganda, for example, 'the most striking effect of tobacco-growing is the near depletion of both natural and planted forests'.[10]

In Uganda's West Nile region, the area most affected by deforestation is Maracha, which is in danger of becoming a desert. Wells and streams in the area are drying up, forcing people to walk further in their search for fuel. Women, already working long hours, have shouldered most of this extra burden. As trees have been axed, so soil has less cover and is more likely to be washed away in heavy rains.[11] Farmers complain of falling soil fertility and reduced crop yields. BAT claims that trees are being replanted in Uganda and that it is improving the efficiency of barn furnaces to reduce wood consumption.

An *Economist* Intelligence Unit report points out:

> one of the major consequences of tobacco production in the Third World results from the considerable energy requirements of the flue-curing and fire-curing processes . . . as such, tobacco is a contributory factor in some countries to the problems of deforestation now being encountered. The clearing of forest land opens the way to erosion of the soil and other environmental repercussions which ultimately reduce the productivity of adjacent agricultural land.[12]

Tobacco therefore causes trees to be axed, affecting food production in some of the world's hungriest countries. In Kenya, BAT says that farmers can only become tobacco farmers if they agree to plant 1,000 eucalyptus trees a year on their land. But enforcement of this policy is another matter. A former senior employee of BAT Kenya has alleged:

> the company is shouting about massive tree planting but this, I'm afraid, is nothing less than an outrageous attempt to veil the whole problem. There can be no argument that trees in the tobacco-producing areas are being felled willy-nilly and that in the not too distant [future], there won't be any left at all. The trouble is that BAT, as well as the farmer, can get away with it and they do.[13]

The average smallholder in Kenya has less than four hectares of land. If she or he plants tobacco, that might take up half a hectare and the trees a further hectare. Land for food and other purposes is squeezed. Even fast-growing trees can take five years to grow and many farmers are not interested in planting trees today that will be ready to cut in about five years' time. They have rather more pressing problems, such as growing enough food to make sure that their families survive today. Furthermore, many farmers prefer to use trees like eucalyptus for building purposes and they continue to cut native forest for tobacco curing. Also, the newly planted trees do not always survive. BAT Kenya claims, however, that its contracted farmers do have enough wood and that 40 million trees, planted by these farmers, are surviving.[14]

Tobacco deforestation is serious in parts of Brazil, where a BAT subsidiary Souza Cruz SA controls almost four-fifths of the total tobacco market.[15] Most tobacco is grown on small family-run farms – there are about 130,000 tobacco farmers in all. The country's tobacco farmers need the wood of 60 million trees a year.

> Tobacco is a powerful economic temptation to our peasants. People have traditionally produced fruit, vegetables and milk, on a subsistence basis, on five, ten, sometimes 18 hectares. The government doesn't give them economic support. The tobacco companies attack these small farmers, offering them an alternative cash crop. They say it's possible for them to have cash in their pockets, a TV set, running water and sanitation in your house, etcetera, etcetera . . . That's the power of the companies to attract peasants, but it affects our community life, our economy. When farmers opt to grow tobacco they turn all their land over to it. The result is monoculture. Farmers become dependent on tobacco. We are seeing soil erosion, contamination of water and soils, and deforestation. The poorest regions we see today, in terms of loss of trees, are the regions where tobacco grows, because the curing process is so demanding of wood.[16]

This highlights a further environmental factor – tobacco production depletes soil nutrients 'at a much faster rate than many other crops, thus rapidly decreasing the life of the soil'.[17] In some countries – Malawi, Sri Lanka, Zambia and Zimbabwe, for example – tobacco often grows on hilly land and this speeds up soil erosion. Soil loss from tobacco growing is often extremely serious. Loss of soil inevitably affects its ability to grow crops, including food. When the soil has been depleted and the trees have gone from a tobacco-growing area, the company moves on to a new location.

Tobacco needs heavy applications of pesticides. An instructional leaflet given to tobacco farmers in Kenya lists BAT's recommended seedbed programme for the crop (preparing seeds for planting). From making the seedbed to transplanting the seed in the field takes about three months. During that time, 16 applications of pesticide are recommended.

Eucalyptus, the tobacco industry's favourite tree, is highly controversial. It grows quickly, even in dry areas, by drawing on underground water. But its fast growth can be at the expense of the water table. If a lower water table results, then the ability of land to grow food can be damaged.

Framework Convention

The tobacco industry has been largely free from international regulation. But in 1996 the WHO's World Health Assembly adopted a resolution requesting the Director-General to initiate the development of a Framework Convention on Tobacco Control (FCTC). The aim was that the WHO should use its authority to develop international conventions to advance public health.

In May 1999, the World Health Assembly paved the way for negotiations to begin on a set of rules and regulations to govern the fight against tobacco. The tobacco industry did all it could to weaken the proposal, exerting considerable influence on the United States position. The WHA went ahead and adopted the Convention in May 2003. This was the first international treaty of its kind.[18]

By May 2004, within a year of the treaty being agreed by the World Health Assembly, 167 member states, nearly 90 per cent of WHO member states, had signed and over half the ratifications required for entry into force had been received. The FCTC had become one of the most rapidly embraced UN conventions. It requires countries to ban

tobacco advertising, to have health warnings on cigarette packets of between 30 per cent to 50 per cent of the packet's size, and to ensure that companies do not make misleading claims.

The FCTC reins in the power of tobacco companies and could lead to considerable benefits for health. But it needs to be implemented nationally. In a grouping called the Framework Convention Alliance some 300 NGOs from 100 countries are both pressing governments to implement the FCTC and monitoring compliance with the treaty in the countries that have ratified it.[19]

There are alternatives to tobacco. Many crops can be grown on land that is now under tobacco cultivation. They include the majority of grain crops and vegetables, such as paprika and chillies, fruits such as citrus, kiwi, avocados and mangoes, and nuts, including macadamia, pecan and cashew. The best alternative crops for small-scale growers are those which can be sun-dried, stored and sold for export at the end of the season. A mixed farming system can yield higher returns than land under tobacco.

The bottom line for governments of developing countries is that the net economic costs of tobacco are becoming more negative each year. The cost of treatment, disability and death exceeds the economic benefits to producers. As awareness rises of the dangers of smoking, so demand will slow and prices fall. Facing coordinated international action against smoking, the tobacco industry can be expected to step up its promotional activities in developing countries. The tobacco TNCs have more money at their disposal to fight against control than the health lobby has to fight for control. But unless governments take action, they will be faced with an increasingly unhealthy population and huge epidemics of smoking-related diseases.

Baby foods

Bottle-fed babies are '25 times more likely to die in childhood than infants who are exclusively breastfed for the first six months of life', according to UNICEF.[20] It reported in 1990 that more than one million infants had died as a result of bottle feeding. This toll seems likely to extend into the 2000s. Yet, in subtle and at times not-so-subtle ways, the milk company transnationals continue to persuade mothers not to breastfeed. Their promotion of breast milk substitutes to mothers affects the lives of some of the world's most vulnerable people.

Feeding a baby with breast milk is universally recognized to be superior to bottle feeding; it gives the right blend of nutrients, antibodies and white blood cells to protect against disease. Research also suggests that breastfed babies have higher intelligence. Yet breastfeeding in many industrialized and developing countries is losing out to the bottle. In China, home to around one in five of the world's population, it is dropping quite dramatically. In Muslim Bangladesh, it more than halved in the ten years between 1983 and 1993 (from 96 per cent to 46 per cent) although the Koran instructs that babies are to be weaned only when they are two years old.

One of the chief reasons for the fall is the powerful promotion and advertising by TNCs of breast milk substitutes. In pursuit of profits, the TNCs have persuaded millions of mothers to forsake breastfeeding and to use powder instead. Free supplies to hospitals have been particularly persuasive and UNICEF believes this is the most detrimental practice, inducing mothers away from breastfeeding.

The Swiss-based Nestlé is one of the world's largest food companies. Its chief products are coffee, confectionery, mineral water, milk, ice cream and pet foods. Worldwide, it has around 40 per cent of the world market in breast milk substitutes – or 'infant formulae' as the company prefers to call them.

Churches and concerned groups in the USA began a consumer boycott of Nestlé products in 1977. This soon spread to Canada, Europe and New Zealand. As the boycott grew, a worldwide NGO coalition, the International Baby Food Action Network (IBFAN) was formed in 1979. Nestlé stepped up its spending on public relations in an attempt to counter the threat to its business, sending 300,000 glossy booklets to clergy and religious bodies through a public relations company.

IBFAN began to campaign against milk company practices such as billboard advertising, giving samples to mothers, and other promotional devices to encourage new mothers not to breastfeed. IBFAN, which is coordinated by the UK-based group Baby Milk Action, helped to put the marketing of baby foods on the international health agenda. IBFAN member groups pressed governments to develop an international framework for a strong and effective marketing code. In little more than 18 months the campaign yielded results. The International Code of Marketing of Breast-milk Substitutes was adopted by the World Health Assembly in May 1981.

The Code bans companies from advertising and from giving samples. It was strengthened in 1994.

Under pressure from the Code and the boycott, Nestlé curbed some of its more blatant malpractices, such as the use of 'milk nurses' (company sales representatives dressed as nurses), baby pictures on infant formula tins and some advertising. In 1984 the boycott was lifted after Nestlé said it would keep to the WHO Code, even in the absence of national regulation, which is often lacking. But the company did not seem to honour this. While some of Nestlé's marketing practices stopped, others continued; the boycott was reimposed in 1986 and is still in force. 'The boycott has helped close down some of the tactics Nestlé used in the past . . . but we now see the growth of a strategy of medicalizing infant feeding, for example promoting formula with "brain building blocks", a tactic recently outlawed in the Philippines,' says Mike Brady of Baby Milk Action (see also Chapter 12).[21]

In a monitoring report IBFAN said in November 2007 that lack of regulation is encouraging the baby food industry to plumb new depths of aggressive marketing. The report gives 'graphic details of the insidious ways in which a dozen heavyweight companies compete with mother's milk'; it 'exposes new strategies used by the baby food industry to idealize their products and undermine breastfeeding'.[22]

The report contained results from 67 countries where companies were evaluated against World Health Assembly marketing requirements introduced since 1981. Evidence was compiled from June 2004 to October 2007. Some 3,000 alleged violations were recorded and analysed. The report claims that Nestlé continues widespread violations, and that the failure to regulate such practices has encouraged other companies, such as the NUMICO group (whose brands include Cow and Gate, Milupa and Nutricia) to use similar practices in order to compete.

The intense competition appears to be driving down standards. NUMICO is now rivalling Nestlé in the volume of alleged violations as it attempts to expand in Asia and elsewhere, says the report. As NUMICO has recently been bought over by Danone, IBFAN wants Danone to make fundamental changes in the marketing tactics of the dozen baby food companies it now owns.

The boycott of Nestlé will continue, says Baby Milk Action, until Nestlé abides by the WHO Code and subsequent World Health Assembly resolutions in policy and practice. Nestlé is the most

boycotted company in the UK; the boycott is supported by over 90 church, health and consumer groups, over 90 businesses, 80 student unions, 17 local authorities, 12 trade unions, Members of Parliament and political parties. The boycott operates in at least 18 countries. Nestlé claims that it does abide by the Code, and that it has 'repeatedly taken action in countries to promote adoption of the WHO Code by governments'.[23]

In 1998 IBFAN received the Right Livelihood Award

> for its committed and effective campaigning in support of breastfeeding … in the face of the enormous power of the multinational companies which dominate the world infant baby food market, IBFAN has continued to find means to mobilize people effectively to press their governments for action, to undertake citizen monitoring of compliance with the recommendations of the World Health Assembly, and to stimulate self-reliance and effective action at the grassroots level.[24]

Bananas

Bananas are symbolic of the power that TNCs exercise over the poor. Aspects of this unequal relationship include unacceptable working and living conditions for many of those who grow and harvest the bananas, suppression of independent trade unions, environmental devastation caused by toxic chemicals and intensive farming, and the disproportionate power of TNCs which supply bananas to the Northern markets.

The banana and plantain family is the world's fourth most important staple crop. Bananas and plantains are critical for food security in many tropical countries. The fruit is grown on small farms and plantations in some 100 countries in Africa, Asia, the Caribbean and Latin America.

For about 15 Latin American and Caribbean producer countries, bananas are an important source of export income. About 20 per cent of the 70 million tonnes of bananas produced each year enter world trade. The two biggest banana-producing countries, India and Brazil, have little involvement in the international banana trade.

Five companies – Chiquita, Del Monte, Dole, Fyffes and Noboa – control over 80 per cent of the global market for bananas. These companies 'are able to exercise their market power at several or all the stages of the banana marketing chain'.[25] Only about 12 per cent of the retail price for bananas stays in producing countries, even though very little processing takes place off the farm or plantation. For every £1 that

shoppers in the UK spend on Ecuadorian bananas, around 40 pence goes to supermarkets, while plantation workers receive just 1.5 pence.[26]

Around 80 per cent of bananas that are exported are grown on plantations, mostly by TNCs in Latin America. With fierce competition among the corporations a hallmark of the industry, this percentage is likely to rise. A 'race to the bottom' is being pursued in the banana industry as TNCs relocate from country to country in search of ever cheaper bananas, and small farmers struggle to compete. The cost is therefore being paid by hundreds of thousands of small banana farmers, workers and their communities:

> The impacts of this race to the bottom are devastating: migration, gender discrimination, cancer and even death caused by unprotected agrochemical use, environmental damage and a widespread failure to respect internationally agreed labour standards including, increasingly, the right to join an independent trade union.[27]

The race to the bottom in the industry is now being led by European supermarkets, which have become the most powerful players along the international banana supply chain. British supermarkets are engaging in 'banana price wars', matching each other's price cuts down to levels so low that it is now impossible for many plantation workers to earn a living wage. Many banana companies and supermarkets fail to accept responsibility for the social and environmental impacts of their behaviour in producer countries.

In April 2007 a banana price war broke out among UK supermarkets, with Asda/Walmart cutting the retail price by 20 per cent. Other major retailers felt obliged to follow. But the cut 'means that the chances of making the urgently needed improvements in wage levels and working conditions at the beginning of the supply chain are very considerably reduced'. In previous price wars led by Asda, the record shows how the supermarket's suppliers cut labour costs in their Costa Rican plantations. 'There is no guarantee whatsoever that the latest war will not lead sooner or later to the same situation for already overstretched and exploited workers.'[28]

When bananas are grown on plantations for the market in the industrialized world, high levels of external inputs – notably pesticides – are used to produce unblemished fruit (see Chapter 2). The crop is also grown by millions of small-scale farmers in Africa, South Asia, the Caribbean, and northern Latin America. While some of this crop is

exported – under the Fairtrade system, for example – much is for household consumption and or/local markets. Most of this production is achieved with few or no external inputs.

Soft drinks: Coca-Cola

With one of the world's most recognizable brands, Coca-Cola claims to adhere to the 'highest ethical standards' and to be 'an outstanding corporate citizen in every community we serve'.[29] Yet Coca-Cola's activities in some of the world's poorest areas are having a devastating impact on people, notably on a most basic need, the need for water.

Making Coca-Cola needs a lot of water. It takes almost three litres of water to make one litre of Coca-Cola. To have enough water, Coca-Cola is increasingly taking over control of aquifers in communities around the world. These vast subterranean chambers hold water resources collected over many hundreds of years. They represent the heritage of entire communities. In Coca-Cola's pursuit of water to make the drink, people are suffering water shortages, farmers' wells are drying up and local agriculture is being damaged.

'The company is also alleged to have violated workers' rights in countries such as Colombia, Turkey, Guatemala and Russia. Only through its multimillion-dollar marketing campaigns can Coca-Cola sustain the clean image it craves,' says a War on Want report.[30]

In India, Coca-Cola's activities, specifically its bottling units, have affected communities across the country. The company came to India in 1993, looking for markets but, first of all, for water. The problem was that India already faced a water crisis. Large quantities of water have since been drawn from the ground to make Coca-Cola, leaving people living and working around its bottling units with little water for drinking or agriculture. Sludge, contaminated with toxic metals like cadmium and lead, has resulted, polluting land and water around the plants. Coca-Cola has also distributed the sludge to farmers to fertilize their crops, leading to crop failure and contamination. Farmers have lost their livelihoods, while women now have to walk long distances in search of drinkable water.

The company's bottling plant at Plachimada in Kerala state began operation in 2000, but aroused such fierce opposition from people affected that it was forced to close in 2004. Within six months of its starting, the villagers – some of the state's poorest people – witnessed

shortages of water and a deterioration in its quality, giving rise to sickness. Coca-Cola was drawing as much as 350,000 litres of ground water a day for this unit, and local people soon began to protest.

In 2002 the local Medical Officer ruled that water in wells near the plant was unfit for human use. In late 2003, the Kerala High Court ruled that Coca-Cola's heavy extraction from the common groundwater resource was illegal, and ordered it to seek alternative sources for its production. In March 2004 the village council refused to renew the company's licence, on the grounds that it had overused and contaminated local water resources. Since the plant closed, there has been a 50 per cent drop in the sale of Coca-Cola beverages in Kerala.[31]

Towards the end of 1999, Coca-Cola established a bottling plant in the village of Kaladera in Rajasthan, well known as a desert state. Kaladera is a small, impoverished village characterized by semi-arid conditions. Farmers rely on access to groundwater for the cultivation of their crops. But since Coca-Cola's arrival, they have been confronted with a serious decline in water levels, putting crops at risk and livelihoods in jeopardy.

> Local villagers testify that Coca-Cola's arrival exacerbated an already precarious situation. Official documents from the government's water ministry show that water levels remained stable from 1995 until 2000, when the Coca-Cola plant became operational. Water levels then dropped by almost 10 metres over the following five years. Locals fear Kaladera could become a 'dark zone', the term used to describe areas that are abandoned due to depleted water resources.[32]

Other communities in India that live and work around Coca-Cola's bottling plants are experiencing severe water shortages as well as environmental damage. Local villagers near the holy city of Varanasi in Uttar Pradesh complain that the company's overexploitation of water resources has taken a heavy toll on their harvests and led to the drying up of wells. As in Rajasthan and Kerala, villagers have held protests against the local Coca-Cola plant for its appropriation of valuable water resources.

Studies, including one by the Central Ground Water Board in India, have confirmed the significant depletion of the water table. When the water is extracted by digging deeper, the water smells and tastes strange. Coca-Cola has been indiscriminately discharging its waste water into the fields around its plant and sometimes into rivers in the area. The

result has been that the groundwater has been polluted as well as the soil. Public health authorities have posted signs around wells and hand pumps advising the community that the water is unfit for human consumption.

Tests conducted by a variety of agencies, including the government of India, confirmed that Coca-Cola products have high levels of pesticides. However, Coca-Cola is introducing new products in the Indian market. One of its latest bottling facilities to open, in Ballia, is located in an area with a severe contamination of arsenic in its groundwater.[33]

A report that was commissioned by the company says that Coca-Cola bottling plants in India are contributing to water scarcity and often fail to meet the company's regulations on the treatment of waste water. The report by the Energy and Resources Institute, an independent research organization based in New Delhi, was meant to address concerns about Coca-Cola's business practices in India. Coca-Cola executives say that the company has followed environmental standards 'that are among the highest in the world'. 'We look at this report very, very positively and very seriously. The report, the whole exercise – that took almost 18 months – clearly is a commitment for me and my team to take on board the recommendations that have come out of the report,' said Atul Singh, president of Coke's India division.[34]

Two major conclusions of the report were that Coca-Cola should improve its treatment of factory waste water and should avoid situating bottling plants in areas where water resources are stressed. The company has pledged to replace more water to Indian aquifers than its bottling plants use by 2009.

Coca-Cola's activities in Africa have also aroused opposition. In the Nigerian port area of Apapa, for example, some 4,000 people, many of them poor and illiterate, believe that a local bottling plant 'has stolen their livelihoods'.[35] Coca-Cola is accused of polluting a lagoon by pumping untreated waste into the water and killing fish.

There is growing international protest against Coca-Cola for its alleged abuses of human rights, as well as its record of environmental damage. The International Campaign to Hold Coca-Cola Accountable is a key struggle that links labour rights, human rights and environmental justice.

Coca-Cola's own workers have suffered, says War on Want, and the company is being increasingly associated with anti-union activities. The

most notable case is in Colombia, where paramilitaries have killed eight Coca-Cola workers since 1990. The main Coca-Cola trade union SinalTrainal is seeking to hold Coca-Cola liable, accusing it of employing the paramilitary forces to intimidate trade unionists in order to keep its bottling plants free of union activity. SinalTrainal alleges that its members and their families have been subject to a 'gruesome cycle of violence' by Colombian paramilitary forces, in complicity with Coca-Cola's Colombian bottling subsidiary.[36]

Guatemalan workers have been struggling against Coca-Cola since the 1970s. In the years between 1976 and 1985, three general secretaries of the main union were assassinated and members of their families, friends and legal advisers were threatened, arrested, kidnapped, shot, tortured and forced into exile. The violations of workers' rights continue. And Coca-Cola workers and their family members, with ties to unions, have reportedly been subjected to death threats. Elsewhere in countries such as Peru, Russia and Chile, Coca-Cola workers have protested against the company's anti-union policies.

Coca-Cola defends its behaviour and strongly denies any role in the most serious allegations, claiming there is no substance to the claims being made. It has hired a public relations firm, Perfect Relations, to develop a new image for the company in India. The head of communications for Coca-Cola Asia has been moved to India from Hong Kong to try to deal with the growing resistance. This itself is an indication of the success that campaigners are having. Coca-Cola has also announced plans to significantly increase the company's marketing budget in India.

The activities of Coca-Cola, especially in Colombia and India, have attracted a number of campaigns – notably the Campaign to Stop Killer Coke and The International Campaign to Hold Coca-Cola Accountable. Students in about ten US universities have banned Coca-Cola drinks. Postal workers in the USA have urged the removal of vending machines from post offices. Teachers' unions in New York and California have passed resolutions calling for Coke's removal from schools.

In October 2007 Coca-Cola was one of four companies to receive an International Bad Product Award by Consumers International. The awards aim to highlight failings of corporate responsibility and the abuse of consumer trust by internationally recognized brands. Coca-Cola was given the award 'for continuing the international marketing of its

bottled water, Dasani, despite admitting it comes from the same sources as local tap water'.[37]

Fruit, vegetables and flowers

In pursuit of export earnings, a number of developing countries have turned to fruit, vegetables and flowers. TNCs have been prominent in this trend, but this again has often made life harder for local people.

A huge growth in the export of fruit, vegetables and flowers from Latin America to the United States has occurred over the last twenty years. Much of Latin America's best farmland is now growing not just traditional export crops, such as coffee, banana, sugar and cotton, but also products for export such as mango, soybeans and roses. These non-traditional export crops can fetch high prices. For those in control, the business is profitable. But the people in control are large landowners, wealthy investors and foreign companies. Larger businesses have accumulated land in agri-export crops while poorer farmers have been squeezed out of the market and pushed onto marginal land.

The trade has frequently come at the expense of food for local people and 'at a cost in workers' health, inequitable distribution of economic benefits, and environmental degradation in many of the exporting countries'.[38] In 1980, Chile exported about the same amount of beans, an important staple, as it grew for local consumption. But by the early 1990s the quantity of beans exported was almost three times higher – 55,000 tonnes a year, compared with 20,000 tonnes grown for local consumption. Large-scale fruit producers have bought out small farmers; this 'has changed the face of the country's agriculture and embittered many small farmers'.[39] Government support for farmers to help them sustain the production of food staples has fallen dramatically in many countries on the continent.

Small-scale farmers and consumers in Latin American are paying the price of this drastic shift to export agriculture. In towns and cities across the continent, beans are now frequently scarce as land which once grew beans now grows vegetables for export. Beans contribute around 30 per cent of the protein consumed by the continent's 200 million low-income families. Most bean farmers are now trying to grow vegetables for export and devoting less of their land (often already small) to beans for their own use. Millions of the poor have seen their food security decline as a result of this trade.

In an activity dominated by TNCs, a growing number of developing countries are growing and exporting flowers to Western countries. Kenya, Colombia, India and China are among the chief exporters.

Kenya is the main supplier of flowers to the European market, providing 31 per cent of Europe's blooms in 2006, an increase from 25 per cent in 2003. Irrigation systems used by Kenya's flower industry are making big demands on local water sources. Many of the flowers are grown on land around Lake Naivasha that was previously ranching land and small farms. Estimates suggest that an additional 15 cm of water is being extracted each year from Lake Naivasha by the flower growers. This almost inevitably means that less water is available for farmers producing food crops.[40] Kenya is already short of land for producing food, and there are conflicts between expanding horticultural schemes and Maasai cattle owners, who claim that the land surrounding Lake Naivasha is theirs.

The trade also has implications for the health of workers. On Valentine's Day 2002 a national campaign was launched in support of the thousands of workers on Kenya's flower farms, using the symbol of a 'blue rose' to highlight how public demand for a symbol of love can have devastating implications for workers, causing them to work long hours of forced overtime to meet the increased demand.

One of the key concerns of the Kenya Women Workers' Organization (KEWWO) is the lack of safe and hygienic working conditions. Workers say they have to re-enter greenhouses immediately after spraying, and report skin and upper respiratory tract diseases and eye infections. Women also reported verbal and sexual abuse by supervisors. One reported being transported in unventilated lorries intended for flowers and others complained of overcrowded housing. Most women workers said they were employed on a seasonal or casual basis.

The WHO recommends at least 24 hours between the time flowers are sprayed with pesticides to preserve their beauty and when employees re-enter the area. A War on Want report alleges that 'as British supermarkets press for completed orders, many workers are told to enter greenhouses to cut the flowers without protective clothing right after fumigation'. It says that women in Colombia, 'forced to breathe in toxic chemicals, have above-average rates of miscarriages and children born with birth defects. Exposure to pesticides often

results in fainting spells, chronic asthma, eye and breathing troubles, skin complaints, allergies and headaches.'[41]

In India, more flowers for export are produced each year, aided and abetted by the government, while companies from the Netherlands supply much of the planting material. Karnataka state was the first to promote floriculture. Its agricultural policy, initiated in 1995, sowed the seeds of corporate farming, which is now shifting the focus from cereals to flowers. West Bengal, Tamil Nadu, Andhra Pradesh, Maharashtra, and most recently Haryana have become addicted to the heady aroma of flower power. Many of the flowers are exported to Europe.

With a typical planting density of 60,000 flower plants per hectare in India, and the need to maintain international quality standards, the use of agrochemicals is very high. On average, two pesticide sprayings a week are necessary to control pests and diseases. Yet since India's national seed policy was relaxed in 1988, to encourage the flower industry, some 40 new pests and diseases have entered the country.

Turning fertile land from the production of staple foods to the commercial cultivation of flowers could threaten the sustainability of India's farming system. Flower cultivation is not as economic as growing food. Had the resources used for floriculture been allocated to food production, believes Vandana Shiva, India would have produced four times more food than it could buy on global markets using earnings from flower sales. 'In terms of national food security, export-oriented agriculture destroys more than it creates,' she says.[42]

The net foreign exchange earnings from one hectare under rose cultivation is sufficient to import only 1,256 tonnes of food crops. But an additional 4,274 tonnes of food crops, and almost 200,000 labour days, could be generated if the resources and capital employed in one hectare of rose cultivation were to be used instead for food crops. This shows the economic viability and social necessity of food crops over flower cultivation.[43]

Floriculture also demands water in abundant quantities; at 212 inches per hectare, it uses four times as much groundwater as food crops. A trail of negative impacts is being left on soil structure, draining fertility and contaminating the underground drinking water supply. Ultimately the land under intensive flower cultivation is rendered unproductive and barren. The floriculture dream could turn into a nightmare of food insecurity and ecological disaster.

Cotton

While child bondage has no place in the twenty-first century, it continues in the Indian cotton supply chain, according to the India Committee of the Netherlands. More than 416,000 children under the age of 18, of whom almost 225,000 are younger than 14, are involved in (often bonded) child labour in India's cottonseed fields. Most of them are girls.

The children work in Andhra Pradesh, Gujarat, Karnataka and Tamil Nadu states. More than 13 big Indian companies and two TNCs, Monsanto and Bayer, are involved in this 'modern form of child slavery', alleges the India Committee. Those most heavily involved (they outsource production to farmers) are the Indian companies Nuziveedu, Raasi, Ankur, and Monsanto, including its Indian joint venture partner Mahyco.[44]

Palm oil: Indonesia

The rush to palm oil and agrofuels threatens to release 14 billion tonnes of carbon from Indonesia's peatlands, the world's greatest peat deposits. TNCs are risking climate change disaster by developing these peatlands, according to a Greenpeace report. Indonesia's peatlands act as huge carbon stores, so replacing them with plantations releases huge volumes of greenhouse gases into the atmosphere. While they only cover 0.1 per cent of the land on Earth, 'thanks in part to the activities of the palm oil industry they contribute 4 per cent to global emissions. If expansion of the palm oil industry continues unabated, that figure can only rise.'[45] A United Nations Environment Programme report in 2007 (quoted in the Greenpeace report) acknowledged that palm oil plantations are now the leading cause of rainforest destruction in Indonesia and Malaysia.

Unilever, Cargill, Nestlé, Kraft, Procter & Gamble, and UK supermarkets are large users of Indonesian palm oil, much of which comes from the province of Riau in Sumatra. An estimated 14.6 billion tonnes of carbon – equivalent to nearly one year's entire global carbon emissions – is locked up in the Riau peatbeds, the world's deepest. More than 1.4 million hectares of virgin forest in Riau have already been converted to plantations to provide cooking oil, and a further 3 million hectares will be cleared, says the report.[46] The peat soils of Riau, some of which are eight metres deep, have the highest concentration of

carbon stored per hectare anywhere in the world. 'This huge store is at risk from drainage, clearance and fire. The area of peatland is relatively small, but destroying it would be the equivalent of releasing five years' emissions from all the world's coal and gas power stations.'[47]

The Indonesian plantations provide oil that is used in global brands like Flora margarine, Pringles, KitKat, Cadbury's Flake and Philadelphia cream cheese; there is a rising global demand for cheap vegetable oil to use in producing food, cosmetics and vehicle fuel, says Greenpeace. Demand for palm oil as a cooking oil is predicted to double within 25 years. Further expansion in Indonesia is expected to concentrate on the wet peatlands, because most of the dry forests have already been converted.

'Faced with impending climate catastrophe, the palm oil industry is grabbing available cheap land like Indonesia's carbon-rich peatlands. The big food giants are supporting the rapid growth of CO_2 emissions that may render halting dangerous climate change impractical, if not impossible,' says John Sauven, director of Greenpeace UK. Meeting European demand for palm oil alone would require nearly 60,000 square miles of plantations, says the report.[48]

Nestlé, Procter & Gamble, Unilever, Cargill and ADM are members of the Roundtable on Sustainable Palm Oil (RSPO), a group of retailers, manufacturers and suppliers. Together they represent 40 per cent of the global production and use of palm oil. The aim of the group is to create clear standards for producing sustainable palm oil.

The companies deny direct involvement in the creation of palm plantations, but accept that there is a problem sourcing sustainable oil. Nestlé, which uses 170,000 tonnes of palm oil from Malaysia and Indonesia, says it sources its supplies from responsible suppliers, and that at present there is no palm oil that is certified as sustainable: 'as soon as the principles are adopted, Nestlé will do its part in promoting their adoption'. Unilever, which uses 1.2 million tonnes of palm oil a year, says it has invested a lot of time and money in ensuring that its palm oil supplies are grown in an environmentally responsible way: 'Our work . . . . has recently been made harder by the rush into biofuels. We have lobbied hard with governments to alert them to the unintended consequences of this policy on global food supply and deforestation.' Cargill, which imports 535,000 tonnes of palm oil a year to Britain, says: 'We already make impact assessments for new developments and do not develop in areas of high conservation value.'[49]

Conclusion

Many of the TNCs involved in agri-commodities are abusing their power. They are using their dominant position to ride roughshod over the needs of the communities where they are active, and doing too little to correct the abuses. The people paying the highest price are the poorest.

CHAPTER 4

Health: the Poor Take the Corporate Pill

Drugs are not just any products, they must be surrounded by more ethical and moral principles than other products. (Fredrik Hedlund)

The legal drug scene is nothing short of scandalous. (Susan George)

The world is at increasing risk of 'disease outbreaks, epidemics . . . natural disasters and other health emergencies', according to the 2007 annual World Health Organization (WHO) report.[1] It is the poor who are most likely to suffer from disease. It is TNCs who could do much to bring essential medicines within reach of the poor.

Almost two billion people, nearly a third of humanity, lack access to essential medicines. Every minute, an average of 26 people die from infectious diseases, deaths which are avoidable. Malaria claims the lives of one million people every year, mostly children and pregnant women. Two million people die annually from TB. Half of global cancer deaths are in developing countries. The occurrence of asthma is increasing on average by 50 per cent every ten years in cities in the developing world.

HIV/AIDS is causing untold human suffering. In some countries, it is reversing decades of development progress, and it is the primary cause of death in Africa. In 2007, 33.2 million people were estimated to be living with HIV, 2.5 million people became newly infected and 2.1 million people died of AIDS. There were an estimated 1.7 million new HIV infections in sub-Saharan Africa in 2007. An estimated 22.5 million people living with HIV – 68 per cent of the global total – are in sub-Saharan Africa.[2]

Pharmaceutical TNCs could help to wipe out these diseases. These companies have huge power. The global market is controlled by a

The ten most profitable pharmaceutical corporations, 2006 (US$million)

1 Pfizer (USA)	19,337
2 Johnson & Johnson (USA)	11,053
3 GlaxoSmithKline (UK)	10,135
4 Hoffmann–La Roche (Switzerland)	7,318
5 Novartis (Switzerland)	7,202
6 AstraZeneca (UK)	6,063
7 Sanofi-Aventis (FR)	5,033
8 Merck (USA)	4,434
9 Wyeth (USA)	4,197
10 Amgen (USA)	2,950

Source: Derived from 'Top 50 pharmaceutical companies', *MedAdNews*, September 2007.

dozen or so corporate giants – Pfizer, Bristol-Myers Squibb, Bayer, Merck & Co., Pharmacia, Novartis, Johnson & Johnson, Abbott Laboratories, American Home Products, Eli Lilly, Schering-Plough, GlaxoSmithKline and Allergan. Based in New York, market leader Pfizer employs 'approximately 87,000 colleagues in more than 150 countries [who] work to discover, develop, manufacture and deliver quality, safe and effective prescription medicines to patients'.[3]

The combined worth of the world's top five drug companies 'is twice the combined GNP of all sub-Saharan Africa and their influence on the rules of world trade is many times stronger because they can bring their wealth to bear directly on the levers of Western power'.[4] The market domination of the pharma-TNCs enables them to largely dictate what is produced at what price. They have moved at a snail's pace to provide the low-cost remedies the poor urgently need. Yet improved access to medicines could save millions of lives a year.

The global market for pharmaceutical products was worth US$643 billion in 2006.[5] This is a doubling in ten years, although the industry's profits have come under pressure and it is not delivering investors the returns to which they have been accustomed. But the size and annual budgets of the major companies in relation to most developing countries put them in a position of considerable power to influence both government health policy and customers. In many developing

countries, 20–30 per cent of the health budget is spent on drugs, most of them made by pharmaceutical TNCs.

The pharmaceutical TNCs claim to help poor people have access to medicines. But they have contributed only marginally towards developing new drugs to help the world's poor. 'Only 10 percent of the total global investment in pharmaceutical research was directed towards neglected diseases affecting 90 percent of the world's population.'[6] Between 1975 and 2004, 1,556 new active ingredients for drugs were developed by the pharma-TNCs 'but only 18 were for tropical diseases', says Mira Shiva of the NGO Health Action International.[7]

Access to medicines is fundamental if people are to achieve their right to health. While governments have the primary responsibility for ensuring access to healthcare for all their citizens, the role of the pharmaceutical industry in providing basic medicines carries its own responsibilities.

An NGO report in 2002, 'Beyond Philanthropy', called for the pharmaceutical industry to contribute to addressing the health crisis in developing countries. The report proposed a set of benchmarks to assist investors in assessing the social responsibility of pharmaceutical companies. These benchmarks relate to company policies and practices in five key areas which impact on access to medicines for the 14 million children and adults who die each year from infectious diseases. The report challenged the industry to adopt policies on pricing, patents, joint public–private initiatives, research and development, and the appropriate use of medicines.[8]

Since the publication of the report, the industry has made halting progress in some of these areas, mainly by adopting limited policies to promote access to medicines for high-profile diseases such as HIV and AIDS, TB and malaria. But the challenge to ensure that millions of poor people can get the medicines they need remains huge, 'given the appearance of new diseases; the re-emergence of "old" diseases; the threat of pandemics; and the growing burden of non-communicable diseases in developing countries'.[9]

Patents, and their effects on prices, are a key factor. Pharma-TNCs protect the medicines they develop with patents. They argue that strong patent protection is necessary for their research and development efforts. Patents protect company profits, but mean that competing companies cannot produce at lower prices, and thus can hinder the development of generic drugs. The use by TNCs of the WTO's Trade-

Related Intellectual Property Rights agreement (TRIPS) prevents poor people from accessing inexpensive generic versions of essential medicines. As patents can continue for a long time, the companies have monopoly power and the poor are powerless. Without generic competition, people have no choice but to buy the brand-name products. This means higher prices.

According to WHO estimates, around 85 per cent of the world's population is being priced out of the market for medicines. High prices are therefore one of the major barriers to reliable access. The poor need access to the available life-saving medication at prices they can afford. 'The industry must put access to medicines at the heart of its decision making and practices. This is both a more sustainable long-term business strategy and would allow the industry to better play its role in achieving the universal right to health.'[10]

Prices for medicines need to be set to a formula which reflects ability to pay. This the industry has so far failed to do:

> The industry's responses to flagging financial performance – hiking up prices, aggressively defending patents and prolonging existing ones through 'ever-greening' rather than investing in research and development of new medicines – have undermined needs for lower prices, flexible approaches to patenting, and R & D investment into diseases relevant to the developing world.[11]

A growing number of developing country governments are making serious commitments towards achieving viable health services and equity of access. Without a solution to the problem of access to medicines, they cannot meet their goals and obligations to their populations. In the developing world, where the majority of people live in poverty and are highly sensitive to price rises, companies could respond by implementing differential pricing policies correlated to income levels, or with flexible patent policies to ensure the desirable low price is achieved.

HIV/AIDS and TNCs

Antiretroviral (ARV) drug treatment, the main type of treatment for HIV or AIDS, is not a cure but it can stop people from becoming ill for many years. The treatment consists of drugs that have to be taken every day for the rest of someone's life.

In the late 1990s, the price of ARVs charged by the pharma-TNCs was US$8,000 or more per person per year. Burroughs-Wellcome, now part of GlaxoSmithKline, charged US$8,000 a year for AZT, for example, the first effective ARV. Protests from AIDS organizations led the company to reduce prices marginally. The government of Brazil then decided to make ARVs domestically. Brazil did not grant patent monopolies on pharmaceuticals until 1997, so products invented before that time are not patented in Brazil. Over time, Brazil was able to drive down its prices substantially. For most developing countries, brand-name prices prevailed.

In many countries, some of the ARVs were patented. Other countries did not have the know-how or, even more important, sufficiently large markets to produce ARVs efficiently on their own. Then, in 2001, Cipla, a large generic pharmaceutical manufacturer based in India, announced that it would make available a combination of ARV drugs for US$350 per person per year – less than a dollar a day.

The Cipla price revolutionized thinking about treating people with AIDS in developing countries. In 2002, following a proposal from the then UN Secretary General Kofi Annan, the Global Fund to Fight AIDS, Tuberculosis and Malaria was launched, an international effort to direct aid monies to the three diseases. In the case of AIDS, it was the lower prices achieved by generic competition that brought hope to millions of people.

The fall in ARV prices has brought treatment within range for many people, but it is still too high for most healthcare services. Of the estimated 6.5 million people in need of antiretroviral treatment in June 2006, 1.65 million people were reported to have had access to the treatment in low- and middle-income countries.[12]

A new threat has now emerged. 'The impressive, if very partial, gains in treatment provision are now threatened by the high cost of new AIDS drugs.'[13] Once again the pharma-TNCs are involved. ARV treatment involves shifting drug regimens over time, as patients develop resistance to initial therapies. The high cost of newer drugs can make it more costly to maintain treatment for those already on ARV therapy.

In late 2006 and 2007, Thailand acted to issue compulsory licences – authorizations of generic competition for products that remain on patent – for two key, newer AIDS drugs. Thailand's actions led to sharp global price reductions, provoked cries of protest from pharma-TNCs and threats of sanctions from the US government. One company,

Abbott Laboratories, 'withdrew registration applications for new drugs from Thailand. Thailand's efforts showed the way forward to ensure that artificially high drug prices do not again block programmes to provide and expand treatment to people with HIV/AIDS … '[14]

Abbott Laboratories says that it has implemented practical measures to make HIV drugs 'as broadly available as possible … our comprehensive approach, which includes a fair tiered pricing mechanism and broad registration, has already achieved encouraging results: currently, 80,000 African HIV patients are on the heat-stable version of LPV/r.'[15]

Promotion and information

The pharmaceutical industry spends between 15 and 20 per cent of its annual turnover on marketing and promoting its products, more than it spends on developing new drugs. For most people in developing countries the industry is often the major source of information on drugs. This places a moral responsibility on the companies. But instead of useful information comes heavy advertising.

According to a UN report: 'In the case of pharmaceutical products, the bulk of promotional efforts by TNCs in developing countries is directed towards the relatively expensive goods, originally designed for markets in developed countries.' Promotion often foregrounds personal care products, 'frequently of doubtful medical value, instead of the relatively simple and inexpensive preparations needed to cope with illnesses most common among poorer populations'.[16]

Doctors are often persuaded by the marketing. According to the Drug Association of the Philippines, 'many scientific studies have shown the impact of drug marketing on doctors' prescribing patterns'.[17]

Doctors are persuaded, sometimes by bribes or sweeteners, to recommend products made by the drug companies. An alliance therefore comes about between TNC drug companies, Western governments (which protect the interests of their companies) and local doctors and medical establishments.

Antibiotics, vitamin pills and stimulants

Antibiotics have saved more lives than any other class of medicine, but, ironically, their over-use is now leading to serious health problems, with the developing world chiefly at risk. These drugs work by killing

or slowing down the growth of bacteria, and, as such, are a very powerful intervention. The use of antibiotics 'has set in motion the biggest intervention in population genetics seen to date on this planet'.[18] Such a colossal intervention, however, might be expected to have risks.

Heavy promotion of antibiotics by the pharma-TNCs, and their use to treat comparatively trivial illnesses, makes these drugs less effective, and maybe useless, when they're needed to combat serious illness. This has huge consequences for health. Some bacteria are now becoming resistant to antibiotics. Professor Stuart Levy, director of the Centre of Drugs Resistance at Tufts University, Boston, points out: 'Society is facing one of its gravest public health problems – the emergence of infectious bacteria with resistance to many, and in some cases, all, available antibiotics.'[19]

Resistance to antibiotics has reached epidemic proportions in many countries 'and multi-drug resistance leaves doctors with virtually no room for manoeuvre in the treatment of an increasing number of diseases', says Professor Jacques Acar, Chairman of the World Health Organization Working Group on Monitoring and Management of Bacterial Resistance to Antimicrobial Agents.[20] The poor may therefore be denied a lifesaving drug when they desperately need one.

The most vulnerable people could be the hardest hit. A bacterium called *Shigella dysenteri*, for example, 'is now the cause of most African cases of dysentery, a principal cause of death of young children. The bacterium is resistant to all available antibiotics.'[21] According to Dr Graham Dukes: 'We are faced with a return to a medical dark age in which antibiotics no longer work against a vast range of infections, some created by antibiotics, some perhaps epidemic and deadly.'[22] The problems have been known about for some time, however.

Again, promotion to pharmacists can be heavy. In Peru, for example, pharmacists have been offered television sets and other prizes if they gain enough points by selling medicines produced by three companies. Some of the highest points are offered for selling antibiotics.

Antibiotics are now commonly being misused to treat viral infections, such as non-bacterial diarrhoea, respiratory tract infections, including coughs and colds, and other common infections. The drug company Laboratories LAFI, for example, recommends a combination antibiotic in Bolivia, says Health Action International (a network of consumer, health and development NGOs) 'for babies and children

with commonly occurring acute respiratory infections'. This appears to encourage the use of the product in many circumstances.[23]

People with limited incomes, who are induced by advertising, doctors and pharmacies to divert their scarce funds away from other purposes to buying antibiotics, are affected in two ways: they face the possibility that they will have no resistance when they contract a serious disease; and buying these products means they have less disposable income for more essential goods and services.

The promotion and sale of vitamin pills is widespread in developing countries, with the pharmaceutical TNCs again in the lead. Once more the poor can be persuaded to pay for costly substances. The best source of vitamins, however, is food. If children eat enough food of the right kind, they do not normally need vitamin pills. Most people 'obtain sufficient quantities of vitamins in their diet and it is therefore unnecessary in most cases to take additional vitamins in the form of supplements'.[24]

In developing countries where malnutrition is widespread, advertising may persuade people to buy the solution in a packet, rather than buying nourishing food. The widespread promotion of vitamins also helps to 'medicalize' hunger, points out Andy Chetley, 'so that the economic and social causes of malnutrition are not tackled'.[25] According to Chetley, 'Misuse of vitamins can distort national health priorities, drain limited national economic resources, waste limited individual and family financial resources, encourage incorrect and harmful beliefs about the nature of health, and encourage ineffective and harmful practices.'[26]

The persuasive promotion of appetite stimulants can also be a drain on scarce family resources. Loss of appetite is a common symptom of illness but is usually temporary and does not require medicine. It can be due to a shortage of food. 'In extreme cases of malnutrition … the use of appetite stimulants may be dangerous.'[27] Yet in some developing countries, TNCs widely advertise these stimulants.

Generic drugs

Governments of developing countries often cannot afford to pay the prices of the patented products. Generic drugs – which are marketed under a non-proprietary name rather than a proprietary or brand name – allow the government to provide good-quality essential drugs at an affordable prices. 'Generic drugs are frequently as effective as, but much cheaper than, brand-name drugs,' says the WHO.[28]

Pharma-TNCs have often hindered attempts by developing country governments to provide people with safe, effective, low-cost generic drugs. A drug's generic name is the pharmacological name of a compound (aspirin, for example), usually assigned by the WHO. Although generic drugs have been in existence since the 1890s they started to become more prominent in the 1950s. They have the great advantage of costing much less than branded goods and are usually just as good. For the poor, this is crucial. But TNCs have waged 'a strategic marketing war against low-cost generic name products', alleges Chowdhury. Their vast armies of sales representatives have spread the rumour that generic drugs were produced 'by insanitary, incompetent and inexperienced cottage industries, and that they were impure, contaminated or ineffective'.[29]

In May 1981 the World Health Assembly of the WHO adopted an Action Programme on Essential Drugs, urging member states to adopt essential drugs lists, generic names, tougher drug legislation, strategies for reducing drug prices and a code of drug marketing practice.

Bangladesh was the first country to take up the challenge. In May 1982, the Council of Ministers in Bangladesh approved a National Drug Policy report. Under the policy, 1,742 out of 4,340 branded drugs were considered 'inessential or ineffective', and were banned. It recommended that 150 essential drugs and 100 specialized drugs be prescribed by specialists and consultants; 45 of the essential drugs were to be manufactured and sold only under their generic names. TNC drug companies would no longer be allowed to manufacture simple products like common analgesics and vitamins. These were to be made exclusively by local firms.

In 1981 a people's health centre, Gonoshasthaya Kendra, which was set up ten years earlier, started Gonoshasthaya Pharmaceuticals (GPL) to manufacture and market low-priced generic drugs. The new policy threatened only a quarter of the business of USA-based pharmaceutical TNCs, but it unleashed a storm of protest, with the US companies leaning on their government to use its influence to get the policy revoked.

'TNCs started mobilizing the Bangladesh Medical Association and elite public opinion,' says Chowdhury. At a public hearing 'they [the TNCs] insisted that generic drugs policies had failed all over the world'. But the chairman of the hearing concluded that 'the TNCs' campaign was based on total falsehood and that they were simply wielding their

power in defence of their commercial interests. He recommended that the policy should immediately be given a legal framework.'[30]

Continuing their campaign against the new policy, the pharma-TNCs placed adverts and articles in newspapers and encouraged doctors to see the policy as a curb on their right to prescribe and an infringement of their clinical freedom. They also pulled other strings. British, Dutch and West German ambassadors called on the country's president to express their dismay at the proposed drug policy.

What worried the TNCs was that if the Bangladesh government pursued its policy, which it did, despite such enormous pressure, then other countries would follow suit. Their fears were justified. In 1983 the Indian government banned the manufacture and sale of 25 drugs with immediate effect. The number of people with access to essential drugs has continued to grow, and most countries have a national essen-ial drugs list.

Pharma-TNC reluctance to understand that access to medicines is 'a fundamental human right enshrined in international law, and to recognize that pharmaceutical companies have responsibilities in this context, has prevented the adoption of appropriate strategies'.[31]

It is what pharma-TNCs are omitting to do, as well as what they are doing, that is of concern. A materially poor parent whose child is sick should be able to buy a locally produced, inexpensive medicine. In some developing countries, she or he does not have the choice of doing that because the TNCs have persuaded governments that locally produced drugs are not necessary. Choice has been denied the poor because of what is effectively a corporate veto.

Medicines for the poor should be at the heart of TNC decision-making processes and operations:

> Society expects pharmaceutical companies – with their privileged access to a global market – to develop necessary products at prices that are affordable, in presentations that are usable, and to market them ethically. The pharmaceutical industry is expected to fulfil these requirements reliably and sustainably, and by so doing, play its part in the wider responsibilities to improve the health of all.[32]

Donations

The pharma-TNCs put a great deal of emphasis on donations of drugs to developing countries. These may seem a good thing, and there have

been successes in the context of specific disease-eradication programmes (Merck made donations for the elimination of river blindness in Africa, for example). But drug donations are often unsuitable and can be at the expense of other policies.

Donated products have been found to be unsuitable as they were near expiry and also unfamiliar to local prescribers. Supplies are unpredictable in terms of timing and volume. Sometimes, they do not match national clinical guidelines and can undermine clinical standards. Critically, donations create chaos in the market for low-cost medicines, as they prevent accurate quantification of needs, and affect forward planning throughout the chain of supply from producer to patient. Undermining market competition is particularly serious, as generic companies cannot compete with free drugs: the ability to predict demand is necessary if they are to use their innate efficiencies to achieve low prices. 'Experience in emergencies over the years has shown that drug donations often prove to be more harmful than helpful,' says the World Health Organization, as 'they may not be relevant to a particular emergency situation, or may not comply with local drug policies and standard treatment guidelines'.[33]

Donations nearly always help a company's balance sheet. European and USA-based TNCs receive substantial tax benefits when they give donations. For gifts to the needy, US tax regulations allow a write-off for tax purposes of up to twice the production costs. There may be a place for donated drugs that are appropriate for people in need, but donations of the wrong type waste the time and resources of people in developing countries.

The WHO has adopted guidelines for drug donations which are based on four 'core' principles: (1) the donation should benefit the recipient to the maximum extent possible; (2) a donation should be given with full respect for the wishes and authority of the recipient, and support existing government policies; (3) there should be no double standards in quality – if the quality of an item is unacceptable in the donor country, it is also unacceptable as a donation; and (4) there should be effective communication between the donor and its recipient.[34]

Withdrawn products

Some pharma-TNC products are banned or have been withdrawn in Western countries because they are considered unsafe. In developing

countries, however, they may be labelled 'safe', and people will buy them in the hope that their pain will be removed and their health restored. In reality, the drugs might kill them.

There is widespread availability in developing countries 'of many drugs on the UN consolidated list of products whose consumption and/or sale has been banned, withdrawn or severely restricted', according to Zafrullah Chowdhury, who developed Bangladesh's National Drugs Policy.[35] He lists, for example, tonics: 'an ordinary tonic, with 17 per cent alcohol content, marketed in the UK by Squibb as Verdivition was promoted in India as a brain tonic'.

Discrediting critics

The pharmaceutical TNCs are probably the world's most powerful corporations, in terms of the influence they wield, and they have carefully-thought-out strategies about how to deal with their critics. Andy Chetley recalls how in the early 1970s the United Nations set up a Committee of Eminent Persons to enquire into the high profits of the pharmaceutical and chemical companies. 'A small subcommittee of at least 6 Swiss companies (including Ciba-Geigy, Sandoz and Roche) was established to weaken the impact of the enquiry,' alleges Chetley; the aim was to avoid the introduction of an international code of conduct for TNCs. During one meeting the companies outlined a five-point strategy for dealing with critics:

1. The critic is identified as an opponent of the system and thus discredited as a discussion partner.
2. Dubious motives are attributed to the critic: ideological or nationalistic prejudices, envy, stupidity, ignorance and lack of experience.
3. When criticism is global or circumstantial: the contrary is 'proved' by means of isolated instances (for example, a description of an individual project).
4. When criticism is indisputable (for example, in the case of ITT in Chile), emphasis is put on the fact that it is an individual case, and that it is still under investigation.
5. In any case, it should be said in public that defending free enterprise is in everybody's interest. Therefore, it should be shown, especially in the mass media, that criticism of multinationals is basically criticism of free enterprise and that behind it are the enemies of the free world, whose view of life is based on Marxism.[36]

Despite corporate attempts to discredit them, NGOs have had successes. In Germany, for example, the BUKO Pharma Campaign pressed TNCs to withdraw non-essential and irrational drugs and change their marketing strategies. The campaign successfully lobbied the German parliament and a law was passed tightening controls on drug exports.[37]

Climate change

Their substantial carbon emissions also contribute to TNCs' impact on the health of the world's poor. In this case it is TNCs as a whole, not just the pharma-TNCs. Emissions of carbon dioxide are now widely accepted to be the chief contributors to climate change. This is already having a huge and damaging impact on health, with the poorest suffering the most. Climate change has been a key factor in the deaths of 1.5 million people over the last two decades, in consequence of an increased incidence and severity of floods, windstorms and extreme temperatures. Rainfall patterns are changing and more land is becoming degraded, threatening food supplies.

'The health effects of a rapidly changing climate are likely to be overwhelmingly negative, particularly in the poorest communities, which have contributed least to greenhouse gas emissions,' says the WHO.[38] TNC activity is responsible for a vast amount of carbon emissions. They account for most of the goods that are traded internationally. They fly and ship both goods and people around the world. Through their pursuit of economic globalization, they encourage further growth, but yet more emissions. Their manufacturing processes are often high carbon-emitters. TNCs are everywhere yet their carbon footprint receives little publicity. But emissions anywhere affect the poor everywhere.

TNCs do not usually report their carbon emissions, nor do governments of most countries require them to report. In the UK, 'while climate change is an overwhelmingly important issue for business as well as for mankind, it is not yet compulsory to show the extent to which a company emits CO_2'.[39]

Only 16 of the 100 largest companies listed on the FTSE 100 index have disclosed in their annual accounts (or parallel environmental reports) how much CO_2 they emit in the most basic of categories – their direct emissions (fossil-fuel fired central heating in offices and shops, and fuel used in their own vehicles). These 16 companies account for a

staggering 285.93 million tonnes of CO_2 – equivalent to more than half of the UK's total emissions (although many of these emissions take place elsewhere in the world). If the remaining members of the FTSE 100 used these same standards to report their direct CO_2 footprint, they would be shown to account for a further 191.42 million tonnes. 'These are the FTSE's missing millions which represent the UK's dirty underbelly' of unreported CO_2 emissions.[40]

Conclusion

One of the Millennium Development Goal targets is to provide access to affordable essential drugs in developing countries. Yet if pharma-TNCs continue with their present approach they will fail to make the contribution necessary to achieve this goal.

The record of the pharmaceutical TNCs in developing countries is one of putting the pursuit of profit before people's health, even when that profit is tiny compared to their overall profits. Patented medical substances can of course be used to good effect. When properly prescribed they can save lives. But they are open to many abuses, in some of which the major pharmaceutical TNCs are involved.

The mistake that most governments have made is to believe that the corporations have the answers to all health problems. But, as Roberto Lopez of the Peru-based NGO Accion Internacional poor la Salud points out, 'You cannot solve problems caused by poverty with pills.'[41] The corporate pill is especially hard to swallow.

CHAPTER 5

Water: the Corporate Tap

The services industry is big business and is increasingly dominated by the transnational corporations. But as the corporations seek to make a profit out of services such as water supply, healthcare and education, those without purchasing power are likely to be victims.

There is no more important service than water supply. Like air, water is indispensable for life. Until the 1990s water supplies in developing countries were viewed as a public good, not as a market commodity. They were run by publicly owned enterprises on behalf of the public. Since then, the privatization of public services, including water supply, has increasingly become a condition of aid and debt relief. TNCs seized the opportunity to be involved. But aid money and political influence are being used to promote policies that could do the very opposite of what aid is supposed to do – lift people out of poverty, not reinforce it.

'The human right to water is indispensable for leading a life in human dignity', declared the United Nations in 2002.[1] At that same time, however, the liberalization and privatization of services, including water supplies, were being encouraged by Western countries, the World Bank, the IMF and the WTO. This development could threaten that basic right of human dignity.

A worldwide crisis over water is becoming evident, a crisis severe enough without transnationals exploiting water for their own ends. According to the United Nations, 31 countries are now facing water scarcity and 1 billion people lack access to clean drinking water:

> Water consumption is doubling every 20 years and yet at the same time, water sources are rapidly being polluted, depleted, diverted and exploited by corporate interests ranging from industrial agriculture and manufacturing to electricity production and mining. The World Bank

> predicts that by 2025, two-thirds of the world's population will suffer from lack of clean and safe drinking water.[2]

Water could be the oil of the twenty-first century. Amid a corporate scramble to 'own' water, people in developing countries are losing ownership and control of this vital resource. Governments are taking the corporate shilling. 'Instead of protecting their citizens' water resources from self-interested profiteers, governments are retreating from their responsibilities and bending to the will of giant transnational corporations that are poised to profit from the shortage of water. And now corporations are rushing to invest in the new get-rich economy of water.'[3]

Water corporations want to privatize publicly owned water systems, promote bottled water, and sell water in bulk by transporting it from water-rich areas to thirsty markets. To ensure maximum profits, the companies are also lobbying to weaken water quality standards, and are pushing for trade agreements that hand over water resources to foreign corporations.

> The liquid everybody needs . . . is going private, creating one of the world's great business opportunities . . . Since only 5 per cent of the water industry is currently in private hands, the potential for growth is great.[4]

Largest companies

About 10 per cent of the world's population have their water supplied by transnationals. The two largest companies in the sector are both France-based – SUEZ, which serves 117.4 million people worldwide, and Veolia (formerly Vivendi) which serves 108.2 million. With 77,800 employees, Veolia's 2006 revenues amounted to €10.1 billion.[5]

Water companies argue that privatization is necessary to combat state failings in basic services. As many state-run enterprises deliver poor services, and a high percentage of people in many countries do not have access to water, why not bring in the water experts? runs the water industry argument. It sounds plausible and may work in countries where everyone can afford water and where there are strong regulatory authorities. In poorer countries, however, there are difficulties. The water corporations need to make a profit to satisfy their shareholders, but making a profit out of supplying water to people who have no money is not possible, as events have shown. So the privatization deals

have overlooked the very poor. TNCs hope to make money from the people, who have little money, but the deals are rarely democratically decided, and the privatization of water supplies has not improved delivery. In developing countries, the privatization of water provides a catalogue of disaster.

Bolivia

Bolivia was one of the first to have a water supply privatized. In 1997, the World Bank made privatization of the public water system in Cochabamba, Bolivia's third largest city, a condition of the country receiving further aid for water development.

This led, in September 1999, to a 40-year concession granted to a company led by Bechtel, a global engineering and construction company based in San Francisco. Bechtel was the only bidder. Within weeks of taking over the city's water, Bechtel's Bolivian company, Aguas del Tunari, raised rates by more than 50 per cent and in some cases higher. The rise was met with angry public protest. In a region where the minimum wage is under US$100 per month, people faced increases of US$20 per month and more. People had to buy permits to collect rainwater from their own wells and roof tanks. Many people could only get water for two hours a day. All autonomous water systems had to be handed over without compensation.[6]

Cochabamba, a city of about half a million people, was shut down by general strikes three times. In an effort to protect the Bechtel contract, the Bolivian government declared a state of martial law and began arresting protest leaders at their homes in the middle of the night. An unarmed 17-year-old boy was shot and killed by Bolivian Army personnel. At least 175 other people were injured. In April 2000 the concession was terminated because of the civil unrest, giving rise to a dispute between Bolivia and Aguas del Tunari. The city's water company returned to public ownership.

In November 2001, Bechtel filed a case for compensation of US$50 million. For four years, citizen groups waged a global campaign to press Bechtel to drop the case. Protesters twice closed down Bechtel's San Francisco's headquarters. Company officials were bombarded by critical e-mails. Eventually, in January 2006, the company agreed. 'This is the first time that a major corporation like Bechtel has had to back down from a major trade case as the result of global citizen pressure,' said Jim

Shultz, executive director of the Democracy Center in Cochabamba, and a leader of the campaign. 'It should signal to corporations contemplating similar legal actions that they should be prepared to defend those actions in the court of global public opinion.'[7]

TNCs 'want to turn everything into a market,' says Oscar Olivera, another leader in the Bolivian water revolt. 'For indigenous people water is not a commodity, it is a common good. For Bolivia, this retreat by Bechtel means that the rights of the people are undeniable.'[8]

If the WTO's General Agreement on Trade in Services is tightened in a way that makes privatization irreversible (see below), it would not be possible for a government to reverse a privatization decision. The power of people to make their views known would be curtailed.

Tanzania

From 1996 to 2003 the privatization of Dar es Salaam Water and Sewage Authority (Dawasa) was a condition of the IMF support for the country. Continued restructuring and privatization of public utilities was made part of Tanzania's conditions for getting debt relief. Tanzania is one of the world's poorest countries, with 90 per cent of the population living on less than US$2 a day. At least 38 per cent (14.3 million people) of Tanzania's population do not have access to safe water, according to the World Bank. Decades of neglect and under-investment in the water infrastructure of Dar es Salaam, the country's largest city and former capital, meant that few people had access.[9]

In February 2003 a US$102 million ten-year contract for the management and operation of Dar es Salaam's water and sewerage system was awarded to City Water Services, a joint venture of the British water company Biwater, a German engineering consultancy and a local investor. The contract was strongly supported by the UK's Department for International Development which gave Adam Smith International £444,000 of aid money to produce public relations materials, including a pro-privatization pop song to persuade a sceptical public of the benefits of privatization.

Prices for water rose sharply. Far from improving, however, the water service was worse. In May 2005 the contract was terminated. The Tanzanian government kicked out City Water Services, claiming that the company had failed to make even half the required investment or improve services. An unpublished World Bank report concluded that

'The primary assumption on the part of almost all involved, particularly on the donor side, was that it would be very hard, if not impossible, for the private operator to perform worse than Dawasa. But that is what happened.'[10]

The Tanzanian people had fallen victims to a policy they never wanted. City Water's one social obligation had been to contribute towards a fund that would connect poor households to the piped system, but this was never created. Biwater then asked a World Bank affiliate, the International Centre for Settlement of Investment Disputes, to rule that Tanzania should pay the company US$20–25 million (£10–12.5 million) for actions amounting to expropriation of its investment, assets and revenues in Dar es Salaam.

The move incensed campaigners. Biwater opposed requests by the government of Tanzania that the case be heard in public and also opposed the tribunal taking place on African soil and the release of important documents relating to the case:

> This is disgraceful. We believe that the people of Tanzania are entitled to know exactly what happened with Biwater. Equally people in the UK are entitled to know how UK based companies behave abroad. The UK government also bears a responsibility for this fiasco. UK aid money was used to pay for a pro-privatization pop song and video in Tanzania in an attempt to win support for a policy that has been an abject failure throughout the developing world.[11]

Water privatization was a condition for Tanzania to receive debt relief. This is meant to relieve poverty, not reinforce it. 'It is unjust that a British company like Biwater is trying to claw back money after they failed in their job,' said Andrew Mushi, a Tanzanian campaigner against water privatization.[12] In January 2008 Tanzania won £3 million in damages from City Water Services. Under the rules of the United Nations Commission on International Trade, a London tribunal found that water and sewerage services had deteriorated under the company's management.[13]

Ghana

In May 2001 a broad cross-section of Ghanaian civil society, including women's groups, teachers, trade unions, public health workers, environmental groups, disabled organizations and students, gathered under the

banner of the Ghana National Coalition Against Privatization of Water (National CAP of Water) to oppose the World Bank-backed proposal to privatize the urban water supply. The World Bank had offered an interest-free loan of US$150 million to re-equip the state-run Ghana Water Company and hire new management. It also wanted a 95 per cent rise in water fees.

The major corporate bidders included Suez and Vivendi (now Veolia), Saur and Biwater. The formation of the National CAP of Water responded to widespread concern that the privatization of water would have serious negative impacts on public health, women's work, access to safe, affordable water, and local control and accountability. The 2001 groundswell of water-related activism came as a reaction to IMF and World Bank loan conditions. According to the Bank and the Fund, increasing the 'revenue flows' of the water utility will make it more lucrative on the international market. However, in Ghana more than 50 per cent of the population earn less than US$1 a day and approximately 40 per cent fall below the national poverty line. Currently about 35 per cent of the Ghanaian population lack access to safe water and 68 per cent lack sanitation services. Ghana Water Company does not have a good record; about half the country's treated water is lost.[14]

A survey by the Ghana-based Integrated Social Development Centre showed that poor households in five communities in Accra spend between 18 and 25 per cent of their income on water alone. 'Given these realities, it is absolutely inhumane and irresponsible for the IMF and World Bank to promote increased cost recovery and automatic tariff adjustment mechanisms – the policies used by these two institutions to raise the consumer price of water, often as a prelude to privatization.'[15] 'You can't privatize something as close to air as water, and allow market forces and profit motives to determine who can and who cannot have something to drink.'[16]

Uruguay

Through a national referendum in October 2004, Uruguay became the first country to outlaw water privatization by direct democracy and to declare water a 'constitutional right'. More than 64 per cent of the Uruguayan people – 1,440,000 voters – supported the Constitutional Reform to defend the right to water. The historic vote added water as

a human right to the Constitution and created the basis for managing water exclusively as a public good, in a participatory and sustainable manner.

In 2002 a Letter of Intent between the Uruguayan government and the IMF had been signed: the aim was to extend the privatization of potable water and sanitation services to the whole country. Water privatization began in the department of Maldonado with the arrival of the French TNC Suez, followed by a Spanish company, Aguas de Bilbao. This had numerous negative consequences.

Water privatization excluded many people from access to potable water because they could not afford the connection fees. The quality of the water service decreased when compared with the service previously managed by the state water company. The quality control agency even recommended refraining from drinking water directly from the tap because it did not comply with potable water standards.

In 2002 the National Commission in Defence of Water and Life (CNDAV) was created to oppose the concept of commercializing water. The founders of the organization include neighbourhood associations, FFOSE (the trade union of the public water company), and Friends of the Earth, Uruguay.[17]

Bottled water: Brazil

Nestlé, one of the world's largest food companies and the largest bottled water company, has courted controversy over its activities in the Brazilian state of Minas Gerais. Nestlé is one of the four most boycotted companies in the world because of its 'aggressive marketing' of baby foods (see Chapter 3).[18]

In 1992 Nestlé took over the Perrier company, gaining control of the historic water park in São Lourenço, Minas Gerais. In 1996 the company sank two wells 162 metres deep into the aquifer, known as the Primavera well, 'without the necessary authorization' and began demineralizing water to produce its Pure Life brand. Demineralizing water is illegal under Brazilian federal law.[19]

But Nestlé did not stop its operations, and in 2003 the National Department for Mineral Resources (DNPM) commissioned a legal opinion which set out the illegal nature of Nestlé's activities and recommended that operations at the Primavera well be 'paralysed'. In March 2004 an order was published in the official diary giving Nestlé 30 days

to paralyse all activities at the Primavera well. Nestlé refused to stop and went to the Supreme Court, which extended the 30 days to October 2004.

Nestlé claims that allegations concerning the 162-metre wells sunk into the aquifer in the town's water park were untrue, that 'a third party audit by Bureau Veritas confirms that we have acted in accordance with Brazilian legislation', and that 'we extract far less water than we are legally permitted'. However the campaign group Baby Milk Action was told by Bureau Veritas that its work 'did not constitute a legal audit as such, nor did it include a review of the on-going civil action'. A local hydrologist said that it appeared Nestlé 'is either misrepresenting the findings of these investigations or they have been conducted in an incomplete or dishonest manner. The documentary evidence certainly demonstrates the findings, as presented by Nestlé, are clearly untrue.'[20]

In 2001 citizens of São Lourenço presented a petition with 3,000 signatures to Pedro Paulo Aina, the Public Prosecutor in the town, as they were concerned that tourists were noticing changes to the mineral composition of the springs in the park. Notable subsidence was also occurring, which Nestlé blames on the effects of a flood, but which the town hydrologist attributes to water extraction. The Public Prosecutor investigated and pursued a case for compensation for the town.

A public hearing took place in the Brazilian Congress in July 2004 and the official journal reported: 'The Federal Public Ministry officer of Minas Gerais Afrânio denounced the activity of Nestlé in a spring in São Lourenço as improper and not in line with the fundamental principles of the Mineral Water Code.'[21] Nestlé stopped demineralizing water in October 2004, but continued to pump water to extract carbon dioxide gas. Campaigners are pursuing Nestlé through the courts for compensation for São Lourenço.

GATS

Freeing up the trade in services such as water supplies is the aim of the WTO's General Agreement on Trade in Services (GATS). The beneficiaries are big business; the losers are the poor, as GATS threatens the delivery of their basic services. As detailed above, attempted water privatization in Bolivia shows that a system governed by people's ability to pay will not deliver services to the poor.

Corporations have been the driving force behind the GATS – 160

services are traded internationally. The agreement is a key plank in their armoury. Its aim is to remove any restrictions and internal government regulations in the area of service delivery that are considered barriers to trade.

In theory, member countries of the WTO can decide which services they wish to open up for privatization. In practice, however, Western governments have already put pressure on developing countries to open up service sectors for privatization – on pain of losing development aid. Christian Aid alleges that the UK government, for example, has put pressure on Ghana to lease its urban water supply to foreign companies, making £10 million of aid dependent on such a move.[22] Tanzania, cited above, is a further example.

TNCs are keen to extend the GATS agreement and change its structure so that rules in one sector also apply to related sectors. Governments of developing countries would then come under more pressure to reorganize the ownership and delivery of services, and sacrifice them to 'free trade' ideology. GATS negotiations are complex and technical, which puts many developing countries at a serious negotiating disadvantage. Moreover, GATS is intended to make privatization irreversible. This means that once governments have opened up particular service sectors to WTO rules, there is no going back: companies have the power to sue governments who falter.

'The gains from further opening of trade in services far exceed those from opening trade in goods,' said WTO Director-General Pascal Lamy in October 2007. The question, however, is who harvests the gains. In practice it is the transnational companies.[23] An extended GATS would serve the narrow interests of TNCs. Sarah Anderson, of the Washington, DC, Institute for Policy Studies, who helped coordinate US civil society pressure on Bechtel to settle the lawsuit, says that to prevent similar confrontations in the future, 'the challenge now is to build on this momentum to press for new trade and investment rules that promote democracy and sustainable development rather than the narrow interests of large corporations'.[24]

Conclusion

In the face of widespread local opposition, water companies are treading more carefully. By 2003 there were already signs of a rethink. At the 2003 World Water Forum in Kyoto, Thames Water (UK) declared, 'It

is wrong in principle and counter-productive in practice for public bodies at any level of government to be forced to outsource public services to private companies.'[25]

TNCs have proved ill-equipped to deliver clean and affordable water to the poor in developing countries. Their investment has not brought the expected financing for water and sanitation for the poor. But rather than developing new policies based on this experience, European governments and international financial institutions are devising new mechanisms for attracting the private sector into water and sanitation, including various financial instruments to guarantee corporate profits. This ignores the private sector's failure to supply water to an overwhelming majority of people who lack access to water in developing countries.

Significant improvements in access to clean water and sanitation have been achieved in cities in developing countries by diverse innovative forms of public water management. Public water delivery options range from reform of existing public utilities to community-based management schemes. Public water improvements in developing countries happen against heavy odds. A main obstacle is the systematic bias against public water on the part of international financial institutions and donor governments, which attach privatization conditionalities to loans and grants for expansion and improvements, and use aid budgets to finance key players in the global privatization industry.

The successes of community-based organizations in developing countries, where local communities have become responsible for their own water supplies, have been largely ignored by Western governments. Communities in Brazil, Bangladesh, Ghana and Bolivia are showing what can be done. Activists in other developing countries are learning from these successes. People know they are fighting for the most basic need of all. As one Ghanaian water activist put it, 'They are fighting for their profits, we are fighting for our lives.'[26]

Aid agencies have called for European Union aid for water projects that is not biased towards private interests:

> There is a need for funding without blatant political conditions. The European Union has a clear role to play by ensuring that aid programmes for water and sanitation in developing countries (including the EU Water Facility) are not biased towards the private sector. The EU Water Initiative process is overly preoccupied with private sector expansion.[27]

In May 2004, the African, Caribbean and Pacific-European Union Council of Ministers agreed to allocate €500 million for an ACP-EU Water Facility. This facility has potential, provided the needs of the poor are paramount in its approach, and provided that EU policy has some coherence – that it stops pushing the liberalization and privatization of services. A number of ACP organizations have run workshops to help develop sound proposals for the facility to consider.

For people in every country, water should be a public good within reach of every citizen, regardless of income, and not a private money-spinner.

CHAPTER 6

Tourism: the Great Illusion

> *Tourism is cultural prostitution. (Haunani-Kay Trask of Hawaii)*
>
> *TNCs . . . account for a substantial part of international tourism transactions. (UN report)*

The world's largest service sector, tourism employs around one in twelve of the world's workers and attracts more than one in seven of humanity. Tourism is the second-largest foreign currency earner for developing countries (next to oil); for some it is one of few thriving economic sectors. In 2008 an estimated 900 million people will be international tourists.[1]

International tourism is dominated by large TNCs and serviced by the poor in the host country. Cheap holidays for people in the West make for good profits for TNCs, but come at a price. People in destination countries not only earn a pittance, but their economies, livelihoods, culture and environments can be seriously damaged.

Following the terrorist attacks on New York on 11 September 2001, the growth of international tourism paused. But not for long. By the latter years of the period 2000–5, it had made a strong recovery. 'Growth was attributable to factors such as an increase in information and booking facilities made available over the Internet; an ongoing desire by consumers to travel more frequently and further afield; stronger branding and globalization by companies; and the expansion of low-cost carriers.'[2] Globally, between 2001 and 2004, revenue from international tourism grew by 33.2 per cent. For developing countries, revenue from tourism between 2001 and 2004 outstripped this figure, increasing by 40.6 per cent.[3]

Tourism is viewed by many poor countries as a growth sector, an attractive way of diversifying the economy and escaping from depen-

dence on traditional exports. The sector earns export revenue without having the problems that surround exports such as coffee and tea, with their historically low and unstable prices. Whereas people in Europe, North America and Japan do not normally increase their consumption of goods like coffee and tea when their incomes rise, they may spend more on holidays, and are likely to travel further, perhaps to Africa, Asia, Latin America or the Pacific. Tourism also avoids the restrictive barriers that Western countries employ to keep out the manufactured goods of developing countries. Tourism creates jobs and should be able to spin off benefits to local industries; many developing countries have assets of value to the industry – culture, environment, wildlife and climate.

Fresh opportunities to explore the unknown add to the apparent glamour. China, for example, has become an increasingly popular destination 'since it has opened up to the West and improved its infrastructure and facilities. It had almost caught up with the USA in terms of total arrivals by 2005, which reached an estimated 47.9 million.'[4]

But there is a serious downside. Economic desperation, the necessity of finding new ways of earning foreign exchange, has played a part in the rise of tourism to developing countries. Faced with crippling debt burdens, worsening terms of trade and declining aid, developing countries have hardly been in a position not to develop their tourism potential, especially as it seems to offer nothing but positive benefits, not least an ability to repay debts. 'Tourism development is often seen as a relatively quick and simple solution to the problems of economically underdeveloped regions, as the use of the natural attributes of an area can provide a quick economic return,' writes tourism specialist Veronica H. Long.[5]

Amid the glitz of tourism are real doubts about the contribution it makes to human development in a poor country. Working conditions in the industry are often poor, wages are low, and the contrast between workers and tourists is stark. While TNCs reap the benefits, the industry often harms the very attributes that attract people, such as the environment and culture. Through their pressure on water supplies, for example, and their impact on local cultures, tourists may cause damage – damage borne by the poor.

Neither does the national economy gain as much as it seems. Most of the money the tourists pay, and which developing countries appear to earn from international tourism, goes to TNCs through their ownership

of hotels, airlines and tour operators. When tourists visit their shores, developing countries are often left with less than one-third of the money the tourists pay, and it can be less. One example is cited by Anita Roddick: 'Up to 86 per cent of the cost of one all-inclusive holiday in the Dominican Republic stays in the UK.'[6] As M. Thea Sinclair of the Tourism Research Centre at the University of Kent points out, 'A major issue related to tourism in developing countries is . . . the distribution of the revenue obtained from tourism between firms and individuals in destination and origin countries.'[7]

The attractions of the tourist industry for TNCs are understandable. As tourism is one of the world's fastest-growing industries, the corporations are eager to get into growth markets and exploit new opportunities. Tourism TNCs are defined by the World Tourism Organization as 'foreign enterprises providing services for movements of persons with direct investment or other forms of contractual arrangements in one or more receiving country'.[8]

While TNCs may want to control key sectors, such as large hotels and restaurants, they often prefer not to invest their money directly. Many have learnt to exercise power with a minimum financial stake. They do this through franchising and management contracts. A large chain arranges for a smaller company to set up a hotel in a certain location, and to conform to its standards. A fee is paid by the smaller company to use the name and logo of the chain.

Three branches

Many kinds of TNCs can be found in the international tourism industry. The most important are airlines, hotel and restaurant chains, tour operators and travel agencies. They account for a substantial part of international tourism transactions.[9]

Airlines

Ranging from large, publicly owned companies to small low-cost, no-frills carriers, airlines move over 80 per cent of international tourists. Many of the major airlines have subsidiary tourism operations, including direct investment and contractual arrangements with hotel and restaurant chains, tour operating companies, catering and travel agencies. British Airways, for example, has a subsidiary company, British Airways Holidays, which offers hotel accommodation, car hire,

transfers and sightseeing tours. Many have affiliates in developing countries, covering activities such as insurance, computer services and technical services.

Changes of policy by international airlines, over which developing countries have no control, can drastically affect receipts from tourism. In 1988, for example, Japan Airlines and Continental withdrew from Fiji's international airport, adversely affecting arrivals of tourists from Japan, Canada and the USA. For developing countries, the trade can be high-risk.

Long-established airline TNCs face fierce competition from low-cost carriers, and all airlines will come under pressure as awareness grows of aviation's impact on the climate. Slower growth in numbers of people flying by air is predicted 'as airlines are pinpointed as one of the major culprits in damaging the environment and inducing global warming'.[10] Climate change has again become a key factor.

Tour operators

Tour operators are the wholesalers who put together the various elements of a tour or travel package, with the aim of achieving price reductions to pass on to consumers. Before the advent of the Internet, and low-cost carriers, they scored well on price. Package holidays were the norm. But many tourists now find they can get a lower price, and also a more personal and less standardized type of holiday, by putting together the different elements themselves.

Tour operators nonetheless still have a significant role in the UK and Japan, although they are much less important in France, Germany and the USA, partly because domestic tourism is more popular. Some operators are part of TNCs that include hotel chains and airlines. They normally prefer to use the airlines of Western countries, not least because tourists have a preference for these airlines. They sell their tours through travel agents, sometimes in the same group, and make use of persuasive advertising that presents an idyllic image of a developing country, but does little or nothing to show what it is really like.

Hotels

Of all the activities that make up the tourism industry, hotels have probably the biggest impact on developing countries. TNCs usually prefer not to own hotels abroad, and even not to have a direct financial stake in them. Hotel chains make most of their money either through

management arrangements with local companies or by franchising, 'charging very high fees for the use of their brand name', points out Koson Srisang, Executive Secretary of the Ecumenical Coalition on Third World Tourism.[11]

Such hotels account for 'a considerably higher percentage of the total number of rooms in many developing countries than in developed countries'.[12] They operate in different ways – a United Nations study indicated that, in Asia, 60 per cent of hotels affiliated to transnational hotel chains were linked by management contracts, 23 per cent by franchise and 15 per cent by equity shares.[13] Management agreements and franchising therefore account for 85 per cent of TNC-associated hotels in Asia.

The world's largest hotel networks are mostly USA-based. A hotel connected to one or more of the big chains can be found in almost every country in the world. The largest chain, in terms of hotel numbers, Wyndham, describes itself as a 'lodging business with nearly 6,500 franchised hotels. This represents more than 535,000 rooms on six continents . . . Our 10 brands compete in every market segment from economy to upscale.'[14] It includes Howard Johnson, Days Inn hotels and Travelodge. The InterContinental Hotel Group claims more guest rooms than any other hotel company – 571,071 rooms in over 3,800 hotels in nearly 100 countries. Brands include InterContinental, Crowne Plaza and Holiday Inn. Most of its hotels are franchised.[15]

Under management agreements, a TNC undertakes the operation and management of a hotel in a developing country which is owned by local interests. These arrangements are popular with TNCs – they give them a large measure of control over a hotel's finances without the risk of expropriation.

Franchising allows a local company to use the name, trademarks and services of the TNC hotel chain in return for a sizeable fee (usually a fixed sum plus a percentage on rooms). The hotel is then promoted as a member of the TNC's group of hotels. If anything goes badly wrong – severe economic downturn, for example – it is the local firm that takes the strain. The TNC has transferred the risk.

Networks

A network of interlocking relationships characterizes the different branches of the industry. The majority of tourists, having purchased their tickets from travel agents or tour operators based in industrialized

countries, either in person or on the Internet, use an airline based in that country and stay in a hotel that is part-owned or managed by a TNC hotel group. Some tourist enterprises have a vertical structure – tourists book their holiday through a travel agent which is part of the same corporation as the tour operator, the airline and the hotel where they stay.

The Hannover-based company TUI AG is the largest example of such a network. The world's biggest tourism and services group, employing 80,000 people in 500 companies, TUI AG describes itself as a world-class, innovative and customer-focused company which owns many of Europe's best-known holiday brands, with leadership positions in its airline, inclusive tour business, and travel agency sectors.[16]

The company owns around 3,200 travel agencies and sells holidays on travel TV, the Internet and by direct sales. It offers holidays 'in various countries through different tour operators'. In addition to package holidays the product range includes individually selectable holiday components such as individual flights, hotel accommodation, excursions in the holiday area and car hire. It owns the TUI airline, and flies people to around 150 destinations worldwide. And it has twelve holiday brands in 30 countries with around 276 hotels. Portland Direct and Thomson Holidays are among its UK brands.

The Thomas Cook Group has a network of more than 3,000 owned or franchised travel stores, and also sells online. It operates a fleet of 97 aircraft (MyTravel and Thomas Cook airlines) and has tour operations in the UK, Ireland, continental Europe and North America.[17]

Links

One of the most serious downsides of tourism is that in most developing countries there is little evidence it has helped development. While the tourism industry has the potential to stimulate other economic sectors, in practice it does not usually develop sufficient positive links with them and does not benefit a country's development as a whole. The beneficial 'spin-offs' are often few and the costs can be higher than the returns. International tourism's contribution to carbon emissions and climate change adds to the cost.

Some of the business practices of tourism TNCs may impose additional costs on the host country. Economies have to be adapted to suit tourists' needs; land and beaches have to be reserved, and infrastructure,

hotels and holiday complexes built. New feeder roads will usually be needed; services have to be laid on. The cost of providing the infrastructure may have to come from host country budgets, causing other items of government spending to be postponed. 'Development' is hardly advanced.[18]

The tourism industry tends to buy its wares from outside developing countries. It would not be unusual, points out Lorine Tevi of the World Council of Churches, who has studied the effects of tourism in the Pacific, for a Pacific island hotel to buy its furniture from Sweden, office machinery from the USA, lighting from Holland, vans from Germany, curtains from France, and its food from Australia.[19]

The growth of tourism has led to a mini-construction boom in Asia and in Pacific Island countries like Fiji, Tonga, Vanuatu and Western Samoa. But the mini-boom seems to have chiefly benefited West-based construction and hotel supply companies. There have been jobs for local people for a while – although many workers were recruited from abroad – but only of a temporary nature.

Food output and farmer incomes in the host countries can be stimulated if hotels buy their food locally. But this often does not happen. In Gambia, the manager of one hotel admitted importing virtually all the food that was placed before the hotel's guests.[20] Local partners may be obliged to obtain supplies of particular products from specified third parties or from the franchiser. TNCs may lay down rules that specific types of foods must be used, a requirement which local farmers cannot meet.

People who live in the tourist areas of developing countries often have little or no power over an industry which can affect them critically. They can lose their homes, their land and traditional means of livelihood; survival becomes dependent on serving the wealthy tourists whose demands have turned their lives upside down. Tourist hotels and holiday complexes often demand large areas of land, and are rarely built on land that no one used before. In the Indian state of Orissa, for example, many poor people were rendered homeless following the building of hotels on lands where their homes used to stand. When a TNC wanted to build a 5-star tourist resort in Goa, it bought land that was farmed by local rice growers. It was suggested that they should switch to producing handicrafts for tourists.

Fishermen and -women rank among the victims. Many hotels are built by seas where people have fished for years. They may be cleared

away without compensation. At one location in the Philippines, local fishers were forbidden to fish within 25 miles of a new holiday complex.[21]

Culture

Tourists often go to a developing country to experience its culture, possibly its heritage and cultural sites. Cultural destinations witnessed an increase in sales of 51 per cent from 2000 to 2005, 'with tourists increasingly willing to spend their travel and leisure time on more educational visits'.[22] Yet the presence of tourists, and the infrastructure needed to service their visit, contributes to the destruction of the very attractions that bring them. Turning sacred local sites into tourist attractions diminishes the sacredness the tourists come to experience.

But it is the overall cultural impact of tourism which has aroused criticism. 'Tourism is cultural prostitution', believes Haunani-Kay Trask, professor of American studies at Manoa University on Hawaii. 'It is violence against us.'[23] Hawaii's culture has suffered acutely from tourism. With a local population of around one million people, Hawaii receives around seven million tourists each year and their impact is enormous. There is evidence that tourism has perpetuated the poverty of native Hawaiian people.

Huge hotel development in Hawaii has put severe strains on water supplies, for example. Reefs and fishing grounds have been destroyed because of hotel sewage runoff and golf course irrigation. 'Tourism is cutting the ties between native Hawaiians and our land, culture, tradition and lifestyle,' warns the Reverend Kaleo Patterson, a local pastor.

Writing of tourism's impact on people who live near Malindi, a popular resort on the Kenyan coast, the anthropologist Robert Peake says: 'To the elders, tourism and the Western concept of leisure it represents, is the opposite of everything that is proper and wholesome in society . . . tourism threatens the social relationships that form the basis of traditional Swahili society.'[24]

One of the worst human and cultural aspects of tourism is that it has led, in a number of destinations, to a big increase in prostitution. This is especially evident in countries such as Thailand and the Philippines. Two out of every three Japanese tourists to the Philippines are men on package tours with 'built-in' sex. An estimated one million children in developing countries are caught in the slavery of child prostitution, mostly prompted by the tourist trade. A Christian Aid report has

estimated that around 200,000 children work as prostitutes in Thailand and probably 60,000 in the Philippines. Some 200,000 Nepali girls have been sold into slavery in Indian brothels. In Sri Lanka around 2,500 boy prostitutes, so-called beach boys, earn their living from male tourists.[25] These children are the most tragic losers of international tourism. TNC tour operators based in Europe as well as Japan have been involved in this business.

Environmental damage

Tourism impacts on the environment in many ways. As the number of tourists increase, so also does the environmental damage. In some countries, tourists are again in danger of destroying the environment that attracts them. Environmental damage often results from rapid and uncontrolled development due to tourism. The environment plays second fiddle to tourism profits. All too often governments, tourism TNCs and other private enterprises prefer to maintain their tourist economies rather than their ecosystems. As a result, tourism developments

> often built in the most beautiful landscapes and places in the world, threaten and destroy environments and exhaust limited natural resources, destroying these places for local peoples and future tourists … Unregulated tourism development is continuing to devastate environments, degrade cultures and destroy traditional livelihoods.[26]

Examples of the destructive effects are many. Hotel chains in Mexico have burnt down parts of the forest in order to construct new complexes for tourists. Unplanned tourism development in the country's resort of Acapulco has resulted in a polluted bay and a large squatter settlement. Some of East Africa's game parks have been turned into dustbowls by tourists' vehicles. Indonesia's head of tourism planning has warned that traditional life on the island of Bali is threatened by environmental damage caused by investment in tourism. In Goa, the discharge of sewage from a large number of hotels along the sea front has polluted the ocean and damaged sea life. Waste created by the tourism industry is difficult to remove from fragile areas and means mountains of rubbish are appearing in some of the world's most beautiful landscapes.

The damage caused by the tsunami that struck Asian coastlines in late December 2004 was many times worse in areas where mangrove bushes and other natural barriers had been removed to make way for develop-

ments such as tourist hotels, some encouraged by the World Bank and aid agencies. With the barriers removed, the waves crashed over and many lives were lost. But nearby coastlines without such developments, where mangroves were still largely intact, suffered far less damage.

On the Indonesian island of Simeulue, 25 miles from the epicentre of the tsunami, for example, only four deaths were reported from a population of about 76,000. The island has a vast mangrove area. Eyewitnesses reported that no waves penetrated the mangrove belt. The development of tourism played a bigger part in the tsunami disaster than was reported at the time by mainstream media in the West.[27]

'If no measures are taken to conserve the environment, pollution and damage to natural reserves will eventually reduce tourist flows,' says a UN report on Asia and the Pacific. 'On the other hand, conservation measures will hinder tourist growth.'[28] But in parts of the developing world where tourism is causing serious environmental damage, measures that 'hinder tourist growth' could be welcome.

Water is in short supply in many of the tourist areas in developing countries. The Caribbean, Honduras, the Middle East, South Africa, Tanzania and India are all suffering water degradation from tourism, says Tourism Concern.[29]

Tourists make big demands on water supplies, placing an extra burden on a limited resource. A hotel guest can use 500 litres of water a day, at least ten times more than local people. The use of water in showers, baths, swimming pools, and in the watering of lawns, can mean the taps of local people run dry. Tourists may be unaware of the fact that their use of water causes local populations to have less water for drinking and for irrigation. If infrastructure is constructed to ensure safe drinking water to the tourist hotels, it is unlikely to extend to nearby communities.

In India's Goa resort, 'massive quantities of water are transferred to the resort (luxury hotels) from some water resource or another. This results in the lowering of the water table and the wells running dry', says Albertina Almeida of a Goan women's collective. She also alleges that 'Hoteliers are known to drill water within 500 metres of the high tide line, utterly disregarding the fact that this results in irreversible saline water intrusion, which again means longer distances, more work and bad health for women.'[30] Some of the daily tasks that a woman normally performs are therefore made harder by the industry's presence – collecting water, for example. The big demand for water by tourist

hotels can mean that local farmers are left with less water and this can reduce their food output. Tourism can therefore affect local food supplies for local people.

Golf courses, some constructed to meet tourists' demands, are expanding rapidly in Asian developing countries, putting severe strains on water supplies, and also on land and forests. In the early 1980s the region had few courses outside Japan. Now there are numerous courses in Thailand, Malaysia, Indonesia and the Philippines, some funded with Japanese aid money. Golf courses have to be watered to keep them green and in good order. A standard length (18-hole) golf course soaks up at least 525,000 gallons of water a day – enough to supply the needs of 60,000 villagers. Building golf courses in tropical areas can mean that forests have to be cleared, coastal areas bulldozed, mountain tops lopped off and swamps drained.[31] The Asia Pacific Peoples' Environment Network started the Global Anti-Golf Movement (based in Malaysia) to draw attention to the problems.

The impact of tourism on climate change is a matter on which awareness is growing. As most tourists from the West who go to developing countries go by air, their flying contributes to climate change, making life harsher for poorer people. If it continues at the present rate, 'aviation will become a major contributor to global warming by 2030'.[32]

Alternative tourism

Alternative tourism that bypasses tourism TNCs, and generates an income for local people, is developing fast. And it is doing so outside the TNCs. 'It will be virtually impossible for today's big operators to offer fair trade tourism, because their current business models are designed to achieve the opposite,' said Anita Roddick.[33] This has not stopped TNCs jumping on the bandwagon of 'eco-tourism'. But the eco-tourism label can mean little or nothing. Costa Rica, for example, has become one of the world's top eco-tourism destinations. But here, as elsewhere, there are doubts about whether local people are gaining their fair share from its development.

Tourism that benefits local people is being offered by many small companies in partnership with host communities. Alternative tours are available to countries such as, for example, Senegal and Sri Lanka, with visitors staying with local people rather than in hotels. Participation of local people is a key factor. When a community of Maasai tribespeople

in Kenya was forced from their land to make way for a conservation park, they sold four cattle, bought a few tents, and began to market themselves as a community-based tourism destination. Within a few years their venture could accommodate 50 visitors. They built a pharmacy 'and provided travellers with talks on Maasai culture and guided wildlife walks'.[34]

Traidcraft, a fair trade pioneer, has developed Meet the People Tours as a joint venture with the independent operator Saddle Skedaddle. These small-group holidays led by local guides include time with fair trade producers, visits to cultural sites, enjoyment of the countryside and wildlife, and eating locally produced foods. Visitors sleep in locally owned hotels and guesthouses and travel by local means when possible. People who have gone on Traidcraft's tours have described them as 'inspiring', 'a privilege', 'an amazing experience', 'mind blowing', 'unforgettable', 'one of the most fulfilling and worthwhile experiences of my life', and 'a trip of a lifetime'.[35]

Another leader in the field is Tribes Travel, which describes itself as a 'Fair Trade Travel company . . . whose aim is to arrange the perfect tailor-made holiday'. It offers holidays in almost twenty developing countries, and ensures that 75 per cent of the cost of a holiday stays in the destination. It has set up a charity to support social development and environmental protection among vulnerable communities.[36]

While there is, as yet, no fair trade certified label, Tourism Concern has set up an International Fair Trade in Tourism Network. This aims to strengthen the bargaining position of local destination interest groups, facilitate equitable market access for small stakeholders, raise awareness amongst consumers and influence international trade policy.

> Fair Trade in Tourism is a key aspect of sustainable tourism. It aims to maximize the benefits from tourism for local destination stakeholders through mutually beneficial and equitable partnerships between national and international tourism stakeholders in the destination. It also supports the right of indigenous host communities, whether involved in tourism or not, to participate.[37]

An emerging alternative is customer-to-customer holidays. Consumers wanting more choice are using the Internet to create their own cottage industries and sideline packages. 'It is a trend which can bypass official distribution channels, travel companies and agencies, meaning

that an exchange of views and information on the net could lead to somebody getting a payment.'[38]

Consumers are using the web to tap into blogs and ask fellow customers what they think. Consumers like word-of-mouth recommendations and 'minipreneurs are turning these recommendations into sales opportunities, using their knowledge to put together holidays for other consumers. The range of "what I'd like to do" postings on the web is enormous.'[39]

Some governments are showing a willingness to rethink their plans to build five-star hotels and to encourage indigenous tourism facilities rather than TNC-led tourism. The Gambia, for example, asked Tourism Concern to rewrite a tourism plan that had been developed with the aid of the United Nations Development Programme. The plan's weakness – especially its emphasis on mass tourism – had become clear. A seminar on alternative tourism gave birth to a co-operative venture called DEEGOO (which means co-operation and understanding). Tourism Concern, Voluntary Service Overseas, an NGO called Afrikan Heritage, and small-scale business people were involved in this venture which marketed small hotels run by local people.[40] Initiatives like these are an important alternative to TNCs. The right kind of tourism can generate profits for local people rather than the corporations.

Regulation

The chief international agreement affecting tourism is the WTO's General Agreement on Trade in Services (GATS). This establishes a legal and operational framework for the gradual elimination of barriers to international trade in services, including tourism (see Chapter 5).

Trade restrictions currently affect corporations in a number of ways, including: their ability to move staff to a foreign country; the use of trademarks; their ability to create and operate branch offices abroad; and the repatriation of profits. Governments of Western countries are pressing for further liberalization under the GATS agreement. This could mean that restrictions are swept away. For the hotel sector, this would facilitate franchising, management contracts and licensing. TNCs will be eligible to receive the same benefits as local companies, and they will be allowed to make international payments and transfers without restriction.

The GATS agreement may be good for the tourism industry, but hardly for developing countries. While revenues from tourism may increase, the agreement will limit the sovereignty of host governments to control the activities of tourism TNCs. It increases the power of TNCs at the expense of governments. If they are trying to make sustainable development a central plank of their overall policy, governments may need to reconsider their policy on tourism, and be prepared to regulate the activities of tourism TNCs.

The corporations have limited time horizons; their shareholders expect them to make profits in the short term. There is little sign that tourism TNCs are changing their practices to ensure that their activities contribute to a country's long-term sustainable development. Sustainability can only come if TNCs agree to safeguard local environments and people.

Governments of developing countries that want to attract tourists are competing with each other for the business. But unless they regulate TNCs, it may not be a trade worth having, resulting in an increasingly detrimental impact on the lives of many people.

'Governments must accept that the tourism industry is unlikely to regulate itself. It is up to governments to regulate the industry in the way they feel is necessary,' says Tricia Barnett of Tourism Concern.[41] Governments need to ensure that their tourism industry operates in a way that can be sustained, with fair regulation of foreign interests, and not in a manner that damages local peoples, cultures and environments. In countries with democratic voting systems, the negative effects of tourism on local people could lead to a backlash at the polls.

Conclusion

Mainstream tourism to developing countries is exploiting the poor and the environment, and making few economic links with other sectors of the economy. It is not delivering what the tourist industry claims. Regulation is needed, but there are nonetheless alternatives. More need to be developed that are based on community participation, and on land or sea rather than air travel.

'It is time to stop treating tourism as a holy cow to be protected and nurtured at all costs,' says Anita Pleumarom, who coordinates the Bangkok-based Tourism Investigation and Monitoring Team.

Most travellers would not want to wake up to the fact that they are just

> feeding a multi-billion-dollar industry and contributing to unsustainable patterns of consumption and production. And there is little awareness that, as always, it is the poor who have to pay for the social and environmental costs of excessive tourism.[42]

To get to grips with the tourism industry, governments of developing countries should consult local people at the design stage of a tourism project, encourage the development of indigenous tourist facilities, charge hotels for water use to encourage its conservation, and cooperate with other countries in the region to exercise effective control over tourism TNCs. They should also urge Western countries to pass legislation that makes it a criminal offence for their nationals to exploit children abroad – through, for example, sex tourism.

CHAPTER 7

Extracting Logs and Fish

If they continue to extract logs and timber from our forest, our lives will wither like leaves on the trees, like fish without water. (Tribal leader)

Forests

Forests are of critical importance for the poor in developing countries; they maintain climates and prevent soil erosion, acting like a sponge to absorb moisture and release it slowly to adjacent land. When forests go, the land loses that natural water supply and protection. Droughts and flash floods become more likely. Rivers and fisheries can be badly affected by sediment washed down from cut forest areas. It is the poorest, who have least protection from such calamities, who suffer most from deforestation. Indigenous peoples who reside in forests are among those worst affected.

The destruction of the world's forests is also one of the main causes of climate change. Tropical forests contain up to 40 per cent of the world's terrestrial carbon and play a powerful role in mitigating the instability of the climate. Forest destruction accounts for around one-fifth of total greenhouse gas emissions.[1]

Transnational corporations are prominent in the axing and burning of the forests. Some of the forests they clear through burning will make only short-term rangeland for cattle, and some of the timber they axe will be used to make temporary products such as chopsticks and toothpicks. Other areas of forest are being cleared by TNCs to grow plantations such as eucalyptus and oil palm.

The loss of forest is severe. Between 2000 and 2005, 20,000 hectares of forest were lost every day, says the United Nations Food and Agriculture Organization (FAO), equivalent to an area twice the size of

Paris. Every day. In annual terms 'the net forest loss was 7.3 million hectares per year'. A number of regions are, however, now showing an increase in forest area, according to FAO's 2007 *State of the World's Forests* report.[2]

But while 57 countries reported an increase in forest area, 83 reported a decrease. According to David Harcharik, FAO Deputy Director-General, 'countries that are facing the most serious challenges in achieving sustainable forest management are those with the highest rates of poverty and civil conflict'.[3]

Global forest cover now amounts to just under four billion hectares, covering about 30 per cent of the world's land area. From 1990 to 2005, the world lost 3 per cent of its total forest area, an average decrease of some 0.2 per cent per year, according to FAO data.

Indonesia, Mexico, Papua New Guinea and Brazil experienced the highest losses in primary forest in the five years from 2000 to 2005. The net loss of forest area accelerated in South-East Asia in these years, with illegal logging increasing in some countries. Africa and the Latin America/Caribbean region have recorded the highest losses. Africa, which accounts for about 16 per cent of the total global forest area, lost over 9 per cent of its forests between 1990 and 2005.

Forests are vulnerable to threats such as insects, diseases, invasive species and forest fires. Rapid transport, ease of travel and growing international trade have facilitated the spread of pests. Climate change could increase damage to forests caused by the greater incidence of fire, pests and diseases. Yet 'new investments in forests to mitigate climate change lag behind the optimistic expectations of many following the entry into force of the Kyoto Protocol in 2005'.[4]

The FAO has argued that logging is responsible for only 6–7 per cent of degradation, and that just over a quarter of the damage occurs when people move into and settle in the forest after logging has removed the biggest trees and made forest areas more accessible for settlement and cultivation. A further 10 per cent is destroyed due to infrastructure, such as road building and dams, it says, while around 55 per cent is damaged because of human encroachment on forest areas, shifting cultivation, 'slash and burn' techniques, the demands of agriculture – cattle ranching, for example – and fuelwood gathering.

Evidence suggests, however, that the chief cause of deforestation is logging. Ordinary people do not have the equipment or the machinery to axe huge trees. A detailed study of deforestation in Asia (by

researchers at Rutgers University in the USA) found that it is loggers who have done most of the damage. The axing of forests by logging companies, usually TNCs, in order to sell timber to the West, emerges as the major cause.[5]

Asia and the Pacific

Japan-based TNCs are responsible for much of the deforestation that has occurred in Asian developing countries. In order to protect its own forests, Japan has purchased the forest products of poorer countries; its companies have reaped the reward.

Since 1945, Japanese TNCs have logged and brought back to Japan a large slice of Filipino forest. Whereas the Philippines had 17 million hectares of tropical forest in 1945, only one million hectares remained by 1989. The Philippines has one of the most severe deforestation problems of any developing country. The Japanese firms involved in the deforestation include Mitsubishi, Mitsui and Sumitomo. Mitsubishi, Japan's largest trading company and active in over 80 countries, has logging companies in Malaysia, Indonesia, Papua New Guinea, Thailand and Burma. It is also one of the world's largest importers of timber. According to the Rainforest Action Network (consisting of 150 groups in 45 countries), Mitsubishi 'contributed to the fastest liquidation of a primary rainforest ever in human history by logging Sarawak, Malaysia, over opposition from native communities'.[6]

Cambodia, one of the world's poorest countries, has one of the highest rates of deforestation. Cambodia's primary rainforest cover decreased from over 70 per cent in 1970 to about 20 per cent by the mid-2000s. Logging rates accelerated dramatically during the 1990s when 'unprecedented numbers of lumber mills were constructed . . . . Most of the logging is conducted to satisfy the international demand for tropical timber.'[7] Cambodia lost 2.5 million hectares of forest between 1990 and 2005 – 334,000 hectares of which were primary forest. Less than 322,000 hectares of primary forest remain.[8]

Vast areas of land have also been cleared in Indonesia to make way for company plans. According to the Indonesia-based Centre for International Forestry Research, the government 'has licensed and stimulated many companies to develop new industrial plantations of rubber, oil-palm and pulpwood, as well as transmigration sites. These activities require the clearing of hundreds of thousands of hectares of land, and fires are their cheapest option.'[9]

Malaysian companies also have interests in South Pacific states, including the Solomon Islands, parts of which have been severely deforested as a result of uncontrolled logging by the companies. The Solomon Islands government ignored the findings of an expert report which recommended that no more than 325,000 cubic metres of rainforest should be cut each year. Instead, it issued licences to loggers that allow a cut of up to 4 million cubic metres a year. 'This is a resource [tropical forests] that is growing more precious by the minute, and they are selling it off as if it were firewood,' was the verdict of Gordon Bilney, an Australian government minister, on the Solomon Islands government decision. 'The logging will condemn thousands of rural fishermen and their families to a life of struggle.'[10] Coral lagoons will be suffocated by the runoff from the eroded slopes, while rivers run thick with sediment – and these are just two of the problems that local people will face.

Foreign companies, mostly from Asian countries, have tried to bribe villagers in Papua New Guinea to let them log their forests. An unpublished report of an official inquiry into logging in PNG found: 'Some of these companies . . . are roaming the countryside with the self-assurance of robber barons, bribing politicians and leaders, creating social disharmony and ignoring the laws in order to rip out and export the last remnants of timber.'[11]

Latin America

The effects of TNC activity on the poor can be demonstrated in a case study. In the Brazilian state of Espirito Santo, a company called Aracruz Celulose has converted forest land into eucalyptus plantations, displacing local people. A Portuguese company (Safra), a Norwegian company (Lorentzen) and a Brazilian company (Votoranti) all have 28 per cent stakes in Aracruz Celulose.[12] A 28 per cent stake was previously held by a Brazilian cigarette company, Souza Cruz, a subsidiary of BAT.

Aracruz Celulose is the world's largest exporter of hardwood bleached pulp (which is turned into paper products), shipping 70 per cent of its output to paper-making factories in North America, Europe and Japan. The pulp is made from eucalyptus trees. According to NGOs who represent workers and Indian peoples, tropical forest was removed to make space for the eucalyptus. They claim that the company's activities have meant the eviction of thousands of Indians and forest-

dwellers from their forest homes, and that land, water courses and fisheries have been damaged.

In 1967, Aracruz acquired large areas of tropical forest that was inhabited by local smallholders and by Indian Tupiniquim people, a land grab now under scrutiny by groups including the Workers' Union for Extractive Wood Industries, the Workers' Federation of Agriculture in Espirito Santo and the Indian Counsel Missionary. Aracruz now owns 203,000 hectares of cultivated land in the area, including 132,000 hectares on which eucalyptus is growing. According to these groups, 70 per cent of the land 'appropriated by Aracruz used to be rainforest' and a total of 80,000 hectares of natural forest was cleared to make way for the eucalyptus. Aracruz denies this, claiming that it planted the trees on land that had been 'exploited, degraded and ultimately abandoned'.

The Indian people claim that their rainforest homes were destroyed to make way for eucalyptus trees. According to José Luiz, one of the Indians affected: 'We had no idea what was going on. I was only seven at the time but I remember that heavy equipment suddenly appeared and my parents were told that the company had bought the forest from landowners.'[13]

The groups claim that about 7,000 families had to leave their homes, including several thousand Tupiniquims who received no compensation. While some stayed in the area, it seems that many had no choice but to drift into nearby towns to try to make a living. 'We were too disorganized to fight the company,' admits Luiz. Only a few of the Indians found employment with Aracruz.

Eucalyptus grows quickly in the area; the trees are cut down near the base and regrow to a height of almost 40 feet within seven years, giving the company a regular supply of raw material for its factory. However, the trees achieve this rapid growth by tapping large quantities of groundwater, impoverishing surrounding vegetation and threatening to dry up local water courses.

In the area around the Aracruz factory, the eucalyptus appears to have had devastating consequences, destroying forest foods which were a central part of diets, drying up water courses and destroying fisheries. The groups allege that 176 lakes and numerous rivers in the area have dried up as a result of the plantations. In the words of João Pedro Stedile of Brazil's Landless Workers' Movement,

> this used to be one of the best fishing areas in the country but local fisheries have been devastated. 50,000 people in the area used to eat fish every day. Now they eat fish no more; some fishermen have stopped fishing because there are so few fish to catch.[14]

Eucalyptus trees are turned into woodpulp by a five-stage bleaching process which uses chlorine dioxide. The groups allege that 200,000 tons of chemicals, including highly toxic dioxins, have been dumped in the Atlantic, killing and poisoning fish and vegetation. 'Fish that could feed 30 million Brazilians are poisoned by dioxin,' estimates Luiz. Local farmers say that their land is now dry and yielding less food. Eucalyptus is infamous for lowering water tables and causing problems for farmers.

The company claimed, however, to be running a sustainable forestry operation. Carlos Alberto Roxo, the company's general manager for environment and public affairs, said that Aracruz does not accept that its activities have damaged fisheries. He believes that damage to water courses in the area has been caused by general deforestation and not by the eucalyptus plantations, and that the eucalyptus trees are not lowering the water table. He agreed that fewer Indians live in the area but points to a general decline in the Indian population.[15] Responding to the company's claims to be running a sustainable forestry operation, Manuel Carol Gomes, a workers' group official, said: 'What does Aracruz sustain? It sustains misery, it sustains the degradation of people.'[16]

In 1997, the Indians lodged a claim with the Brazilian government to have 1,300 hectares of their land restored to help them regain their original lifestyle. The official government agency for indigenous affairs concluded that their claim was justified. Aracruz opposed the claim and put considerable pressure on the government to rule against the Indians.[17] In March 1998, the government ruled against the Indians and furthermore decreed that NGOs that had supported their struggle were forbidden entry into the indigenous lands.

But the struggle continued. In February 2005 the Tupiniquim people decided to take back the lands occupied by the eucalyptus plantations of Aracruz. Over 100 indigenous families returned to settle in the rural areas from which they had been evicted, 'thus opening up the door to hopes of a sustainable and decent future'.[18]

These hopes were dashed when in January 2006 Aracruz tractors destroyed two Tupiniquim and Guarani indigenous villages in Espíritu Santo. Apparently with federal government and police support, the

tractors mowed down all they found in their way in the indigenous villages of Córrego D'Ouro and Olho D'Água. The two villages were totally destroyed. This happened at a time when a lengthy negotiation was in process, involving the state, the company, the Indians and civil society. The Ministry of Justice had confirmed anthropological studies carried out by Brazil's national organization for Indians (Funal) recognizing the area as indigenous territory.

A full 40 years after the company began acquiring tropical forest in the region, a time of considerable suffering for the displaced Indians, agreement was finally reached. In December 2007 an agreement was signed by Aracruz Celulose and indigenous leaders which transfers 11,000 hectares of land to the indigenous communities.[19]

Africa

Africa has lost over half its tree cover in the last 100 years. The continent's forest has been seen by logging companies as a rich resource. European logging TNCs are active in the Democratic Republic of Congo (DRC), Cameroon, Central African Republic, Gabon, Ivory Coast and Liberia. The DRC has the largest rainforest region in Africa, the second largest on earth after the Amazon rainforest. The forest is critical for its inhabitants. Out of a population of over 60 million people about 40 million in the DRC depend on the rainforest to provide essential food, medicine, and other non-timber products, along with energy and building materials. The DRC forest is also considered to be one of the planet's essential defences against climate change.

Logging in the DRC is severe. In April 2007 an area of some 21 million hectares of the country's rainforest was being allocated to the logging industry, an area nearly seven times the size of Belgium. Most of the country's timber is exported to Europe, with France and Belgium currently the largest importers. International logging companies in the country 'are causing social chaos and wreaking environmental havoc', alleges Greenpeace.[20] The logging companies lay down a 'skeletal grid of arterial routes through intact rainforests. The swathes cleared through the forest for these logging roads can be wider than some of Europe's major motorways,' says the report.[21]

The World Bank suspended financial assistance to the DRC in the 1990s because of armed conflict there, but resumed lending in 2001. In May 2002, the Bank convinced the DRC government to suspend new logging contracts and the renewal or extension of existing ones. This

moratorium followed a World Bank-instigated tax review of logging contracts. By April 2006, however, 107 new contracts had been agreed between government and logging companies, covering more than 15 million hectares of forest.[22] Yet, according to the World Bank, 'Industrial timber production has a poor record in Africa. Over the past sixty years, there is little evidence that it has lifted rural populations out of poverty or contributed in other meaningful and sustainable ways to local and national development.'[23]

But the World Bank has failed to control the expansion of industrial logging, says the Greenpeace report. In the absence of enforcement, behind-the-scenes jostling for valuable forest holdings has continued. 'The World Bank's support for development through extractive industries, including logging, is set to compromise the future of the DRC's rainforests, its people, and the global climate.'[24]

The DRC has a Forestry Code whereby a logging company negotiates directly with communities as to the services it will provide in exchange for logging in their area. But investigations have shown that in exchange for extracting wood worth many hundreds of thousands of dollars, companies may give communities gifts worth as little as $100 in total. Once logging starts, the provision of services negotiated for by the community, such as school buildings, is often either derisory or not delivered at all. It is therefore an illusion that logging companies will be beneficial to local communities.

In June 2000 it was revealed in a World Resources Institute (WRI) report that forests in Gabon are rapidly being conceded to a handful of logging companies. Gabon is one of Africa's biggest oil producers and a wealthy country by African standards. The WRI report said that with declining oil revenues, the pressure to exploit the country's forests will continue to grow. In 1957, fewer than 10 per cent of Gabon's forests were allocated as logging concessions. In 2000 more than half were allocated as logging concessions and these areas had more than doubled in the previous five years. The five largest concession holders are Rougier-Gabon, Compagnie Forestière du Gabon (CFG), Leroy-Gabon, Compagnie Equatoriale des Bois (CEB) and Lutexfo/ Soforga. Although registered in Gabon, they are controlled by European companies.[25]

Gabon's logging industry is dependent on one species of tree, the Okoumé (*Aucouméa kleineana*). This is found only in Gabon, in parts of the Congo and in Equatorial Guinea. Although the tree has been used

in the new National Library of Paris and in the Eurostar train, it is primarily exported to make plywood.

More than 90 per cent of Gabon's log production is exported, about half of it to Asian countries. Of this volume, 73 per cent is Okoumé. China has now replaced France as the primary export market for Gabonese wood. The government and international donors regard the exploitation of timber as central to development policy. This is causing a rapid increase in logging.

Industrial exploitation of forests within the current policy framework threatens their future integrity and the country's biodiversity. Production levels are already considerably above the official sustainable production estimates and are set to continue rising. The contribution which the forestry sector revenues make to the country's population as a whole and to people living in the locality of forestry operations is questionable, said a 2006 report.[26]

Over 90 per cent of Ghana's forest has been logged since the 1940s. Corruption and fraud on the part of timber TNCs have been alleged in a Friends of the Earth report claiming that British, German and Dutch companies tricked Ghana out of £30 million in revenue from its forests. Some 'corrupt agents' were used, alleged the report, to make fake declarations about the value of the timber being shipped. The agents would submit prices to a government bureau that were lower than the prices the timber would fetch on world markets. The timber that was exported was sometimes of a higher grade than that declared to the Ghanaian authorities, it alleges. In both cases, the exporting firms would then get the higher price, the government the lower price.

The report also alleged that companies inflated prices of imported machinery and professional services, invoicing the government for more than the goods and services had cost them. By these and other methods, Ghana was cheated out of the real value of its timber exports, losing around £30 million. Investigating the alleged plunder, the Ghanaian authorities found that the TNCs used a number of methods intended to defraud.[27] All this happened at a time when Ghana was under pressure from the IMF and the World Bank to step up exports of timber so that it could pay off its foreign debts.

There is thus a growing consensus that the 'traditional concession-based industrial logging model does not generate the desired economic, social and environmental benefits'.[28] The negative role of

TNCs is again apparent. Yet the World Bank is preparing to launch a Forest Carbon Partnership Facility for forestry which experts fear will benefit industrial-scale logging.[29] In the light of its own experience, the World Bank should unambiguously end its support for logging and the loggers.

Fisheries

World fisheries are facing an unprecedented crisis. Overfishing is rife. Seas are being plundered for short-term gain with little thought of sustainability or the effects on the poor. The technology used by the vessels of Western and Asian-based transnational corporations is causing huge problems for millions of people in developing countries for whom fish is vital. Fish provides 29 per cent of the total animal protein of Asians, 18.6 per cent of Africans, and 7.6 per cent of Latin Americans, according to FAO estimates. Around a billion people rely on fish as their primary source of animal protein. But overfishing by foreign trawlers is damaging the near-shore fishing grounds of developing countries and reducing fish catches. This is having especially severe effects on the economies of coastal communities, as it means less fish for local people.

TNCs are involved in fishing in order to secure supplies of a valuable raw material for selling to fish markets and also for processing. But overfishing by transnational fishing companies is contributing to world food problems. Global fish catches increased fivefold between 1950 and 1989, rising from around 20 million tons to just over 100 million tons. Catches virtually stagnated in the 1990s, staying at only just above the 100 million ton mark, with quality declining and with a lower proportion coming from the seas. The trend has continued. The sea catch in 1999 was 93.6 million tons; in 2006 it was 93.2 million tons. The catch is stagnating because virtually every sea has been overfished, depleted, fully exploited or overexploited.

But the catch from aquaculture (fish farming) has soared in recent years. In 1980, 9 per cent of the world catch came from aquaculture; this leapt almost fivefold in 25 years. By 2006 the aquaculture sector accounted for around 44 per cent of all catches. The aquaculture catch was then 48.1 million tons, making the total fish catch 141.3 million tons.[30]

Developing countries export about a quarter of their total fish catch. In 2004 their share of world fishery exports was 48 per cent by value

and 57 per cent by volume. Net fishery exports of developing countries have increased hugely over the last two decades, and now outstrip the value of other, more traditional commodities like coffee, tea, rice and bananas.

'The liberalization of the international fishmarket and high demand for high value species for export is also changing the way the fish is marketed, and encouraging the entry of new actors,' says Brian O'Riordan:

> The demands of international markets affect the way fishing operations are organized (to catch quality fish, and to maintain its quality), the way that it is landed (in centralized facilities that comply with international standards), and dealt with (packaged and often air freighted out of the country). This is having negative impacts on household food security, with less fish coming into local markets.[31]

More than 200 million people worldwide are fishworkers, just under 3 per cent of the global agricultural workforce. Over 90 per cent live in developing countries, working in small-scale, household-based or artisanal fishing enterprises.[32] These fishers provide a vital food for local people, yet they number among the poorest of the world's poor. An estimated 98 per cent of the traditional fishers of India, for example, live below the poverty line. Women play a key role in fishing communities, chiefly by processing, marketing and distributing the fish.

Fishers in developing countries haul in about one-fifth of the global fish catch but now face an unprecedented challenge to their way of life. Tens of thousands of jobs in the small-scale fishing sectors are being lost each year because of declining catches and competition from large vessels. According to fisheries experts: 'Traditional ways of life, which for centuries have been sustained by fisheries, are collapsing. Fishing communities managed to sustain themselves well enough until the arrival of modern technology.'[33]

In many developing countries, notably in West Africa, 'marine fishing and seafood processing and trading are combined with other activities, vital for supporting rural livelihoods,' says Brian O'Riordan:

> In many such countries, fishing also provides an option to fall back on when other options fail. This is especially so in war-torn countries (such as Mozambique), and where agriculture has failed (such as Senegal). It is notable that a large proportion of the migrants from West Africa landing up in the Canary Islands are young men, internally displaced from the agricultural sectors in West Africa, who have been unable to make a

> living from fishing. This is a new phenomenon, and the question arises as to whether the export production orientation of fisheries to produce a cash crop and access for foreign companies has precipitated the demise of fishing opportunities for local people.[34]

Trawler technology

The modern technology is owned mostly by TNC fishing companies. Trawlers from Spain, Germany, Norway, Korea, Japan and the USA fish the world's oceans using vessels with huge nets, often several times bigger than a football field, vacuuming up virtually everything for miles. The fish do not stand a chance. Although there are regulations over net size, many of the young fish that should stay in the water and grow are inevitably scooped up.

'Deep-sea bottom trawling', says Greenpeace, 'is one of the most damaging forms of fishing practised today.' Bottom trawling outside the 200 nautical mile limit of countries' Exclusive Economic Zones (see below) 'is carried out by relatively few vessels flagged to a small number of OECD countries. The high seas bottom trawl industry is causing a disproportionately high level of destruction of deep-sea life relative to the few economic beneficiaries.'[35] The supertrawler fleet includes, for example, vessels up to 140 metres long that trawl for small fish like sardines off the African coast and freeze them into 20 kilo blocks.

TNCs control 'significant proportions of the global fish stocks, dominate global trade, and wield huge influence with governments'.[36] The Spanish-based company Pescanova owns one of the world's largest fishing fleets, with 120 freezer vessels and 3,400 employees. It describes its principal activities as 'fishing, processing, distribution and marketing of fish products'.[37] The company has been prominent in the development of aquaculture. Some TNCs (Unilever, for example) are now distancing themselves from the catching sector.[38]

The African coast is one of the chief destinations for corporate vessels. Senegal on the West African coast is a favourite destination. Fish is the country's biggest earner of foreign exchange. Senegal effectively earmarks almost its entire earnings from fish exports for interest payments on its foreign debt. Fish are caught in the country's 200-mile EEZ, mostly by Spanish trawlers, which catch fish that might otherwise swim into nearshore areas. This undermines the catches and livelihoods of local fishers. While the trawlers cannot fish within 10 kilometres of the shore, their dragnets haul up such huge catches of sole and hake that

fewer fish swim into this area. Local fishers are forced to venture further out to sea in boats not designed for deeper waters, and some have been killed in accidents involving trawlers.

Lower fish catches are affecting the social structure of coastal villages in Senegal. Young people are declining their parents' offer to take up fishing. They want other jobs because they see their parents' problems. Local fishers want the government to extend the zone reserved for them from 10 to 20 kilometres and to increase its investment in surveillance equipment to detect the foreign trawlers.

According to the Coalition for Fair Fisheries Agreements (CFFA), a Brussels-based group of EU non-governmental organizations, fishing agreements between the EU and Africa have led to the depletion of fish stocks, the impoverishment of coastal fishing communities and the destruction of opportunities for sustainable development in ACP (African, Caribbean and Pacific) countries. They are also inconsistent with EU development policies, contradicting the terms of the Maastricht Treaty.[39] Fostering the campaign against poverty and the sustainable economic and social development of developing countries are among the aims of this treaty. The EU is now pursuing a policy of Fishery Partnership Agreements that will adhere to the coherence principle.

Through fishing agreements, TNC trawlers can fish in the 200-mile Exclusive Economic Zones (EEZs) of coastal developing countries. These zones were agreed in 1982 under the United Nations Convention on Law of the Sea. Countries have the exclusive right to exploit marine resources within these EEZs – and this means that some 80 per cent of world fish stocks are under their control. The high seas beyond the EEZs have, until recently, been a free-for-all zone, and have given rise to serious disputes between trawlers and countries. Coastal countries have a considerable interest in such fishing, as fish often migrate and straddle between their EEZs and the high seas. Fish caught on the high seas in the area immediately beyond a country's EEZ can mean there is less fish in its zone. These seas are now subject to international regulation (see below).

Piracy

Illegal, unreported and unregulated (IUU) fishing includes poaching in national waters and unregulated fishing on high seas. IUU fishing is common when management systems are weak or corrupt, where the value of the fish is high, and where enforcement of the laws is difficult,

as it is in remote seas and along the coasts of developing countries. Corporate-led, the scale of this fishing is colossal – and its impact on the poor is serious.

The global value of illegal fishing is between US$4 billion and US$9 billion annually, estimates a 2005 study by the UK Marine Resources Assessment Group. 'This is significant for developing countries, where the value lost can be up to 5 per cent of Gross National Product.'[40] While US$1.25 billion of the US$4 billion comes from the high seas, the remainder is taken from the EEZs of coastal states.

IUU losses are borne particularly by developing countries that provide over 50 per cent of all internationally traded fishery products. Significantly, losses from the waters of sub-Saharan Africa amount to US$1 billion a year – roughly equivalent to a quarter of Africa's total annual fisheries exports. IUU fishing therefore imposes significant economic costs on some of the poorest countries in the world where dependency on fisheries for food, livelihoods and revenues is high. It undermines the fish stocks on which the poor depend. IUU fishermen are quick to move in and exploit opportunities. In 2001, an aerial survey of Guinea's territorial waters found that 60 per cent of the 2,313 vessels spotted were committing offences.[41]

Multi-layered business arrangements ensure that IUU fishing operations:

> can be directed from afar by corporations set up specifically to service the fleet, organize trans-shipments and ensure that the fleet is kept permanently on station in the Southern Ocean. These corporations are in turn controlled by syndicates which purchase the fish through exclusive marketing arrangements, allowing them to launder illegally caught fish by mixing them in refrigerated containers with legal product or on-selling them through legitimate trading relationships, mostly into mainland China, Japan, the United States and Europe.[42]

In the waters of sub-Saharan Africa, the culprits 'are often Chinese, Korean and Taiwanese vessels that have licences to fish in one zone but then exploit another'.[43]

IUU fishing is international piracy. It shares many characteristics with other outlawed trans-border activities such as the trades in illegally logged timber and endangered species. The international community needs to stamp it out, not least by radically improving the quality of information and intelligence on IUU fishing activity.[44]

Aquaculture

Small-scale aquaculture development can help fishing families, but most aquaculture expansion is large-scale. This is having serious consequences for traditional fishing communities, not least by cutting off access to their traditional fishing areas and degrading coastal environments. TNCs see intensive aquaculture as a good business opportunity; 40 per cent of farmed fish comes from TNCs. But aquaculture threatens to transform artisanal fishers into a cheap source of labour. And the intensive practices are often damaging to the environment.

Indiscriminate development of aquaculture, notably of shrimp and salmon in Asia and Latin America, has led to serious socio-economic problems:

> In the case of shrimp farming, these include severe conflicts, and even violence against local communities, associated, in particular, with land alienation; diversion of farm land; disruption of access to fishing grounds; negative impact on biodiversity, including on mangroves; salinization and over-exploitation of water, including groundwater; and pollution. In the case of salmon, these include pollution and impact on wild fish through the spread of disease. Industrial shrimp and salmon aquaculture geared mainly towards the export market has contributed to foreign exchange earnings and high profits to investors, even though benefits to workers and local communities have been meagre.[45]

TNC involvement in farming salmon in Chile is one example. Industrial salmon farming in Chile grew spectacularly between 1990 and the mid-2000s to become one of the most dynamic sectors of the Chilean economy. But plans to triple salmon production by 2013 have received a major setback, with production stagnating, and with reports describing how salmon companies are struggling to cope with disease outbreaks and parasite infestations.

'This is a crisis that the sector has brought upon itself. It has shown a high disregard both for the environment and for the sustainable and equitable social development of the areas where salmon aquaculture has been introduced,' says Brian O'Riordan. A seminar in Chile in May 2007 on the 'Use of Antibiotics and the Health of Salmon Workers' criticized TNCs for their lack of corporate social and environmental responsibility, citing both massive use of antibiotics and health and safety abuses at work.[46]

The seminar noted that in the United States and the European Union the use of antibiotics in general is highly restricted. But in Chile such chemicals are used in massive doses, particularly in salmon farming. According to Ecoceanos, a Chile-based NGO that promotes responsible aquaculture, Chile uses 75 to 100 times more antibiotics per tonne of salmon than Norway. Impacts include rising infection rates from antibiotic-resistant bacteria, and contamination from antibiotic residues in salmon destined for human consumption.

Regulation

International regulation of TNC fishing activity is weak. A voluntary FAO Code of Conduct for Responsible Fisheries, approved in October 1995, covers the capture, processing and trade of fish and fish products, fishing operations, aquaculture, fisheries research and the integration of fisheries into coastal area management. It provides principles and standards applicable to the conservation, management and development of all fisheries:

> The right to fish carries with it the obligation to do so in a responsible manner so as to ensure effective conservation and management of the living aquatic resources. . . . States should prevent overfishing and excess fishing capacity and implement management measures . . . to ensure the fishing effort is commensurate with the productive capacity of the resources and their sustainable utilization. . . . Selective fish gear and practices should be further developed and applied.[47]

Also in 1995, governments adopted the UN Agreement on Straddling Stocks and Highly Migratory Stocks to manage and conserve the fish that swim in the high seas – about 10 per cent of the marine fish stocks. When ratified, this will become an internationally binding convention. Under the agreement, countries will either have to cooperate to regulate fishing on the high seas, or their vessels will not be allowed to fish. If a country has reasonable grounds for believing that a fishing vessel on the high seas is violating conservation rules, it can board and inspect the vessel and, if need be, notify the flag state, that is the country where the vessel is registered. If the flag state does not respond within three working days, then the inspecting state may detain the vessel in port for further action. These international agreements are voluntary rather than binding, and their implementation has been slow.

The crisis in fishing exists despite the international legal and institu-

tional framework aimed at regulating and controlling fishing, and 'despite all the talk of "sustainable development", the UN Law of the Sea, the FAO Code of Conduct for Responsible Fisheries, etc.,' says Brian O'Riordan.[48]

National-level regulation can help. Namibia provides an example. In order to keep foreign trawlers out of its rich fishing grounds, Namibia refused a fisheries agreement with the EU on the terms it was offered and successfully developed its own sector. At independence in 1990, Namibia's fish stocks were down to a dangerously low level because of unregulated overfishing by foreign, chiefly Spanish, fleets. Namibia's new government drew up regulations which severely limited the right of foreign trawlers to fish in the country's EEZ. They can now only do so on a joint venture basis.

Wider factors

Rising sea levels, caused by climate change, pose a further threat to coastal fishing communities throughout the world. EU subsidies for fishing companies to build more boats are a further threat. The ocean advocacy group Oceana and WWF are pressing for a ban on subsidies that encourage overfishing.

It is not just fishing vessels that seek to exploit the oceans. As oil reserves on land or inshore become exhausted, so oil companies are beginning to explore deep shelf opportunities further offshore. Minerals companies are becoming more interested in offshore mining.

Dumping in the sea is also emerging as a concern. In November 2007, for example, an Australia-based company, Ocean Nourishment Corporation, was given the go-ahead by the Philippines government to experimentally dump hundreds of tonnes of industrially produced urea into the Sulu Sea between the Philippines and Borneo. This could imperil the marine environment and the livelihoods of fisherfolk.[49]

These examples illustrate a wider concluding point – the world's oceans are a resource that is likely to come under more pressure from TNCs.

CHAPTER 8

Mining the Poor

> *I have never seen anything so systematically destructive as the mining programme in the Philippines. The environmental effects are catastrophic as are the effects on people's livelihoods. (Clare Short, former UK International Development Secretary)*

> *Investors don't care much about preserving the jobs of gold miners.... We want to know what we're getting in the form of earnings and dividends. (Investor)*

Mining is the world's fifth largest industry. It has helped to give humanity gold, electricity, television, vehicles, planes, fridges, guns, bullets and whiter toothpaste. It has also caused problems for the poor that can barely be conveyed in print. In the course of digging out minerals to make products of enduring and not so enduring value, mining has caused enormous social and environmental damage, most of it done by TNCs in developing countries, where many of the resources lie – 70 per cent of gold, for example, is mined in developing countries.

Most mining is high-tech, and much is open-cast, spreading over vast areas. This is the beginning of the problem. Mining may involve the logging of sizeable hectares of mountainous areas and the blasting of rocks, after which mountains are tunnelled or carved out. Where the minerals once lay, enormous empty pits are left behind. Mining often demands land which used to grow crops. Many cocoa farmers in Ghana, for example, have had to give up their ancestral farmlands 'spanning four to five generations to mining companies'.[1]

The volume of water used by open-cast mining in particular is huge and can deplete rivers and even underground reserves, meaning less water for local people, for drinking and farming. Polluting waste from

such mines often escapes into rivers and streams. For every gold ring, there are 18 tonnes of waste.[2]

Mining is not only an environmentally destructive activity, but also a highly profitable industry for investors. 'Worldwide there are today more than 4,000 mining firms, mostly engaged in exploration and extraction.'[3] Of this number, 149 are considered major players, accounting for some 60 per cent of output. Most of the major players are TNCs.

Mining ought to be profitable for developing countries. Some of the world's 'poorest' countries are rich in mineral resources. Zambia, for example, has extensive copper reserves, but the mines were privatized at the insistence of the World Bank and the IMF. World copper prices have soared since 2005 but Zambia has hardly benefited. Education and healthcare may even have deteriorated. The proper balance between the mining companies and the host community has not been struck.[4]

Lack of regulation of mining industries in the South is part of the problem. The environmental standards that are expected of the companies in the North do not apply in most of the South. And in the wake of liberalization and privatization, mining is expanding at a furious pace, with mining TNCs exerting huge influence on the governments of developing countries. Governments see them as sources of revenues and providers of jobs; some are now changing their laws, easing their regulations and offering tax concessions to attract them. TNC mining companies are 'again re-establishing their control over local companies'.[5] Fuelled by the good profits, the TNCs have large funds to spend on exploration as countries open up to foreign companies and compete to attract them.

Culture

Sustainability is hardly a priority of mining TNCs. A great deal of mining is short-lived and dependent on volatile markets and changing fortunes. Of greater human significance is that much of it creates havoc with the cultures and lives of the poor, and with their environments. Cultural factors are of the highest importance to indigenous communities. A mine that threatens their culture can be regarded as the most serious threat of all. This is little understood by the mining corporations.

Displacement is closely related to culture. During the last hundred years, mining has meant that probably 100 million people, most of them in developing countries, have been removed from the land where they

lived and farmed. In many cases the land had been forest, which again had to be removed. Countless others have suffered ill health as a result of mining.

Mines produce huge waste dumps, which are often health and safety hazards, threatening, for example, to slip down hillsides. These waste dumps can contaminate water sources, both near the mine and sometimes far away from the immediate area of a mining activity. Health can be seriously affected. A disease called leishmaniasis, which is spread by sandflies, occurs in over 80 countries, and is spread by activities such as mining, road building, dam construction, and other development programmes 'that bring more people into contact with the sandflies that submit the causative parasite'.[6]

While an influx of mining workers and sub-contracting personnel into a mining area can give a boost to local economies, this soon passes, often leaving detrimental long-term effects. Despite their protestations, TNCs frequently ignore or at best overlook environmental and cultural aspects. The impact of mining can go beyond the immediate area of a mine in a number of ways. Roads, railways and townships for workers have to be built, hydro-electric dam schemes may come in the wake of mines, and water courses and sacred sites can be affected. In Ghana, the rationalization of mines has meant that over half the industry's miners have been sacked. For those who still have jobs, discriminatory waging is practised. Local people earn about a tenth of the wages of white workers 'for comparable jobs or the same jobs', alleges Thomas Akabzaa of the Africa-based secretariat of Third World Network. He maintains that many of Ghana's large mines are now operating surface pits with devastating consequences for the environment. Apart from the destruction of forests and farm lands, cyanide, mercury, sulphide and other heavy metals, resulting from mineral processing, contaminate the rivers, soil and air.[7]

Huge copper and gold mining development in the Pacific has brought Western lifestyles which have been damaging for local communities. Traditional social systems have been disrupted by the introduction of money, imported foods and alcohol. The employment of men at the mine sites, while bringing the opportunity to participate in the cash economy, increases the burden on agriculture and on women who remain in the villages. The extra workloads, domestic violence and alcohol abuse mean that the quality of women's lives often seriously deteriorates as a result of mining activity. 'Good relationships

World's largest mining companies (2006)

	Market value	Turnover	Net income US$m
1. BHP Billiton, Australia/UK	137,202.1	32,153.0	10,450.0
2. Rio Tinto, Australia/UK	86,345.6	22,465.0	7,438.0
3. Vale do Rio Doce, Brazil	86,144.4	21,996.6	6,523.1
4. Anglo American, UK	77,953.3	33,072.0	6,186.0
5. Xstrata, UK/Swiss	49,692.6	17,632.0	1,947.0
6. Anglo Platinum, South Africa	37,450.2	5,362.2	1,632.0
7. Barrick Gold, Canada	24,665.1	5,636.0	1,506.0
8. Freeport-McMoran, USA	23,763.0	5,790.5	1,456.5
9. Newmont Mining, USA	20,126.8	4,987.0	791.0

Source: Derived from *Financial Times*, FT 500, 29 June 2007.

between individuals have now been replaced and pervaded by the concept of competition.'[8] According to indigenous peoples affected by mining,

> We are alarmed at how our inherent and fundamental rights as indigenous peoples are systematically trampled on, disregarded and violated by the dominant world neo-liberal economy through their transnational corporations in the name of greed and profit . . . . Nothing justifies the destruction of our air, forests, waters, lands and territories, or the destruction of our lives.[9]

A number of the largest mining companies shown in the table above are new to the list since 1996; some are the result of mergers. Xstrata was only formed in 2002. In early 2008 there was a spate of takeover activity in the industry. BHP Billiton launched a £75 billion bid for rival Rio Tinto. Xstrata was the target of a £40 billion bid from Vale do Rio Doce. This could set a pattern for the future. Already huge companies seem likely to get even bigger.

The companies

BHP Billiton is the result of a merger in 2001 between Australia's Broken Hill Proprietary Company (BHP) and Billiton of the UK, a

company with a South African background. With 39,000 employees, it has more than 100 operations in 25 countries. The company is a leading extractor of resources such as iron, coal, copper, bauxite and petroleum. It controls one-third of the world's known uranium resources. BHP has been involved in controversy in Papua New Guinea, over indigenous people in the Philippines, over mining on protected forest land in Indonesia, and over industrial disputes in Chile.

Its closeness to host governments was witnessed in 2002 when the Papua New Guinea government passed legislation that prevents any government agency from taking or supporting proceedings against BHP-Billiton in respect of an environmental claim over damage caused by the Ok Tedi mine, which has long been a source of controversy (see below).

Rio Tinto, (formerly RTZ-CRA), the second largest mining company, came into existence in 1995 when RTZ merged with CRA of Australia. It is run jointly from London and Melbourne. The group controls mining companies involved in extracting aluminium, copper, diamonds and a range of other minerals from sites across Australia, the Americas, Europe and Africa. Many of its operations are open-pit. 'The company's corporate philosophy is driven by its belief that success in a commodity business such as metals depends almost entirely on an ability to produce goods more cheaply than anyone else.'[10] Rio Tinto has been accused of major environmental destruction, evasion of taxes and ill treatment of mining workers and of local communities. Cases include the Jabiluka uranium mine in Australia, and racist discrimination against black workers in Namibia.[11]

Anglo American/AngloGold Ashanti is the world's leading producer of gold, diamonds (De Beers), platinum and chromite, the third largest producer of cobalt and manganese, and the fourth largest producer of nickel. With its roots in apartheid South Africa, the company was formed from a 1999 merger; it operates in Europe, Africa, Asia, Australia and the Americas. Although its subsidiary AngloGold Ashanti has officially been spun off, it shares several directors with its parent and is still counted by Anglo American as one of 'theirs' when it suits them. The company presents itself as a model of corporate responsibility. Many of the communities affected by its activities feel differently. In June 2005 Human Rights Watch published a report accusing AngloGold Ashanti of collaborating with warlords in the Democratic Republic of Congo (see below).

Xstrata, headquarted in Switzerland, was created in March 2002 and has become a major and controversial player in the Philippines, Argentina and Colombia. The company's emphasis is clear from its website: 'We will grow and manage a diversified portfolio of metals and mining businesses with the single aim of delivering industry-leading returns for our shareholders.'[12]

Controversial Asian mines

Ok Tedi in Papua New Guinea (PNG) was developed by BHP in the early 1980s on the world's largest gold and copper deposit, with gold ore capping the main copper deposit. The site lies high in the rainforest-covered Star Mountains of PNG, an isolated area cultivated by subsistence farmers.

From the very beginning things did not go according to plan. It was originally envisaged that the mine waste (tailings) would be stored in a dam, and that after the settling of solid particles, clean water would flow down the Ok Tedi River, then into the Fly River for the 1,000-kilometre journey to the sea. It would have been an engineering marvel to build such a dam on the side of a mountain where it rains more than 10 metres a year and earthquakes are common. The half-built tailings dam collapsed in 1984 and the mine went ahead without a waste disposal plan.

The tailings from the 200,000 tonnes of copper produced each year are composed of fine-grained rock containing traces of copper sulphide and residual cyanide. The build-up of tailings in the lower Ok Tedi has caused a rise in the riverbed, flooding and sediment deposition on the flood plain, leading to a smothering of vegetation. Over 2,040 square kilometres of forest may ultimately be affected. These forests are expected to take many years to recover after the mine's closure.

Some 50,000 people live along the Ok Tedi–Fly River system. Sediment from the mine has reduced the amount of fish in the Ok Tedi and Middle Fly rivers by 80 per cent.[13] Changes to the riverbed have increased flow rates in the river, producing dangerous rapids – a major hazard for locals whose main form of transport is a canoe. The thick mud that blankets the river banks in many places has destroyed traditional gardens. This mud also makes it difficult to get down to the river to collect drinking water, bathe and fish. However, along with this hardship has come prosperity for many people. Educational facilities have improved and many local businesses have started.

In 1999, BHP reported that 'major environmental damage' has been caused by the mine, with 80 million tons of contaminated waste flowing into the river each year. The discharge caused widespread and diverse harm, both environmentally and socially, to the 50,000 people who live in the 120 villages downstream of the mine. Chemicals from the tailings killed or contaminated fish, which subsequently caused harm to all animal species that live in the area as well as to the indigenous people. The dumping changed the riverbed, causing a relatively deep and slow river to become shallower and develop rapids, thereby disrupting indigenous transportation routes. Flooding caused by the raised riverbed left a thick layer of contaminated mud on the flood plain where plantations of taro, bananas and sago palm – the staples of the local diet – are concentrated. About 1,300 square kilometres were damaged in this way. A 700-kilometre stretch of the river is reported to be 'biologically dead'.[14]

In mid-December 2001, the Ok Tedi Mine Continuation Act was presented in Parliament and rammed through in a vote later the same day. Central to the legislation was a provision allowing BHP to offload its 52 per cent share of the mine – which is scheduled to close in 2010 – into a development trust in return for BHP being insulated from further liabilities for environmental damage.

The legislation 'is typical of the way BHP has dictated terms to the PNG government ever since it came to Papua New Guinea', said a landowner leader, Gabia Gagarimabu; 'if we let BHP walk away from its environmental and social responsibilities now, Papua New Guinea will come to regret this decision forever'.[15] What seems clear is that the Ok Tedi mine will leave a grim legacy of lasting environmental damage affecting many generations to come.

Another controversy concerns a mine on the small PNG island of Bougainville. Civil war, provoked by operations at the island's Panguna copper-gold mine, may have claimed 10 per cent of the island's population, most of them innocent civilians. The mine, which is 53.6 per cent owned by Rio Tinto, has 'devastated the rainforest, wiped out all life from the Jaba River and silted the Empress Augusta Bay to a depth of 30 metres', alleges Roger Moody.[16] The strength of feeling on the island was summed up by Perpetua Serero, one of the leading women campaigners: 'We don't grow healthy crops any more, our traditional customs and values have been disrupted and we have become mere spectators as our earth is being dug up, taken away and

sold for millions.'[17] After their demands for compensation were rejected, angry local people began attacking the mine in 1988, forcing it to close down. The government sent in troops and lives were lost in the conflict. The mine which sparked the controversy stays closed.

The Freeport Mount Ertsberg mine in Indonesia is the second-largest copper mine in the world, and also contains the largest proven gold deposit in existence, valued in excess of US$40 billion. The region around the mine is closed off to outsiders, as well as to the traditional owners of the land, who have been dispossessed. Freeport is Indonesia's largest taxpayer. Its parent company, Freeport McMoran USA, is based in New Orleans.

The Tampkan Copper Gold project on the Filipino island of Mindanao, Philippines, is 62.5 per cent owned by Xstrata. It is potentially one of the world's largest and most underdeveloped and cost-competitive copper-gold deposits. The project was initiated in 1995 by an Australian company, Western Mining Cooperation. Expansion is now planned which a Filipino bishop claims will threaten food security in Mindanao. The proposed mining site is in a watershed area that supplies water to five rivers in four provinces. South Cotabato is known as the food basket of Mindanao.

Bishop Gutierrez, the Bishop of Marbel, believes that it is inevitable that the planned mining operation would lead to the pollution of the nearby downstream Lake Buluan and upstream Liguasan Marsh, damaging farmlands and fisheries and having a serious impact on food sources and livelihoods for the Muslim and indigenous populations. Eventually, he has concluded, this would lead to major social unrest.[18]

Climate change considerations are surfacing over coal mines, such as the Phulbari coal mine in Bangladesh. This mine is a GCM Resources project, funded by the Swiss-based UBS, Barclays and other banks. GCM Resources is a London-based company with a wholly owned subsidiary in Bangladesh – Asia Energy Corporation (Bangladesh). Major social and environmental upheaval could be caused by the mine, with 50,000 residents displaced – potentially 200,000 should full-scale expansion plans be realized. Phulbari is an open-cut operation, 'meaning that between 140 and 300 metres worth of earth will need to be removed to access coal seams deep under ground'. Energy production from coal poses substantial impacts on climate change, and is 'inappropriate at a time when Bangladesh is appealing to the rest of the world to curb greenhouse gas emissions'.[19] There has been strong local

opposition to the mine. In August 2006, when 50,000 people protested outside the local offices of Asia Energy, a paramilitary force peppered the crowd with bullets, killing five people, including a fourteen-year-old boy.

The spotlight is falling on the financial backers of the project, as well as the mining company. 'UBS has shown complete disregard for its duties to stakeholders, selectively and irresponsibly hiding behind bank secrecy provisions', according to Andreas Missbach of the Swiss-based NGO Berne Declaration.[20]

The Philippines

The Philippines is estimated to have the seventh largest gold reserves and the tenth largest copper reserves in the world. Mining has a poor record in the Philippines as a result of the massive social and environmental problems it has caused. Records of the United Nations Environment Programme (UNEP) reveal the Philippines to be among the worst countries in the world with regard to tailings, containing the toxic waste from the mining process. These can have disastrous consequences for local people and the environment.[21]

In spite of this, the government of the Philippines has, since 1992, pursued an aggressive policy to revitalize the mining industry. Critics say there is scant evidence of economic benefit to the Philippines at the national level. At the local level, evidence of the detrimental economic, environmental and social impact is widespread. The 'streamlining' of the mining application process has become synonymous with a relaxing of environmental laws combined with attempts to undermine the legal protections afforded to indigenous peoples.[22]

A new Mining Act was passed in 1995 which gave the TNCs everything they wanted. This was not surprising as the Act had been drafted by them. TNCs have since tried to pass it off as a model for other developing countries to follow. But the law ranks as one of the most corporate-friendly laws that has been introduced by any government. It includes provision for 100 per cent foreign ownership of mining projects. It also permits a foreign company to lay claim to an area of up to 81,000 hectares onshore or 324,000 hectares offshore. (Philippines-based companies are by contrast restricted to 8,000 hectares in one province and 16,000 hectares within the country.) Companies can repatriate all profits, equipment and investment, are guaranteed

against expropriation by the state, and are promised priority access to water resources within their concession. They have the right to evict villagers from houses, farms or other 'obstacles' to their operations.

Following the law, TNC mining companies registered claims 'which cover a land area equivalent to at least a quarter of the Philippines'. Many of the mining areas are the ancestral lands of the country's 8.5 million indigenous and Moro (Muslim) population. It is claimed that the United Nations Development Programme and others 'have financed the government's efforts to attract foreign mining investors, even though their operations could deprive many of the country's poorest people of their lands and livelihoods'.[23]

The Filipino government has come under constant pressure from the public to scrap the law. But mining companies still have their way. They have claimed that the environmental provisions in the Code are comparable with best practices worldwide, and suggested that the government's commitment to develop a vast gold and copper mining industry in the Philippines would be in jeopardy if it gave in to green pressures.

Environmental and indigenous groups have countered by appealing for international help to stop such expansion. They pointed out that in one region, the Cordillera, the 1995 law could threaten the livelihoods of 100,000 small-scale miners who are now barred by the companies from mining on land they have used for decades. Filipino groups continue to campaign against this TNC charter and tried in 2004 to have the law declared unconstitutional.

In December 2004, however, the country's Supreme Court upheld the constitutionality of the Act. Indigenous peoples and concerned groups believe their opposition is increasingly becoming more justified 'as the entry, re-operation, or expansion of mining firms become an ever glaring threat to the people, especially to the indigenous peoples and the environment'.

They point to the heightened operation of TVI Pacific Inc., a Canadian mining firm which plans to put US$12 million additional investments into its zinc and copper operations in Mount Canatuan in western Mindanao. This area is part of the ancestral lands of the Subanen indigenous peoples who have been awarded a Certificate of Ancestral Domain Title (CADT), a document certifying the prior right of the Subanens over the lands to which TVI lays its mining claims. Due to the inability of such a certificate to protect the ancestral land rights of the indigenous peoples, and on top the government's servility to TNCs, 'the Subanens

are forcibly displaced from their own ancestral lands while the mining operations of a foreign mining firm are justified as constitutional'.[24]

In January 2006, the Catholic bishops in the Philippines urged repeal of the 1995 Mining Act:

> We believe that the Mining Act destroys life. The right to life of people is inseparable from their right to sources of food and livelihood. Allowing the interests of big mining corporations to prevail over people's right to these sources amounts to violating their right to life. Furthermore, mining threatens people's health and environmental safety through the wanton dumping of waste and tailings in rivers and seas. . . . We see no relief in sight . . . the promised economic benefits of mining by these transnational corporations are outweighed by the dislocation of communities especially among our indigenous brothers and sisters, the risks to health and livelihood and massive environmental damage. . . . The cultural fabric of indigenous peoples is also being destroyed by the entry of mining corporations.[25]

Africa

Since the beginning of the 1990s, over 30 countries in Africa have opened their doors to international mining companies, and governments have sold state-owned mines at a rapid pace. The general lack of environmental safeguards excites the interest of the TNCs. Governments have made decisions about mining without considering the environment. African people are paying the price, but also showing resistance.

In Namibia, between 1976 and 1982, RTZ's Rossing uranium mine was rushing to fulfil nuclear contracts. Twenty years later it was apparent that Rossing miners had paid with their health. The Mineworkers' Union of Namibia claims that hundreds of (Rossing) workers now suffer from lung diseases and cancers caused by appalling conditions between 1976 and 1982.

A US$585 million ilmenite (titanium dioxide ore) mine at Fort Dauphin, Madagascar, run by QIT Madagascar Mining SA – a subsidiary of Rio Tinto – is the first in a series of projects planned by mining companies and the World Bank in Madagascar to exploit mineral deposits. The World Bank claims that the development will boost Madagascar's economy. More than 1,000 people have been permanently affected by the project, and revenues for the government are likely to be small.[26]

The project requires the removal of rare fragments of coastal littoral forest and heathland. Many people have lost land to enable construction of the mine, quarry, port and roads to go ahead, while others have lost ancestral grave sites or have had to leave their homes. In late 2006, frustrations due to late compensation payments, compounded by a lack of information, led to displaced people blockading construction of the new port road, demanding immediate cash settlements. A Panos Institute report found that many local people had little or no advance knowledge of the dramatic changes taking place and the reasons for them.[27]

The Democratic Republic of Congo (DRC) has vast mineral reserves, including gold, diamonds, 10 per cent of the world's copper and more than a third of its coltan, used in mobile phones. AngloGold Ashanti is exploring in the conflict-torn north-east of DRC for a potential new mining operation. Since March 2007, however, negotiations on new mining contracts have been suspended pending the publication of a government review of existing mining contracts.

For some African countries, minerals rather than agricultural produce are the chief export earner. This is the case for Ghana where the minerals that are extracted include gold, diamonds, manganese and bauxite. Since the liberalization of Ghana's economy in the mid-1980s, all the former state-owned mines have been privatized and almost 200 mining companies from abroad have moved in. The development of the gold sector has been an important factor in Ghana's economic growth since 1985.

People near a gold mine in Obuasi, 100 miles from Ghana's capital, Accra, have suffered huge social and environmental costs as a result of gold mining by a subsidiary of Anglo American, alleges a report by ActionAid. Its investigations highlight how rivers and streams have been polluted with arsenic, iron, manganese and heavy metals from past gold mining activities by Anglo American's subsidiary, AngloGold Ashanti, and its predecessor, Ashanti Goldfields Corporation. It says that rivers 'previously used by thousands of villagers for drinking water, fishing and irrigation, are now unusable'. And local residents claim that new cases of serious water pollution and flooding are still occurring.[28]

The Taparko-Bouroum open pit mine in Burkina Faso began commercial production in October 2007. Its Canadian owner, High River Gold Mines, hopes that 140,000 ounces of gold will be mined in the third year of production. The mine marks 'the revival of a modern gold

mining industry in Burkina Faso, as it is the first commercially operated gold mine in the country since the last gold mine closed in 1999', says the company. The mine's lifespan is said to be seven years. The company says that the project will benefit from 'year-round water supply from a nearby major river system', the White Volta. It does not say if this will mean less water for agriculture and household use in the area.[29] The company is also exploring at Bissa, another site in the country, which is expected to be two or three times bigger. Several other gold-mining firms are prospecting or developing mines in Burkina Faso.

Latin America

'Before there had been water in this basin. Now, there's nothing,' said the vice-president of a grassroots development committee in the Cajamarca department in Peru.[30] The region is the site of Latin America's largest gold mine, Yanacocha. The people of Combayo, a small nearby farming village, say their water supplies have been badly affected by the mine. Some allege that the government has not fulfilled the 11-point agreement it signed with the population and the company in negotiations in September 2006. One of those promises was a study on the safety of the local water sources.

Yanacocha is owned by the US company Newmont and the Peruvian company Buenaventura, and is the largest gold mine in South America. In the nearby Chonta River Basin, a vital water source for Combayo, concentrations of aluminium, arsenic and lead were found that are above international limits for drinking water for animals, according to the 2004–5 report of the World Bank's International Finance Corporation.[31]

The Yanacocha mine has significantly decreased the quantity of water in nearby rivers, according to a study by a Colombian company, INGETEC. This found that although the mining companies insist that the water volume they use to process minerals is insignificant compared with the water required for agriculture, it is far from negligible.

Between 1993 and 2004, Yanacocha processed 624.8 million metric tons of minerals with approximately 125 million cubic metres of water. This volume of water could supply a city of 6.5 million people for one year, at 50 litres per person, according to a study by the Group of Formation and Intervention for Sustainable Development, or Grufides,

a Cajamarca-based NGO. The Peruvian NGO Red Muqui, whose members include Grufides and other national and local institutions that defend populations affected by mining, says that all open-air mining that uses chemical processes such as lixiviation by cyanide (as Yanacocha does) is 'highly contaminating'.

'Mining affects water sources either because the water can be transferred from place to place to get the mineral out, which often can be found at the bottom of a lake, or because the water is diverted or used in the processing of the metal,' warns Patricia Rojas of Grufides, who led a study on mining and water.[32]

In Honduras, the Siria Valley gold mine, operated by the Canadian company Goldcorp, produces around one gram of ore per metric tonne of rock mined. Achieving this requires blasting half of a mountain into rubble, grinding the rock into finer pieces, and then pouring a solution of water and cyanide over the resulting piles to leach the gold from the rock.

The mine began production in 2000. Indigenous villages in the area were moved to other land owned by the company. Health problems soon appeared due to the blasting which spread dust contaminated with heavy metals into nearby villages. Nearby inhabitants have experienced a variety of skin and bronchial ailments, and the incidence of miscarriage and birth defects has risen. The mine's tremendous demand for water has dried up streams in the area, forcing the natives to rely on drilled wells, many of which have proved to be contaminated by heavy metal residues from the mine. In January 2005, the Honduran Office of the Special Prosecutor on the Environment called for a judicial investigation of the company 'for environmental crimes, forest crimes and water usurpation'.[33]

The San Martin mine in Honduras is owned by Entre Mares, a Honduran company which is wholly owned by Glamis Gold, a joint US–Canadian company. The mine is an open-pit operation active since 2001. Residents in the Siria Valley, where the mine is located, are experiencing a public health crisis due to the mining operation. People have been suffering from numerous grave illnesses: unidentified skin illnesses, hair loss, acute respiratory illnesses, as well as a number of mental health problems. The evidence gathered by medical brigades led by independent medical and scientific professionals has been accepted by almost all except those directly benefiting from mining.

Health problems apart, other abuses occasioned by the mine include

contamination, air pollution, the illegal logging of thousands of trees and altering the course of several rivers. The Special Attorney's Office formally charged Entre Mares with water usurpation, aggravated damages, forestry crimes and disobeying a public authority. It successfully demanded the arrest of Entre Mares representative Simon Pridway, a Canadian citizen. The arrest warrant was never carried out, however, because 'investigations were continuing'. The 'justice' system in Honduras tends not to work for the poor; it's the investor who is protected.

'Really, what is happening in (the Valley of) Siria is terrible. It hurts the soul and makes one want to break down in tears upon witnessing the indifference of the government to the abuses, illnesses and disaster being caused by the mining company. We have to speak out; the country is being destroyed,' says Doctor Juan Almendares, leader of the medical team.[34]

Gold

More than any other metal, gold exemplifies a huge gulf between those who dig it from the ground and those who wear and use it. Gold has long been associated with wealth. Around 85 per cent of gold is beaten into jewellery.

Gold is also the most lucrative sector of the mining industry. Yet the conditions under which gold is often produced, and its effects on communities in gold mining areas, are a world away from the glamorous glitter. The oppression of gold miners is grim history, with miners being paid poor wages for working in unsafe conditions and often living in disease-prone metal shacks.

Gold mining is a risky activity that can have huge health and environmental costs. Extracting gold involves evacuating billions of tons of ore, removing trees, topsoil and vegetation, and 'usually involves the use of either cyanide or mercury. Almost three out of four miners in the Philippines who were exposed to mercury for some time, showed symptoms of poisoning.'[35] In mid-1995, South America's second-largest gold mine, the Omai in Guyana, cracked open and three million cubic metres of cyanide-tainted water and other residues, including heavy metals, flowed out. The mine is owned largely by Canadian companies Cambior Inc. and Golden Star Resources. The government declared the area a disaster zone, and a report said that the life of two rivers was seriously affected. Some people were hospitalized with suspected

cyanide poisoning, while others complained of blistering of the mouth after drinking water. There is a danger that toxic metals may build up in the food chain as fish ingest polluted micro-organisms. Six months after the spill, the mine reopened.

Earnings from gold have benefited a number of developing countries but a high price is often paid. The island country of Fiji seems typical. The gold mining industry in Fiji 'remains responsible for a wide variety of health and ecological disasters – leaking ponds of hazardous mineral remnants, fouled air and water, and a laundry list of health problems affecting miners and their families'.[36]

Global demand for gold is high and gold mining is set for a huge expansion. World-class gold deposits appear to exist in over a dozen African countries, including Ghana, Côte d'Ivoire, Senegal, Burkina Faso and Mali. Prospects for further discoveries are said to be excellent.

While the glitter of gold in a poor region may be a combination that brings joy to TNC balance sheets, the question is whether ordinary people in these countries, who include some of the world's poorest, will see any benefit. With the world price of gold reaching US$1,000 an ounce in March 2008, the pace of gold mining could be stepped up. Mines previously considered uneconomic could now be viable. But this threatens to bring more pollution and damage to the livelihoods of vulnerable people.

Effects on women

The impact on women of mining activity can be especially acute, but is rarely taken into account when mines are planned. According to Kerima Mohideen, coordinator of an international conference on women and mining, women often bear the brunt of the projects' human costs. Mining-related environmental damage has cost women their health and traditional livelihoods, and increased their burden of work.

Women's objections to a mine may be ignored even if they have the land rights. On Bougainville, for example, the island's matrilineal society gives women the final say over all land-use decisions. But when Bougainville Copper Ltd was negotiating in the 1960s to develop the Panguna copper mine, they went over the heads of the women land-owners and signed agreements with men. As soon as the company made its first move on the land, women were at the forefront of the opposition. Perpetua Serero, chairwoman of the landowners' association (see

above), pressed the case for compensation and finally led the aggrieved landowners into a guerrilla war.

In the Philippines, women in Itogon battled to stop open-cast gold mining by the Benguet Corporation on land their communities have mined sustainably on a small scale for centuries. According to Kerima Mohideen: 'As child bearers, the women have experienced devastating side-effects of pollution caused by open-cast mines and smelters. Filipino health researchers in the Cordillera region have documented sharp increases in miscarriage rates in communities near gold and copper mines.'[37]

Should mining replace them from their land, women who have worked as farmers or animal herders may be forced to seek other means of survival, including prostitution. In the gold-rush areas in Brazil, the illegal trade in women and children for sexual purposes is particularly widespread. In Bolivia, thousands of women work the tailings of old mines, picking out minerals from the discarded muck. They work in low temperatures at 4,000 metres above sea level, their bare feet immersed in chemical-laden water. Many are widows who were forced to become directly involved in mining after their husbands died in mine accidents or from mining-related illnesses such as silicosis. Large projects, such as a huge mining complex at Cerro de Pasco in Peru, and a nearby smelter at La Oroya, have also created environmental disaster areas that have disrupted women's lives.

Conclusion: responsible mining

While the future seems set for a big expansion of TNC mining activity, communities in would-be mining areas are likely to probe and challenge new activities, and to show that mining can be stopped if it threatens to operate in a way that could harm local people and their environment. But the companies will fight hard to maintain their interests and profits. Mining in developing countries has yielded large profits for large companies but not for governments.

Responsible mining would not trespass on the land of indigenous peoples. Rather it would seek their consent before mining began. The World Bank and the IMF are ill-advised to give loans for mining operations unless local peoples have been consulted. An international code of conduct on mining is necessary to ensure land and labour rights, and strict environmental standards. But it would need independent

monitoring. The world may need the materials that mining produces, but the poor should not be victims.

Almost by definition, mining is a short-term activity. When the deposit has been extracted, the mine closes. Little thought is given to what follows. It would seem reasonable that when they have exhausted a mine, companies should be obliged to return the area to the state it was in before mining began. Justice demands that people in mineral-rich developing countries should not become poorer as a result of mining, nor see the wealth of their region plundered. People should not be expected to pay for minerals with their lives.

CHAPTER 9

Manufactured Goods: Poverty amid the Glitz

Clothes, footwear, toys, chemicals, electronic equipment and transport equipment are among the main manufactured goods that are produced by TNCs, their affiliates and their sub-contractors in developing countries. In some countries, TNC affiliates account for over half the total output of manufactured goods. But no statistic can convey the full picture. Especially in Asian countries – notably China, Thailand, Bangladesh, India and Cambodia – the involvement of TNCs is huge, their impact massive.

Statistics 'do not capture the impact of new forms of contractual arrangements, where TNCs extend their influence across boundaries', say Evers and Kirkpatrick. Sub-contracting is one such arrangement. 'TNCs are often involved in the production, design and planning of a developing country enterprise,' they point out.[1] Arrangements of this type have become more common; TNCs like them, as they can exercise control for a minimum stake – without risking their money, without a direct financial investment. The last two decades have seen a huge growth in the practice of TNCs sub-contracting to small firms in Asia and Latin America, and this also 'appears to be on the increase in parts of Africa'.[2]

With commercial sub-contracting, a product is made to the specification laid down by a TNC and then sold under the corporation's brand name. Sub-contracting tends to depress the level of wages 'as sub-contracts tend to be made with small firms where relatively low wages predominate', a study of Fiji concluded.[3] The problem is universal. Low wages, often lower than a country's official minimum level, long hours and poor working conditions are common in the factories in developing countries that have been sub-contracted to make toys, garments and footwear for TNCs. Many of these goods are top-quality brand names that fetch high prices in the shops. But the practice can

result in a high degree of exploitation, with the people who make the goods seeing little benefit. For it is the most vulnerable people who make up the workforces in sweatshops. Women, children, and immigrant workers often make up a disproportionate number, because they are cheaper to employ. Female wages are typically lower than male wages. Women are often paid wages too low to cover their basic needs for housing, food and healthcare for themselves and their children (see 'Clothes' below).

Competition between companies involved in manufacturing in developing countries is often ruthless. David Korten describes it as 'a race to the bottom. With each passing day it becomes more difficult to obtain contracts from one of the mega-retailers without hiring child labour, cheating workers on overtime pay, imposing merciless quotas, and operating unsafe practices.'[4] The use of child labour to make goods for the West in manufacturing units in developing countries – in both domestic and TNC-owned companies – is a particularly obnoxious practice. It was highlighted by disclosures about young children being employed in rug-making factories in India, Pakistan and Nepal (see below).

Clothes

The world spends hundreds of billions of dollars a year on clothes. Most are made in developing countries, where labour costs are lowest. Often they come from poorly regulated 'free trade zones' (see below). In 2004 more than half the European Union's garment imports came from China, Turkey, Romania, Bangladesh and Tunisia.

Clothes are a labour-intensive, low-technology product. Labour costs are often less than 5 per cent – sometimes under 1 per cent – of the retail price. The industry is notorious for 'sweatshops' – manufacturing workplaces that violate basic labour laws such as apply to minimum wages, child labour and fire safety. Poverty pay, forced overtime, unsafe and unhealthy conditions, and lack of maternity and union rights are behind many high-street brand-name clothes.

The vast majority of workers in the industry are women, many of them young unmarried rural migrants. Women comprise 85 per cent of garment workers in Bangladesh, 90 per cent in Cambodia. Unskilled female labour is seen as low-cost and disposable. Women workers often have no contract, maternity or health cover, and stay only a few years in the industry. Factory accidents happen frequently. In April 2005, for

example, the nine-floor Spectrum Sweater factory in Bangladesh, a factory built without planning permission, collapsed at night, killing 64 shift workers. Survivors said their concerns about dangerous conditions were ignored by management.[5]

Many of the clothes sold in Europe and North America are made in developing countries on the basis of a TNC contracting out the work to local manufacturers. The clothes are sold at prices to consumers that are so low that it is clear someone else is paying the real price – in practice, the producer. Jeans from Bangladesh, for example, have been sold in the UK's biggest retailer, Tesco, for £3.

Problems surround contracting out. In October 2007 an *Observer* newspaper investigation revealed that ten-year-old children in New Delhi were making clothes in sweatshop conditions for Gap Kids, one of the most successful arms of the high street chain Gap, which has over 3,000 stores worldwide.[6] The company, which has huge contracts in India, says on its website that individuals who work in garment factories deserve to be treated with dignity and are entitled to safe and fair working conditions.

'Gap may be one of the best-known fashion brands with a public commitment to social responsibility, but the employment (by sub-contractors ultimately supplying major international retail chains) of bonded child slaves as young as 10 in India's illegal sweatshops tells a different story,' said Bhuwan Ribhu, a Delhi lawyer. 'The reality is that most major retail firms are in the same game, cutting costs and not considering the consequences.'[7] The company said that it had withdrawn the clothes made by child labour from the market. New Delhi has 15,000 garment factories which are not adequately regulated.

Exploitation in the industry results from fierce competition between suppliers for orders. Big buyers, brands and retailers play off contractors against each other. 'Reverse auctions' drive down prices. Orders are unpredictable, with short lead times. Factories cannot plan or maintain steady workloads. Workers have to stay overnight to meet deadlines. Contractors may use sub-contractors and temporary and home workers, which means more insecurity and fewer rights for workers in their supply chains. The scale of the problem is unknown. The disclosures that come to light may only be the tip of a vast iceberg. As long as there is a demand for cheap clothes, the danger is that factories will use cheap, even child labour.

Bangladesh has now emerged as a major player in the garment business, with labour costs below its main rival, China. Labour rights activists in Bangladesh have warned of the consequences as wages and working conditions worsened. The minimum wage has halved in real terms over the last decade. Workers' frustration grew, until in May 2006 it boiled over in demonstrations, owing to a sudden drop in the rate workers were paid for each piece of clothing produced. The workers' 10-point demands included payment of a living wage, the right to organize, and the right to maternity pay.[8]

In September 2007, there were violent demonstrations at factories in Bangladesh that supply Tesco, with workers protesting for higher wages and better working conditions. The demonstrations were at the factories owned by the Nassa Group of garment manufacturers.

South Asia is the focus of efforts by campaigners to draw attention to sweatshop conditions. 'Workers often suffer long hours, unpaid overtime and dangerous work conditions at the hands of anti-union bosses. The supermarkets don't care much about such things, geared as they are to making as much profit as possible,' says Mark Osborn of the campaign group No Sweat. Tesco says it has completed an audit of more than 40 factories operated by its suppliers in Bangladesh and claims that its ethical trading standards 'have contributed to a higher standard of living for the employees of our suppliers in developing countries'.[9]

In 2005, workers in a Bangladeshi factory, apparently producing for the UK-based retailer Primark, were fired in a conflict with management that was sparked when a supervisor physically assaulted three workers for making mistakes in their work.[10] Primark 'operates a total of 173 stores in Ireland, where it trades under the Penneys brand; Spain and the UK'.[11] The company is a subsidiary of Associated British Foods, a UK-based transnational food, ingredients and retail company.

Primark has signed an international trade agreement, whereby it states that it does not use child labour or sweatshops. All workers in their associated factories should be paid a living wage, which means they are able to support themselves and have a little disposable money left. All factories should have clean sanitary facilities and clean living accommodation if sleeping quarters are provided for workers. Despite signing up to the international trade agreement, its record, for example in Bangladesh where most of its clothes are made, has continued to be condemned by human rights observers. In 2004, 22 union members at a

factory supplying Asda who demanded their legal overtime pay were allegedly beaten, fired, and imprisoned on false charges. Workers claimed that the factory required 19-hour shifts, paid no overtime, and denied maternity leave and benefits.[12]

Factories in other developing countries, including Honduras, Morocco, Cambodia, Colombia, Kenya and Zimbabwe, produce garments for big business. Only the name of the country varies. Conditions are universal. 'I would like the people who buy these clothes to know their real cost, in terms of the sacrifices we make to produce them,' said a former garment worker in Honduras.[13]

Concerted attempts have been made by NGOs to persuade TNCs to act responsibly and there is some evidence that pressure from citizens is having results. The Clean Clothes Campaign (CCC) was set up in 1989 to support the struggle of women workers in garment-producing units – factories, sweatshops, homes – in developing countries and in Europe. It now focuses on improving working conditions in the global garment and sportswear industries. The campaign is based in several European countries and has project groups and task forces in India and in Bulgaria. Its aim is to show how the brands and retailers make profits at the expense of workers' rights, and thus to influence governments, who have the power to regulate corporations and enforce the labour standards to which they have committed through international conventions.

In its campaign for an improvement in labour conditions, the CCC has drawn up a Fair Trade Charter for Garments, a code of conduct for retailers selling clothing in the Netherlands. 'The central idea is that retailers, as sub-contractors and buyers, are responsible and, through their policy, capable of realizing better working circumstances and conditions.'[14]

Globalization and fierce competition are causing downward pressure on labour standards in Western as well as in developing countries. For it is not only in developing countries that workers are being exploited. In the UK, some workers in garment factories in the East End of London are earning only £1 an hour. In the USA, the Labor Department found 67 per cent of garment factories in Los Angeles and 63 per cent in New York violating minimum wage and overtime laws.[15]

Cotton, the chief raw material for jeans, is a controversial crop. Low prices for jeans have led to a big increase in demand for cotton and in the amount of land under the crop. Some estimates suggest that cotton now occupies around 5 per cent of the world's cultivable land area,

some 34 million hectares. The problem with cotton is that pests find it very attractive. More pesticides have to be sprayed on cotton than on any other crop – about 25 per cent of all pesticide applications. For people who live close to cotton fields, this has often caused considerable health problems. TNCs could help reduce these toxic applications by using organically produced cotton to make their jeans. But they have shown little interest in this.

Footwear

Poverty amid the glitz is particularly noticeable in footwear. Production is labour-intensive and mostly done in developing countries, where it is often a key sector. It generates jobs and money, and can be a stepping-stone for a manufacturing base.

TNCs again have a considerable involvement, with sub-contracting playing a major role. A large part of the footwear industry today is sports shoes – 'trainers', as they are usually called. Only about 10 per cent of these shoes are actually used for sport. Leading TNC companies are the market leader Nike, Adidas, Hi-Tec, Puma and Reebok. Some 99 per cent of branded athletic footwear is made in Asia. Tens of thousands of Asians are making high-value, highly regarded shoes for TNCs. Nike's contract workforce has grown to 653,000 in more than 50 countries. Its main competitor, Adidas, the world's second largest sports goods company, paid €3.2 billion for Reebok in January 2006.

In the 1990s, Nike came under strong criticism from campaigners for alleged low wages and poor working conditions in the factories making its footwear. Most of Nike's sub-contracting is in Indonesia, Korea and Taiwan. In response to accusations by workers making shoes in its Indonesian supplier factories, Nike adopted a voluntary code of conduct in 1992, and entered into 'memorandums of understanding' with each of its suppliers to ensure they uphold Nike standards.

Labour unrest in Indonesia in the mid-1990s gave a modest boost to workers' bargaining strength, and forced employers to pay the government-set minimum wage. Nike and other leading companies agreed to a new Code of Conduct in April 1997 covering working conditions and provisions for outside monitors. The companies agreed that 60 hours should be the maximum working week and that no worker should be under 14 years of age (see also below).[16]

Progress has been made by Nike in the past decade, mostly due to

public pressure. But much remains to be done. 'What they've eliminated is super exploitation, and now they're just down to plain exploitation,' according to Medea Benjamin, founding director of Global Exchange, speaking of China.[17] Benjamin says that Nike could afford better wages for its contract workers, and that the company should shun China and other nations that ban unions. Nike managers maintain they can do more to support freedom of association by engaging with China.[18]

Jeff Ballinger, director of Press for Change, an activist organization in Toronto, says that Nike executives should empower workers instead of imposing conveniently crafted initiatives. 'They're skating by with some corporate social-responsibility template that's been hammered out by expensive consultants.'[19] Global Exchange says that Nike 'remains unwilling to tackle the underlying causes of sweatshop abuses'.[20] It is pushing US city governments to buy 'sweatshop-free' products.

A 2006 Oxfam report – 'Offside! Labour rights and sportswear production in Asia' – exposed the exploitation and sometimes violent oppression of Asian workers in the production of soccer boots and sports kits for global brands. Oxfam criticized Adidas for failing to have an Indonesian supplier reinstate 33 workers whose sacking for a one-day strike was ruled illegal by the Indonesian Human Rights Commission.[21]

Carpets: child labour

India, Pakistan and Nepal account for most of the world's handmade carpet industry. Almost all the carpets they make are exported, many of them to Europe, where many are sold by big business enterprises. The industry is a major employer of child labour. Children aged 4 to 14 have been kidnapped or trafficked, then sold into debt bondage or forced labour. They are subject to malnutrition, impaired vision and deformities from sitting long hours in cramped loom sheds. They suffer respiratory diseases from inhaling wool fibres and wounds from using sharp tools.

Rugs are among South Asia's top export products and a high-employment sector for the poor. If child exploitation is a norm in a country's principal industry, there is little chance to break the cycle of extreme poverty. Once trafficked into one form of labour, there is a strong likelihood that children may later be sold into another. For

instance, a high percentage of girls from rural Nepal, recruited to work in carpet factories, are trafficked into the sex industry over the border in India.

In Pakistan, young children whose parents take money in advance for their work on carpet looms are victims of a debt-bondage system. The children are paid half the wages of older workers and are not allowed to leave the premises until the debt is fully paid. Older workers sexually abuse these children, about a quarter of whom are girls of 15 or below.[22]

In the mid-1980s, moves began in India to combat the exploitation. Indian NGOs, UNICEF, a number of carpet manufacturers and the German Export Promotion Council set up a project to devise a label called 'Rugmark' that manufacturers who did not use child labour could attach to their carpets. This led to the setting up of the Rugmark Foundation in October 1994.[23] While this is helping to reduce the incidence of child labour, the problem nonetheless continues for many children.

Toys

Toys are big business for TNCs. Demand for toys increases with affluence. Children in the USA receive, on average, toys to the value of around US$300 every year. Most of the biggest-selling toys are made by TNCs or by companies that have been sub-contracted to produce them.

The largest toy transnationals are Mattel (USA), makers of Barbie, Barney, Disney, Fisher-Price and Scrabble; Hasbro (USA), makers of Sindy, Action Man and Monopoly; Bandi (Japan), which makes Power Rangers and Star Trek toys; Lego (Denmark), which makes Lego and Duplo; and Nintendo (Japan), which produces Game Boy, NES and Ultra 64.

Sub-contracting is normally to Asian countries, notably China. 'Attracted by cheap labour and weak enforcement of wage and safety laws, some of these companies depend heavily on sub-contracted production in China, Thailand, Malaysia, Taiwan, Hong Kong, South Korea and the Philippines.'[24] According to the International Confederation of Free Trade Unions, about 75 per cent of toys are made in Asia. Some of the most popular toys are made for poverty wages in working conditions which often fail to meet even basic internationally agreed standards.

There are also doubts about safety. In September 2007, Mattel withdrew, on safety grounds, 20 million toys made in China. There were concerns about excessive levels of lead paint and, in some toys, loose magnets. Exposure to lead paint can cause serious health problems for young children. The withdrawal – which was followed by an apology by Mattel – threw the toy industry into turmoil and shook consumer confidence. More than 80 per cent of the toys sold in the US are made in China.

'The vast majority of these products that we recalled were the result of a flaw in Mattel's design, not through a manufacturing flaw in Chinese manufacturers,' said Thomas Debrowski of Mattel.[25] But it was not the only recall of toys made in China. Others sold by the Illinois-based company RC2 Corp were also withdrawn, including more Thomas the Tank Engine characters and toy knights in the Knights of Sword series. These recalls also dented confidence and raised wider questions about conditions in China's workplaces.

Chinese firms 'complain that they are bullied by foreign purchasing managers to cut costs. This forces them to squeeze their own suppliers, with unpredictable consequences.'[26] A panel of the United States Senate was told in October 2007 that the recall of unsafe toys 'may be part of the price of Americans buying products manufactured in China under sweatshop conditions or by forced prison labor'.[27]

'When production is outsourced to Chinese factories infamous for paying their workers pennies an hour, [for] dumping toxic sludge into the environment and for covering up all kinds of health hazards, it should come as no shock that the products turned out by those factories pose a danger to our own health', said Senator Byron Dorga.[28] He is pressing for legislation that would ban the import of products made in sweatshop conditions. Workers at some 8,000 Chinese toy factories are not given safety equipment to use while making American toys, said Bama Athreya, executive director of the International Labor Rights Forum.[29] 'Toxic and sweatshop toys are two sides of the same coin, and need to be regulated by enforceable laws,' said Charles Kernaghan, executive director of the US National Labor Committee.[30]

The International Council of Toy Industries, which promotes the interest of toy manufacturing in its 21 member countries, says that it is committed on behalf of its member companies:

> to the operation of toy factories in a lawful, safe, and healthful manner … that no underage, forced, or prison labour should be employed; that

> no one is denied a job because of gender, ethnic origin, religion, affiliation or association, and that factories comply with laws protecting the environment. Supply agreements with firms manufacturing on behalf of ICTI members must also provide for adherence to these principles.[31]

The ICTI also says that it acts to encourage local and national governments to enforce wage and hour laws and factory health and safety laws.

In October 2007 Mattel was one of four companies to receive an International Bad Product Award from Consumers International. The awards aim to highlight failings of corporate responsibility and the abuse of consumer trust by internationally recognized brands. Mattel was given the award 'for stonewalling US congressional investigations and avoiding overall responsibility for the global recall of 21 million products'.[32]

Export processing zones

To try to maximize the export of manufactured goods, over 130 developing countries have set up export processing zones (EPZs). These take many forms and go under different names, including free trade zones, special economic zones, bonded warehouses, free ports, industrial cities and *maquiladoras*. They have become more common as a result of globalization. Usually located on industrialized estates situated near a seaport or airport, they offer inducements to TNCs to bring in their know-how to make manufactured products and to train local people in the necessary skills.

The International Labour Organization defines EPZs as 'industrial zones with special incentives set up to attract foreign investors, in which imported materials undergo some degree of processing before being (re)exported again'.[33] While many public agencies are still establishing zones, there is a 'distinct trend towards the private development of zones, often by foreign developers', says the ILO. This is hardly a good trend. Public zones usually offer better infrastructure than that available in the domestic economy. But the problem even with government EPZs is that national laws governing tax and workers' rights do not apply. They have a record of facilitating exploitation and make a very limited contribution to the overall development of the countries in which they are located.

According to the ILO, the number of EPZs has increased exponen-

tially from 79 in 25 countries in 1975 to some 3,500 zones in 130 countries in 2006. EPZs employed an estimated 66 million workers in 2006, 40 million of them in China. There are EPZs in 25 countries in sub-Saharan Africa. In Mauritius, the entire country has been zoned for export processing.[34] China has seen the biggest growth. Some of China's zones are full-sized urban and industrial developments, complete with community infrastructures such as schools, transport links and social services. India and Russia have adopted new EPZ legislation in response to shifts in industrial and trade policies. Sri Lanka, the Philippines and Pakistan have extensive EPZ strategies. Increasingly, EPZs not only cater to traditional manufacturing but also target the services sector.[35]

EPZs have led to increased exports and more jobs for some developing countries. In Latin America (where the zones are known as *maquilas*), the employment gains have gone chiefly to Central America and the Caribbean. In Asia, where most countries have EPZs, the gains are spread more evenly, with zones in China, Hong Kong, Malaysia, South Korea, the Philippines and Sri Lanka attracting a significant share of the available global investment.

A 2004 global survey indicated that EPZs account for an estimated 8.3 per cent of exports of manufactured goods and 0.2 per cent of total manufacturing employment in countries with active EPZ programmes. 'However, not all EPZ programmes have been successful. Investment in infrastructure and generous tax incentives have not necessarily led to an increase in FDI. Even where FDI has been forthcoming, value added has often been low, and backward linkages and technology transfers quite limited.'[36]

Wages in EPZs are usually low and working conditions often poor; trade union rights are restricted; and any skills acquired tend to be specific and of limited use in other activities. The number of jobs in the zones is small compared with the estimated 300 million people who work in 'informal sectors'. Yet governments of developing countries have nonetheless allocated substantial amounts of scarce funds to attract companies into the zones.

A country might typically offer companies a free building, a five-year 'tax-free' holiday, low-wage labour and other perks. To develop an EPZ at Bataan, for example, the Filipino government offered companies 100 per cent ownership, permission to impose a minimum wage lower than in its capital Manila, tax exemptions on imported raw

materials and equipment, exemption from export tax, low rent for land, and other inducements.[37] The first six months of employment at Bataan are a probationary period, paid at 75 per cent of the 'minimum' wage. Some plants terminate employment after this period has elapsed and replace workers by fresh trainees.

Factories in EPZs may have contracts with TNCs to products the clothes and other goods that proliferate in European and North American stores. The Silver Planet Factory in Al Tajamouat Industrial City, Jordan, which produces Wal-Mart's 'Faded Glory' line, employs 1,200 workers, half of them Bangladeshi, a third Sri Lankan. The US-based National Labor Committee, which helps to defend the human rights of workers in the global economy, alleges that workers are paid below the legal minimum wage and short-changed on overtime pay, that workers' passports are confiscated, and that those asking for their legal rights have been fired and deported. Also, contrary to what they were promised, the Silver Planet workers do not receive paid national holidays or any vacation time.[38]

EPZs benefit the transnationals rather than host countries. 'Apart from a few notable exceptions,' says the ILO survey, 'the process of export-orientated industrialization continues to be of rather minor significance . . . despite the fact that a substantial share of available infrastructure and investible funds have been swallowed up by export orientated production.'[39] And the zones have led to little diversification of economies. The survey notes that EPZs 'continue to demand overwhelmingly unskilled and semi-skilled workers' and that skills acquired on the job 'are often limited and mostly unusable outside the plant'.[40]

While goods can usually be moved in and out of EPZs free of customs duties, they are subject to the same Western-country barriers as goods made outside the zones. Mauritius is an example. Often cited as an EPZ success story, Mauritius passed its Export Processing Zone Law in 1970. Almost 90 per cent of EPZ investment in Mauritius has gone into textiles, chiefly sweaters and shirts. Most of the country's exports go to France, Germany, the UK and the USA. Wages in the Mauritius EPZ are only about a quarter of those in Hong Kong, making it particularly attractive to investors. But when woollen garments from Mauritius began to capture a sizeable share of the European market in the early 1980s, the country was asked to 'voluntarily' restrict its exports. This meant cutbacks rather than expansion.

An IMF Working Paper noted that 'expenditure for EPZ-related

infrastructure will be a substantial long-term burden on the budget without guarantees for a positive return', and that 'losses in economic welfare cannot be completely ruled out'.[41] Organized labour is beginning to rebel against EPZs. 'The trade union movement is particularly concerned about the increasing number of zones where millions of workers, mainly young women, are employed in grossly repressive conditions,' the International Confederation of Free Trade Unions told the UN.[42]

But the expansion continues. As governments spend resources on EPZs, so they forsake the opportunity of creating more jobs for the same amount of money by investing in and supporting small enterprises serving local markets. EPZs require government funds which could be used elsewhere for projects that directly help the poor. Their growth may come at the expense of the poor.

The EPZ is a 'sub-optimal policy from an economic point of view since it benefits the few and distorts resource allocation, but may be useful as a stepping stone to trade liberalization on a national basis. Governments should consider all available policy options, and conduct a thorough cost/benefit analysis before implementation,' says the OECD report.[43]

Whether they operate inside or outside export processing zones, TNCs involved in manufacturing have not helped most developing countries to reverse the decline in their terms of trade, or provided the poor with an escape from poverty.

Conclusion: codes of conduct

There is general agreement that manufacturing companies should take responsibility for the labour conditions of their workers and have a code of conduct. Many such codes have emerged, including model codes drafted by trade unions and NGOs, company codes and government-promoted codes. Codes cover such matters as minimum wages, working conditions and overtime policy. In toys, garments and clothing, the brief history of voluntary codes of conduct is one of TNCs being dragged into them with little enthusiasm and little willingness to comply unless they have to – while they stoutly maintain the opposite.

The problem with codes of conduct is that they are voluntary and are open to different motives and interpretation. For some TNCs they are a way to avoid binding regulation, a way towards 'soft' laws. The

existence of a code in a particular sector does not necessarily mean anything. Even when thoroughly implemented and independently monitored, codes have not proved enough in themselves to remove injustices in the workplace. Government regulation and independent monitoring are needed, and also consumer pressure on the companies. It is consumers who have the power to refuse to purchase goods from TNCs that do not act to end injustices (see Chapter 12).

CHAPTER 10

Energy: No Force for the Poor

We are moving from a trust-me to a show-me world. (John Jennings, former chairman of Shell)

Damming

Between 40 to 80 million people have been forcibly evicted from their lands to make way for dams, usually large hydro-electric dam schemes. Constructed largely by TNCs, these schemes have usually created huge reservoirs and flooded homes and fertile land in the process. The people who lived on that land were often the last to be told of projects that would force them to move elsewhere and profoundly disrupt their lives. Some moved into forest areas and cut down trees in a bid to survive. Since the electricity generated by the dams was intended to power factories and houses in urban areas, few of the rural poor benefited from such schemes. Intended to boost development, these projects have led instead to further impoverishment, degraded environments and human rights violations. 'Evidence shows that (displaced) people have often been left economically, culturally and psychologically devastated.'[1]

Big dam projects have often been huge disappointments in economic terms, even leaving aside the wider environmental, social and human costs. In November 2000, the World Commission on Dams released a highly critical report showing that dams have generated less power, irrigated less land and supplied less drinking water than projected. While dams can prevent some floods from occurring, the Commission found that they can also exacerbate the damage that floods cause.[2]

Many of the projects that have displaced people have been funded in part by aid from the World Bank and other donors. Less well-known is the close involvement of the world's largest international construction

companies. For construction TNCs, aid-funded big dam schemes are great business; much of the money given under such aid projects ends up in their bank accounts.

The hoardings at the entrances to dam schemes around the world often read like a roll-call of the world's biggest and most powerful construction TNCs. These corporations are a vital link in the 'big dam' chain. Their experience of such projects means they can provide an expertise that national companies usually lack. Without the TNCs, the big aid-funded dam schemes of the last 50 years could not have gone ahead with such confidence. The schemes give the TNCs security of payment, as the money is coming mostly from foreign aid, and the opportunity to make good profits at low risk – if costs soar they can usually be passed on. Dams often cost more than the original estimates, leaving governments of developing countries to pick up an extra bill.

The Three Gorges Dam on China's Yangtze River is the world's largest hydro-electric dam. Some of the funding for the $25 billion dam has come from transnational banks. The dam spans more than two kilometres across and towers 185 metres above the river. The reservoir is over 650 kilometres long. Construction began in 1994 and was completed in 2006. The reservoir is being filled up in stages before it reaches the final height and begins operating in 2009. Two cities, 11 counties, 116 towns and hundreds of cultural sites in Hubei province and the neighbouring area have been flooded to create its reservoir. Around 1.4 million people have been displaced by the dam. About four million more people around the reservoir area may need to be relocated in the next ten years because of geological instability in the gorges and the threat of serious landslides.[3]

Many of the displaced people are living under poor conditions with no recourse to address outstanding problems with compensation or resettlement. One of them said they had been to the county government 'many times demanding officials to solve our problems, but they said this was almost impossible. They have threatened us with arrest if we appeal for help from higher government offices.'[4]

Dams, aid funds and TNCs

The funding of large dam schemes has swallowed up a great deal of aid money and emerged as a questionable if not scandalous practice. In 1980, the planned Victoria Dam in Sri Lanka was allocated £100

million in British aid, the UK's largest ever aid allocation for a single project at that time. The dam was then expected to cost £137 million, of which the Sri Lankan government had to find £37 million. By the time the dam was completed, in 1984, the cost had soared to £240 million. The British government gave Sri Lanka a little more aid to compensate, some £13 million, but the government of Sri Lanka had to find the remainder – £127 million instead of £37 million. Ultimately, it was the Sri Lankan people who had to find this difference.

Fifteen British companies received almost £200 million for building the dam (which generates electricity for industrial and urban areas), including Balfour Beatty Construction, Edmund Nuttall and Costain. As the dam flooded a large area, around 50,000 people had to be uprooted from their homes; they were given land in another part of the country, often in forested areas which they first had to clear in order to grow food.

Victoria is one of four huge dams in Sri Lanka's Mahaweli River development scheme. Canada, Germany and Sweden provided aid for the other three, which also suffered from escalating costs. In 1977, the whole scheme was expected to cost around £700 million, of which £400 million was coming in foreign aid, leaving Sri Lanka to find £300 million. By 1984, costs had escalated to over £2,000 million, leaving the host country with £1,600 million to find – over five times more than was originally expected.

The construction of the Mahaweli River scheme effectively resulted in a huge transfer of wealth from people in one of the poorest developing countries to some of the world's largest TNCs. 'We are a poor country,' said a critic of the scheme, 'we cannot afford this kind of aid.'[5] Minimal compensation was paid to people who were displaced, and again the poor suffered most. Displaced people with money of their own, in addition to the compensation money, had greater means to adapt to the new circumstances. People without money were less fortunate.

An attempt by the British government to use aid funds to finance the Pergau Dam in the north of Malaysia was blocked by Britain's law courts in 1994 following a campaign by the World Development Movement (WDM). The UK wanted to provide £234 million in aid for the dam, but two High Court judges declared the government's decision to be illegal and stopped all further payments from the aid budget. Almost £30 million in aid had already gone to help build the

dam, and about 200 British companies were working on it when the decision was made.

The WDM had mounted the legal challenge because it believed that funding for the Pergau Dam contravened the UK's 1980 Overseas Development and Cooperation Act. The Act says that the primary purpose of aid is the economic benefit of a country or the welfare of its people.

The UK had agreed to give aid for Pergau as a sweetener for securing a £1.3 billion arms deal with Malaysia. Again, the cost of building the dam escalated. The House of Commons public accounts committee expressed 'astonishment' that British companies involved in the Pergau project increased their price from £316 million to £397 million within two weeks of the British government's approval of the scheme. Malaysian officials accused British companies of trying to rip off the Malaysian government on large contracts.[6]

No sooner had the controversy over the Pergau Dam scheme subsided, than an even larger dam scheme in Malaysia came in for strong criticism from the country's environmental groups. They were incensed over their government's decision to go ahead with the Bakun hydroelectric dam project in Sarawak, Malaysia's easterly state. The dam has done considerable ecological damage to rainforest. Its construction required the removal of some 10,000 indigenous peoples who lived in the area to be flooded. Many have been relocated to a longhouse settlement, but are expected to pay for housing. Yet most of them were subsistence farmers who do not use money. The forest had previously provided their food and shelter.

The people displaced were not consulted about the dam, says Friends of the Earth Malaysia, nor were any proposals put forward regarding resettlement. They also warn that the water level in the area could fall significantly, which would threaten water supplies. Asea Brown Boveri (Sweden–Switzerland), Comphania Brasileira de Projetos e Obras (Brazil) and Dong-Ah (South Korea) are the major TNCs involved.

The economic viability of the Bakun Dam came in for questioning by a University of Dortmund (Germany) specialist on dams, Dr Weillou Wang, who believed that Bakun's annual earnings could be only about half the projected figures. According to FOE Malaysia, the government was relying on selling electricity to neighbouring countries to make the dam pay. The group warned, however, that demand from Malaysia's neighbours could be small, given the problem of distance: 'It appears

the only way for Bakun to be economically viable is for the government to raise electricity tariffs. . . . Consumers may have to pay more with Bakun.'[7] The poor would again be the hardest hit.

In central India, the construction of large dams on the River Narmada, and its impact on millions of people living in the river valley, is hugely controversial. Under the Narmada Valley Development Plan the government plans to build 30 large, 135 medium and 3,000 small dams to harness the waters of the Narmada and its tributaries. The largest two dams are the Sardar Sarovar Project and the Narmada Sagar Project. The government claims that the Sardar Sarovar Project would irrigate more than 1.8 million hectares. Opponents of the dam claim that these benefits are grossly exaggerated. Instead, the project would displace more than 320,000 people and affect the livelihoods of thousands of others. Overall, because of related displacements by the canal system and other allied projects, at least one million people are likely to be affected.[8]

People displaced by big dam schemes often receive little or no compensation for being moved, sometimes hundreds of miles away. The Kaptai Lake Dam in Bangladesh is a further example. Funded by the USA, the dam was built to provide electricity for industrialization, but it destroyed 40 per cent of cultivable land in the area. 'The human suffering and unrest caused by the dam was on a massive scale,' says Andrew Gray of Oxford University.[9] Some 100,000 people had to be relocated and, even though they were promised compensation, over half of them received nothing. Those who received compensation were given three acres of land instead of the six they owned before the dam was built.

Oil and gas

Petroleum TNCs figure prominently on the list of the world's largest companies, although state companies such as Gazpom (Russia) have now entered the top league of oil and gas producers. Exxon/Mobil, BP and Royal Dutch/Shell remain in the top seven producers. People in oil-rich developing countries should have gained from their country's oil, but often this has not happened. The corporate development of oil resources in developing countries has led to severe social and environmental costs, plunging millions into deeper poverty. For poor countries dependent on oil revenues, they have led not only to greater poverty,

but also to increased corruption and the likelihood of war or civil strife.[10]

A great deal of oil 'development' has taken place in remote areas populated by indigenous peoples, and has been done in an unplanned way with little apparent thought for its adverse local effects. The traditional livelihoods of many local communities have been fundamentally changed and often severely damaged as 'oil towns', crime and prostitution have mushroomed with the introduction of an alien way of life.

The physical environment has also come under considerable pressure. Oil companies discharge toxins such as hydrocarbons, heavy metals and bactericides. They pollute the areas where they operate with routine contaminations, often caused by badly run and badly monitored facilities, and also through accidents such as large discharges of oil. Many companies have traditionally flared into the sky the gas that comes with oil. This flaring is a serious pollution problem for people living close to a refinery and a sheer waste of the country's energy sources. It is also a contributory factor to global warming. Local people may end up substantial losers from the activities of the oil TNCs.

Few of the oil-rich developing countries in Africa 'have seen lasting benefits as a result of oil and gas', says Rashmi Mistry of the Catholic Agency for Overseas Development (CAFOD). 'Looking at the top three oil and gas producing countries in sub-Saharan Africa – Nigeria, Angola and Equatorial New Guinea – life expectancy is a worryingly low 43, 41 and 43 years respectively. Civil society groups are often still not able to speak out and criticize or challenge how revenues have been spent.'[11]

Angola is potentially one of the richest countries in Africa with huge reserves of offshore oil. But some 70 per cent of the population do not have access to clean water. Angola is also a tragic case of the destructive impact of oil in which TNCs have played a part. Almost all the major oil companies are involved in the country – including BP Amoco, Chevron, ExxonMobil, Esso Exploration Angola, Agip Angola, Norsk Hydro, Petrofina and TotalFinaElf.

The petroleum industry in Angola began in 1955 when oil was discovered in an onshore valley by Petrofina, which established a jointly owned company with the Angolan government. However, the main expansion came in the late 1960s, when oil was discovered off the coast of Cabinda, a small territory in the north of Angola.

Angola is almost totally dependent on oil, which accounts for about

90 per cent of its income. Transactions between the government and the oil companies consist of a tangled web of payments 'which don't appear in any comprehensive detail in corporate annual reports. This provides ample opportunity for large-scale fund diversions from Angola's budget.'[12] According to the IMF, US$1 billion a year goes missing from government oil revenues of US$5 billion.

The government requires foreign investors to contribute to a social bonus fund which is managed by the national oil company Sonangol. But neither the government nor Sonangol will reveal the amount held in this fund. The government and the oil companies work in complicity, according to Daniel Ntoni-Nzinga of the Inter-Ecclesial Committee for Peace in Angola, which supports a campaign to oblige oil companies to publish what they pay the government. Ntoni-Nzinga believes that this information about government oil receipts 'would provide Angolans leverage to pressure for change'.[13] Oil companies claim they cannot publish their figures as the government obliges them to sign confidentiality laws.

Cabinda accounts for 60 per cent of the country's oil. Living conditions are not noticeably worse than in other Angolan provinces, but the contrast between the poverty and the obvious wealth is stark. The cost of living is high, and the beaches are black as a result of countless spills. Company employees live in a gated compound some 15 kilometres out of town, go by helicopter from the airport to their compound and bypass the town completely. The oil companies are the main source of employment but local people say that they are hired as cooks and cleaners and not for skilled and managerial positions. This potentially rich country now ranks, in income terms, among the world's 25 poorest countries.

Revenues from oil have earned Nigeria an estimated US$400 billion since its discovery in the country in the late 1950s. But most Nigerians have not benefited from the oil extraction, and many have been plunged into deeper poverty.

Nigeria is Africa's biggest oil producer and the world's fifth-largest exporter. Oil exploration in the country has been an important part of TNC profits, especially those of Shell. The company began work in the Niger Delta in 1958. The Delta, with rainforests, mangrove habitats and oil reserves, has been described as one of the world's most fragile ecosystems. Of significance to Shell were the abundant oil reserves in the Ogoni region of the Delta. In a joint venture with the Nigerian

National Petroleum Corporation (NPC) and with the oil companies Elf Aquitaine and Agip, Shell formed a subsidiary, Shell Petroleum Development Company.

The Delta has been an area of unrest for half a century. Local people have seen little benefit from the oil, which has led to considerable environmental damage. Since the beginning of its operations, Shell has wreaked havoc on local communities and the environment, alleges a Greenpeace report. The company's high-pressure pipelines pass 'above ground through villages and criss-cross over land that was once used for agricultural purposes, rendering it useless'.[14] In total, some 2,100 kilometres of pipelines have been laid. Inevitably there have been spillages: the communities in the Delta have experienced the destruction of their property and environment.

As early as 1983 the Inspectorate Division of the NPC said: 'We witnessed the slow poisoning of the waters of this country, and the destruction of vegetation and agricultural land by oil spills.'[15] But no concerted attempt was made by the government or the oil companies, it says, to control such environmental problems.

The flaring of gas has been a huge problem. Nigeria's oil fields are effectively gas fields with oil. Shell releases 1,100 cubic feet of gas daily in Nigeria, about a tenth of all the gas flared worldwide. This huge waste contributes to global warming and has a devastating effect on land close to the flaring sites.

According to Ken Saro-Wiwa, the president of the Movement for the Survival of the Ogoni People (MOSOP) who was tried and executed by the Nigerian government in 1995:

> The flaring of gas . . . has destroyed wildlife, and plant life, poisoned the atmosphere and the inhabitants in the surrounding areas, and made the residents half-deaf and prone to respiratory diseases. Whenever it's raining in Ogoni, all we have is acid rain which further poisons water courses, streams, creeks and agricultural land. Acid rain gets back into the soil, and what used to be the bread basket of the Delta has now become totally infertile.[16]

There is also the waste problem. Open and unlined pits for storing drilling waste are reported to litter Ogoni, but local communities feel powerless to prevent such practices. Independent researchers found that the level of oil effluents in drinking water in Ogoniland was 680 times higher than permitted levels in Western Europe.

Shell has ceased its operations in Ogoniland and local people are claiming compensation – but their claims have not been adequately addressed by either Shell or the government. The Ogoni people say they have received nothing in return for the oil, except a blighted countryside, a land of polluted streams and creeks, and rivers without fish – in short, an ecological disaster. 'The way in which Shell conducted its business in Ogoni is an indication of the way in which Big Oil operates abroad without proper policing', according to Greenpeace.[17]

Another area of Nigeria facing problems is Lagos State. This may witness 'unprecedented loss of lives and property . . . if environmental and safety concerns are left unaddressed in ongoing pipeline projects in the city', warned Environmental Rights Action/Friends of the Earth Nigeria in September 2007. Of particular concern is a pipeline project by Gaslink Nigeria that runs through densely populated communities, with pipes laid very close to people's homes.[18]

Meanwhile, South America has endured what has been called 'the worst case of oil pollution on the planet'. It happened in the Oriente region of Ecuador and is a grim example of the adverse impact of oil companies on indigenous peoples and poor communities – 'probably the largest oil-related environmental catastrophe in the world . . . threatening to wipe out five indigenous groups, largely out of sight of the world's media'.[19]

Oriente, known as the Ecuadoran Amazon, spreads over 13 million hectares of tropical rainforest. It has an indigenous population of 95,000, but the development of oil has attracted 250,000 immigrants since the first discoveries in 1967. A consortium of companies, including Texaco, Gulf and Elf Aquitaine, developed oil resources in an unplanned manner in the late 1960s and early 1970s, and with scant infrastructure. Huge social and environmental problems have resulted.

The oil companies promised jobs to local people but generally for only short periods of time as unsecured contract or casual labour, without benefits or guarantees and with poor safety conditions. Oil towns mushroomed and brought with them attendant problems of crime and prostitution. Refineries tended to be sited in poorer, more distant regions, and once a contract was finished, people were left with nothing. As their farms had been neglected they had little to harvest. Texaco – which merged with Chevron in 2001 – has left the region. Many local people have left as well, but not from choice. The damage has been done: to people and to the rainforest.

The company dumped billions of gallons of toxic wastewater into the rainforest from 1964 to 1992 while operating hundreds of oil wells, says the Amazon Defense Coalition 'Today, this waste threatens five indigenous groups with extinction and has created what experts believe could be the worst environmental disaster on the planet other than Chernobyl. Chevron intentionally discharged into Ecuador's rainforest more than 30 times the amount of oil spilled in the *Exxon Valdez* disaster.'[20] At least one indigenous group, the Tetetes, has completely disappeared; the population of another, the Cofan, has dropped from 15,000 to about 300 people.[21]

Texaco denied that its operations have damaged the region, claiming that 'we have international standards to which we hold ourselves responsible'. In 2003, 30,000 rainforest dwellers filed a class-action lawsuit in Ecuador against the company. The lawsuit (Aguinda v. Chevron Texaco) has the potential to set an important legal precedent. It is the first in history where rainforest tribes have been able to gain jurisdiction in their own courts over a large, foreign oil company.

The rainforest dwellers assert that Chevron systematically dumped 18.5 billion gallons of highly carcinogenic toxic waste into unlined pits, swamps, streams, and rivers. The resulting disaster – dubbed the 'Rainforest Chernobyl' by locals – 'is connected to numerous deaths from cancer and an untold number of spontaneous miscarriages and genetic malformations'.

Over the years, the toxic contents of the waste pits have leeched into the groundwater, streams and rivers, contaminating the larger ecosystem and sending toxins downstream into Peru. Since there are no other options, local people now depend on these contaminated sources for drinking water. Thousands of people are slowly poisoning themselves several times daily as they consume the water, bathe in local waterways, and breathe the vapours in the air from the pits. Childhood leukaemia rates are four times higher in this area than in other parts of Ecuador; children as young as a few months of age have died of leukaemia.

'What Chevron did in Ecuador was the direct result of the company's decision to prioritize short-term profits over people's lives and the environment.'[22] Underlying many of these problems 'was the lack of integration of the petroleum activities into the local scene', an International Labour Organization report pointed out: 'The problems included inadequate physical and social infrastructure, drugs, prostitution

and tensions between the relatively well-off petroleum workers and the rest of the population.'[23] Lack of care in the approach to oil exploitation again emerges as a primary factor in a development that went wrong.

Oil companies in Burma stand accused of directly supporting the illegal regime, and benefiting from the exploitation of indigenous peoples who are used as slave labour to build roads and installations. Since the end of 2004, the regime has given foreign oil companies increased opportunities for expansion and a number were active in oil extraction in 2007, with the French oil company Total, the world's fourth largest oil company, leading the way.

Total has invested massively in Burma at a time when other oil companies have withdrawn. It plays a crucial role in 'funding and protecting Burma's brutal military dictatorship', alleges a Burma Campaign UK report.[24] Total is the largest European corporate funder of the regime. Its presence in Burma influences European Union policy on Burma, as France vetoes effective EU sanctions in order to protect the company. 'Horrific human rights abuses (have been) committed in the region of Total's gas pipeline by pipeline security forces', and arms sales are closely linked to the company's gas project.

'Total has done more than any other company to help prop up the regime in Burma,' says John Jackson, director of Burma Campaign UK; 'the regime knows it is safe from any tough EU action'.[25] The USA banned new investment in 1997, but the US oil company Chevron is part of a consortium with the regime and Total.

Aung San Suu Kyi, Nobel Peace Prize winner and leader of Burma's democracy movement, has repeatedly called on companies like Total to leave Burma. She has said that: 'Total has become the main supporter of the Burmese military regime.'[26] Huge street protests in Burma in late September 2007, led by monks, were ruthlessly suppressed by the regime. Total issued a statement expressing deep concern over the present situation, but did not condemn the repression.[27]

Sir Geoffrey Chandler, Founder-Chair of Amnesty International UK Business Group, says that Total's silence in the face of human rights abuses:

> implies acquiescence and gives moral support to their continuance . . . . Total's claim . . . that it strives to uphold the principles of the Universal Declaration of Human Rights' is patently bogus. The company has two choices: to speak out or pull out. If it does neither, it deserves to be regarded, and treated, as a pariah, putting profit before any principle.[28]

In October 2007, Belgian authorities reopened a case brought by Burmese refugees that Total was involved in crimes against humanity in their country. Four refugees accused the company of having used forced labour provided by the military regime to build a gas pipeline, and of having provided logistic and financial support in the 1990s to the military junta. A case of this kind had previously been dismissed in France.[29]

ExxonMobil, the world's largest oil company, damages the lives of the poor in a different way. It has been the only major oil company to deny global warming. There is now a huge body of evidence to show that climate change is happening and that the world's poor are suffering the consequences. Some farmers cannot grow the crops they use to grow because the rain is no longer as plentiful. Food supplies are getting tighter, water availability is decreasing. Erratic weather, floods, droughts and hurricanes are on the rise, and people are dying every year from diseases boosted by climate change (see Chapter 4).

ExxonMobil 'has done more than any other company to stop the world from tackling climate change', alleges Greenpeace:

> For over a decade, it has tried to sabotage international climate change negotiations and block agreements that would lead to greenhouse gas emissions reductions. [It] also funds groups to produce junk science that denies climate change and supports the climate sceptics, delaying the action that's so urgently needed on climate change.[30]

A study by the US Union of Concerned Scientists found that ExxonMobil funded 29 climate change denial groups in 2004 alone. Since 1990, the report says, the company has spent more than US$19 million funding groups that promote their views through publications and websites that are not peer reviewed by the scientific community.[31]

World Bank funding

The World Bank group is a major funder of oil extraction in developing countries. In 2007, the International Finance Corporation, the World Bank's private-sector lending arm, provided more than US$645 million to oil and gas companies. This is an increase of at least 40 per cent from 2006. The World Bank increased its energy sector commitments in 2006 from US$2.8 billion to US$4.4 billion. Oil, gas and power sector commitments account for 77 per cent of the total energy sector

programme while 'new renewables' – such as wind, solar, and mini-hydro – account for only 5 per cent.[32]

The World Bank's International Development Association (IDA) – which lends to poorer countries – is also involved. The IDA and the Multilateral Investment Guarantee Agency are providing loan guarantees to the government of Ghana and to the West African Pipeline Company respectively. These are financial and political risk guarantees for the US$600 million West African Gas Pipeline project and are 'aimed at safeguarding the investments of oil transnationals Chevron Texaco and Shell'.[33]

The project will deliver gas from Nigeria via a 680-kilometre pipeline to a terminal point in Takoradi, Ghana. This pipeline cuts across and leaves its mark on communities in the states of Ogun and Lagos in south-western Nigeria. But it could intensify the degradation of the local environment and 'divert attention and resources from the very vital issue of gas flare reduction'. There appears to be a general consensus that flaring should stop. It seems strange that the World Bank 'would support a project that would intensify gas flaring in these communities'.[34]

Dissatisfied with the response of the World Bank to their concerns, local communities and civil society groups filed a petition with the Inspection Panel of the Bank requesting an investigation of its failure to follow its established policies and procedures. The Panel has paid three visits to Nigeria, most recently in July 2007.

It would seem that the World Bank is not really interested in ensuring compliance with its policy safeguards:

> It appears the World Bank's interest in this project does not include poverty reduction or social and environmental safeguards. Its key interest was aptly captured in the project appraisal document as that of 'harmonising the legal and policy framework of participating West African countries'. In collusion with transnational oil companies and other International Financial Institutions the World Bank is laying the foundation for a future of centralized energy projects where energy supply is firmly in the hands of a select few, providing them unfettered control over our energy sovereignty.[35]

In late October 2007, more than 200 organizations from 56 countries called on the World Bank and other international financial institutions to end subsidies to the oil industry. The groups referred to 'oil aid' as

one of the barriers to fighting climate change and addressing energy access in developing countries.[36]

While the World Bank espouses rhetoric about the environment, little has changed in the institution's approach to mineral extraction. 'The World Bank's approach to climate change and energy is inconsistent and contradictory,' says Jennifer Kalafut of Oil Change International, an NGO that campaigns to expose the real costs of oil; 'despite commitments to cut global greenhouse gas emissions, it continues to increase support for oil extraction projects around the world'.[37]

> By funding these oil projects the World Bank is undermining its own goals of fighting energy poverty and reducing greenhouse gas emissions. It is also perpetuating problems of conflict and human rights violations often associated with extractive projects, as in the case of the Chad–Cameroon pipeline.[38]

Conclusion

The overall impression given by the powerful and profitable oil corporations is that they are insensitive to the livelihoods and needs of families who happen to live where oil reserves are being tapped, and who will live there long after the oil is gone. Most of these people number among the world's poorest and most vulnerable. But when local people are in the way of TNC profits, they seem to be expendable pawns on the corporate chessboard. Oil TNCs, like mining TNCs, should be sensitive to people's livelihoods and be obliged to clear up an area after extraction, leaving it as they found it.

CHAPTER 11

The Corporate Persuaders

> *They hired counsellors to work against them [the people] and frustrate their plans. (Ezra 4:5)*
>
> *If business wants to influence what happens in government, a guy like me can be helpful. (Derek Draper, UK-based political lobbyist)*

In the city of Brussels, the headquarters of the European Union, over 10,000 of them ply their trade – professional lobbyists working for corporate interests. Highly paid, with generous expense accounts, they seek to influence the European Parliament, the Commission, members of the European Parliament, and other EU institutions. They are paid to ensure a favourable outcome for their industry, their company. They do not always get what they want, but usually have the money to buy a good result. And if things are not going too well in Brussels, the chief executive officer of a TNC can always put in a call to someone at the very highest level.

Brussels is mirrored by Washington as a corporate lobbying arena. And these are just two arenas for the corporate persuaders. TNCs have the highest access to the most senior policy makers; they can call presidents, prime ministers and heads of key international agencies to put their case, and their call will be put through. They know that government ministers can often be persuaded of a TNC's claims if more jobs are offered, or even if palms are oiled in subtle or not so subtle ways. By contrast, while the large corporations have the money to get their way, developing countries are often virtually bankrupt. In a poverty-stricken country, especially, ministers may not be averse to a deal that gives them a degree of personal security.

The corporate persuaders have been hugely successful. They have neutralized the United Nations and climbed into government beds,

heading off the very idea of regulation, (see Chapter 12). At the Earth Summit in Rio de Janeiro (the UN Conference on Environment and Development) in 1992, for example, it seemed curious that the regulation of TNCs was absent from the discussions. But it was not surprising. The corporations had used their considerable influence to see that their role was off the agenda.

Influencing the UN

The policies of the United Nations and its agencies have been profoundly influenced by TNCs. In the months before the Rio Summit, the International Chamber of Commerce and its members, many of whom are TNCs, urged that the Agenda 21 document for sustainable development – the agenda to be agreed by leaders at the summit – should contain no references to the corporations or to their regulation. All references in an original draft were duly dropped.

TNC influence in the United Nations stretches over many years. It was highlighted in 1978 when a Swiss-based organization, Association pour un Développement Durable et Solidaire, published excerpts from internal files which showed how the corporations operate in the UN system. The files showed that TNCs have succeeded in 'subversively infiltrating the UN and its agencies and neutralizing them as a potentially countervailing force, or even utilizing them for the corporation's own purposes'.[1]

During the late 1970s and the 1980s, the corporations killed off a proposed code of conduct for TNCs, which was then under discussion at the UN. The United Nations Centre on Transnational Corporations (UNCTC) – set up in 1974 to serve as the UN Secretariat's focal point on matters related to TNCs – had tried to draw up a code to 'establish standards for the conduct of TNCs from all countries to protect the interests of host countries, strengthen their negotiating capacity and ensure conformity of the operations of TNCs with national development objectives'. The code also aimed to 'set standards for the treatment of TNCs by countries to protect the legitimate interests of investors . . . and create a climate for foreign direct investment which is beneficial to all parties in the investment relationship'.[2]

TNC influence was supreme, however. Western countries urged in the negotiations that developing countries should encourage TNCs and protect their investments. But developing countries stressed the need

for the companies to adhere to their development objectives – they wanted a code that would pinpoint the responsibilities of TNCs to their economies, people and environments. This aspect of the code received far less attention in the discussions than the issue of how governments of developing countries treated the companies.

When, in the late 1980s, a growing number of developing countries removed barriers to trade, and began to offer guarantees about the protection of TNC investments, Western countries, influenced by their TNCs, began to lose interest in the code. In 1992, the negotiations were abandoned, and the UNCTC was downgraded and renamed 'the Transnational Corporations and Management Division'. The Centre's inability to finalize a code of conduct on TNCs underlined the deep influence that the corporations have in the UN system and over governments. It was TNCs, not governments, which made the running. The TNCs used their power to influence the UN agenda to the point that negotiations over the code were to the corporate benefit. They scored a huge coup, effectively turning the UNCTC into a centre for TNCs rather than on TNCs.

Instead of a code of conduct came, eventually, a 'Global Compact'. This was a massive public relations coup for the corporations. The idea of a Global Compact was launched in 1999 by Kofi Annan, UN Secretary-General at the time. The aim was that companies would agree to certain principles concerning human rights, labour, the environment and anti-corruption. The compact suits TNCs perfectly. It is voluntary; there is no legal enforceability. By December 2007, over 600 companies were members.[3] TNCs are proud of their membership of the Global Compact. They like to think that the compact confers on them the public respectability they crave, formal association with the United Nations. The compact stands in the way of regulation, helping TNCs to ward off pressure for legally binding regulation of their activities. As Jean Ziegler, UN Special Rapporteur on the Right to Food, concludes, 'We have to fight the Global Compact, not only criticize it, because it is a public relations operation of the big multinational companies.'[4]

Instead of regulation came (in 2003) the 'UN Norms on the Responsibilities of Transnational Corporations'. The UN Norms are intended to be a benchmark against which national legislation can be judged, to determine if governments are living up to their obligations to protect human rights. But the UN Norms have failed to distil a set of principles

applicable to all companies. In theory they would provide stakeholders and the market with authoritative social and environmental criteria, but human rights abuse by the corporations continues. The extent and nature of corporate human rights abuse 'is amply proven', says Geoffrey Chandler of the Amnesty International UK Business Group.[5]

The Global Compact has been compared with a 'happy-go-lucky club', and the UN Norms have won little support among human rights NGOs. Neither of these failed initiatives should be allowed to obscure the need for binding regulation and citizen action to tackle TNC power (see Chapter 12).

The corporations have enjoyed a 'special status' with the UN's largest specialized agency, the Food and Agriculture Organization (FAO). Through the FAO's Industry Cooperative Programme (ICP), they have had 'a strong influence' on FAO policy, says Zafrullah Chowdhury. He quotes Professor Eric Jacoby, who worked for FAO for many years: 'Through their representatives on the Central Committee of FAO/ICP … the TNCs have gained valuable information on forthcoming investment opportunities. Ever since ICP has become an integral part of the UN System, FAO actually functions as an agent for the transnational corporations in the underdeveloped world.'[6]

This is an important criticism, even if not all the FAO's work helps TNCs (its work on integrated pest management in Asia, for example, could lead to a reduction in pesticide sales). But its link with industry was again evident at the World Food Summit in November 1996, when the FAO issued a media kit bearing the name 'New Holland Agricultural machinery worldwide'. New Holland is a leading Dutch-based manufacturer of farm machinery.

Some of the policies of the World Health Organization suggest an unwillingness to upset TNCs, even if they are trying to prevent governments introducing policies that the WHO supports. In 1978, the World Health Assembly of the WHO officially recommended an Action Programme on Essential Drugs (see Chapter 4). Only in 1981 was the programme instituted by the WHO, and not until 1988 did the World Health Assembly adopt ethical criteria for medicinal drug promotion.

Likewise the WHO has until recently given smoking control a very low priority in its work, even though smoking is the biggest single cause of preventable disease. In the 1980s, when it was proclaiming the goal 'Health for All by the Year 2000', the WHO employed just one

part-time person on its smoking control programme. This inevitably gave the impression that the organization was not serious about tackling the interests of TNCs. It must have been obvious to the WHO that until smoking ceases, 'Health for All' would never be achieved. The TNCs – together with the USA and a number of European governments – appear to have persuaded the WHO to give only a low priority to such a huge matter for human health. However, in July 1998 Dr Gro Harlem Brundtland took over as WHO director-general with the campaign against tobacco as one of her priorities.

Needing to raise money for their work, development agencies can be tempted to accept funds from TNCs. For the companies, the acceptance of such funds would be a public relations triumph. But it could lead to a serious distortion of priorities.

The taming of UNCTAD

Established in 1964 following a resolution at the 1961 UN General Assembly expressing concern for the trade prospects of developing countries, the United Nations Conference on Trade and Development (UNCTAD) has become another corporate scalp. UNCTAD's mandate was to help poor countries with their trade and development efforts, and initially it came up with ideas for stepping up foreign earnings from primary commodities, such as copper and coffee, and to enable poor countries to earn more from the export of their processed foodstuffs. Meeting for a major conference every four years, UNCTAD's work has produced little, although until recently it was seen as an organization on the side of the poor. One of the few achievements of UNCTAD conferences was the establishment of a Common Fund for Commodities, following UNCTAD IV in 1976. In theory, UNCTAD remains the chief UN agency concerned with the primary commodities that are of key importance to most developing countries.

In the early 1990s some Western governments were intent on closing down UNCTAD unless changes were made. Such changes included some perks, such as taking over responsibility for running the UN Commission on Transnational Corporations from the defunct UNCTC. Following the setting up of the World Trade Organization in 1994, Western leaders recommended that UNCTAD's role be reviewed, a process that effectively took place at the ninth UNCTAD conference in

1996. UNCTAD remains in business, although with a very different mandate. Its chief task now seems to be one of smoothing the path for TNC investment in developing countries.

UNCTAD's support for TNCs is seen in a section of its 1995 *World Investment Report* headed 'The role of transnational corporations in restructuring in Asia'. This focuses, for example, on what is called the 'positive contributions' of TNCs, 'not possible negative ones, such as the displacement of local entrepreneurs, market domination and sociocultural impacts'.[7] In statements like these, UNCTAD is no longer, it seems, defending the poor and living up to the ideals of its mandate.

Rather, it has been turned into a pro-industry organization. The communiqué issued by the Group of Seven (G7) Western leaders, following their summit in France in June 1996, said that they had 'succeeded in reforming UNCTAD's intergovernmental machinery and refocusing development through trade and investment'. Western governments and TNCs had got the UNCTAD they wanted.

Bribes

Persuasion can be furthered with a little or a lot of money. Bribes are an ugly but common fact of business life, with TNCs sometimes paying huge bribes to win business. But the losers are ordinary people, for large-scale corruption does enormous damage in developing countries. A bribe, typically between 10 and 20 per cent of the cost of a deal, may be paid to government ministers and officials and added, at least in part, to the cost the TNC looks to recoup. A TNC may win the contract, and a tiny number of people in a developing country will gain from the bribe, but the country as a whole pays more money than it should. This means that less is available for other purposes, such as healthcare and education.

Big money is involved – bribes of as much as US$20 million can be paid on a single deal. On armaments deals, says George Moody-Stuart, a former chairman of Booker Agriculture, bribes of around US$3 billion a year have been offered and accepted. Money has been 'stripped out of the economies of developing countries', he says. 'In many cases it [bribery] has been largely responsible for the burden of foreign debt.'[8] But as big as the money is, 'even more significant is the damage that bribes do to decision making. Once a decision maker has a personal

interest in placing an order with a firm that is willing to pay a bribe, his judgement goes out of the window.' This means that priorities get distorted.

Opportunities for bribery and corruption can come through the sale of capital goods, major civil engineering projects, ongoing supplies or consultancy services 'usually in that order of attractiveness to the beneficiaries', points out Moody-Stuart. And what used to be a problem in only a small number of countries 'has now become a major South-wide problem'.

Grand corruption has become 'the general rule rather than the exception in major government-influenced contracts in the South'. Those who receive the big money do so indirectly and have the protection of numbered Swiss bank accounts. Not all TNCs are involved in bribery and corruption, and the ones that are involved would of course deny it. They do it carefully, working through agents so as not to be found out.

Public relations

In place of higher TNC standards has come public relations (PR). Instead of changing policies and doing something to remove the causes of the problems they are creating, TNCs have invested heavily in PR, or spin. Spinning an acceptable face to the media and the public is a vital part of TNC persuasion activity.

TNCs need to present to the public an acceptable face, an image that makes them appear to be doing a good job. For TNCs, their image is all-important and they pay a lot of attention to and spend a lot of money on that image. They employ people as spokespeople who are the 'nice guy next door' types, people who ooze sincerity, who know the clever answers to media probing. The public may be tricked into thinking that the image presented by these spin doctors is a true image of a company. But if the mass media fall for the corporate line, as they usually do, the public are seeing the image of a company that it wants them to see, an image that may be far from reality. The companies are aware that it is perception rather than reality that is key.

The modern form of PR began to develop in the years after the Second World War. 'The Public Relations industry was born out of war. The early pioneers of the practice . . . had learnt their skills conducting wartime propaganda.'[9] Born out of armed conflict, PR uses

clever words rather than bullets in a front-line offensive to get publics and media onside. Funded from huge pockets, the corporate spin is everywhere; it has spawned its own industry. As well as having their own public relations divisions, TNCs also hire specialist public relations companies to get their messages across. The PR business has become one of the fastest-growing sectors in the global economy, advising many TNCs that are active in the developing world.

PR companies have developed a unique brand of skills. They will often react to criticisms, for example, by making statements to say that the matter is under review, or that a company they represent complies with the regulations and codes. They may announce that a company has agreed a voluntary code of conduct, and try to shift the debate from political to technical issues, using long-winded technical arguments to obscure the issue and diverting attention from the main points to secondary ones. Half-truths and plausible evasions are the norm as they set out to calm public fears over baby foods, toys, shoes, garments and other controversial products. The point of PR, says a Mobil Oil Company executive, 'is getting people to behave the way you hope they will behave by persuading them that it is ultimately in their interest to do so'.[10]

The larger PR companies are themselves TNCs. Burson Marsteller, one of the world's largest public relations companies, is also one of the best known. The company is part of Young & Rubicam Brands, 'one of the world's leading marketing communications agencies', a subsidiary of WPP, 'one of the world's largest communications services groups', with 91,000 people in over 2,000 offices in 106 countries.[11]

Renowned for its 'crisis management' for Union Carbide after the Bhopal disaster, and for Exxon after the *Exxon Valdez* oil spill, it also appears to have played a key role in keeping discussion of TNCs off the 1992 Rio Earth Summit agenda. By 1997, Burson Marsteller had developed close relationships with tobacco company interests and biotech companies. It helped TNCs to create a successful PR strategy for the European biotech industry. This led to the passing of a European Parliament directive which permits the patenting of animals and plants. A Burson Marsteller strategy document (leaked to Greenpeace) on how bio-industries can win public acceptance for bio-products shows how the weak and the strong points of a product are identified and played on. This revealing document admits, for example, that 'public issues of environmental and human health risk

are communications killing fields for bio-industries in Europe. . . . All the research evidence confirms that the perception of the profit motive fatally undermines industry's credibility on these questions.'[12] The document shows the extent to which powerful corporations try to manipulate the debate.

Hill & Knowlton, another major PR company, lists GlaxoSmith-Kline Singapore, McDonald's, Procter & Gamble and Starbucks Muan Jai among its clients. It was hired by Nestlé in the 1980s to send publicity material to church ministers and religious bodies to try to dissuade them from boycotting a leading Nestlé product (see Chapter 3).

Soon after the WHO adopted a code on the marketing of breastmilk substitutes in 1981, says Judith Richter, 'TNCs became concerned about the global power of citizens. They had . . . exposed publicly what they considered to be harmful business practices and used consumer boycotts to influence corporate practices.'[13] In August 1980, Nestlé's then vice-president, Ernest Saunders, wrote in a secret memo to the company's general manager:

> In view of the overall propaganda campaign now being mounted through IBFAN, and the professionalism of the forces involved, it is always possible that we could even win a battle in the US and lose the war as a result of determined pressure on developing country governments and medical authorities. It is clear that we have an urgent need to develop an effective counter propaganda operation, with a network of appropriate consultants in key places, knowledgeable in the technicalities of infant nutrition in developing countries, and with the appropriate contacts to get articles placed.[14]

It is flattering for an NGO to have its activity referred to as 'the professionalism of the forces involved'. But this hides the funds and power of the TNCs. For the corporations have the means to employ vast numbers of people and every professional force possible to combat NGOs who often employ a mere handful of people. The 'counter-propaganda operation' was mounted when Nestlé set up a 'Co-ordination Center for Nutrition' to improve the company image and deflect criticism. TNCs will try to keep controversial issues hidden from the public gaze, says Richter, but if this fails they will use 'a mix of four strategies to influence public debate – delay, depoliticize, divert and fudge'.[15]

On some issues, however, a TNC will use direct methods to try to

persuade the public of its case. In June 1998, Monsanto (see Chapter 2) launched a £1 million PR campaign in the UK to try to persuade people that genetically modified food was good. Full-page advertisements in broadsheet newspapers, over a three-month period, tried to soften opposition. With limited funding, NGOs fought back to highlight the weakness of the case for genetically modified foods.

Whereas NGOs use the power of solid, credible arguments, TNCs use money and cunning devices to win battles. The tobacco companies are an example, using every trick in the book to ward off regulation of their activities. The tide turns, however, when people become aware and angry about how much they are being manipulated. People are now asking more and more questions about TNC activity. The corporate spin is no longer accepted in an unquestioning way.

Influence on the WTO

Countries, not corporations, make up the World Trade Organization. But corporations are powerful enough to exert considerable influence on the WTO's agenda. WTO decisions are usually in line with corporate expectations. Government ministers and their officials conduct business at WTO meetings under the gaze of representatives from major corporations who may even be part of the official delegation. The company people expect to be heard when they lobby for decisions that help their business. 'The role that TNCs can play in a nation's economy can make their host government a very accommodating and attentive audience; the corporations have much more access to WTO decision makers than citizens' groups and NGOs.'[16]

Trade is a key area for TNCs, and so they have developed close links with trade policy makers. In negotiations for the world trade deal that set up the WTO in 1995, the corporations were active shapers of the outcome – one that ushered in an era of freer trade. During the talks, 'representatives from TNCs staffed all of the 15 advisory groups set up by the Reagan administration to draw up the US position'.[17] TNC representatives 'supplied drafts of the critical TRIPs (Trade Related Intellectual Property Rights) agreement'.[18] 'In the US, the Department of Commerce International Trade Administration identifies its primary aim to be . . . dedicated to helping US businesses compete in the global market place', says Myriam Vander Stichele. The Brussels-based Union of Industrial and Employers' Confederations of Europe (UNICE) –

consisting of '16 million small, medium and large companies in Europe' – had frequent contacts with the European Commission either via phone calls or via visits made by officials.[19]

UNICE has continued its active influence on WTO talks. It set up a special website 'dedicated to UNICE's activities for the Doha Development Agenda launched in November 2001'.[20] It urges that international trade be as free from restrictions as possible. In 2007, UNICE changed its name to BusinessEurope.

WTO rules are biased in favour of TNCs and benefit people in Western countries, rather than most people in developing countries. The WTO principle of non-discrimination is enormously beneficial for the corporations. The principle means that foreign companies have to be offered the same treatment as domestic companies; governments are not allowed to discriminate in favour of local enterprises. This principle takes precedence over national interests such as development needs, socio-economic impacts, environmental considerations, and even legislation. Governing in the interests of citizens takes second place to the pursuit of free market economic growth. The mania for trade liberalization ensures that society is organized in a way that promotes corporate profit.

TNCs are powerful enough to turn WTO membership applications to their own advantage – urging that a developing country wanting to join should not be allowed membership unless it does more to liberalize its economy. A corporation that is barred from selling its products to an aspiring WTO member country may urge, for example, that it lifts the ban before it can join. Lobbying by TNCs has secured new international trade rules that are intended to create 'a world order moulded in the image of multinationals'.[21]

Under WTO rules, developing countries are allowed to give their farmers a measure of protection against agricultural imports. But the Structural Adjustment Programmes of the World Bank and the IMF may not permit them that freedom.

As governments have retreated and cut back on their economic and social role in recent years, so the role of TNCs has grown. The question is whether the TNCs, by their sheer power, count more than the views of the public, who do not have such access to policy makers. TNCs are also trying to cast themselves as economic benefactors who are capable of aiding poor countries. This was seen, for example, when a representative of Enron, the disgraced US-based energy TNC, told a

US Congressional Committee that private parties, 'like our company and others, are now able to develop, construct, own and operate private infrastructure projects in these countries'.[22] Wal-Mart has also taken 'a leading role in lobbying on international trade, promoting tariff reduction and trade liberalization', says a War on Want report.[23]

Fair trade

Fair trade is booming – UK sales rose by over 60 per cent in 2007.[24] The interest of some TNCs in fair trade has come about because it is so evidently a growth area, and also because they see it as good for their image to be involved.

Coffee, one of the world's largest traded commodities, was among the first fair trade certified products, in the Netherlands in 1989. The coffee company – Max Havelaar – blazed the trail for fair trade and led in 1997 to the founding of a worldwide organization, Fairtrade Labelling Organizations International (FLO). This sets international fair trade standards for certifying production, auditing trade according to these standards, and the labelling of products. FLO is made up of members in 20 countries. The Fairtrade Foundation is FLO's UK member.

Under its criteria, FLO has the right to exclude traders who engage in behaviour that would undermine the legitimacy of Fairtrade. But a controversy arose in 2005 when Nestlé launched a fair trade coffee, Nescafé Partners' Blend. The Fairtrade Foundation decided to award its mark to the Nestlé coffee. Nestlé has 8,500 products, all of which, apart from Nescafé Partners' Blend, continue to be traded as before. Nestlé is Britain's most boycotted company and was voted the world's 'least responsible' corporation in a global Internet vote.[25]

Campaigners were critical of the move, believing that some of Nestlé's business practices were not good enough for it be awarded the mark, and that entry into the fair trade system needs to be earned. They point to Nestlé's 'aggressive marketing of baby foods' and also highlight its 'trade union busting activities, involvement in child labour, environmental destruction of its water bottling business, [and] use of GM technology'. According to a researcher with the Colombian Food Workers' Union, 150,000 coffee-farming families have lost their livelihoods due to Nestlé's policies. He labelled the Fairtrade product 'a big joke'.[26]

Public statements from Nestlé had previously criticized fair trade, but

the company now said that market forces had changed its mind. 'We found that there are consumers out there who are very interested in development issues that are probably not currently buying a Fairtrade product, and they would be attracted into this market by the strength of the Nescafé brand', said a Nestlé spokesperson.[27]

Benedict Southworth, director of the World Development Movement (a founder member of the Fairtrade Foundation) responded:

> The launch of Nestlé Partners' Blend coffee is more likely to be an attempt to cash in on a growing market or a cynical marketing exercise than represent the beginning of a fundamental shift in Nestlé's business model. If Nestlé really believes in Fairtrade coffee it will alter its business practices, lobbying strategies and radically overhaul its business to ensure that all coffee farmers get a fair return for their efforts. Until then Nestlé will remain part of the problem not the solution.[28]

The Fairtrade Foundation defended its decision to certify the product, saying that it has:

> met the international Fairtrade standards for certification and is therefore eligible to carry the FAIRTRADE Mark. The coffee is sourced from five smallholder cooperatives in Ethiopia and El Salvador that are independently certified by our international body, Fairtrade Labelling Organizations International (FLO). All the traders in the supply chain have been registered with the Fairtrade system and work to our trading standards.[29]

The award of the mark to one of its products is undoubtedly good for Nestlé. It confers a kind of respectability, an association with the highly regarded fair trade movement. The company is able to put the Fairtrade Mark on the jars – although the rest of its coffee products are traded through the volatile and unjust mainstream coffee system. There is a strong case for Fairtrade criteria to widen so that whether a TNC merits a place in the system is determined by its overall behaviour.

TNCs have launched products that appear to be fair trade products but which in reality fall short. Kraft, for example – the world's second largest food company, owning Kenco and Maxwell House – has launched a brand of coffee called Kenco Sustainable Development.

Kraft Foods says the coffee is made entirely from beans from certified sustainable farming sources and is independently certified by the Rainforest Alliance, an independent, not-for-profit organization. It claims

that on farms certified by the Rainforest Alliance, forests and wildlife are preserved, while farm workers are treated with respect and have access to clean water, medical care and education for them and their families.

Kraft pays farmers who adhere to its ethical criteria a 20 per cent premium on the price of green coffee beans on the open market. When the world price is below 100 cents a pound – from 1 January 2005 to 31 December 2007 the composite price averaged just under 98 cents a lb – farmers thus receive less than the 126 cents paid to farmers under the Fairtrade certified system.[30]

The Kraft scheme has been criticized by the Fairtrade Foundation, which believes a proliferation of rival certifications 'is bound to confuse people. . . . When people suggest these initiatives are like Fairtrade, we have to point out they are, in fact, not Fairtrade.'[31]

TNC involvement in fair trade may lead to some people buying fair trade products made by a company that is involved in activities that damage the livelihoods of the poor. TNCs need to demonstrate commitment to fair trade. Marks and Spencer, TopShop, Monsoon, Next and Debenhams are selling items of fair trade clothes. But to show they are serious about it, they would need to convert, where practicable, all or most of their ranges to fair trade.

The most significant development to date regarding a company and fair trade came in February 2008 when the sugar refiner Tate & Lyle announced that all its sugar would be fair trade by the end of 2009. The sugar is coming from 6,000 small-scale growers in Belize. Tate & Lyle is the first public company to convert entirely to fair trade. The move means that 'many more people will be able to choose Fairtrade sugar every time they shop'.[32] It takes a public company beyond public relations. To show commitment to fair trade, other companies would need to follow this lead.

Corporate social responsibility

Corporate social responsibility (CSR) is now promoted by governments and by many TNCs. The UK government's definition of CSR is as follows:

> Essentially it is about how business takes account of its economic, social and environmental impacts in the way it operates – maximizing the benefits and minimizing the downsides. Specifically, we see CSR as the

> voluntary actions that business can take, over and above compliance with minimum legal requirements, to address both its own competitive interests and the interests of wider society.[33]

But the question is how far CSR is a smokescreen, part of public relations activity. There has certainly been a proliferation of corporate responsibility tools – ethics codes, principles, guidelines, standards and other instruments. While these tools of corporate responsibility 'seek to promote corporate practice that is more responsible and accountable', their actual implementation remains limited.[34]

'The purpose of corporate social responsibility', believes George Monbiot, 'is to avoid regulation. It permits governments and the public to believe that compulsory rules are unnecessary, as the same objectives are being met by other means . . . CSR is a public relations device designed to throw sand in our eyes.'[35]

TNCs have yet to demonstrate that CSR is anything more than a smokescreen. A perceptive take on it is offered by Joel Bakan, who says that CSR is at present illegal, 'at least when it is genuine'. CSR is illegal, he says, because company directors have a responsibility to make money for their shareholders, to put the interests of shareholders above anything else. 'A corporation can do good only to help itself do well, a profound limit on just how much good it can do', says Bakan.[36] (See also my Conclusion.) There needs to be a role for genuine corporate social responsibility. But company law may have to be changed for that to happen.

Conclusion

For their part, the world's poor will never be clients of PR companies. They are rather the victims, often of a 'double whammy' – the link-up of a TNC activity and a public relations exercise to defend it. Although not a conspiracy against the poor, it has much the same effect.

CHAPTER 12

Tackling the Power: Regulation, Bypass, Action

Did you ever expect a corporation to have a conscience when it has no soul to be damned and no body to be kicked? (Edward, First Baron Thurlow)

They encourage each other in evil plans . . . but suddenly they will be struck down. (Psalm 64:5–7)

From governments to TNCs, from elected bodies to companies accountable to their shareholders, power has shifted. Power lies with the corporations. They use their power to influence the policies of governments and to change the rules in their favour. They push the idea of privatization and have taken over some of the economic role that government once played. They use their position to influence international negotiations and their muscle in ways that can lead to hardship for the poor. They use the power of public relations to assure us that all is well. And, in some cases, the TNCs have even been funded by aid schemes.

TNCs have become too powerful and are undermining the fight against poverty in developing countries. There are three broad ways to tackle their power – regulation, corporate bypass, and specific action by interest groups like shareholders and farmers, for example. Regulation involves governments. Corporate bypass involves people – and increasingly looks a more effective option than regulation. The three ways can run together.

Regulation

While the world's corporations have globalized, rules and regulations have not followed suit. There is no international regulation of the corporations, and many TNC actions go unrecorded and unaccounted for. There is a strong case for TNCs to be brought within a framework

of global governance, not just a patchwork of often weak national laws and regulations. Global companies need global rules.

International regulation of TNCs is difficult because existing rules elevate trade above development and above the need for corporate regulation. The free movement of goods and services across borders is elevated over people. The supremacy of trade is seen by governments and the free-market academics that influence their thinking as all-important. Anything that interferes with international trade – and anything that interferes with the traders, the transnationals – is generally opposed by established institutions. Regulation runs a limp second behind the free market.

Western leaders often see existing regulation, weak as it is, as something to be removed, not strengthened. The UK's Chancellor of the Exchequer said this in February 2005:

> Regulation [is] a problem raised in every industrial country for many years . . . for all businesses large and small we have removed or reformed over 400 separate regulations . . . we will continue to remove barriers … putting every new and existing regulation through strict new tests for their impact on enterprise and competitiveness. . . . I want to consult at every stage with you, the businesses of Europe.[1]

Businesses will be consulted, not the poor affected by their activities. TNCs have such huge sway that Western governments are persuaded not to regulate. In February 2008, for example, it was revealed that the heads of some of Britain's most powerful and controversial TNCs, including Shell, BAT and GlaxoSmithKline, were part of a secretive lobbying group which had private access to the Prime Minister. The existence of the group, and their heavily censored documentation, only came to light after the UK's Information Commissioner ruled that the public had a right to know how lobbyists influenced ministers. The TNC chiefs lobbied for less burdensome red tape for TNCs, and 'wanted to persuade Blair not to bring in tougher rules after the scandals involving Enron and other American corporations'.[2]

Occupying a powerful position in society, corporations need regulating. They certainly cannot be trusted to regulate themselves. One of the central lessons of the collapse of Enron is that corporate self-regulation will not work, that when left to their own devices, at least some corporations will gravitate toward irresponsible behaviour. Calls are mounting for binding regulation of TNCs.

Six reasons to regulate global food corporations have been put forward by ActionAid. The reasons largely apply to all corporations:

1. TNCs use and abuse their market power to drain wealth from poor communities.
2. TNCs pay low prices and capture the resulting value.
3. TNCs marginalize poor farmers and rural workers.
4. TNCs are not fully accountable for their impacts on human rights and the environment.
5. Corporate social responsibility is optional and insufficient.
6. People harmed by corporate activity are denied access to justice.[3]

In the food and agricultural sector, agrifood TNCs are exercising their market power to raise the price of agricultural inputs, engaging in unfair buying practices, forming price-fixing cartels, shutting local companies out of markets, and pushing down prices for farmers' goods. The gap between farm and retail prices is growing, and is wider in countries where TNCs have concentrated market power. The World Bank estimates that this price gap is costing commodity-exporting countries more than US$100 billion each year. The agrifood corporations' market power allows them to set the 'rules of the game', and to impose tough standards that poor farmers cannot afford to meet.

Domestic laws are patchy and unevenly applied in poor countries, and TNCs can avoid prosecution by exploiting the legal separation between parent companies and their subsidiaries. TNCs operate in what amounts to a 'regulatory void' in which they can weaken labour, environmental and public health laws, and practise double standards by behaving more responsibly in countries with tighter regulation, and less responsibly elsewhere. When TNCs violate human rights and the environment, affected communities seeking for redress through the laws of their own country, or in the country where the company is headquartered, may be denied justice. National authorities are often unwilling or unable to prosecute companies, while there are no international mechanisms for redress that are legally binding on companies.[4]

TNCs are 'too important and too dominant a part of the global economy for voluntary codes to be enough', says the UNDP's *Human Development Report* for 1999.[5] According to Christian Aid, 'the regulation of transnational business is perhaps the most pressing problem of globalization . . . never in human history has a comparatively small

number of private corporations wielded so much power . . . the power of the TNCs needs to be brought under democratic control.'[6] It believes a new global body is needed to oversee the regulation of multinational business, to ensure that its activities safeguard people's basic rights, and to contribute to the eradication of poverty globally. In making this recommendation, Christian Aid proposes a Global Regulatory Authority (GRA) that would:

- Draw up and establish a code of conduct for TNCs.
- Monitor compliance with the code.
- Have a citizens' support unit to help organizations bring cases in national courts.
- Conduct investigations into breaches.
- Have the power to make legally binding rulings against TNCs breaching the codes.
- Set minimum standards for the disclosure of information on TNC activities.
- Monitor market abuses, such as cartels and monopolies.
- Monitor direct foreign investment and advise on whether it would contribute to sustainable development.[7]

The International Forum on Globalization stresses a two-pronged programme of action on TNCs. In the first place, it calls for the elimination of corporate welfare,[8] special corporate rights, and the mechanisms by which corporations exert influence over public policy:

> Corporate dominance of the political process not only deprives people of a meaningful voice, it also excludes a voice for the local businesses that public policy should seek to favour. While corporate executives have every right to participate in the political process as citizens, corporations themselves have no rightful place in a democratic political process except to the extent government officials or citizen groups may call on them for advisory input.[9]

Second, policies are needed that rebuild economies responsive to human needs. 'Necessary actions include limiting corporate mobility, strengthening local ownership and radically reforming systems of money and finance to end, or at least strictly limit, financial speculation, and restore the integrity of money.'[10]

Another route is for governments to put some economic transactions, such as services or resource management issues, 'off-limits' to TNCs,

and regulate for them to be handled only by non-corporate or non-market mechanisms. Water supply and healthcare would come into this category. They would therefore be treated not as commodities, available only to those who could afford to buy, but rather as things to be provided to all citizens as a basic right.[11]

A corporate accountability convention has been proposed by Friends of the Earth. This would levy duties on TNCs to take account of social and environmental concerns and enshrine, in international law, the right of people to seek redress from the corporations. If TNCs could be sued under international law they would have to be more careful about their activities.[12]

Recent moves at the national level on corporate regulation have caused TNCs little difficulty. In October 2006 the UK government passed a Companies Act. This followed intensive campaigning by NGOs. In October 2007 several articles of the Act came into implementation. Section 417 puts a legal obligation on directors of public companies to take into account social and environmental impacts and include them in the annual report. In theory, companies might be expected to report on measures they are implementing for reducing carbon dioxide emissions, or the legitimacy of their labour practices. Food manufacturers should report on the action they are taking to ensure that ingredients such as palm oil are produced ethically and sustainably. Mining companies should report on how their activities are infringing on human rights and causing environmental destruction, and how they are engaging with local communities to address such issues. If they don't comply, they can, in theory, be held legally accountable.

But huge loopholes are evident. According to former Shell executive Paddy Briggs:

> Section 417 is plagued with gaping loopholes. Most significantly, no standards dictating exactly what activities companies should be reporting have been set. Therefore, it is entirely up to each company to choose what to report, which not only makes it impossible for company records to be compared, but also makes it easier for companies to put spin on their reports; it also brings up problems of verification . . . subsidiaries of foreign companies, such as Wal-Mart-owned Asda, are exempt from the regulation.[13]

But then, the TNCs did all they could to get the Corporate Act they wanted. As long as they have the power to affect policy making on any

level, 'and have privileged access to decision makers and international forums tackling global issues, we have no hope of truly holding them to account for the destruction they continue to wreak, or indeed stopping it altogether', believes Briggs.[14]

The reality of where power lies means there are huge problems in bringing about corporate regulation at national – let alone international – level. The very opposite of regulation occurred towards the end of the twentieth century and in the opening years of the twenty-first. Structural adjustment programmes, plus TNC power, have brought massive deregulation – the dismantling of legal and administrative controls that the corporations, Western governments, the IMF and the World Bank claimed interfered with the free play of market forces. Restrictions on TNC activities have been lifted, with governments boasting about deregulation.

A brochure from the UK government's Invest in Britain Bureau, for example, assures potential investors that 'no new laws or regulations may be introduced without ascertaining and minimizing the costs to business'.[15] Many governments have given guarantees of no labour rights so as not to deter foreign investment.

The corporations claim that they too believe in regulation, 'appropriate regulation'.[16] However, when the corporations talk of 'appropriate' regulation what they really mean is 'toothless and useless' regulation. Regulation has to be done by government, but the TNCs have corrupted the political system to the extent that governments are in bed with corporations. Their close connection means that governments are most reluctant to regulate, and thus will consult closely with the TNCs over the shape of any regulation. The corporations will resist it in the way they resisted an international code of conduct on TNCs. Some token steps they may agree to, but TNCs will do their utmost to ensure that regulation does not act as a brake on their activities.

The skill of powerful corporations in getting around what they do not like should not be underestimated. TNCs already manage very successfully to find a way around national legislation that does not fit in with their plans. In a era of globalization, legislation at the national level has serious limitations. TNCs are mobile. A TNC that does not like the legislation of one country can avoid it by moving its base to another with more favourable laws.

While international legislation is needed, TNCs will fight hard to keep their privileged position and to prevent anything becoming law

that they do not find 'appropriate'. They have the funds to pay the best lawyers to block regulation and to find loopholes in legislation.

Public pressure for international regulation will ultimately persuade governments to act, but this could take years to achieve and is not enough. It is hardly surprising that TNCs have little fear of regulation. 'We don't fear regulation, what we fear is customer revolt,' admits a Shell official.[17]

Corporate bypass

People across the world are fighting back against corporate power. They are showing that corporate bypass is possible. For while regulation is needed, the more promising and quicker route to controlling TNCs lies outside the factors that the corporations can control. It lies with people, in customer revolt, in bypassing the corporations.

People are the all-important link in corporate plans and can play a central role in upsetting the corporate apple cart. When people in their millions stop buying, or change their buying habits, the corporations have to respond or die. TNCs have shown that they act when people act.

Citizen revolt is working. While TNCs are powerful, they are also vulnerable. They depend for their survival on the market place, on people buying their goods and services. If people do not buy its wares, a corporation is finished. This is appreciated by a growing number of people who refuse to buy the products of certain TNCs and have mounted campaigns to protest against their activities. Citizen revolt over TNC products is capable of bringing about changes in corporate policy, quickly and effectively. The revolt, through campaigning and purchasing, is taking a number of forms.

Boycotts

According to the Global Market Insite (GMI) Poll, an online survey of 15,500 consumers in 17 countries, 36 per cent of consumers worldwide boycott (refuse to buy) certain products. The most-boycotted brands include Coca-Cola, McDonald's and Nestlé. Boycotts cost companies money. A Cooperative Bank survey found that consumer boycotts cost big brands $2.5 billion a year. And the success of a boycott is more than just a decrease in sales. According to John Monogoven, senior vice-president of a US-based public relations firm, Pagan International Inc., boycotts can mean problems with employee morale:

> Employees don't like working for a company that is being attacked. You have problems with recruiting the top students from colleges and universities because they don't want to get involved with a company in that kind of a problem. Also, you find that top-level executives spend an inordinate amount of time on the issue when they should be doing other things.[18]

In the late 1990s shoppers in the UK refused to buy genetically modified foods. This led to a major change in the policies of the giant food retail corporations and fast food chains. 'The movement against genetically engineered and modified foods has leapt from one policy victory to the next, first getting many GM foods removed from the shelves of British supermarkets, then getting labelling laws passed in Europe,' says Naomi Klein.[19]

The change came about after fears over the safety of GM foods were raised, fears not calmed by government assurances. Britain's BSE crisis had occurred only a short time before GM foods became available, and the public remembered the worthless utterances from government ministers over the issue.

Opposition to GM foods first developed in the UK in 1996 when concerned customers would fill shopping trolley with processed food at their local supermarket, and take them to the checkout where they would ask questions about products containing GM ingredients. Public meetings and debates raised the profile of these foods; supermarkets began to take notice. The supermarket chain Iceland was the first to take GM foods off its shelves, in early 1998. The ban led to thousands of extra shoppers coming into Iceland supermarkets, and the company's profits rose.

As Iceland was not among the largest food retailers, there was no immediate response from rivals. But following a newspaper article ('Seeds of disaster') by Prince Charles in June 1998, an about-turn in corporate policy was seen. Within weeks of the article, a major biotech company, AgrEvo, backed down over plans to grow Britain's first genetically modified commercial crop. The company said it would not go ahead because the market was not ready.

This was borne out by public opinion and consumer surveys. A Monsanto advertising campaign in the UK in 1998, to try to persuade the public about GM crops, was a disaster. The public did not accept its claims. In October 1998, a study commissioned by Friends of the Earth found that 58 per cent of 2,000 supermarket shoppers wanted their

stores to go GM-free. Within six months, Marks & Spencer had pulled all GM products off its shelves. Sainsbury's came next, in July 1999, followed by the other leading supermarkets.

The fast-food chains also acted in response to customers. By March 1999, Pizza Express, Domino Pizza and Wimpy had banned products with GM ingredients. McDonald's and Burger King also announced they would phase out GM ingredients. Customer revolt over GM foods led to changes in company policy in weeks.

McDonald's has probably attracted the biggest worldwide customer protest against the policies of a corporation. The anti-McDonald's campaign is a protest 'against the promotion of junk food, the unethical targeting of children, exploitation of workers, animal cruelty, damage to the environment and the global domination of corporations over our lives'.[20]

The campaign is active in many countries including Argentina, Australia, Austria, Belgium, Brazil, Canada, Croatia, Finland, France, Germany, Greece, Ireland, Israel, Italy, Malta, Mexico, the Netherlands, New Zealand, the Philippines, Portugal, Romania, Russia, South Africa, Sweden, Switzerland, Taiwan, the UK and the USA. An annual Day of Action in support of McDonald's workers is held every October.

In Britain protests have included handing out leaflets outside McDonald's – over 3 million leaflets since 1990 – and campaigns against new stores, including a successful 552-day occupation of a proposed McDonald's site by residents of Hinchley Wood in south-east England. In 1990 McDonald's served libel writs on two British protesters, Helen Steel and Dave Morris. In what came to be know as the McLibel trial (lasting 314 days), the judge ruled that McDonald's marketing 'pretended to a positive nutritional benefit which their food (high in fat and salt etc.) did not match'; that McDonald's 'exploit children' with their advertising strategy; are 'culpably responsible for animal cruelty'; and 'pay low wages, helping to depress wages in the catering trade'. But the court ruled that the couple had libelled McDonald's on some points and ordered them to pay £40,000 damages, which they refused to pay. The trial generated a huge amount of bad publicity for the company.

In France there have been mass anti-McDonald's protests by farmers, including the dismantling of a store and a 30,000-strong demonstration. Farmer José Bové was jailed for dismantling a McDonald's restaurant, a case that attracted widespread publicity and led to increased mistrust of

McDonald's food. At the Sydney 2000 Olympics there were protests against the TNC's mass use of refrigeration chemicals linked to global warming. Eric Schlosser's *Fast Food Nation*, a seminal work on the fast-food industry, includes a devastating critique of McDonald's.[21] Resistance to McDonald's – 'whether communities opposing the sitting of new stores, campaigners undermining their public image, or from store workers standing up to management power, shows that people everywhere can think for themselves and fight back'.[22]

Nestlé products have attracted an international boycott for over 20 years The International Baby Food Action Network (IBFAN) was founded in October 1979 by NGOs from several countries who were concerned that powerful milk companies such as Nestlé, Cow & Gate, Mead-Johnson, Meji, Milupa and Wyeth were placing misleading advertisements, giving samples and engaging in other practices that were encouraging new mothers not to breast feed. IBFAN coordinates the boycott of products made by Nestlé, the market leader, which began in 1977. Under pressure from the boycott, Nestlé curbed some of its more blatant malpractices, such as the use of 'milk nurses' (company sales representatives dressed as nurses), baby pictures on infant formula tins, and some media advertising.

In 1984 the boycott was lifted after Nestlé said it would keep to the WHO Code, even in the absence of national laws. Much of Nestlé's large-scale advertising of breastmilk substitutes stopped, but other marketing practices continued. Only two years later, an investigation in the Philippines revealed that 37 per cent of babies were fed in hospital on free supplies from Nestlé. The provision of such supplies is in direct contravention of the Code. In Pakistan, Malaysia and Singapore there was also evidence of the milk companies breaking the WHO Code. The consumer boycott of Nestlé was reimposed.

IBFAN, which now consists of over 200 groups in more than 100 countries, plans to continue the boycott until Nestlé abides by the WHO Code and subsequent World Health Assembly Resolutions in policy and practice. Nestlé is the most boycotted company in the UK; the boycott is supported by church, health and consumer groups, businesses, student unions, local authorities, trade unions, Members of Parliament and political parties. The boycott has little effect on Nestlé profits, but has seriously tarnished its image (see also Chapter 3).

A boycott of ExxonMobil (Esso) operates in six countries – Canada, France, Germany, Luxembourg, the UK and the USA. In the UK it is

known as the 'Stop Esso' campaign. Supporters allege that the company 'uses its wealth and power to stop any international action on climate change'. Esso ran an advertising campaign in the US press condemning the Kyoto Protocol and lobbied President Bush to pull out. Esso has also funded multimillion-dollar propaganda fronts to undermine the case for action to protect the climate, and has frequently exploited selective, outdated or incorrect scientific studies in order to back up its position.[23]

As soon as George W. Bush became president of the USA in early 2001, he pulled the country out of the Kyoto Protocol, the international agreement to address global warming – exactly the policy that Exxon was promoting. As the USA, with 5 per cent of the world's population, is responsible for 25 per cent of the pollution that causes global warming, this was hugely damaging for the protocol. Two days before President Bush's inauguration, Exxon called in the US press for 'an energy policy for the new administration'. It stated that 'the unrealistic and economically damaging Kyoto process needs to be rethought'.[24]

Esso was a long-time supporter of the Global Climate Coalition (GCC), the industry front-group that took a lead role in undermining initiatives to solve global warming. BP left the coalition in 1997 when it admitted that climate change required action. Large-scale defection of companies such as Ford, Texaco and General Motors occurred in 1999 and 2000. Esso had to leave when the GCC decided that only trade associations would be suitable for membership, and ended its corporate programme. In 2002 the GCC 'deactivated', claiming it had served its purpose 'by contributing to a new national approach to global warming'. With the USA out of Kyoto, the coalition had no need to continue its fossil-fuel-funded lobbying.

The Stop Esso campaign says that Esso continues to deny the 'reality of global warming . . . refuses to invest one dollar of its US$15 billion-a-year profits in clean, renewable energy like wind and solar power . . . and is sabotaging global action'. The campaign shows the power of citizens in the market place. An investment bank has warned the company that being tarred with the label 'environmental enemy number one' is a risk to its business.[25]

A novel tool, linked to boycotts, is advocated by KarmaBanque. Set up in 2002, this claims to combine the civil disobedience of Gandhi with the financial savvy of George Soros 'to help change the economic and political landscape of the world!'

> Avoid wasting time with your campaigns – attack stock prices! You don't need money to attack a company's stock price. Hedge funds (rich people) will attack a company's stock price (other rich people) for you if you bait them correctly with the right boycotts. We crunch the numbers and recommend the best hedge-fund-baiting boycotts.[26]

KarmaBanque provides a rating of the best brands to boycott, based on their vulnerability. It looks at how much the company's stock price depends on its sales. If there is consistent betting on a company's share price falling – and it subsequently does – hedge fund investors make a profit. If such betting is coordinated with boycotts, the company will be hit, it says.

Citizens are boycotting corporate products and buying instead products that bypass TNCs. They have found they can avoid produce the corporations have handled. They are buying fair trade products and local products from small-scale, local shops.

Fair trade is soaring in popularity throughout the world and is an increasingly important option.[27] Shoppers are buying more fair trade goods because the people who grow or make them receive a fair return and corporations are largely bypassed. The products are mainly sold by producer cooperatives direct to processors, such as to CaféDirect in the case of coffee. In both Western and developing countries, a growing number of shops are stocking these goods. Over 4,000 products now carry the Fairtrade Mark (see Chapter 11). The range of fair trade manufactured goods, such as clothes, is increasing; so also is recognition. In the UK, over half the population now recognize the Fairtrade Mark. Universities, towns and churches are becoming 'fair trade' registered places.[28]

In both developing and Western countries, the purchase of locally grown produce from small-scale farmers, rather than corporate food, is also increasing. In Western countries there are a growing number of farmers' markets, which offer people an excellent opportunity to buy local goods. There are also organic food box schemes and on-farm shops.

Farmer and shareholder action

While all TNC products have customers, it can be harder for people like farmers to stop buying corporate products, especially if the economic system has given those companies monopoly or patent powers. Four corporations, for example – Du Pont, Syngenta, Monsanto and Mitsui –

hold 70 per cent of the patents on six leading staple foods: rice, maize, wheat, soybean, potato and sorghum. In total, these companies have taken out over 600 patents on these crops.[29]

Farmers in developing countries are taking action to curb TNC power. For example, the Coalition of Immokalee Workers (CIW), is a US community-based worker organization, with members – largely Latino, Haitian, and Mayan Indian immigrants – working in low-wage jobs in Florida, mostly picking melons and tomatoes.[30] In 2001, with wages below the poverty level, the CIW launched the first-ever farmworker boycott of a major fast-food company – a national boycott of Taco Bell, which is part of a restaurant chain – alleging human rights abuses, low wages and poor working conditions.[31] In 2005, the company agreed to meet its demands to improve wages and working conditions for Florida tomato pickers in its supply chain. 'This precedent-setting victory now gives us a strong foundation for pursuing deeper change throughout the entire fast-food industry and, in turn, the Florida agricultural industry.'[32]

At a more global level, farmers belonging to Via Campesina have developed the concept of food sovereignty. This came of age in February 2007 at a Forum for Food Sovereignty in Mali attended by more than 600 delegates representing fisherfolk, farmers, consumers, environmentalists, workers and pastoralists from seven regions of the world. Forum participants released a political declaration on the last day of the forum to propel the food sovereignty concept into action.

Food sovereignty is the right of food producers to decide what they produce, and how and where they distribute it. The concept also includes consumers' right to wholesome, locally produced food, and the opportunity for producers and consumers to work together in creating a sustainable food system. To achieve it, the corporate control of the food chain needs to be tackled, along with the power of the WTO, so as to reclaim control over production and markets. Governments also need to reclaim the right to define the food and agriculture policies of their countries.[33]

Shareholder action is important for curbing TNC power. Most TNCs are public companies, owned by the public, in practice by many thousands of people. People with small amounts of money have become shareholders in some of these companies by purchasing a single share. Single shareholders receive the company's reports and are entitled to attend the annual meetings of the company. They can ask a question

from the floor or submit a resolution urging the company, for example, to put right an injustice. They are well placed to research the company, monitor its activities, become specialists in its activities and write to its chief executive as a shareholder.

Shareholder action can be a powerful tool for campaigners seeking to bring about change in company policy. Sometimes the threat of resolutions from shareholders asking a company to change a policy is enough to push the company's directors to negotiate with activists. Corporate executives may want to avoid the embarrassment of such a resolution coming to a full shareholder vote. More often, resolutions for disclosure of information can be the catalyst for changing and improving company policies. It is also good for company directors to know that shareholders are monitoring what the company does. Some examples are given below.

Brooke Bond

In the 1970s, members of the World Development Movement (WDM) were encouraged to buy a single share in the tea company Brooke Bond. For several consecutive years, resolutions were tabled and moved by a WDM-member shareholder that urged the company to increase wages and improve conditions for its tea pickers on the Asian subcontinent. While all were heavily defeated, the resolutions increased awareness among shareholders of the plight of tea pickers.

BAT

Members of WDM were encouraged in the 1980s to buy single shares in the tobacco company BAT. For a number of years, they tabled resolutions and challenged the company's activities in developing countries from the floor at shareholder meetings.

Shell

At the annual meeting of Shell in May 1997, 130 shareholders tabled a resolution which attracted the support of institutional shareholders in the form of managed pension funds. The resolution, initiated by a church group, the Ecumenical Council for Corporate Responsibility, asked Shell to 'establish an independent review and audit procedure' for its environmental and human rights policies.[34] This earned the support not only of NGOs such as Amnesty International, the World Wide Fund for Nature, and Friends of the Earth, but also of a London-based

organization, Pensions and Investment Research Consultants. Although defeated, the resolution was backed by 18 pension funds with investment assets of over £25 billion. Shell agreed to consult environmental and human rights groups on sensitive projects, and has since withdrawn from a number of projects – in Bangladesh and Colombia, for example – on human rights grounds.

Syngenta

Shareholder pressure at and around company AGMs can be effective even without a specific resolution. In April 2002 small shareholders in the Swiss-based company Syngenta attended the company's annual meeting and pressed for a ban on its controversial herbicide paraquat. Syngenta ranks first in agrochemicals and third in the seeds market. The action by its shareholders followed the publication of a report 'Paraquat: Syngenta's controversial herbicide' by Berne Declaration (Switzerland), Foro Emaus (Costa Rica), Pesticide Action Network (PAN) Asia Pacific (Malaysia), PAN UK and the Swedish Society for Nature Conservation Action Network. The report revealed that workers and farmers regularly exposed to paraquat experience serious problems with their health. The high toxicity and lack of antidote can lead to serious ill-health, and even death, from exposure.

Paraquat is extensively used on plantations of bananas, cocoa, coffee, cotton, palm oil, pineapple, rubber and sugar cane, as well as by small farmers. A study by the Pan-American Health Organization, based on data from Costa Rica, confirms that agricultural workers suffer from paraquat.

At Syngenta's 2002 AGM, a Malaysian palm oil worker urged the company to phase out paraquat. While Syngenta was not moved, the Malaysian government responded by imposing a ban on the herbicide. Despite intense lobbying efforts, Syngenta has failed to change the Malaysian government's mind. Pressure continues for the ban to be lifted. The NGO action attracted considerable publicity and the case against paraquat was placed firmly in the public domain.[35]

Conclusion

Community and citizen resistance, farmer resistance and shareholder pressure have emerged as powerful ways to combat the behaviour of publicly owned TNCs. 'We see an increasingly active civil society,

making its claim to regain the space "grabbed" by TNCs,' says Mary Kaldor of the London School of Economics.[36]

There is room for a concerted international network of these groups, and other concerned people, to resist corporate power, closely monitor TNC activities and their impact, and to publicize alternatives. The Internet and other means of quick communication make such a network possible. TNC power is not invincible. Citizen action has the potential to turn the world of corporate domination upside down, and bring about alternatives on a more human scale. The gainers would be the world's poor.

Conclusion

Since the first edition of this book was published in 1999 I have spoken about the issues at a number of meetings, from NGO groups to gatherings of business people. Some interesting questions have followed. For example – 'Am I really saying that TNCs, including some of world's most outwardly prestigious and profitable companies, are involved in practices that damage the livelihoods of the world's poor?' Answer: yes.

'So are you saying these companies have no understanding of the world of the poor? That their decision makers are totally remote from the lives of the poor?' Answer: no. Some of the big TNCs have people who scour even the remotest regions of the developing world in search of sales and profits. They do have a glimpse into people's lives; they know something of how the poor live. Despite the damaging effect of their policies on peoples, TNCs nonetheless pursue those policies.

'Are you saying that TNCs are incapable of reform, incapable of doing good, that the people who work for them are out to screw the poor?' This requires a longer answer. The limited-liability, publicly owned company system requires TNCs to make a profit for their shareholders, as much profit as possible, so they can increase their dividends to shareholders. That is the role of a public TNC. Should it not do that, it would be ripe for a takeover bid – perhaps from venture capitalists who believe they can run it more profitably. It is the system that is at fault, not the people who work for TNCs – people caught up in a system not of their devising. A TNC's practices may tarnish its image, lead to a boycott of its products, and force it to resort to clever public relations and statements that often bear little or no relationship to reality, but the profit motive continues to assert its imperative.

'But could not a TNC decide that it can maximize profits by treating the poor well?' A good question and in theory the answer is yes. The problem is that in practice hardly any TNCs have done it. The Body

Shop was one, but that was founded and led by the outstanding Anita Roddick. Even the Body Shop was eventually taken over by a larger company. It would be great to think that the Body Shop has nonetheless shown the way forward for larger corporations. But the signs are not good. The record of TNCs as a whole shows a reluctance to maximize profits by treating the poor well. This does not augur well for change.

'But not all big companies are public companies. What about Cargill? They don't come much bigger.' Cargill is a family-owned company (see Chapter 2) that acts in much the same way as a public company. Its corporate wisdom is that it is the most competent body to plan global production and distribution. It is caught up in the same system as public companies.

'If the system is at fault, what possibility is there for changing the system?' The 2006 UK Companies Act obliges TNCs to take into account the social and environmental impacts of their business (see Chapter 12). But this is not nearly enough. The Act is limited in scope, and national laws are inadequate for dealing with TNCs. It is global laws that are needed. But such laws are not even on the political agenda. The system could change if more companies turned themselves into cooperative enterprises like, for example, the John Lewis Partnership. And the system could change if more people demanded change to insist that the poor have something better.

Under pressure

Recent developments in employment practices have served to increase the severity of the corporate impact on the poor. Many TNCs have sought to boost profits by axing many of their employees and by expecting more from those who remain. Employees are under enormous pressure to deliver – pressure to operate their part of the business as profitably as they can so that it makes the maximum contribution to the balance sheet. The age of job security has gone, and if TNC employees do not succeed, their jobs are on the line.

Inevitably this can lead to employees cutting corners. It may lead them to make decisions without enough thought or care for the people they will affect. The poor, who cannot fight back, are particularly vulnerable. Double standards can creep in. A senior manager of an oil company confided: 'You cannot expect us to have the same high standards in developing countries as we do in Western countries.'

In the West, governments insist on high environmental standards and TNC operations are carefully scrutinized. In developing countries, however, legal requirements are often lower and TNCs can get away with more. The employees are caught up in this exploitation, on pain of losing their jobs. Tim Melville-Ross, a former director-general of the UK's Institute of Directors, has admitted that most companies apply different standards to their operations in the developing world from those in their home country, but claims there is now a convergence.[1]

The emergence of venture capitalists seems to make it even harder for a TNC to resist the pressure of its profit orientation. 'A corporation that takes the long view of its profits and the broad view of its social responsibilities is in grave danger of being acquired by an investor group that can gain financially by taking over the corporation.'[2] Such groups are basically 'raiders' who seek to acquire an 'under-performing' corporation to maximize its financial efficiency. This may involve splitting up or selling part of the corporation. Profit is the only criterion. 'There are plenty of socially conscious managers', says Korten, 'the problem is a predatory system that makes it difficult for them to survive.'[3]

While the threat from predators will always hang over publicly owned companies, this is no reason why TNCs should not clean up their act. In some cases, quite small changes would help, with no significant impact on profits. It would cost Nestlé very little, for example, to abide by the WHO code on the marketing of breastmilk substitutes.

Alternatives

In a world dominated by the large corporations, the wealthy have the money that allows them to buy choices. The poor are not so fortunate. We need only look at what is happening: how people in some developing countries are unable to buy low-cost, locally made essential drugs because of the power of the pharmaceutical TNCs; how farmers in India are threatened by TNCs taking out patents on their crops; how the water supplies of people in tourist resorts are under threat because of tourism 'development'.

A judge in a Swiss court said of Nestlé (see Chapter 3) that if the company wanted to be spared the accusation of immoral and unethical conduct, it would have to change advertising practices. Change 'advertising practices' to 'all business practices' and for 'Nestlé' read 'transnational corporations': this is the challenge they face in the third millennium.

TNCs deal in volume, and there is a definite threshold beneath which TNCs cannot function, even if they wanted to. Therein lies a key to resistance and the pursuit of alternatives. Alternatives to profit-maximizing TNCs are needed – alternatives that can give the poor the opportunity of more choice.

'Our challenge is to create a global system that is biased towards the small, the local, the cooperative, the resource-conserving and the long-term', says Korten.[4] The challenge is to create a system that is pluralistic not monopolistic, a system in which the poor matter.

New social organizations and communities are emerging that are diverse and inclusive and which give hope for the future. The corporations have huge power, but people are becoming more aware of their own power. That awareness, the alternatives that are developing, could turn the TNC-dominated world upside down. Just possibly, smaller TNCs with genuinely responsible management could have a place in a system from which the poor gain rather than lose. But any TNC would earn a place in such a system by its deeds, not its words. If they wish to be a part of the future, TNCs have to change more profoundly than they ever imagined. The question is whether they can.

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