



August 2006

ActionAid's submission to the Globalisation and Global Poverty Group

EXECUTIVE SUMMARY

ActionAid welcomes this opportunity to input into the future direction of the Conservative party's policies on international development and global poverty. Below is a summary of our recommendations.

The Conservatives should make policy changes in the following areas:

Better aid

- Support economic policy freedom by ending economic policy conditionality.
- Reform technical assistance by making greater use of developing country knowledge and expertise.
- Reform the multilateral development system to reduce inefficiency and duplication.

DFID reform

- Promote 'coherence for development' across government departments.

HIV&AIDS

- Continue to support interim international targets towards universal access to AIDS treatment and push other countries to close the \$10 billion HIV&AIDS funding gap.

Trade, global markets and economic development

- Push for reform of the EU's Common Agricultural Policy to end the dumping of subsidised goods on the developing world.
- Champion national sovereignty and the right of developing countries to choose their own development paths.
- Promote corporate social responsibility through an international agreement on business and human rights.

About ActionAid

ActionAid was founded as a British charity in 1972 with a mission to eradicate global poverty. It had 88 supporters. Over the last three decades we have expanded to more than 300,000 supporters in Europe and offices in more than 40 countries. In 2003 we became ActionAid International and moved our global headquarters from the UK to South Africa. Today 90% of our 1,800 staff are from developing countries, our chief executive is Nepalese and our international directors come from Brazil, India, Kenya, Italy, the US and UK. For more information about ActionAid please visit our UK website at: www.actionaid.org.uk

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INTRODUCTION

ActionAid welcomes this opportunity to input into the future direction of the Conservative party's policies on international development and global poverty. We are impressed that David Cameron has launched a series of policy commissions that will listen to a broad range of expertise as they develop new Conservative policies in time for the next general election. We will continue to engage with the relevant commissions and look forward to their final reports.

David Cameron has committed to changing the Conservative party, both in presentation and in policy substance. This is hugely important in the party's policies on global poverty where the Conservatives have a poor track record: the most obvious expression of this were the sustained cuts to the aid budget under the Thatcher and Major governments. But development is about much more than aid and the party will need to make changes to its traditional stance on a host of other issues too, as it has begun to do on climate change. The rhetoric has been impressive but ActionAid will be looking closely at what changes are being made to practice too. We are already concerned about the gap between presentation and practice, notably in the debates around the Companies Bill (formerly the Company Law Reform Bill) currently passing through parliament, where the Conservatives have adopted a position of hostility to plans to make businesses more ethical.

Under David Cameron, the Conservatives have made a serious effort to make the parliamentary party more representative of Britain as a whole, with a special focus on increasing the number of women and ethnic minority Conservative MPs. We hope that this will read across to international development policy so that support for women's rights at home is matched by support for women's rights overseas. Given this effort ActionAid is disappointed that the board of the Globalisation and Global Poverty Group does not contain a single woman. This is a worrying signal, especially given that women form the majority of those living in absolute poverty and that the best way making sustained progress in international development depends upon the realisation of women's rights.

ActionAid believes that honesty is the best policy when dealing with politicians from all political parties. ActionAid has more than 180,000 supporters in the UK, many of whom have contacted their MPs and other decision makers in recent years as part of campaigns such as Make Poverty History.

In this submission we have sought to answer the questions in the 'issues and options' paper on which we have expertise and provide the Conservatives with exciting and bold ideas that can form part of the next general election manifesto. We hope you find our contribution useful.

AID

It is accepted that more and better aid needs to flow to developing countries as part of the fight against global poverty. Rather than repeat the accepted wisdom that more aid is needed, in this submission ActionAid will concentrate on the 'better aid' argument and present bold new ideas to reform the aid system.

The goal of British aid

British aid is part of the global aid system and the objective of aid should be the same everywhere: to work towards a world where aid is no longer needed because poverty has been eradicated. As the 4th largest economy in our increasingly globalised planet, striving towards this goal is not only a moral imperative but forms a key component of our long-term national interest.

Aid should only be used to help bring down poverty; it should not be used as a political tool – a stick to beat Britain's enemies or a carrot for its friends, as it often was in the past. For most of the Cold War, western donors, including Britain, gave money to brutal and corrupt regimes who did nothing for their people. During the 32 years that Joseph-Desire Mobutu was in power, what was then Zaire received over \$12 billion in aid. According to the UN, Mobutu embezzled \$5 billion for himself. The British International Development Act is an important bulwark to protect aid from these kinds of abuses, and must be retained by the Conservatives as the organising framework for British aid policy.

Financing aid

"I believe that effective aid is essential for economic empowerment, and that is why a Conservative Government would spend more on aid."
David Cameron, 29th June 2006

ActionAid welcomes the Conservatives' reaffirmation of the 0.7% of national income target, a commitment dating from 1970 and originally made by a Conservative government. We urge the Conservatives to commit to reaching 0.7 by 2010, as called for by the Make Poverty History campaign.

Aid is too often unpredictable, with late disbursements or withholding of aid creating serious damage to developing country government budgeting systems and macro-economic stability. We recommend that the Conservatives make a commitment to improve the predictability of aid, based on making longer-term, mutually-agreed commitments to developing countries.

Direct budget support offers real advantages in terms of increased predictability, reduced transaction costs and improved effectiveness.¹ Obviously there must be minimum standards of public financial management and auditing, which some countries will not meet, but budget support itself has been shown to be an important catalyst for improving public expenditure management. Budget support should always be part of the

¹ See University of Birmingham et al, Joint Evaluation of General Budget Support 1994-2004: <http://www.idd.bham.ac.uk/general-budget-support/>

'toolkit' of aid instruments available to DFID, to use where country circumstances are right.

A move back towards support for donor-led projects and programmes would be a retrograde step and would be likely to decrease effectiveness through the well-known problems of undermining developing country systems, increasing complexity and co-ordination and producing unsustainable or ephemeral gains which disappear once donor funding ends.

A number of innovative sources of finance have been proposed recently and ActionAid supports ways of bringing genuinely new and additional financing to the fight against poverty, such as the Air Ticket Levy and the Currency Transaction Tax. However, these should not detract from or substitute for increasing general government spending on aid to meet the 0.7 target.

International debt

At the 2005 general election the Conservatives called for 'faster and deeper debt relief'.² ActionAid agreed. Recent debt relief initiatives have delivered much-needed benefits for some poor countries. For example, in Zambia a reduction of total debt stock from \$7.1 billion a few years ago to \$500 million today has enabled the Zambian government to announce free basic healthcare, in a country where one in ten children currently die before their first birthday.

ActionAid does not believe that a country's debts should be cancelled with no questions asked about where the money will be spent in the future. Debt cancellation is only a useful tool where developing country governments are committed to using the money saved to help bring down the number of people living in poverty. This means ensuring that all stakeholders, in particular women's rights groups have a say in the planning and policies affecting them.

Since 2005 19 countries have had most of their multilateral debts cancelled but more than 40 other poor countries, including Bangladesh and Haiti, are still burdened by unsustainable debts that divert scarce resources from essential services. Britain must take a leadership role in pushing other donors for faster, deeper debt relief.

Many countries also suffer from odious and illegitimate debts – money owed as a result of reckless lending to undemocratic regimes who squandered it for their own gain. Partial debt cancellation for Nigeria and Iraq serves as an important precedent but this issue is not being properly tackled. Britain could lead the way by cancelling unpayable and illegitimate debts owed to it by developing countries.

The international aid system

Root-and-branch reform of the global aid system is essential if the increases in aid, pledged in 2005, are to make a lasting difference to the lives of poor people. A reformed system would be based upon the key principles of: developing country leadership

² Action on Global Poverty, Conservative Manifesto 2005

through clear financing policies such as the Tanzania Assistance Strategy; a shift from donor-imposed conditions to mutual accountability; and national and international forums for ensuring donors and recipients are held to account for the use of aid money.

Within this framework there are three big ideas that the Conservatives should commit to:

1. Supporting economic policy freedom by ending economic policy conditionality
2. Reforming technical assistance
3. Reforming the multilateral development system

Supporting economic policy freedom by ending economic policy conditionality

Aid works best if it supports developing country-led anti-poverty strategies. For democracy to have substance it is vital that electorates in developing countries can choose between different political platforms, as they can in Britain. Issues such as how to run the economy are too important to be taken away from national decision-making processes. Developing countries must be free to determine their own economic policies without being unreasonably constrained by donor conditions.

Removing economic policy conditionality would allow developing country governments to better spend aid money, and be accountable to their own people for doing so. Britain has already removed the economic policy straight-jacket attached to its bilateral programmes; the challenge now is to take that argument to the multilateral level and push for reform of the World Bank and IMF. Britain should link a substantial part of its discretionary funding for the IMF and World Bank to them ending economic policy conditionality.

Reforming technical assistance

Technical assistance accounts for between a quarter and a half of donor aid, according to the OECD Development Assistance Committee. Good technical assistance, chosen, selected and managed by the recipients, can make a lasting difference to a country's capacity and capability. But all too often, as ActionAid's report 'Real Aid 2: Making Technical Assistance Work'³ shows, technical assistance by-passes local experts, does not meet the real requirements of the recipient and fails to make a lasting impact. Highly-paid foreign consultants, tied to donor countries' own firms are too often the rule rather than the exception. The underlying reason for the incredibly high proportion of aid spent in this ineffective way is that it is usually designed to meet donor requirements or serve donor interests. The market is supply, rather than demand, driven. For example, in Tanzania, Japanese-funded advisors installed expensive diesel irrigation pumps from Japan rather than the gravitational irrigation used in other farms in Tanzania. The high price of diesel makes the pumps three-times more expensive than gravitational irrigation and only one in three pumps is now in use because no-one is available to do repairs.

The Conservatives should push for the delivery of technical assistance to be transformed to ensure that developing countries take the lead in the capacity-building

³ ActionAid International, Real Aid 2: making technical assistance work, 2006:
http://www.actionaid.org.uk/doc_lib/real_aid2.pdf

process. Maximum use should be made of developing country systems and local expertise. Detailed proposals for reform are set out in Real Aid 2.

Reforming the multilateral development system

The Conservatives should push for Britain to better use its influence to ensure that multilateral institutions – the EU, World Bank, International Monetary Fund, and UN agencies – adopt a clear poverty focus and undertake ongoing rigorous, independent and transparent evaluation of their work. The implementation of the Paris Declaration⁴ on aid quality, with its emphasis on accountability, ownership and participation would be an important first step in improving the ability of the aid system to deliver on women's rights.

In the case of the EU, the Conservatives should press for a clearer division between aid for development and aid for other purposes – such as preparing accession states for membership or managing migration from North Africa. The Conservatives should also consider making some funding contingent on improvements in the poverty focus and effectiveness of EU aid, as the British Government has begun to do with its replenishment of the World Bank's soft loan arm, IDA.

DFID should adopt a clear institutional strategy for the EU and for the UN agencies, along the lines of that already produced for the World Bank, that sets out criteria for ongoing support and objectives in terms of what Britain expects to achieve through its support. These strategies should be discussed and reported on in parliament.

Government funding for multilateral agencies should be used to encourage a rationalisation of the multilateral development system and a clearer division of labour, especially within the UN where agencies have proliferated to the point where co-ordination problems and duplication sometimes stymie effectiveness. One option would be to establish transparent criteria for funding decisions, thereby creating incentives for reform. Another could be to encourage multilateral agencies to actively compete for a share of their funding. In the case of the World Bank and IMF a lack of legitimacy is at least as great an obstacle to effectiveness as a lack of competence. Britain must use its influence as a major shareholder to build an alliance for reform that makes these international financial institutions genuinely accountable to their main stakeholders – developing countries and their citizens.

There is currently a gap in the aid system at the international level, in terms of donors being held to account for whether they implement their pledges and benefit people living in poverty. ActionAid believes that support for economic policy freedom and reformed technical assistance could be led by a UN aid commissioner, who would push for better global aid and ensure that both donors and recipients keep to their commitments. This new commissioner would publish periodic public reports, handle complaints about breaches of commitments and arbitrate where there is a serious breakdown in donor-recipient relations and aid is suspended. The post-holder would report directly to the UN Secretary-General.

⁴ http://www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html

DFID REFORM

DFID has two major roles in the British system of Government: to act as a disburser of British aid and to act as a champion of development policy across government. We have already covered how we think British (and global) aid should be improved in the 'aid' section of this submission. Here, we will concentrate on how DFID as a department can be improved and how it can help to mainstream development in all government departments.

While the ultimate test of aid effectiveness is that a country over time ceases to require aid, the problem with this definition of success (which also affects DFID's Public Service Agreement targets with the Treasury) is that aid is only one factor in development outcomes and often a minor one. So while PSA targets are valuable tools in terms of setting the overall strategic direction of UK aid, and should be retained, they are less useful in terms of directly judging the efficacy of aid.

Aid effectiveness should be measured according to a mix of quantitative and qualitative measures. More intermediate targets for gauging the impact of UK aid may be useful, but care should be taken not to become unduly concerned about outputs, which are more easily measured and attributable, as opposed to outcomes (not everything that can be measured counts, and not everything that counts can be measured). Donor interventions risk being distorted by impatience for results and the desire for visibility - Project Implementation Units are often a case in point - when development is a long-term process requiring sustained and predictable engagement from donors.

Likewise, comparing the effectiveness of donor interventions across different areas or countries is fraught with difficulties. For example, the impact of interventions in infrastructure is easier to measure than in areas such as governance. There may also be cases where different donor interventions are in tension – such as where IMF and World Bank macro-level constraints on public spending undermine a government's ability to manage the recurrent cost implications of a donor project. Finally, measuring the impact of aid where it is provided as sectoral or direct budget support requires different methods to gauging the impact of project support. In short, it is important that DFID retains a differentiated and flexible approach to measuring effectiveness.

Development is, and has always been, more than just about aid. Aid is obviously the most visible development 'item' that a developed country, like Britain, provides. In the next section we cover how trade rules and business practice can be improved to contribute to the process of making poor people richer. These necessarily require the strong engagement of DFID with the Department for Trade and Industry and other interested departments. But with development issues so wide-ranging virtually every government department will have an impact, positive or negative on the fight against global poverty.

DFID is moving in the right direction on this 'coherence agenda': its recent white paper identified climate change as a major development issue, even though primary responsibility in government rests with the Department for Environment, Food and Rural

Affairs. Corruption is also a major development challenge and will require DFID to work with the Home Office on strengthening the British side of the anti-corruption strategy, for example prosecuting those who give bribes.

Making government 'coherent for development' will require more than reliance upon the commitment of any one Secretary of State for International Development. One option for the Conservatives to consider is the Swedish approach where every government department has to produce an annual report setting out how its activities do not detract from achieving the internationally-agreed Millennium Development Goals.

Finally, DFID can only play this role if it continues to be led by a Cabinet minister. Successful co-ordination and collaboration between DFID and other government departments, especially the FCO and MoD, depends on a clear division of labour. Maintaining transparent rules on what gets counted as Overseas Development Assistance in the OECD-Development Assistance Committee, and restricting this to poverty-reduction expenditures is central to this principle.

HIV&AIDS

*"Tackling killer diseases such as HIV/AIDS, malaria, and TB should be our first priority."
David Cameron, 29th June 2006*

ActionAid agrees with David Cameron that the HIV epidemic is one of the most serious threats to development and that the goal of universal access to AIDS treatment must be the impetus to increase financing and rebuild the health systems of developing countries. This is especially crucial for women and girls who, due to their second-class status and the violence perpetrated against them, are almost four times more susceptible to HIV&AIDS than men.

At the Gleneagles summit in 2005 the G8 agreed to the demand of a target date of 2010 for providing universal access to treatment for HIV&AIDS, for all those who need it. Importantly, they also committed, "to meet the financing needs for HIV and AIDS, including through the replenishment this year of the Global Fund to fight AIDS, TB and Malaria".⁵ This was an ambitious promise that reversed a long-standing preference among donors for focussing exclusively on prevention. It was also endorsed by the UN World Summit in September 2005, thereby making it binding on all UN member states.

Currently only an estimated 1.3 million people living with HIV&AIDS are able to get access to treatment, but there are 6.5 million people in urgent need. The track record on such treatments is now proven – an estimated 350,000 deaths were averted last year as a result of increased access.

ActionAid welcomes the Conservatives' push for the Government to set interim targets for AIDS treatment. The 'all by 10' target can be met but only if significant extra

⁵ Gleneagles Communiqué – Africa – paragraph 18(d)

resources are provided now: the UN estimates that there is a \$10 billion global HIV&AIDS funding gap that must be closed if politicians are to deliver on their promise.

Prevention, treatment and care must also be proportionately addressed. Approximately just 3% of DFID's bilateral work contains elements of HIV&AIDS treatment despite Britain's leadership and commitment at Gleneagles to achieve universal access to treatment by 2010.

TRADE, GLOBAL MARKETS AND ECONOMIC DEVELOPMENT

Trade can help lift people out of poverty and it has done so in East Asia over the last few decades. But trade is only one part of a successful development strategy and a broad range of policies are usually needed. While there is no one-size-fits-all model, history shows that development is more likely to occur when sovereign governments have the power and the will to enable change.

Today's trade rules are stacked in favour of the rich world, whether in permitting multi-billion dollar agricultural subsidies that cause dumping in Africa and elsewhere, or in constraining governments in the developing world from choosing the best policies appropriate to their situation.

A well-functioning market economy can work for poor people. Evidence from the World Bank and UNDP has shown that countries with well-run markets in key sectors such as agriculture, manufacturing and finance tend to have higher human development indicators than those without such conditions.

Fair trade between the EU and the developing world

ActionAid believes in a positive trade agenda. For poor people to be able to take advantage of the opportunities offered by international trade a number of preconditions must be met: they must realise their rights to education, to food and to a basic standard of healthcare. And they will need to live in a state which has the capacity to deliver a basic level of public services for this to happen. (This is covered in the aid section of this submission).

Special attention should be directed to realising women's rights in relation to trade; in East and South-East Asia women provide up to 80% of the workforce in export processing zones. Globally, women represent 60% of the world's 550 million working poor.

Agriculture

However, this is no reason for a future Conservative government to sit on its hands when it comes to trade policy. There is widespread acceptance in the development community that the EU's Common Agricultural Policy causes significant damage to farmers in Africa and elsewhere through its subsidy regime. But this should be reformed with care, so as not to destroy small-scale and family farming in Europe. Sensible CAP reform would result in savings for British taxpayers, create more British jobs, help to

tackle climate change by reducing food miles and end the dumping of subsidised goods on the developing world.

Trade liberalisation

The damage done by the EU's policies covers more than just agriculture. A serious change of approach is also needed in the European approach to trade liberalisation in the developing world. ActionAid believes that trade liberalisation by poor countries *can* work under the right circumstances: if it is targeted, strategic, linked to a wider development strategy, and freely chosen by the governments concerned.

Yet all too often trade liberalisation does not take place under these circumstances: it is all-encompassing, detached from other development considerations, and imposed, either by western donors directly in return for aid money, or through international institutions, such as the World Bank, International Monetary Fund or World Trade Organization. This emphasis on trade liberalisation has had a negative impact on women whose cheap labour has often sustained export industries.

The EU's position in the WTO negotiations has consistently been in favour of forcing developing countries to open their markets dramatically, to an arbitrary time period and without any consideration of their particular needs. The Conservative party has traditionally been sceptical of the EU pushing for one-size-fits-all solutions for its own member states; it should now oppose the imposition of similar solutions on developing countries.

Making world trade work for developing countries

"Of course it's right that democratic governments in Africa and elsewhere should be given the policy space to develop in ways that make sense for them."

David Cameron, 29 June 2006

Policy space

The first thing that the UK can do is to make the case for developing countries' having sufficient policy space to choose the best policies to end poverty, empower women and protect the environment, as David Cameron has begun to do. Conservatives have traditionally defended policy space in a domestic context, for example in having the freedom to cut taxes.

For democracy to have substance it is vital that electorates in developing countries can choose between different political platforms, as they can in Britain. Issues such as how to run the economy are too important to be taken away from national decision-making. Developing countries must be free to determine their own trade policies, without being unreasonably constrained by WTO agreements or donor conditions. They will not always get this right, just as governments in Britain have made mistakes, but history shows that sovereign governments are best placed to decide what is best for their people, and know that if they choose poorly they will be evicted from office.

Intellectual property rights

Property rights are important for poor people. But ActionAid believes that the introduction of intellectual property laws on plants and seeds under the auspices of the WTO's Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) has the potential to damage the livelihoods of the 1.4 billion farmers worldwide who rely on farm-saved seed.

The Conservatives should support a ban on patents on life through an amendment of the WTO TRIPS Agreement and World Intellectual Property Organisation's Patent Cooperation Treaty. They could also help ensure that requirements to disclose the source of origin of any invention/plant/material that relies on traditional knowledge and genetic resources is made compulsory. The Conservatives should help to ensure that companies or individuals who want to use traditional knowledge or genetic resources take prior informed consent of the community.

A future Conservative government should start by implementing the findings of the Commission on Intellectual Property Rights.⁶

Furthermore, recent amendments to the TRIPS agreement have failed to facilitate the distribution of low-cost generics required for public health. The new flexibilities contained in TRIPS are unnecessarily complex and in the 3 years since these procedures were agreed no country has yet used them to import generic versions of essential medicines.

Many countries are being, or have already been, encouraged to sign regional and bilateral free trade agreements which ensure a higher level of patent protection or other forms of de-facto monopolies – such as protection of pharmaceutical test data and prohibition of parallel importation – than even TRIPS requires. These so-called 'TRIPS-plus' policies remove any possibility of placing public health above commercial interests such as patent rights.

The Conservatives should ensure that EU agreements with developing countries avoid imposing obligations beyond TRIPS and that European Commission regulations allow differential pricing for selected anti-retroviral drugs.

Trade between developing countries

"We believe in trusting people, and in sharing responsibility. So we reject the old-fashioned, top-down approaches that impose identikit solutions which go against the grain of local cultures and traditions."

David Cameron, 29th June 2006

Trade between developing countries can help bring economic integration, reduce dependency on western markets and create new business opportunities. There are many existing regional integration initiatives which deserve international support. But ActionAid, like David Cameron, believes in trusting people in developing countries to make their own decisions. It is not the UK's job to lecture developing countries on

⁶ <http://www.iprcommission.org/>

increasing their South-South trade and any attempt to do so is likely to prove counter-productive.

WTO reform

A wholly different approach to multilateral trade negotiations is urgently needed. Britain should encourage WTO members to immediately start a discussion on reform through an all-inclusive process so that poor countries get a fair chance to restructure decision-making to suit them. The April 2002 proposal by a group of developing countries is a good basis for such a discussion.⁷ Relatively simple changes can make a big difference to the negotiations: the abolition of exclusive meetings that have become such a feature of WTO discussions, particularly since the 2005 Hong Kong Ministerial, would be a good place to start. Root-and-branch WTO reform should precede any attempt to revive the Doha talks so as to signal that rich countries are serious about it being a true 'development round' rather than a return to business as usual.

Encouraging British companies to trade and invest in the developing world

ActionAid believes that a thriving private sector is essential to achieving long-term development aims but we would oppose the use of public funds to insure British companies who wish to invest in poor countries. Academic evidence and economic analysis suggests that sustained economic growth is more likely to take place if it is rooted in strong domestic industries and that an over-emphasis on Foreign Direct Investment can weaken or 'hollow-out' domestic entrepreneurship. Furthermore, an insurance scheme could end up as a safety net for companies which decide to invest recklessly or irresponsibly. Finally, there is the issue of public accountability: the British government should not be in the business of bailing out private investors from investments that go wrong overseas, just as the Conservatives would oppose bailing out failing British companies at home.

The private sector in development

"I've never believed that we can leave everything to market forces. I'm not prepared to turn a blind eye if the system sometimes leaves casualties in its wake."
David Cameron, 9th May 2006

British companies have a role to play in promoting international development through their trade and investment activities. Well-managed foreign direct investment can benefit local economies and create wealth. British companies can help bring developing country goods to new markets. Business can be a force for good in the world.

But what is often overlooked in discussions about promoting private sector growth as an engine of development is the institutional framework which determines the efficiency and stability of the market. In many poor countries, the pace of liberalisation and foreign private investment has not been matched by an equally-rapid development of the basic legal and regulatory structures that govern markets.

⁷ "Preparatory process in Geneva and negotiating procedure at the ministerial conferences" (WT/GC/W/471) was submitted to the WTO's General Council by Cuba, Dominican Republic, Egypt, Honduras, India, Indonesia, Jamaica, Kenya, Malaysia, Mauritius, Pakistan, Sri Lanka, Tanzania, Uganda and Zimbabwe on 24th April 2002.

Fair competition is a traditional area of Conservative concern and a key problem in many developing countries. The expanding presence of multinational enterprises has often resulted in high levels of market concentration and deteriorating labour rights for developing country workers, especially women. This is particularly evident in the agri-food sector, upon which 2.5 billion people are directly dependent on for their livelihood. For example, just 5 companies control 81% of the global trade in bananas, while just 3 account for 85% of the international trade in tea. In Peru and Pakistan, Nestle has over 90% of the market share of milk supply, while in the Cote D'Ivoire just 3 companies control the cocoa export market (the country's main export commodity). In Mexico, Wal-Mart has captured 40% of the country's entire retail sector.

These situations are bad for both consumers and suppliers. Consumers, both in Britain and abroad, are offered a narrow choice; suppliers have seen prices collapse and working conditions deteriorate as buyer-power has become more concentrated in the hands of a few companies.

The Conservatives should look to strengthen the capacity of suppliers in poor countries to negotiate a better deal. Part of the solution lies with improving the ability of developing country competition authorities to ensure fair markets, as the Competition Commission and the Office of Fair Trading do in Britain. But the other side of the coin lies in making changes to British Company Law and working for an effective international agreement that will level the playing field.

No one is more conscious of the need to balance business rights with business responsibilities than those working within major British multinational companies. That is why many of them have signed up to and supported international standards such as the Global Sullivan Principles and the Business Leaders Initiative on Human Rights. ActionAid has also had a number of private discussions with leading executives who have declared their desire to see the Government play a leading role in the development of binding international standards that would ensure that increased responsibility on their part does not translate into competitive disadvantage in global markets.

The Conservatives should set out an ambitious agenda for promoting corporate social responsibility through an international agreement on business and human rights – a long-term project. This is something that the newly-established Conservative Human Rights Commission could examine. In the short term we hope that the Conservative party will re-evaluate its position on the role of British Company Law in promoting consistent best practice, particularly with regards to social and environmental reporting and a duty on directors to take account of their company's wider impacts overseas. Further ahead we believe that the Conservatives should play a critical role in extending the rule of law by enabling individuals harmed by reckless corporate behaviour in poor countries to have access to justice through the British courts. We see this agenda as a perfect opportunity for the Conservatives to show that the promotion of private sector growth in development and the accountability of those investing in developing countries are two sides of the same coin.