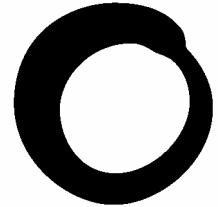


MEDIA BRIEFING

MONDAY 29TH MAY 2002



**Friends of
the Earth**

Global Rights for People Global Rules for Big Business

Why new rules for binding corporate accountability must be agreed at the Johannesburg Earth Summit:

Introduction

In the last 30 years, up to one third of the natural world has been destroyed [1]. This is a direct result of humans' uncontrolled consumption of natural resources. Over that same period there has been an unprecedented and massive increase in the wealth and power of the world's multinational corporations.

For example:

- ? Five hundred companies now control almost two thirds of world trade [2].
- ? If listed in an economic league table alongside countries, more than half of the top 100 world economies are multinational corporations [3].
- ? The world's five largest companies together generate annual sales greater than the combined incomes of the forty-six poorest countries in the world [4].

Multinationals have gained such wealth and power over the last 30 years because governments have systematically removed barriers to trade, while failing to balance these new market opportunities with global rules to prevent that exploitation of the environment and local communities. This potent cocktail of greater power and weaker regulation is contributing to growing levels of environmental damage:

- ? Half of the world's forests have now been completely destroyed [5].
- ? Half of the world's rivers are seriously depleted and polluted [6]
- ? Over a third of the world's fish stocks are either depleted or over-exploited [7].

Such levels of consumption have contributed to a growing gap between rich and poor. Two thirds of the world's population now survive on less than two US dollars a day.

Some multinationals have offered to follow voluntary guidelines. These guidelines are often weak, un-enforced and ignored. And many companies claiming to follow them still put profits before people and the environment.

Friends of the Earth International (FOEI) believes the only way to stop multinationals from being destructive is to set up an international, legally binding agreement which provides global rights for people and global rules for big business. That is why FOEI is proposing that world leaders sign up to a corporate accountability convention at the Earth Summit in Johannesburg in 2002.

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WHAT HAPPENED AT RIO?

At the Rio Earth Summit in 1992, two mechanisms for controlling business - the UN Centre on Trans-national Corporations (TNCs) and the UN Code on TNCs - were abandoned. Since Rio, the power of corporations has grown dramatically – unchecked by any legally binding framework or regulations.

This regulatory shortcoming has been recognised :

- ? The UN Development Programme concluded in its *Human Development Report 1999* that “...multinational corporations are too important and too dominant a part of the global economy for voluntary codes to be enough. ... They need to be brought within the frame of global governance, not just the patchwork of national laws, rules and regulations.”
- ? UK Foreign Secretary Jack Straw has said “...we cannot leave companies to regulate themselves globally, any more than we do in our national economies”[8].

THE FAILURE OF THE VOLUNTARY APPROACH:

UNEP’s report in May 2002, setting out the state of the world’s environment, warns that “*the planet is at a crucial cross-roads*”. According to Klaus Toepfer, Executive Director of UNEP “*We need concrete actions, we need concrete timetables and we need an iron will from all sides*”[9].

Business associations often like to argue that action is best delivered through voluntary initiatives, a plethora of which have come into existence since Rio. But another UNEP report concludes that “*there is a growing gap between the efforts of business and industry to reduce their impact on the environment and the worsening state of the planet*”. This gap, say UNEP, “*is due to the fact that in most industry sectors, only a small number of companies are actively striving for sustainability*”. At the report launch, Mr. Toepfer noted that “*the majority of companies are still doing business as usual*”[10].

In the UK, the voluntary approach has failed. In October 2000, in a keynote address to the CBI, Prime Minister Tony Blair told business leaders:

“I am issuing a challenge, today, to all of the top 350 companies to be publishing annual environmental reports by the end of 2001”. [11]

But more than three-quarters of the top British businesses completely ignored Blair's 'challenge'. Government figures indicate that only 79 of the top 350 companies (23 per cent) produced substantive reports on their environmental performance by the deadline, and that only 24 (7 per cent) of the other companies in the FTSE 350 had indicated their intention to do so. Ten per cent of the remaining top 350 companies mentioned the environment in their annual reports, but in many cases it was given only a few short paragraphs [12].

TAKE THESE CORPORATE EXAMPLES:

Oil giant **Exxon Mobil**, known as **Esso** in the UK, is one of the major players in the fossil fuel lobby, which has played a large part in preventing international action on global warming. Esso stands accused of using its money and influence to derail international negotiations on action to save the climate. Lobbying by Exxon was largely responsible for the US decision to pull out of the Kyoto Protocol, the only international treaty designed to stop global warming. Even jaded corporate analysts were shocked by revelations that Exxon had sent a memo to the White House calling for the world’s top climate scientist to be ousted as chair of the International Panel on Climate Change (IPCC), the body set up to monitor the impacts of global warming. And Robert Watson was indeed ousted in April 2002.

Premier Oil, the British oil company, is infamous for doing business with the Burmese military regime, which has committed serious human rights violations. It was the first oil company to sign a deal with Burma's military for the exploration of the Yetagun offshore gas field in May 1990. It is estimated that the field will produce gas for at least the next 20 years, generating US\$825 million for the Burmese state.

Premier Oil also operates in Kirthar National Park in Pakistan. When Premier Oil was submitting plans for exploration it was still illegal to undertake any industrial activities in the park. However the law has now been changed by the military regime in Premier Oil's favour to make gas extraction legal. The park is home to numerous threatened species such as the unique Sindh Ibex, (a mountain goat), Urial sheep, desert wolves, striped hyena and golden jackal. It is an essential source of water for the 14 million people living in nearby Karachi.

Bayer, which sells pesticides, and the biotech company **Aventis** have a poor track record on environmental and consumer safety. Last year Bayer, a German-based agro-chemical and pharmaceutical company, announced its intention to buy Aventis Crop Science to form Bayer Crop Science. The deal, subject to EC approval, is likely to be completed in 2002.

In the UK, **Aventis'** GM crops being tested in farm-scale trials, have been found by Friends of the Earth to spread pollen far beyond the field boundary. Aventis claims a 50-metre separation distance prevents cross pollination, but Canadian evidence shows that oilseed rape crops can be contaminated at more than four km. Honey produced near Aventis sites in the UK has been found to contain GM pollen.

Aventis' business strategy on GM crops involves linking the seed sales to the "Liberty" herbicide which crops are resistant to - so guaranteeing a market for the herbicide. Friends of the Earth is concerned about the safety of the herbicide.

FOEI's PROPOSAL FOR A CORPORATE ACCOUNTABILITY TREATY:

FOEI believes that corporations could represent a creative, economic force that will help to deliver sustainable development. But this will only happen if the rights that companies *already* have (eg trading and access to markets) are balanced with the rights that communities *should* have (eg a clean and healthy environment and a livelihood). This can only be done through a legally binding international framework., which applies to all publicly traded companies. We have put together detailed proposals which would:

- ? place **duties** on companies and directors, such as a duty to take social and environment matters into their decision making, a duty to ensure effective prior consultation with affected communities, and a duty to report fully on social and environmental impacts.
- ? guarantee **rights** for citizens and communities, such as the right to a clean and healthy environment, and the right of redress (eg compensation) when corporations cause social and environmental damage.
- ? establish high **standards** of social, environmental, labour and human rights behaviour by corporations.

The treaty would also establish sanctions or penalties for when corporations do not come up to scratch. These might include fines, withholding access for such companies to public subsidies, guarantees or loans, and in extreme cases, suspending national stock exchange listings and withdrawing limited liability status. Full details of our proposal are available at: www.foei.org/publications/corporates/accountability.html

THE BUSINESS CASE FOR CORPORATE ACCOUNTABILITY:

It is now very hard to find any large companies that would not claim to be striving to reduce their environmental impact.

Those that are sincere about sustainability have nothing to fear from our proposals, and everything to gain. They will surely welcome action being taken against those competitors who are not concerned about their social and environmental impacts. But our experience shows many corporations are really engaged in “greenwash” (ie PR exercises designed to boost their green image, without any change to their core activities).

The political failure to force these corporations to improve their operations, effectively rewards bad corporate behaviour and penalises good corporate behaviour.

TIME FOR ACTION AT THE JOHANNESBURG EARTH SUMMIT:

The Earth Summit (World Summit on Sustainable Development) is the largest meeting on the international political agenda, and is convened by the United Nations. It brings together tens of thousands of participants, including heads of State and Government, representatives from non-governmental organizations (NGOs), businesses and others to direct action towards improving people's lives and conserving our natural resources [13].

UK Prime Minister, Tony Blair, is expected to attend, and he is likely to be joined by cabinet ministers including Margaret Becket and John Prescott. Friends of the Earth welcomes the high-level political commitment that the UK Government is showing to the Earth Summit.

But Friends of the Earth, and many other NGOs, are worried that the only thing to come out of Johannesburg will be a long list of voluntary initiatives that fail to bind countries or corporations into concrete action. This will be a huge waste of effort. We believe the UK has a crucial role to play in making sure concrete achievements are won, and that the US (in particular) does not paralyse the world into inaction.

The power and influence of large corporations is already very significant, and this will be increased by measures taken by other bodies, such as the WTO. It is crucial that agreement is reached at the Earth Summit to balance this shift with a framework that will force big business to act in the interests of sustainable development.

Notes:

[1] WWF “The Living Planet Index” 2000

[2] UNCTAD (United Nations Conference on Trade and Development World Investment Report 1995

[3] Anderson, S, J. Cavanagh and Thea Lee. Field Guide to the Global Economy. The New Press: New York.

[4] *ibid.*

[5] World Resources Institute – www.wri.org

[6] “The State of the Environment: Past, Present, Future?”, UNEP 2002. See www.unep.org

[7] “The State of the Environment: Past, Present, Future?”, UNEP 2002.

[8] “Local Questions, Global Answers” speech, 10/09/01.

[9] “The State of the Environment: Past, Present, Future?” UNEP 2002.

[10] “Industry and Environment – Achievements, Unfinished Business and Future Challenges” -UNEP 15/5/02. See www.unep.org

[11] “Richer and Greener” - Speech by The Prime Minister, to CBI / Green Alliance Conference, 24/10/00

[12] House of Lords written answers, 4th December 2001. Col. WA132.

[13] More information on the Johannesburg Earth Summit and the Bali Prepcomm is available at: www.johannesburgsummit.org/