

Big Business is the Problem

Robert Weissman

[A recent gathering of CEOs of major corporations pledged to address global development challenges. But corporations have largely been the problem and unless they drastically change the way they do business, a bit of new business initiative with a development-conscious orientation is not going to do much to reduce global poverty.]

By most accounts, UK Prime Minister Gordon Brown is genuinely passionate about reducing global poverty.

But he is not willing to challenge the structures of the global economy that generate poverty, or the corporations that build, benefit from and maintain those structures.

Nor, apparently, is he immune to gimmicky notions of corporate leadership to support development, or the lure of high-profile summits to shed light on new plans to do—very little.

Thus, in early May the UK was treated to the spectacle of the *Business Call to Action* summit, which Brown's office co-sponsored with the UN Development Programme. More than 80 CEOs of large companies gathered with Brown and other luminaries to discuss how they could help meet the Millennium Development Goals, which aspire to reduce global poverty by half by 2015. Roughly two dozen of these CEOs—from Anglo American, Bechtel, Citigroup, Coca Cola, De Beers, Diageo, FedEx, Goldman Sachs, GE, Merck, Microsoft, SAB Miller, Wal-Mart and others—have signed the *Business Call to Action*, which states, "as leaders from the private sector, we declare our commitment to meet this development emergency."

The premise of the event, as Gordon Brown said, was to advance "a new approach—moving beyond minimum standards, beyond philanthropy and beyond traditional corporate social responsibility—important though they are—to develop long-term business initiatives that mobilize the resources and talents that are the central strengths of global business."

The mantra of the event was for corporations to "explore new business opportunities that use their core business expertise" and that also help spur development.

Taken at its face value, this was, not exactly inspiring. Says Peter Hardstaff of the UK-based World Development Movement, the CEOs "have all agreed—to do more business."

But the problem goes way beyond the fact that business as usual—or even a little bit of new business initiative with a development-conscious orientation—is not going to do much to reduce global poverty. The real problem is that business as usual is a central part the problem.

"Instead of holding these companies to account for their actions," says John Hilary, executive director of *War on Want*, a UK-based anti-poverty group, "Gordon Brown has allowed them to portray themselves as allies in the fight against poverty. The prime minister should be working to address the poverty and human rights problems caused by business, not giving the companies a free ride."

'War on Want' focused attention on the harmful development impacts of many of the corporations signing the *Business Call to Action*. The group has

campaigned against mining giant Anglo-American. It has documented how Anglo-American has benefited from human rights abuses associated with civil wars in Colombia and the Democratic Republic of Congo (DRC). Local mining communities in Ghana and Mali have seen little economic benefit from Anglo-American's operations (or the spike in the price of gold); instead, says 'War on Want', the company's mines harm their environment, health and livelihood.

Other corporate signatories to the *Business Call to Action* have directly hurt poor people through their "core business" more than can be offset by development-tinged ventures (even assuming such ventures succeed). Wal-Mart contracts with sweatshops. Bechtel tried to price-gouge and rip-off Bolivian consumers and the Bolivian state through control of the country's privatised water system. Merck refuses to license life-saving medicines for cheap generic production.

Simultaneous with Brown's business summit, Action Aid UK pointed to a major systemic abuse by multinational corporations that undermines development : They don't pay their taxes. The group released a report looking at tax payments of 14 corporate signers of the *Business Call to Action*. It found that these companies combined are underpaying taxes by more than US\$6 billion a year, as compared to what they would pay if they paid at the statutory rate in the United States and UK. The group did not suggest any illegal activities by the companies—there are enough legal tax avoidance strategies.

Money lost to developing countries through capital flight and tax avoidance is many times greater than aid flows into poor countries, says Jesse Griffith, the lead author of the Action Aid UK report.

Tax avoidance is a key issue because it strips money from national treasuries that would otherwise be available for social investment, and because it reflects structural problems that could and should be cured without any need for global philanthropy or aid.

But tax avoidance is only one of many ways that corporations exploit and perpetuate economic policies and institutional arrangements that contribute to poverty or inhibit authentic development.

The World Development Movement issued a 10-point challenge to corporations that claim an interest in promoting global development. It called on companies to stop using their political influence to promote policies that undermine development. It urged companies to: stop lobbying to open up developing country markets, and let developing countries "use the same trade policy tools industrialized countries used to get rich"; stop demanding rich country-style patent rules for the poor; support radical government action, starting in rich countries, to address climate change; support binding codes of conduct for multinationals, including respect for labour rights; end support for privatization and deregulation, including particularly financial deregulation; stop lobbying for and exploiting tax loopholes; and other measures.

This is not exactly an agenda that global business leaders are likely to take up soon.

On the other hand, it's not exactly likely that global business leaders are going to lead the way to end global poverty.

Among other things, that's going to take a global movement, led from the Global South, to implement the policies implicit in the World Development Movement call. □□

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