

# **AFRICA - IS THE WEST JUST WALKING BY?**

**October 2<sup>nd</sup> 2002**

**Labour Party Conference, Blackpool**

**Transcript of Speeches**

## ABOUT THE SPEAKERS

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**Justin Forsyth** is Policy Director at Oxfam.

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**HE Professor George Kirya** is the Ugandan High Commissioner to London.

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## ABOUT THE FOREIGN POLICY CENTRE

The Foreign Policy Centre is a centre-left think-tank aiming to develop innovative approaches to policy which help foster a global community committed to democracy, human rights and social justice. Through its research agenda, publications, events, and commitment to engage a broad range of actors, the Centre seeks to challenge conventional wisdom on the effectiveness of international systems and institutions, and the roles of citizens, business, and non-governmental organisations in global governance.

The Foreign Policy Centre has launched a programme on North-South issues. For further details of the programme, including the forthcoming pamphlet '*The Excluded Continent – Will Globalisation Work for Africa?*', please contact Phoebe Griffith, on +44 207 401 5358 or by email at [phoebe@fpc.org.uk](mailto:phoebe@fpc.org.uk).

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## FOREWORD

On 2nd October 2002 The Foreign Policy Centre hosted a fringe event which aimed to take stock of what had been an eventful year in the debate about Africa's future.

Many have claimed that the consolidation of the New Economic Partnership for African Development (NEPAD), the launch of the African Union and the commitment to the Millennium Development Goals are setting the path for a new beginning in the African continent. But the West's engagement with these initiatives has on the whole been mixed, ranging from Tony Blair's momentous description of Africa as a 'scar on the conscience of the West' and efforts to put issues such as debt relief at the top of the international agenda, to the G8's lukewarm response to the proposals presented to them by African leaders last June at the Kananaskis summit. Similarly, criticism has been directed at African leaders who, in many cases, have shunned the deepening of democratic values and true engagement of African civil society in these processes.

The event was a rare opportunity for a free and open debate among representatives from four of the key stakeholders in this debate – donor governments, African governments, International NGOs and multinational corporations. It was a unique platform for speakers to move away from the pro and anti-globalisation gridlock which tends to dominate debates about Africa's future and to articulate some concrete ideas for practical and shared solutions. For this reason we decided to publish the speeches and the ensuing discussion, taking it beyond the Labour Party Conference audience. Nestlé have kindly covered the costs of producing this report.

Speakers were asked to assess the main areas that could make a significant contribution to African social, political and economic development. Among the many issues raised at the event three stand out. First, speakers considered the extent to which the current drive for partnership promotion, particularly since the launch of numerous multi-stakeholder partnerships at the Johannesburg Summit, are in fact the cure-all that many set them out to be. Could we be in fact entering an age where NGOs and companies, for example, can lobby together for common interests? Second, since the event was held two weeks after the launch of Oxfam's hard-hitting campaign calling for the fair trade of coffee<sup>i</sup>, issues of commodity prices, export promotion and the imbalances of the international trade system were hotly debated. Finally, speakers considered the role which the West can play to help fledgling African democracies and the key dilemmas faced by donor governments who are compelled to demand high levels of integrity from their African partners

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<sup>i</sup> See [www.maketradefair.com](http://www.maketradefair.com)

without wishing to destabilise governments which may not meet those standards but which can deliver reforms and effective social policies.

The event was also an important landmark for The Foreign Policy Centre marking the launch of the Centre's North-South Programme. The Programme will seek to engage with a broad range of actors and to challenge conventional wisdom on the roles of Northern and Southern governments, citizens, businesses, and non-governmental organisations in promoting development. In the Spring 2003 we will be publishing a collection of essays by leading practitioners and thinkers entitled *'The Excluded Continent: Will globalisation work for Africa?'*

Special thanks are due to the people involved in putting together the event and in the production of this report, namely Paul Roberts and Andrew Small at The Foreign Policy Centre. We are also extremely grateful to the speakers who made this discussion possible.

Mark Leonard and Phoebe Griffith  
The Foreign Policy Centre

## SECTION ONE: SPEECHES

### Sally Keeble MP - Parliamentary Under Secretary for International Development

The question is 'Africa, is the West just walking by?' So I thought it might help to do what a lot of politicians are accused of not doing and giving a yes or no answer. So, no, we are not walking by. Obviously the challenges in Africa are huge and I think if we are going to be serious about seeing the changes that we all want and an end to the inequalities then we have to recognise the scale of what's happening and therefore the scale of the response that's needed as well.

I will start by sketching out some of the broad statistics which outline where we are in development in Africa. Then I will look at some of the big challenges and I will finally set out some of the commitments and some of the positives that have started to emerge because I think it's so easy once you have looked at the statistics to say that it is all doom and gloom. Frankly, it isn't and I think we need to recognise that.

DFID's core job is tackling poverty. All of our policies are very much poverty focused and that is why Africa is so important to us. Although the largest number of poor people in the world are in Asia, Africa is the one continent where the poverty head count is rising and where we are the least likely to achieve the Millennium Development Goal of halving poverty (halving the number of people living on under a dollar a day) by 2015. The figures are particularly severe: the average income level is about 40% lower in Africa compared to South Asia and about 50% lower compared to East Asia.

If we are to achieve the Millennium Development Goals, which are a set of internationally agreed goals including poverty reduction, education, health and so on, we need to have in Africa economic growth averaging about 7% a year. Yet in Africa the average GDP has been -0.4%. Although the pattern is different in different places and you can see some quite startling things happening in some countries, such as Mozambique, in other countries where we all assume things have been going pretty well, for example Kenya, they are having difficulties.

So given our present trend, it is quite unlikely that some of the Millennium Development Goals will be met, particularly the ones on poverty, infant mortality and maternal mortality rates. In tackling these there are four big challenges which I think are worth spelling out.

The first one is **conflict**, which affects just over 20% of people in Africa. We think of conflict as a big humanitarian disaster but it is a monumental

economic disaster as well. The World Bank estimates that across Africa conflict costs the continent on average about 2% of economic growth each year. If you remember that on average there needs to be a 7% growth rate in Africa, conflict puts yet another hurdle to overcome in just getting the economic growth rate at the levels needed to deal with poverty.

The second major challenge is the issue relating to **governance and corruption**. Corruption creates quite a number of problems: one is that it acts as a tax on growth and industry. Any kind of economic development needs infrastructure and mechanisms in place to be able to make the economic system operate. Quite a number of business people in Africa will tell you how much it costs them in official and unofficial payments to set up and operate a company. Corruption means that revenue is lost that otherwise would go to the public services. Money that should be going into health and education and other things is going into unofficial payments that do not get recycled into the revenue system.

The third challenge is **HIV/AIDS**. Again, we tend to think of this as being a big humanitarian tragedy due to the number of deaths. The statistics on HIV/AIDS are indeed grim: about 28 million people in Africa are affected by it, that's about 70% of the total of the people in the world living with HIV/AIDS and the virus has reduced life expectancy by 20 years. But what isn't often seen is that the people it affects are the economically active, so HIV/AIDS also has a massive impact on economic development. It has been estimated that in South Africa, over the last 10 years, HIV/AIDS will have cost something like 17% of the country's economic growth. It has also had a profound effect on the welfare of children. There are as many AIDS orphans in Africa as there are children in this country. It also disproportionately affects key sections of the community, in particular people working in health and in education. So, again you have got a knock-on effect on the provision of the services that the people need.

Fourthly, the commitment of the **international community** is there, it has yet to be delivered in more detail but certainly it is there. There is the G8 action plan for Africa which is being rolled forward. There is strong support for New Economic Partnership for African Development (NEPAD) which is seen as Africa's own solution and it's own way forward. There is also an international agreement on financing development, which our government has certainly honoured, and agreements on debt relief, which again was led by this government and in which we can rightly take a great deal of pride. We have also had a very large increase in the UK aid budget - in particular the commitment made by the Prime Minister: £2 billion for Africa. I am also glad to say that this is tied to poverty reduction strategies and African governments' own plans and commitments.

On top of money, what also has been extremely important has been expertise, which has provided vast support in a range of areas such as education, governmental reform, humanitarian help, dealing with small arms and more generally providing some of the infrastructure and structural changes that are needed for development.

There has also been a heavy political commitment which our country has provided. The Prime Minister and the Secretary of State for International Development, Clare Short, have been absolutely key in pushing development in general and in Africa in particular right up the international agenda.

I just want to end on some of the positives that are happening in some African countries. There are 20 countries in Africa that have seen growth rates of 4% or more and some have achieved figures well beyond that. There has also been some real progress on AIDS, in particular in Uganda, whose government has been committed to tackling this problem with spectacular results. There has been substantial progress on conflict resolution, in particular in Sudan, Congo, Angola and very notably Sierra Leone, with major intervention by Britain there. There has been significant progress on some of the Millennium Development Goals, in particular the commitment to universal primary education, where the issue now isn't just about the enrolment of children in primary schools but the quality of education.

Our commitment is to make sure that the Millennium Development Goals are achieved but not to impose a solution. We want to work with African governments to make sure that they are able to carry forward poverty reduction strategies. We also want to provide not just economic help but also help in technical support and expertise. Furthermore, we want to make sure that the international framework is in place and that our partners in Europe and elsewhere are prepared to change some of their policies: opening up to developing countries in Africa, in trade and in other areas.

## Niels Christiansen - Vice President of Public Affairs at Nestlé S.A.

The one message that I would like people to remember, even if they remember nothing else from my presentation, is that it is important that we stop thinking of Africa as a basket case. We read so much negative news about Africa, and yes, Africa has severe problems: AIDS, drought and armed conflict in many areas. But even with those problems, through the 1990s Africa at least held it's own in terms of poverty. According to The World Bank, it showed a slight reduction in poverty although this is now being overturned by some of the problems Africa is facing today.

From a business point of view, and we only echo what I think NEPAD is saying, the future of Africa has to be providing **jobs** in the private sector. A public sector solution to poverty in Africa is not possible or feasible. I developed this perspective myself when I worked as a researcher at Harvard University, before working in Colombia for a number of years. Colombia right now is a country, as you know, with serious conflict and with serious economic problems. Yet Colombia has continued to develop economically and Nestlé continues to have a presence there. Indeed, growth in the private sector continues irrespective of the conflict.

I think that in Africa a very **long-term perspective** on the part of business is required in order to contribute to African development effectively. The idea of jumping into Africa for a few years, making money and then coming out, has no future either for Africa or for private firms. From our own private view we have one basic business principle at Nestlé, which is that we favour long-term development over short-term profit. This is our corporate business principle and from this everything else is derived.

We basically aim to develop companies in a country over decades which will then last for centuries. We started in Africa in 1927 with our first factory, we now have 30 factories in Africa with about 12 thousand people working for them. We believe that Africa has great potential. How fast or slow that goes is very difficult to predict and trying to meet short-term goals can be frustrating as the conditions change. Nevertheless, I think that the business community has to be committed to long-term development and to meet that commitment through its efforts to bring additional players into long-term development in Africa.

About half of our factories are located in developing countries and about half of our employees are in the developing world. Sometimes working in these countries is an act of faith; you don't know how things are going to go in the next five or ten years and so it takes staying power and a vision of perhaps

twenty years if you really intend to make a profit out of the business. Yet when companies go into developing countries, multi-nationals in particular, they pay good wages, in our own case usually three times the minimum wage. Once you set up factories you have to set up training programmes, so a very large effort in transfer of knowledge, technology and human development takes place.

The average number of years the person serves when he/she retires from Nestlé is twenty-seven years, which means that what we intend to do is to hire people and keep them for the long run. We try this in Africa as well. If companies are willing to make this long-term investment there are significant rewards to be made because many companies are not able to manage that type of risk.

In terms of our approach to African business, we have about 850 agricultural extension workers and the first thing we do is to try to develop a secure source of raw material. These agricultural extension workers work with milk farmers, with coffee farmers, with cocoa farmers in order to improve their productivity and in this way improve their income. Nestlé is also involved with individual development projects. For instance, in the Ivory Coast we are working with the German development organisation, GPZ, in teaching farmers to productively raise cassava as an alternative to other crops.

However, within agriculture there are problems dealing in commodities at a global level. We believe in long-term planning and we believe in the management of supply and demand because the basic problem of low coffee prices at this point is an over-supply of coffee. We therefore believe that one of the most important things is international co-operation: to create economic agreement between the developing countries and the consuming countries to manage supply and demand.

The other thing that is extremely important to us is the **elimination of trade barriers**, a problem that exists in Europe and America as well as between African countries. There are still trade barriers, either obvious or hidden, which prevent African farmers from developing other crops and exporting them to North America and to Europe. The same is true within Africa. One of the barriers to economic development inside Africa is too much one-country thinking. Nestlé has moved to a more regional approach in our own organisation because in order to develop economies of scale and to develop a big enough market, it is necessary to collaborate through the formation of regional blocks. This has happened successfully in Asia, in the ASEAN countries, where there has been collaboration between countries in deciding who would, for example, best produce milk and who would best produce rice. These countries have co-operated to ensure that they don't replicate the same, inefficient, small-scale productions; small-scale factories inside of each

country. So regional co-operation and elimination of trade barriers within the region is also important. Having said that though, there needs to be some protection from imports from the developed countries too, because it's too easy for some sectors to be swamped.

**AIDS** is clearly a very serious problem. Companies like ours work with our employees in teaching prevention, providing free condoms and through awareness raising programmes. This continues to be a problem for us not only in terms of disseminating the message to our management and our workers, but also to our customers. We are a consumer products company and we succeed to the extent to which there are enough people making a decent enough living to buy our products. Besides our programme we also sponsor AIDS orphans and we work with the International Federation of the Red Cross. We are the primary corporate sponsor of the African Red Cross Health Initiative, which has been launched in Nigeria with a nationwide programme of peer training and peer education among teenagers to try to prevent AIDS before it starts. So we are very concerned about AIDS and we think it is a responsibility of business to make a contribution to the prevention of AIDS. In the long-term we're all in this together; it's going to affect our companies, our consumers and their families so we need to be engaged.

The final thing that is important in terms of involvement with Africa is responsibility to become **involved in the community**. We work with scores of NGOs in Africa and with the local communities.<sup>ii</sup> For instance, there's an organisation called Ecolink that teaches people how to collect rainwater off their roofs, build large tanks to save it, have a safe source of clean water and then using trash actually build small gardens to provide enough fruit and vegetables not only for the family, but to sell. These things, if they're successful, get replicated by hundreds of thousands of people and at this point Ecolink covers about a hundred thousand people a year.<sup>iii</sup>

In ending, I would like to look at some of the conditions that businesses need in order to develop, provide jobs and create incomes.

Conflict, poor governance, corruption, and unreasonable terms of trade restrict business development. In spite of these we've continued working in Africa for many years. We're used to working in difficult circumstances and we're glad to see things start to go well today in several countries. It is clear that those countries that have made improvements in these particular areas are providing the best environment for business and showing the brightest economic future.

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<sup>ii</sup> For further information see Nestlé's Social Investment Report on South Africa.

<sup>iii</sup> <http://www.ecolink.com>

## Justin Forsyth - Policy Director at Oxfam

I would like to highlight five areas where I think we've got big challenges and where we have to make a difference. Before I go into those five areas I want to say that I think a lot of the solutions to Africa's problems need to come from within Africa itself. The lack of democracy, the lack of participation by civil society, elites feathering their own nests, these are all issues which have to be addressed. But what I would like to focus on are the five issues that I think are made worse by the international community and compounded by what we do. I don't think it's that we walk by but actually sometimes that we don't do enough. Sometimes we are trying to do enough but we are also complicit in actually causing the problems.

Firstly **trade**. The problem here is not just that we're not opening our markets to African products, we're also subsidising over-production in Europe and then dumping those surpluses on poor countries. Take a country like Mozambique for example, which is just getting off its knees - it's got the beginnings of a democracy, it has had massive floods, it produces commodities like sugar, yet it is locked out except for a small quota of sugar from the European Union. On top of that we provide massive subsidies to rich - I'm deliberately saying rich - sugar farmers in Europe and particularly in the Paris basin, East Anglia and in parts of Germany; sugar subsidies that are costing Mozambique dearly, maybe a \$100 million a year in lost sales. That's nearly as much as we give in debt relief and it makes a mockery of debt relief when we're taking away those trade benefits. Overall, for every pound we give in aid to Africa, we're stealing back two pounds in unfair trade. So in this way we are making a mockery of aid money.

We recently launched a report in America on cotton subsidies. Every acre of cotton farmland in the US attracts a subsidy of \$230, or around five times the transfer for cereals. In 2001/2 US farmers reaped a bumper harvest of subsidies amounting to \$3.9bn – double the 1992 level. Now West Africa's cotton industry has been completely wiped out and yet the US is subsidising the 25,000 cotton farmers in the US the equivalent of three times the whole of the USAID budget to Africa. We have to get this trade issue right if we're going to give Africa a chance to get on its own feet and work its way out of poverty. There are huge double standards at the heart of international trade and we need to fix this in the run up to the big global meeting in Cancun, the follow-up to Seattle. We've heard all the rhetoric, we need action and that's why we need to keep up the pressure.

Secondly, I have to raise the **coffee and commodities** price issue which we analysed in a recently launched report. It is a complex issue and there aren't any silver bullets but there's a problem facing 25 million farmers in the world and their families. We give a lot of examples in this report. An average family

in Ethiopia, which used to earn about \$360 a year from growing coffee, will now earn about \$60. In Uganda, families used to send their children to school and buy medicines from coffee sales. Now children are forced to leave school, even though the government has got rid of user fees for going to school, because they're needed to work on the land to compensate for the loss caused by the fall in coffee prices. It's a dramatic fall and at a time when some of the big companies like Nestlé, Kraft, Sara-Lee and Proctor & Gamble are actually making greater profits from coffee sales. We understand that they need to make profits, but we would like there to be more equity in the benefits from those profits. We also completely agree that we need to find a way of controlling the over-supply of coffee, which is also pushing the prices down.

The third point is **AIDS** and I'm not going to make a big point about the whole AIDS crisis, just two issues on which we need to fight if we're going to address the injustices that Africa is facing. One is the Global Health Fund for which we need \$10 billion to contribute to buying AIDS drugs, prevention and treatment. The international community, despite all its rhetoric, has only contributed \$2 billion to this \$10 billion fund even though there are 28 million people in Africa with AIDS. On top of that when we still have to fix the whole patents issue. We run a campaign with Médicines sans Frontières, Third World Network and groups in South Africa and Brazil to change the global intellectual property rules, so that poor countries can produce and sell cheap drugs under license or buy them from other countries that produce them under license at the cheapest possible price. Even though there was some progress last year on this, there's still a fight going on with the pharmaceutical companies who are trying to prevent what they call compulsory licensing, which would allow poor countries to issue a license and produce their drugs at a much cheaper price and then export those drugs to a neighbouring country that doesn't have the capacity to produce those drugs. This has never been resolved.

The fourth point is to do with **corporate responsibility**. In a way Africa isn't excluded from the global economy; there is massive investment in Africa but it is often the wrong type of investment or unaccountable investment. We've seen the government, I think very courageously, trying to tackle the conflict over diamonds and push for the Publish What You Pay initiative, which is trying to get oil companies to declare what they are paying to governments. We have a situation in Angola where we know that at least one, maybe \$2 billion worth of oil revenues has gone amiss (that amount of money would get all the children in Angola into school). In the last two years in Angola nearly two million people have died from hunger and war. So, we need to keep up the pressure around transparency of the corporate sector, especially regarding money to do with extraction.

Lastly, I just wanted to mention the issue of **arms**. Again, this government has made a big stab in terms of making progress on arms, but Africa is still absolutely awash with arms. If you want to buy an AK47 you can buy it with your pocket money, it's much cheaper than AIDS drugs. Anyone who goes to much of Central Africa, Somalia, Mozambique, or South Africa can now buy guns very cheaply. Even though our government has tried to close some of the loopholes that allow those kind of arm sales, there are still loopholes that need to be closed. It is not just to do with our government however. We need in the end a law like we had on landmines, a global agreement on arm sales, because if we just close the loopholes and tighten our legislation other governments, whether it's France or China or the ex-Soviet Union, will sell arms.

So, these are the key issues on which we in Britain can make a difference and that have a major impact on poor people in Africa. They will have a major impact in terms of allowing people in Africa to fulfil their potential. By realising the Millennium Development Goals we can really take a step forward. I completely agree that there are positive things happening in Africa, but the issues I have been talking about are compounding Africa's poverty and we really need to make more progress.

## H.E. Professor George Kirya - Ugandan High Commissioner to London

As a Jack-of-all-trades I am speaking more as an African rather than an expert. I need to mention a few points, which are sometimes taken for granted. The question that we are discussing is whether or not the West is just walking by Africa and from an African perspective I can feel the vibration of a 'Yes' answer.

Let's start with the carving up of Africa after **colonialisation**. The process was carried out without consideration for Africa's tribal differences, religious differences or the history of the various areas. Now this might appear to be history, but in some of the issues that we are talking about, conflict for example, it is still a problem that needs to be looked at. It needs to be looked at even if we, as The African Union, have decided never to change our boundaries, except where there is understanding, like in the case of Ethiopia and Eritrea.

In terms of **democracy**, we need to analyse what type of democracy suits Africa best. Even though democracy is taken for granted in countries such as Britain, America and South Africa, if you look at it as an institution, it seems to be the only institution that has refused reform even though there are various forms of democracy. If you take America for example, its form of democracy is different from the democracy here. This reminds me of a statement which President Clinton made about five years ago when he came here, and he said that he enjoyed watching Tony Blair facing William Hague during question time, but that it was also a time when he thanked his ancestors for having crossed the Atlantic and gone to America. What he meant, of course, is that you would perhaps find it very difficult to work the UK political system in America. I think it is necessary that we look at democracy objectively, to try and see how we can operate it in countries in Africa where there is tribalism and religious differences.

Over the last years global **foreign direct investment** into Africa has been reduced. I understand that Africa now receives less than 1% of all foreign direct investment globally. People who in the past used to look at Africa, are now looking elsewhere. So clearly Africa is not participating in the global economy.

Many people in African countries rely on agriculture and in Africa this sector is in real trouble. It was previously mentioned that prices of our agricultural products are unstable on the international markets. Fluctuations in the price of coffee, cocoa and other agricultural products are creating a lot of problems for small-scale farmers. In Uganda today, farmers are finding it almost

impossible to sell their coffee. Competition in the open market for agricultural products is also becoming impossible because of Northern subsidies. Today Africa cannot subsidise its farmers even though we could to a certain extent in the past. Africa has been told that 'subsidies are not allowed', 'you should remove your subsidies'. A lot of time and money has been spent by African governments to encourage investment but you still find that in many African countries, even in South Africa which appears to be doing well, investors are not arriving. The Blair government has played a leading role in trying to rid Africa of poverty, and America is also slowly getting there, but we need more developed countries to help. Many developed countries can do more for Africa than they are doing now.

I think that African **regionalisation** is also a must. The problem Uganda has is that its market just isn't big enough. The Southern Africa Development Community (SADC) and the Common Market for East and Southern Africa (COMESA) will hopefully be building blocks for a unified common market for Africa. In regards to democracy and regionalisation, there is a peer review system being put in place. Different countries are part of the peer review system and experts come and assess how a particular country is performing. As far as the criteria goes: you are given a mark and if you are not performing very well the peer review advises how the country could improve.

## **SECTION TWO: QUESTIONS & ANSWERS**

### **Question One: Hugh Bayley MP - Member of the International Development Select Committee**

Why is it that industries across Europe, especially Nestlé, with a presence in so many EU countries aren't leading a vocal campaign to reduce CAP subsidies as it is in the interests of both European companies and developing countries?

Secondly, what is stopping Nestlé from investing in, for example, Uganda? What does Nestlé want the government of Uganda to provide that isn't provided already?

#### **Niels Christiansen**

The answer to the first question is: give us the platform to call for a reform of the CAP and we will call for it, we certainly have in business circles. At the last World Economic Forum, Nestlé's CEO made the point that you could take every cow in Europe, buy a first class round the world ticket and you'd still have money left over compared to the cost of present subsidies given for each cow. So, Nestlé has spoken out about this at every opportunity. It's in our business interest to have CAP subsidies reduced, it's in the interest of our companies in the developing world and the people of the developing world.

In response to the question about investment in Uganda, we have one coffee factory in Africa, which is located in the Ivory Coast but at this point in time the demand for our product is simply not strong enough to develop a second factory in Africa. Were that demand to rise, were consumption levels to rise, then we would look at where we could build a new factory.

#### **H.E. Professor George Kirya**

Levels of investment are also a result of a problem with Africa's image. You rarely read anything positive about Africa in the media. We need to counter negative statements, but this is expensive. Also, in Africa, when something happens in one country it tends to affect the whole of Africa. For example, look at what is happening in Zimbabwe: people see what is happening there and think it is happening in the rest of Africa too. So there's a need to educate and inform people about our countries.

## Justin Forsyth

NGOs should not be dismissive of the importance of the private sector in investment, job creation and helping share knowledge and technology. But NGOs have been engaging with the private sector for a long time and not just at the World Economic Forum. I spend more time, as a Policy Director at Oxfam, meeting people from the private sector than I do from government. Growth is important and the private sector has got a big role to play in that. We would like to see more investment in Africa, not less.

However, Oxfam also believes that markets need to work for poor people. I think the problem with Africa is that we tend to see the downside of international business as much as we see the upside. This was made explicitly clear during the fights we had with the pharmaceutical industry over generic drugs in South Africa. Some very big companies were basically bribing people over the patent issues. On a whole range of issues we've seen the downside of the private sector, for example in exploitation of oil reserves in Nigeria.

On the points about commodities and the coffee companies: the coffee companies are part of the solution. We know that not everyone is going to buy fair trade coffee, even though we would like it. The coffee companies have huge marketing budgets, they are big companies and they have a lot of influence over consumers. We want more people to drink coffee, not less, because people's livelihoods are reliant on coffee. What we think is unfair however, is that the big coffee companies are making record profits at a time when coffee farmers at the bottom of the scale are losing money hand over fist. The farmers are getting three or four times less than they used to get a few years ago and the consequences on their livelihoods, for example sending their children to school or buying medicines, is absolutely devastating.

Nestlé won't give the exact figures of their profits but they put around a twenty-six percent mark up on their coffee products. Ten years ago the coffee business was worth about \$30 billion with about \$10 billion going to poor countries. Now the coffee business is worth about \$70 billion with just \$5 billion going to poor countries. We can argue the figures, but rich people are making more money and poor farmers are making less. Oxfam just wants a fair deal for poor farmers. Part of that, as Niels pointed out, would be getting supply and demand back under some kind of control.

## **Sally Keeble MP**

CAP reform has to happen and is something that the British government has been pushing for very strongly. We have to convince our European partners about CAP reform because it's a challenge for them. It would be better for our industry as well as being better for Africa. It is a fallacy to think that the solution to agricultural problems lies in subsidies. This applies to coffee as well. We have to look carefully to find the right solutions and not think just about subsidising production for the sake of it, that's how the CAP got into so many problems.

I would be interested in hearing Nestlé's comments about getting more processing into developing countries and dealing with the trade barriers that exist that discourage these investments.

## **Niels Christiansen**

Firstly, 55% of Nescafe is produced in developing countries and it is a part of our conscious business strategy to move as much production as possible near to the source of the raw materials. Secondly, I never reveal our profits to anyone as our competitors would dearly love to know what our profits are. However, let me tell you what we do with our profits which is different to what the roast and ground companies do with theirs. We put millions of dollars into plants that produce and make coffee granules. In a way we are like the car makers and they like the steel makers. They take a raw commodity, wash it and roast it, something you could probably do in your kitchen if you knew what temperature to do it at. Our process requires an investment of millions of dollars. If the price is too low we lose out to the roast and ground coffee people. Even if we had no consideration for the welfare of our suppliers, which we do, we don't like low coffee prices because it puts us at a disadvantage in relation to roast and ground people.

Secondly, we are the only company that has significantly increased coffee consumption in the world. In the last 10 years the consumption of Nescafe has increased by 40% and that has been achieved by marketing and advertising, taking these millions of dollars in profit and putting it into and expanding the consumption of coffee. This is also being done in countries where coffee has not been a highly popular drink.

Nestlé also operates in a free market and we are pushed price-wise in the UK. We are pushed in terms of price competitiveness, pushed about the question of what is a fair profit, pushed about what we do with our profits and about the mechanisms for getting profits back to individual farmers. When we buy coffee on the open coffee market we buy about 13% of our coffee directly

from farmers and we are the biggest direct buyers of coffee. The rest of the coffee will have changed hands about 5 times in the coffee market before we purchase it. We are looking for ways to create a different mechanism for purchasing coffee and we already try and improve farmer's incomes through improvements in coffee quality too. Nestlé also believes in developing alternative sources of income for farmers.

In closing I'll say that we have had meetings with Oxfam, we don't agree on everything but at least there has been a dialogue that's helped us understand Oxfam's position. Nestlé is looking for ways that we can work with Oxfam for a common end, which is raising coffee prices and, again, this comes down to demand and supply. We've also gone through ten years where the cost of coffee far exceeded the cost of production, I think we shouldn't lose sight of that. According to our figures over the last nine years, the price of coffee has far exceeded production and yet that money did not find it's way back to the individual farmer. It got caught up in the middle-men and for Nestlé that is one of the most important things that needs to change.

## **Question Two: Patti Rundall - Policy Director of Baby Milk Action<sup>iv</sup>**

When governments in the developing world are attracting foreign investment, shouldn't they first be encouraged to have strong legislation to protect themselves and the population from inappropriate marketing of potentially unhealthy products, such as infant formula?

### **Niels Christiansen**

Nestlé, nor any large company that is concerned about its long-term business, cannot place profit above infant health because if you build a business in this way you'll go out of business very quickly. A government would throw you out or you would run into problems if you behaved in such a way. Twenty years ago the infant food industry was doing things in developing countries that weren't right, although they didn't realise they weren't right at the time. Those things, at least by Nestlé, have been corrected. If people have problems with anything Nestlé is involved in then I suggest it is taken to the local monitoring organisations or the governments of the countries concerned and they will be glad to investigate it with us. We take other companies to government monitoring boards to complain about non-compliance with legislation. In Switzerland, we have a system where Unicef, the national breastfeeding organisation and industry sit down and

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<sup>iv</sup> For further information see: <http://www.babymilkaction.org>

review any allegations that come up. If there is a problem Nestlé makes a correction.

Fortunately, today there are positive patterns emerging on how industry, NGOs and governments deal with social problems. For example, this happened in the cocoa child slave labour issue last year, as a result of the US government's survey of the Ivory Coast. Here, industry sat down with anti-slavery NGOs and governments and signed a protocol of steps to be taken, including the setting up of a foundation called the International Cocoa Initiative. Chocolate manufacturers, traders, processors, NGOs and unions are now all working together towards a practical solution with the International Labour Organisation. They meet to see how we could deal with child labour. This is the best way to resolve such issues because everybody is working together.

### **Sally Keeble MP**

There is a pressing need to make sure governments in developing countries have proper regulatory regimes that operate right across the board. This applies as much to dealing with oil companies as dealing with coffee producers. It is essential to deal with the whole host of complaints that people bring up about the operation of the private sector. There is a big need for big companies to invest in the developing world and there is a big need for a diverse private sector. Where you get a small number of very large companies dominating the economy in one developing country you are bound to get distortions and pressure on governments by the companies.

### **Justin Forsyth**

Organisations with large marketing budgets, whether they produce infant formula, tobacco or sweets in Britain as well as overseas, have a particular responsibility to think about the interests of their consumers. As an activist, it is important to act as a counterbalance to the power of big business, not because big business is bad but it is good to continually keep the spotlight on these huge budgets and how the money is spent, to make sure it does not distort consumer demand.

### **Niels Christiansen**

Nestlé has no advertising budget for infant formulas.

## **Justin Forsyth**

I was making a wider point.

### **Question Three: Sam Alcati - International Lobby for Reform in Uganda**

Like Zimbabwe, Kenya and The Ivory Coast, we are concerned that the successes in Uganda will be wiped out because it is built on a house of cards. For example, on the 9<sup>th</sup> July this year the Ugandan government signed a law which effectively makes Uganda a one party state. What is the UK government doing to ensure that Uganda's success is not reversed?

### **H.E. Professor George Kirya**

There is a constitutional review commission, which is currently looking at the views and ideas coming from Ugandans and should come up with a report which will bring about a change in Uganda's institutions. Grass-roots participation is key to this and when we build institutions we should build institutions not only for the elite but for everybody. I think this is being addressed in Uganda and anything that comes out of the review commission will go before a referendum.

## **Justin Forsyth**

I think we have to build from the bottom up, not necessarily from the outside. In extreme cases, such as dictatorships where we don't want to support them in any shape or form, democracy needs to be built from the outside.

One of the exciting things in Uganda is how much Ugandan civil society is involved in the discussions about how debt relief is spent; they are even involved in questioning Uganda's involvement in the Development Research and Training Organisation,<sup>v</sup> and they are involved in discussions about constitutional changes. I think international NGOs have a big role to play in supporting indigenous NGOs in these countries who are supporting this process.

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<sup>v</sup> For further information see: <http://www.drt.or.ug>

## **Sally Keeble MP**

The achievements of Uganda have been immense. There are some criticisms within Uganda, but what the rest of the world is looking at is the progress of the elections which are coming up and which are a key test for Uganda. The importance of democracy at the very local level should also be highlighted in Uganda, as should the enormous success of poverty reduction strategies. These have been engines not just for producing government strategies but also for encouraging widespread engagement with all sections of the public. It also has to be something that comes from the grass-roots allowing people to raise all sorts of different concerns. That is a different take on democracy and one Uganda has had real success with.

### **Question Four: Victoria Scott - Parliamentary Advisor for Unicef**

Instead of Nestlé using their profits for more advertising, why don't they use them to improve child education?

### **Niels Christiansen**

We are willing to co-operate in funnelling some profits into child education and we're also interested in exploring what can be done to help farmers who are locked into only producing coffee. The problem is immense though: providing education to all the children of the coffee farmers in the world. Some progress could be made and we would be interested in looking at that with NGOs and with governments. However, in the end the responsibility for education is with the government and there is a limit as to how much companies can do to replace government.

We are very sensitive about how our consumers view us, about two billion people a day buy a Nestlé product and they could buy someone else's if they wanted to. In a recent survey by Environics Research Group, sixteen thousand people in sixteen countries, half of them developing countries, were asked to name a company that they thought was socially responsible. Nestlé came out as number two among all companies in both developed and developing countries. Environics then asked the same people to name a company that is not socially responsible and again Nestlé came out number two. In fact, one in eight people double-named Nestlé as both socially responsible and not socially responsible in the same survey. Nestlé is concerned about its reputation, but we find that the information put out by some organisations is frankly quite different from the perception of our customers, from the public and from opinion leaders in the developing world. In Africa we listen to African people and what they think of us. In Asia we

listen to Asians. In Latin America we listen to Latin Americans and we will act accordingly. So we are both conscious of our corporate social responsibility and of doing something about it.

### **Justin Forsyth**

If we can't make the coffee market work for poor people while it is creating record profits for big companies then there's not much hope for globalisation. We often hear that globalisation should work for the poor, well it doesn't work for the poor in the case of coffee. There is no silver bullet answer to this problem, but I do think we can do two things.

Firstly, coffee companies could pay a decent price for the coffee they buy. It is not decent to pay people less than the cost of production. It's not decent to pay them, just because the price has collapsed globally, a lot less than you used to just because a free market allows you to do so.

Secondly, and I agree that Nestlé and Oxfam have some common ground on this, I think we have to find a way that's not going back to creating a common agricultural policy for coffee. We need to find a way of reducing over-supply and achieve cooperation between the countries and companies. The International Coffee Organisation has some proposals on the table through the creation of a type of quality scheme that might be able to achieve a reduction in over-supply.

### **Sally Keeble MP**

Of course there is a role for companies in social development and some companies are involved in positive and imaginative work. However, what is really important is that there are proper tax regimes in place so that developing world governments get the revenue they need to provide public services, just as the governments do in the developed world. If you look at some of the developing countries that are becoming less dependent on foreign aid, it is because their own economy is growing and producing the revenue needed to provide public services.

Finally, if we really want to increase aid for Africa the quickest way to do this would be to reform the way the EU spends its money. This is because a lot of the aid budget from the EU is not as poverty-focused as it could be. To achieve this change we have to engage in the debate, gain public support and build a consensus for such change. We also need to support the work that African countries are doing for themselves.

## **Mark Leonard - Director, The Foreign Policy Centre**

Thank you all very much. It is pleasing to have such a distinguished panel who represent many of the different perspectives on Africa and the West.

Africa has been very high on the Western political agenda over the last few months following the last G8 meeting and the launch of NEPAD. However, much more needs to be done. The Foreign Policy Centre is conducting a series of initiatives, research work, publications and events looking at many different themes regarding Africa and examining the roles, rights and responsibilities of both Western and African governments and non-state actors such as major NGOs and businesses.

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*'Caused a storm...'*, **The Observer**

### **NEED TO KNOW**

By Adam Lury and Simon Gibson

Need to Know is a book of fiction that attempts to make sense of open-ended and complex policy issues. Unlike traditional policy reports which focus on giving recommendations, Need to Know demonstrates the ambiguous consequences of many policy challenges in practice, from the role of governments in protecting information on the internet to how the situation in Angola impinges on everyday life in the UK. Need to Know is also available online at [www.furyfever.com](http://www.furyfever.com).

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Michael Edwards' innovative reform proposals set out an agenda for NGO accountability and shows how international organisations can become more effective and inclusive by channelling NGO energies democratically and to the genuine benefit of those excluded from global progress.

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**David Bryer, former Director, Oxfam**

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By Robert Cooper

The whole world changed in 1989, but few have yet understood just how much. In this groundbreaking report, Robert Cooper sets out a radical new interpretation of the shape of the world. His essay has become required reading for anyone who needs to understand international relations.

*'Mr Cooper's pamphlet explains, lucidly and elegantly, how the emergence of what he calls the postmodern state has changed international relations',* **New Statesman**

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