

## **Speech**

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Venue	London, UK - Novotel, Hammersmith
Speaker	Hilary Benn MP, UK Secretary of State for International Development
Event	Ethical Trading Initiative Biennial Conference 2005
Title or brief	"Ethical Trading - Shaping a New Agenda"
Minutes/words	15-20 minutes @125-130 wpm ~ min. 1,875 – max. 2,600 words

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Good afternoon ladies and gentlemen, and thank you for this kind invitation. As it happens this is my first public engagement in my 'second' incarnation as UK Secretary of State for International Development. I'd like just to say this about the General Election campaign – which included World Poverty Day on Sunday April 24<sup>th</sup>.

Politics is about making a difference and about making the world a better place. And the Election campaign really brought home to me that development touches a real chord with the people of this country. I have spent the last month visiting 28 constituencies outside Leeds Central, my own. And wherever I went, from Inverness to Plymouth, from Abergele to Great Yarmouth, I found a hunger and a passion for what we are doing to help the developing world. We should *all* feel encouraged by that and determined to carry on showing the capacity of politics to make a difference.

So I am delighted to have the opportunity to speak at your Conference – two years after I last addressed you.

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And I do so half way through the year 2005 – a year in which we have a unique opportunity to transform our approach to the elimination of poverty. In July we will host the Gleneagles Summit. In September in New York, Heads of State will meet at the UN to review progress towards the Millennium Development Goals. In December in Hong Kong, Trade Ministers will meet to agree progress on the Doha Development Round. As leader of the G8 and as President of the European Union, the UK will have a special responsibility.

In 2000 189 countries committed themselves to meeting the MDGs by 2015. And yet, five years on, we know that 70 countries will fail to reach the first of these targets – to get the same number of girls into school as boys by the end of 2005. And it's becoming all too clear that without a major change in our approach we will not reach the Millennium Development Goals in 2015 or at any time soon.

If we are to change this there are three key areas in which we must focus our energies: more and better aid, more debt relief, more trade. The Make-Poverty-History campaign presses for it; we in Government are pursuing it. And I would add two other priorities, within developing countries themselves –

ensuring peace and stability; and bringing about massively improved governance.

We need more aid – right now, and over a sustained period. The world currently gives about \$50 billion a year to development, and it needs to double this. For its part, the UK has already doubled its aid since 1997, and we are committed to reach the UN target for allocating 0.7% of our income to overseas development, by 2013. We will be pressing all the donor countries that haven't already done so to agree a firm timetable for reaching this target, and we are working with our European partners to make the EU do the same. But achieving 0.7% is still a long way off, and developing countries need the resources to take action *now* to reduce poverty and increase growth. So the UK Government has proposed an International Finance Facility, which will enable aid budgets to be brought forward and made available now. There is growing international backing - from France, Italy and Germany - and we will continue to seek international agreement for the launch of the IFF in 2005.

And more money must mean better-used money – you will probably have seen our proposals, put forward at the OECD in Paris in February, for making aid better targeted, better coordinated, and less 'conditional'. Our aid *has* to follow developing countries' *own* will to bring about change, and their *own* plans and means for doing so. It also has to be predictable: they need to know what is coming and when – and that's where our second priority comes in....

... freeing the developing world from the burden of debt. 20 years ago, it was thought to be a fanciful idea. But the power of politics made it happen: people lobbied and campaigned, and in the last five years, 28 countries have had \$70 billion of debt cancelled. The UK has led the way in this, providing 100% relief on our bilateral debts. As from January, we are now paying our share (that's 10%) of the debt service owed by the poorest developing countries to the World Bank and the African Development Bank. Canada and the Netherlands have followed our example, and we hope others will join us soon.

But third and most important we need to see developing countries generating their *own* wealth – earning and trading their way out of poverty. Just look at China and India.

For the rest of 2005, through our leadership of the G8 and the EU, we will press very hard for commitment to an ambitious and successful completion of the Doha Development Round. This will mean quicker progress in dealing with issues of export subsidies – we want an end date of 2010 – market access and rules of origin to ensure that the poorest countries have opportunities to trade. We will also seek increased support to build developing countries' *capacity* to trade, so that they can compete successfully and benefit from freer markets. That means new skills, new legislation, and new infrastructure.

So it will be an extremely busy 6 months up to the year-end.

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Meanwhile I know that you, too, have been extremely busy since we last met. In two years the Ethical Trading Initiative has consolidated its position as a leader in the field of ethical trade. I know that your members, your Board and your Secretariat have achieved a great deal.

It has been well worth it. The momentum for ethical trade is building, and you are a big part of that. People in this country and abroad are increasingly demanding that the goods they buy come from reputable sources – sources which exploit neither people, nor the environment. We can see this from the rapid growth in the UK sales of fair trade goods, which increased by over 50% – to £140 million – in 2004 alone. Or in the amount we in the UK invest ‘ethically’ which, though still small, has doubled to just over £4 billion in the last five years.

And just as citizens are responding, so too are companies. Your 34 ETI members now apply your ‘Base Code’ to well over 20,000 suppliers around the world. That’s 50% more than when I spoke to this Conference two years ago. This afternoon you will be hearing from Nike, who have recently made public their assessment – warts and all – of the conditions in their supply chains worldwide.

There is still much to do. Abuses in working conditions are not just a feature of South Asian sweatshops: the tragic death of the Chinese migrant cockle-pickers in Morecambe Bay last year reminded us of that. But we *can* take action, and we *are* doing so. Last month’s launch of the Gangmaster’s Licensing Authority, for instance, saw the Government and the ETI working together to achieve better standards of employment for temporary workers in the food and agriculture industry. I pay particular tribute to all those - and especially the Unions - who made this happen.

At DFID, we continue to encourage businesses investing in and trading with developing countries to adopt socially responsible approaches – approaches which support growth and reduce poverty.

Just a few weeks ago we hosted a London conference of the Extractive Industry Transparency Initiative, at which governments and companies agreed criteria and guidelines for implementing a Code to ensure transparency for payments in the extractives industry.

And of course we have supported you, the ETI, since the very beginning. Our current agreement, worth £1.6 million, runs until March 2006. It’s a serious commitment.

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So you have achieved a great deal. Ethical trade has come a long way and we should celebrate for example the 5,000 separate improvements in working

conditions reported by ETI members last year, and the development of a single industry Code of Conduct in the international electronics industry.

But we also need to face up to what's coming next. Only yesterday, the ILO's latest *Global Report* starkly reminded us that there are still an estimated 12.3 million women, men and children worldwide who are subject to forced labour and contemporary forms of slavery. 12.3 million people.

If we're going to change this then we have to 'Put workers centre stage' and 'Marry the commercial and the ethical'. Local ownership of development programmes is essential. Similarly, it is essential to put workers at the heart of any strategy aimed at improving their working conditions and rights. The ETI has shown this through its first-of-a-kind project which is just about to publish practical guidelines for companies that buy from smallholders.

The importance of this becomes clear as we look at Codes from the point of view of women workers. ETI members' experience and research tells us that many of the important problems they have to deal with in their working life – like childcare, maternity rights, sexual harassment and transport – are not covered by Codes, and go unnoticed by auditors. For example, if women workers are required to work overtime this can mean that their children are left unsupervised, or that it's unsafe for them to return home late at night. It is only when women know their rights, and when they are able to negotiate with employers, that these issues will be identified and addressed.

Next month, at DFID we will be hosting a meeting of the informal discussion group that is the Labour Standards and Poverty Reduction Forum. We will focus specifically on how to improve the impact of Codes of Conduct on women's working lives. I hope that many of you will be able to participate.

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So how then do we 'marry' commercial and ethical decision-making? When ETI was set up in 1998, the debate was about whether or not companies could adopt Codes of Conduct. Part of your success has been to make this a common practice among UK retailers and brands. But companies are now being challenged openly within ETI to ensure that their sound ethical policies are supported and not undermined by their *other* business decisions.

The problem was clearly stated in an article in *The Financial Times* last month. It quoted the manager of a Chinese garment factory in Doungguan in the south of the country. "We are under enormous stress," he said. "Customers place their orders late; they change their orders part-way through; and they pay their bills late. At the same time they ask us to provide better training for our staff, better health and safety, and better accommodation. We just can't do it all!"

We know that retailers are driven hard by their own shareholders to maximise profit and share value. The UK is an extremely tough competitive consumer market. But if the production lead times given to a supplier are so short that

they have no option but to demand that their staff work overtime, then the retailer may be undermining the rights of workers and its own Code.

Just as the Government and the international community is trying to be more 'joined up' to ensure that development is more effective, companies are now being challenged to ensure that their buyers' decisions work with their ethical commitments. This is an important discussion, and those companies which are willing to talk about it on this platform deserve great credit for doing so.

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Since an important feature of your Conference today is the sharing of practical experience, let me end by sharing with you a story, in which DFID was involved, which illustrates how business leaders, their workers, government and civil society can work together over a period of time to deliver real and lasting results.

In 2002 Kenyan NGOs and human rights groups raised serious concerns about the rights and conditions of women workers on flower farms. Low pay, lack of protection from pesticide, excessive involuntary overtime, no right to join a union: these were some of the complaints. And the Kenyan government was concerned partly out of *self-interest*: the flower trade represents one of the most dynamic parts of the country's export sector. It provides jobs and foreign exchange which are vital to the country's development and its battle with poverty. It's also a sector in which Codes of Conduct were in fact already well established and monitored – but those Codes were found to be deficient in key areas.

Through an impressive process of dialogue, the parties identified why monitors had overlooked labour abuse and discrimination. And they took action. NGOs agreed to work with companies to develop better monitoring practices, rather than campaigning publicly. And the international companies agreed to work with local suppliers to improve working conditions, rather than drop them. They also worked with suppliers to understand better the *impact* of their purchasing practices. If Mums here in the UK are to get their fresh flowers on Mothers' Day, now at least they consider whether this can be achieved without excessive working hours for the Kenyan Mums who actually cut and pack these flowers...

In 2003 the Kenya Horticultural Ethical Business Initiative was established. It represents a wide range of interests and concerns – in business, civil society and government. The result has been that Kenyan flower exports have grown, while working conditions on the farms have improved. Trade Union rights are now recognised on each of the flower farms involved, and in two cases Union membership has risen sharply, while collective bargaining agreements have been negotiated.

There is still much to do - but that's an example of real progress. And DFID stands ready to continue to support you in the progress that you're making –

both here in the UK as you influence Company policy, and on the ground in places like Kenya, delivering practical results that benefit all. Thank you.

**ENDS**

2,277 words