

Globalisation : Friend or Foe ?
CEIG Annual Meeting : 17 March 2001
Summary of points made

Duncan Green

Go down Oxford Street and look at all the products on offer. In clothing twenty years ago about 80% was made in Britain now about 80% is from abroad. It is a massive change and just one aspect of the effect of globalisation on our lives.

This year all the major Christian Development Agencies will be focussing on trade leading up to the WTO (World Trade Organisation) meeting later in 2001 in Qatar. The Jubilee Campaign on Debt is just the 'O' level and Trade is the 'A' level. Trade is not like debt. Overall trade is essential for growth but it is the effect of the terms of trade that cause poverty and a move of resources from the South to the North.

Rob Lake

Globalisation and Socially Responsible Investment (SRI).

- Global environment problems – climate change.
- Over 2 billion people live on less than \$1 a day.
- New technology and ethical challenges – eg GMOs.

Globalisation and Finance

- UK pension funds now £800 billion, investing world-wide.
- Pension funds now required to disclose policy on 'social environmental and ethical issues'.
- Major US pension funds (*e.g. State of California*) looking at human rights in developing countries.
- Corporate Governance and shareholder action.

What can SRI do?

- Send signals through investment choice – climate, human rights, poverty.
- Use influence as a shareholder (*Henderson over all its funds is likely to be a 1.5% to 2% shareholder and that is likely to give it a lot of clout*).
- Operate globally where possible.
- Build alliances with NGOs and others – while recognising distinct roles.

Mark Oxbrow

Church leaders wrestling with ethical investment problems is nothing new. USPG – who this year celebrate their tercentenary – had a problem 200 years ago when they received the Codrington bequest – sugar plantations in Barbados. The agony of dealing with significant resources but based on the slave trade comes out in the minutes of the Council

at the time. Money from the bequest was used to found the Codrington seminary - the first theological college in the Western hemisphere – but they agonised over its source.

If you take all the UK Mission Agencies across the Churches there are some 6,000 people working overseas in the development world. They are a powerful force to enable us to build a relationship with local (indigenous) churches which should lead to an educational programme here in the UK and then to effort within the churches to talk about the roles of their investments and terms of trade.

Three examples of this relationship in practice:

1. **Sudan** : Oil company developments by Canada (principally, but also BP through a Chinese subsidiary) were brought to the attention of the Mission agencies by local people on the ground. This led to a useful meeting with BP.
2. **Bangladesh** – Issues of Breast-milk substitute promotion led to a useful discussion among local churches with Nestlé – at their instigation.
3. **Moscow** - Mark was just about to leave for a visit to Moscow where partner churches wanted a discussion about the way Western companies were developing their activities in Russia.

For Mission Agencies he considered there were three topical issues:

1. Nature of enslavement in employment.
2. Land Ownership – Once this had been an issue with large personal holdings and local people having minimal stake in their land. Now it is more of an issue that large pension funds will own large farms – again at the expense of the indigenous population
3. Ethical Tourism – This has been an area largely overlooked (focus has been on ‘sex tourism’ which is a minute part of the total tourist industry). Tear Fund has done some work in this area and Mark wanted to commend it for further study.

Mike Tyrrell (*Chair of CEIG : Free-lance business trouble-shooter*)

To understand the effects of globalisation in the ‘old’ economy (we had difficulty in finding anyone at the moment of admitting to being anything to do with the ‘new’ economy) I will draw on my time in International Development with a UK cement company. That industry (and it has been replicated in other commodities such as steel and oil) over the past ten or twenty years has been subject to the following:

1. **Consolidation.** In 1990 about 30% of the (non-China) world production was in the hands of the top 10 players – in 2002 it is likely that some 70% of that production will be in the hands of the top 5 players.
2. **Commoditisation.** Differences in prices in markets have been eroded and competition is largely on price.
3. **Physical Movement.** There is considerably more movement of material to address differences in markets. Cement is low value and high volume yet people will ship it half-way around the world. *This is one of the problems of foot and*

mouth – there's much more shipping of livestock compared with, for example, the last major outbreak in 1967.

4. **Concentration of facilities.** 50 to 60 years ago the size of a typical cement kiln was 250,000 tonnes per year. Now one would not consider a kiln of less than 1.5 million. In part this is because of efficiency considerations and in part environmental requirements. But the effect has been to reduce the number of cement plants to one-sixth of what there was. Many countries who have a demand less than that of a cement kiln will either need to export or not have a plant and import.

Therefore there is a globalisation effect:

- Consolidation is driven by the need to 'control' the opportunity for importing cheap priced imports (prices that reflect the marginal cost of production and not the considerable capital costs involved in setting up a cement plant).
- Investment is selectively done in a few plants which – even for the largest economies – reflect international rather than purely national priorities.
- The long term decline in consumption in the developed world is putting pressure on the international cement companies to invest in the middle income (e.g. India) countries where the increase in demand for cement is higher than that of GDP growth.

Bill Whiffen

Consider Moses in the Burning Bush. Jehovah 'The Great I Am'.

Our Lord not afraid to speak out for the under-privileged, the poor, the oppressed.

We need to take those messages into our thinking.

Points made in subsequent discussion

1. There is a huge education exercise required. In the Share Centre in the registration form there is a box asking you to say if there are any investment areas that the registrant would want to avoid. Less than 2% of registrants answer that question. There is a tendency for people to compartmentalise their life.
2. There's a balance to be struck in lobbying. Shareholder activism - Does it help? Does it turn people off? There are ways of presentation – sometimes 'righteous anger' and at other times 'calm argument'.
3. Companies have been concerned with the 'big' impact of shareholder activism. But isn't the answer just to sell if one feels it is a bad business? Rob Lake illustrated the issues for activists and companies. A large mining company acquired an Australian mining company that had a – currently non-operational – Uranium mine in an Australian National Park. The company wants to sell as this is not part of its core activities. Activists do want it to since it says that they

(the activists) only trust the large mining company so are pressing for them not to sell and not to operate.

4. *Michael Doe, Anglican Bishop of Swindon*

He saw three agenda items:

- Need to connect the outside global world to the lives of church members. In his area many of the church members work in the hi-tech sector but it is difficult to make them connect their Christian faith with their work,
- Churches need to talk about global issues through the agencies – CAFOD, Christian Aid etc
- Need to bring these issues onto the agenda of the relationship between the Churches. In Uganda, for example, it was difficult to get the issue of International debt onto the agenda

5. Discussion re the resources needed by the Churches in monitoring that they are 'ethically' investing and the role of the Anglican Church's EIAG – Ethical Investment Advisory Group explained briefly.

6. *John Gibson, Exeter*

There is difficulty in getting Trustees to see the importance of ethics – they prefer to delegate the ethical issues of their investments to others (their managers etc). Asked whether ethical investors took into account the infrastructure improvements and economic help (e.g. through local sub-contractors) that multi-nationals make when investing in the developing world.

7. Stress that religious networks were an important part of the information source for investors ('Nothing like a sharp-eyed nun!') who often as private investors feel dis-empowered.

8. *Penny Shepherd UKSIF*

Noted that UKSIF are mounting a seminar on Islamic Banking. Important to ethical investors as much for being an alternative model of financing. Also consider the implications of the Community Investment Tax Credit.

9. Considered that quoted shares get too much credibility and that unquoted companies were vital to our economy and the health of sustainable communities

10. What should churches be doing ?

- Get members to dialogue with their Pension Trustees
- Consider in their personal investment promoting the positive as well as avoiding the negative.
- Education and sharing information (especially across the third world) and not looking at the investment of money.

Other resources on the same subject:

'A Future Perfect ?' John Micelthwaite and Adrian Woolridge Heinemann 2000
ISBN 0 434 00751 X

DFID White Paper : Eliminating World Poverty : Making Globalisation work for The Poor : *HMSO December 2000*

WDM Making investment work for people: An international framework for regulating corporations February 1999

<http://www.wdm.org.uk/cambriefs/WTO/TNCs.htm>