



## Naked extortion?

Environmental NGOs imposing [in]voluntary regulations on consumers and business

**Tim Wilson**  
**Director**  
**Intellectual Property and Free Trade Unit**

**September 2011**

## i. Executive summary

For the past twenty years environmental non-government organisations (ENGOS) have sought to influence the global supply chain of commodities from production and extraction through to their retail sale. Traditionally their attempts to control trade have been thinly veiled through 'voluntary' certification schemes. Based on their own recent gloating, their attempts are now naked in their attempt to transform markets based on their environmental, social and economic values.

ENGOS, particularly the World Wildlife Fund (WWF) and Greenpeace, have acted as effective founders, owners and now controllers of some of the world's major certification schemes, seeking to transform markets through market based schemes. These schemes include the Forest Stewardship Council (FSC) and the Roundtable on Sustainable Palm Oil (RSPO).

ENGOS are now turning their attention to the supply chain. Their rationale is clear. WWF's own documents identify their targets with '100 companies control[ling] 25 per cent of the trade of all commodities ... affecting around 50 per cent of all production'.

In the past, suspicion of ENGOS colluding to push business into these schemes has been mere speculation. ENGOS are now openly gloating about their collusion to effectively greenmail businesses to adopt certification schemes.

Greenpeace's head of research recently wrote that the organisation 'is willing to play the role of good cop or bad cop in partnership with organisations [to] drive organisations to partner with groups that seem more middle-of-the-road in orientation' – partners like WWF and the 'voluntary' certification schemes they support. As this paper outlines in Figure 1 (next page), ENGOS are engaging in a ten-step process to establish 'voluntary' certification standards, into compulsory standards for business.

After businesses have been pushed into adopting these 'voluntary' standards, they then have no choice but to comply as the obligations imposed by the 'voluntary' standards are raised. If they try to leave or don't comply, the same ENGOS will publicly criticise them.

The motivations of different market actors to support 'voluntary' certification schemes vary. For consumers it is primarily about purchasing products that they perceive to embody certain environmental, social or economic ethical values. For commodity producers and extractors it is about market opportunities and differentiation for their products. For supply chain actors it is a mix of the two. And for ENGOS it is clearly about successfully imposing their values on business.

The 'voluntary' dimension is now being dropped. In a review of WWF-supported schemes, they recommend that 'governments and international organisations in consumer and producer countries should establish complementary mechanisms to create an enabling environment ... [such as] national legislation [and] public procurement policies ... [as well as] regulatory waivers in exchange for certification'.

This is certainly the experience in the United States and Australia. ENGOS are now lobbying governments to adopt 'voluntary' certification standards in national regulation or require them to be met to allow for their import through legislation like the *Food Standards Amendment (Truth in Labelling – Palm Oil) Bill* and the *Illegal Logging Prohibition Bill*.

**Figure 1 | Ten step Good Cop/Bad Cop strategy to control business**

Step	ENGO1	ENGO2
One	<b>Activity:</b> Design strategy to attack producer or extractor of commodities business on their environmental, social and/or economic record. <b>Impact:</b> Create a problem.	<b>Activity:</b> Found, own & control a 'voluntary' certification scheme embodying environmental, social and/or economic standards addressing ENGO1's attacks. <b>Impact:</b> Create a solution.
Two	<b>Activity:</b> Attack producer based on strategy developed in Step One. <b>Impact:</b> Create a brand headache for producer.	<b>Skip to step Four</b>
Three	<b>Activity:</b> Advise producer stopping attacks requires meeting ENGO2's 'voluntary' standards. <b>Impact:</b> Create a solution for attacked business.	
Four	<b>Skip to step Five</b>	<b>Activity:</b> Approach producer advising that adoption and purchasing of 'voluntary' standards will address ENGO1's attacks. <b>Impact:</b> Deliver solution for attacked producer. Collect revenue from licensing logo on products.
Five	<b>Activity:</b> Attack retailers if they don't stock products that meet ENGO2's 'voluntary' standards. <b>Impact:</b> Place retailer pressure on business to adopt ENGO2's 'voluntary' standards.	<b>Activity:</b> Attack retailers if they don't stock products that meet ENGO2's 'voluntary' standards. <b>Impact:</b> Place additional market pressure on business to adopt ENGO2's 'voluntary' standards.
Six	<b>Activity:</b> Target consumers to only buy products that meet ENGO2's 'voluntary' standards. <b>Impact:</b> Create consumer pressure on retailers and producers to adopt ENGO2's 'voluntary' standards.	
Seven	<b>Skip to step Eight</b>	<b>Activity:</b> Tighten adopted 'voluntary' certification standards for business. <b>Impact:</b> Increase standards with additional costs that are passed onto retailers and consumers.
Eight	<b>Activity:</b> Attack business if it fails to meet, or leave, tightened ENGO2's 'voluntary' standards. <b>Impact:</b> Create incentive for businesses to fall into line.	
Nine	<b>Activity:</b> Lobby government to introduce procurement policies based on ENGO2's 'voluntary' standards arguing business has already 'voluntarily' adopted them. <b>Impact:</b> Exclusive government market access placing pressure on businesses to adopt 'voluntary' standards.	
Ten	<b>Activity:</b> Lobby government to require ENGO2's 'voluntary' standards in import laws & regulations arguing business has already 'voluntarily' adopted them. <b>Impact:</b> Compel businesses to comply with ENGO2's standards.	

## ii. Table of contents

Section	Section title	Page
i.	<b>Executive summary</b>	<b>1</b>
ii.	<b>Table of contents</b>	<b>3</b>
iii.	<b>Abbreviations</b>	<b>3</b>
1.0	<b>Introduction</b>	<b>4</b>
2.0	<b>Non-government organisation schemes</b>	<b>5</b>
3.0	<b>Voluntary market influence to compulsion</b>	<b>8</b>
3.1	Voluntary market influence	8
3.2	[In]voluntary market influence	11
4.0	<b>Extorting environmental non-government organisations?</b>	<b>13</b>
4.1	Good Cop/Bad Cop Games	13
4.2	Markets for Change	14
4.3	Compulsory standards	16
5.0	<b>Conclusions</b>	<b>18</b>
6.0	<b>Reference list</b>	<b>19</b>
7.0	<b>About the Institute of Public Affairs</b>	<b>21</b>
8.0	<b>About the Sustainable Development project</b>	<b>21</b>
9.0	<b>About the author   Tim Wilson</b>	<b>21</b>

## iii. Abbreviations

<b>CS</b>	Certified Sustainable
<b>ENGOS</b>	Environmental non-government organisations
<b>FLO</b>	Fairtrade Labelling Organisation
<b>FSC</b>	Forest Stewardship Council
<b>GFTN</b>	Global Forest and Trade Network
<b>ICA</b>	International Coffee Agreement
<b>IFC</b>	International Finance Corporation
<b>MFC</b>	Markets for Change
<b>MSC</b>	Marine Stewardship Council
<b>MSIs</b>	Multi-stakeholder initiatives
<b>MTI</b>	Market transformation initiative
<b>NGOs</b>	Non-government organisations
<b>RSPO</b>	Roundtable for Sustainable Palm Oil
<b>WWF</b>	World Wildlife Fund

## 1.0 Introduction

The global integration of supply chains has shifted industries to the developing world, while at the same time consumers have become more aware of the environmental, social and economic challenges faced by the developing world.

In response, environmental non-government organisations (ENGOS) have developed 'voluntary' certification standards that provide developed world consumers with ways to identify products that embody certain non-price values.

Schemes like Fairtrade, the Forest Stewardship Council (FSC) and the Roundtable on Sustainable Palm Oil (RSPO), are all 'voluntary' schemes designed to provide consumers with identifiable products that carry a certification mark identifying these non-price values. The objective of these schemes is to change practices in the developing world through market mechanisms.

But there is increasing evidence that the 'voluntary' nature of these schemes is a rouse.

Instead, multiple ENGOS are engaging in a routine of Good Cop/Bad Cop, where one ENGO publicly attacks a business as the 'bad cop', until they adopt the standards of another ENGO who acts as the 'good cop'.

There is also clear evidence that both the 'good cop' and the 'bad cop' are engaging in advocacy to force businesses to adopt these 'voluntary' standards.

This paper will assess how these sorts of schemes developed over time, the role of ENGOS in their advocacy, and how they are using them to influence business and supply chains. This paper will also assess how ENGOS are now pushing to have 'voluntary' certification standards adopted as legally-binding regulation.

## 2.0 Non-government organisation schemes

The global integration of supply chains and markets, coupled with rising standards of living across the globe, has resulted in greater business and consumer awareness of the environmental sustainability of industries and their practices.

While the global integration of markets has delivered significant economic dividends, it has also shifted industries to developing countries, and provided them with sustainable pathways for economic development.

In response, developed world consumers have become aware of and concerned about the impacts their consumption can have on the developing world. In short, wealthier developed world consumers have broadened their concept of 'value' beyond price, to factor in environmental, social and economic impacts of their consumption in developing countries.

In response, some businesses and ENGOs have established certification schemes designed to address these concerns for wealthier consumers.

Certifications schemes are designed to use the power of the market to embody in a certification mark, certain values about the production of the product to consumers. To secure certification, products need to meet certain environmental, social or economic standards in their production, and not be mixed with products through their supply chain as they make their way to consumers.

As Table 1 outlines, there are many schemes that have been developed.

Perhaps the best known scheme is Max Havelaar's Fairtrade certification mark that was established principally to certify the production standards of coffee.

Following the collapse of the production and trade regulations imposed by the International Coffee Agreement (ICA), an explosion and over-supply in international production led to prices collapsing for developing world producers. Concurrently, the coffee culture within some developed world markets, principally the United States, developed and the relative retail price consumers paid was significantly higher than the share received by developing world producers. There are numerous reasons for this occurring which is explored in other research.<sup>1</sup>

Perceived 'fairer' trade schemes have existed for decades, but in 1988 Max Havelaar established the modern incarnation of Fairtrade, which involved the application of a certification mark to coffee that carried a price premium to offset the cost of additional regulations and payments to developing world producers. The well-known certification mark that appears on products is a clear and distinct label that consumers can identify easily, and operates in a similar fashion to a form of third-party endorsement of the product.

The scheme, which is now administered by the Fairtrade Labelling Organisation (FLO), sets ever-increasing standards for coffee production in the developing world, as well as the rate of the price premium, in order to have the certification mark placed on a retail product.

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<sup>1</sup> Lindsey, B. 2003. "Grounds for Complaint? Understanding the "Coffee Crisis"", Trade Briefing Paper, Cato Institute, at <http://www.cato.org/pubs/tbp/tbp-016.pdf>

The benefits of Fairtrade certification for developed world consumers remain questionable. As do the broader benefits for developing countries.<sup>2</sup> However, it has established a model for developed world consumers to identify a product based on non-price factors.

Within the Fairtrade family, the number of products has exploded well beyond coffee and now includes textile, clothing and footwear products, handicrafts and other natural commodities.

Irrespective of the efficacy of the schemes in achieving their desired objectives, so long as they remain entirely voluntary for consumers and producers they conform to a market-based solution to a broader concept of achieving consumer value.<sup>3</sup>

The principle has since been adopted by other ENGOs who have identified other environmental, social or economic concerns about the production or extraction of commodities that are used in retail products.

In particular ENGOs such as the World Wildlife Fund (WWF) and Greenpeace, have been significant supporters and advocates for the establishment of certification schemes marked against their ever-increasing standards of environmental management.

Probably the best known scheme supported by these groups is the Forest Stewardship Council (FSC), which certifies the felling, origin and management of wood and wood products throughout the supply chain. As a result, these products carry the FSC mark indicating to retailers and consumers that the product meets the ENGO's standards.

Other schemes also exist in the form of the Marine Stewardship Council (MSC) for fish, and the Roundtable for Sustainable Palm Oil (RSPO) for its namesake, and there are many others under development.

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<sup>2</sup> Berndt, C. 2007. "Does fair trade coffee help the poor: Evidence from Costa Rica and Guatemala", Mercatus Policy Series, Policy Comment Number 11, Mercatus Center, George Mason University, at [http://www.mercatus.org/repository/docLib/20\\_070702\\_GPI\\_PS\\_Costa\\_Rica.pdf](http://www.mercatus.org/repository/docLib/20_070702_GPI_PS_Costa_Rica.pdf); Sidwell, M. 2008. "Unfair trade", Adam Smith Institute, London, at [http://www.adamsmith.org/images/pdf/unfair\\_trade.pdf](http://www.adamsmith.org/images/pdf/unfair_trade.pdf) and Monhan. S. 2010, "Fairtrade without the froth", Institute of Economic Affairs, at <http://www.iea.org.uk/sites/default/files/publications/files/upldbook524pdf.pdf>

<sup>3</sup> Wilson, T. 2010. "Voluntarism and Fair Trade", in MacDonald, K. & Marshall, S. [Eds]. 2010. "Fair Trade, Corporate Accountability and Beyond", Ashgate Publishing, United Kingdom.

**Table 1 | Major certification schemes**

Scheme	Acronym	Commodity	Started	WWF / Greenpeace role	Status
Fairtrade		Numerous	1988	No known relationship.	On the market.
Forest Stewardship Council	FSC	Timber	1993	WWF and Greenpeace founding members. WWF on Board of Directors	On the market.
Marine Stewardship Council	MSC	Fisheries	1999	WWF a founding member and on the Board of Directors. Greenpeace has not currently endorsed.	On the market.
Roundtable on Sustainable Palm Oil	RSPO	Palm oil	2003	WWF a founding member and on the Executive Board. Greenpeace has not currently endorsed.	On the market.
Roundtable on Responsible Soy	RTRs	Soy	2004	WWF a founding member and on the Executive Board.	Standards finalised and field-tested; not on the market.
Better Cotton Initiative	BCI	Cotton	2004	WWF a founding member and on the Executive Board.	Standards finalised and field-tested; not on the market.
Better Sugar Initiative	BSI	Sugar	2004	WWF a founding member and on the Executive Board	Standards finalised and field-tested; not on the market.
Roundtable on Sustainable Biofuels	RSB	Biofuels	2007	WWF an active partner and sites on environmental working group	Standards finalised and field-tested; not on the market.
Sustainable Beef Roundtable	SBR	Beef	2010	WWF convenor / facilitator and stakeholder	Standards field-tested.
Aquaculture Stewardship Council	ASC	Aquaculture	2010	WWF a co-founding member and Chair of supervisory Board	Standards under-development and finalised for different species.
Water Roundtable	WRT	Freshwater	2010	WWF on Board organisation of the Convenor, AWS, as is a stakeholder	Process to develop international standards commenced.

**Sources:** WWF, 2010. "Certification and roundtables: Do they work? WWF review of multi-stakeholder sustainability initiatives", p5, at [http://assets.panda.org/downloads/wwf\\_msireview\\_sept\\_2010\\_lowres.pdf](http://assets.panda.org/downloads/wwf_msireview_sept_2010_lowres.pdf)  
 Greenpeace. 2002. "The Forest Stewardship Council (FSC)", at <http://www.greenpeace.org/international/en/campaigns/forests/solutions/alternatives-to-forest-destruc/>  
 Greenpeace. 2011. "Marine Stewardship Council (MSC)", at <http://www.greenpeace.org/international/seafood/changing-your-business/what-about-certification/marine-stewardship-council>  
 Greenpeace. 2011. "FAQ: Palm oil, forests and climate change", at <http://www.greenpeace.org.uk/forests/faq-palm-oil-forests-and-climate-change>

## 3.0 Voluntary market influence to compulsion

### 3.1 Voluntary market influence

As Table 2 outlines, the motivations for different market participants for certification standards varies from consumers, through to those businesses that participate in the scheme. While the intent of the participation in the market varies depending on the participant, it is clear that the dimension of influence exercised through certification standards is currently voluntary.

**Table 2 | Market participant motivations for ‘voluntary’ certification**

Market participant	Motivations
<b>Consumers</b>	<ul style="list-style-type: none"><li>• Capacity to differentiate products based on properties embodied in the certification mark.</li><li>• Capacity to influence production and supply chain based on environmental, social and economic attributes valued.</li><li>• Make additional financial contribution to producers.</li><li>• Identity products embodying certain environmental, social and economic attributes.</li></ul>
<b>Commodity producers</b>	<ul style="list-style-type: none"><li>• Potential market differentiator to wholesalers and consumers</li><li>• Niche consumer market opportunities.</li><li>• Potential to avoid internal and trade regulations targeted at non-certified products.</li><li>• Response to market demand.</li><li>• Identity with the final consumer products sourced from certified sources.</li></ul>
<b>Supply chain &amp; Wholesalers</b>	<ul style="list-style-type: none"><li>• Potential to avoid internal and trade regulations targeted at non-certified products.</li><li>• Respond to market demand.</li></ul>
<b>Retailers</b>	<ul style="list-style-type: none"><li>• Increased consumer product choice.</li><li>• Niche consumer market opportunities.</li><li>• Identity products embodying certain environmental, social and economics attributes.</li><li>• Response to market demand.</li><li>• Identity the origin of commodities.</li></ul>
<b>Certification advocacy groups / Non-government organisations</b>	<ul style="list-style-type: none"><li>• Capacity to engage with businesses and consumers.</li><li>• Capacity to influence production and supply chain based on environmental, social and economic values.</li><li>• Establish ‘voluntary’ regulation that can be modelled for formal regulation.</li><li>• Deliver environmental, social and economic values through market-based mechanisms.</li><li>• Impose additional ‘voluntary’ regulatory standards on the supply chain of products based on environmental, social or economic values.</li><li>• Creation of a market based on environmental, social or economic values.</li></ul>

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Considering WWF’s contribution in a mix of founding, effective ownership and control certification schemes, it is unsurprising that they’ve continually contributed to their ongoing development.

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Under the banner of Multi-Stakeholder Sustainability Initiatives (MSIs) certification schemes are designed to “transform business practices ... for a given sector or product.”<sup>4</sup>

The extent of the influence of environmental NGOs should not be underestimated. As Table 3 outlines, at an international level WWF partners with more than thirty of the world’s largest major identifiable consumer brands.

### Table 3 | Current businesses working with WWF International

Anna Club Plush	IBM	Panasonic
Canon (Europe)	IKEA	Polaroid
Catalyst	Johnson & Johnson	Sagawa
Coca Cola Company	Johnson Diversey	Spitsbergen Travel
Collins Companies	Lafarge	Sofidel
Ecosia	National Geographic	Sony
Elopak	Natura	Supervalu
Eneco	Nike	Tetra Pak
Fairmont Hotels and Resorts	Nokia	Volvo Group
Groth AG	Nokia Siemens Networks	Wallenius Wilhelmsen Logistics
Hewlett Packard	Novo Nordisk	Xanterra Parks and Resorts
HSBC	Ogilvy	

Source: World Wildlife Fund, 2010. “Current Partners”, at [http://wwf.panda.org/what\\_we\\_do/how\\_we\\_work/businesses/corporate\\_support/business\\_partners/](http://wwf.panda.org/what_we_do/how_we_work/businesses/corporate_support/business_partners/)

The major certification schemes that the WWF claims specific credit for include the Forest Stewardship Council (FSC), the Marine Stewardship Council (MSC) and the Roundtable on Sustainable Palm Oil (RSPO). Similarly, dialogues on a pathway toward possible evolution to formal certification standards include the Better Cotton Initiative, the Better Sugarcane Initiative, the Roundtable on Responsible Soy, the Roundtable on Sustainable Bio-fuels and the Aquaculture Dialogues with its Aquaculture Stewardship Council, as well as a new possible roundtable on beef.<sup>5</sup>

As recently as last year (2010), three new schemes commenced and others are under development.

WWF is also using its Global Forest and Trade Network (GFTN), which is designed to link ‘together suppliers, producers and purchasers from across the forestry industry supply chain. The GFTN works to eliminate illegal logging by driving improvements in forest management and trade practices’.<sup>6</sup> As part of the GFTN, WWF works “with governments to develop and implement viable forest laws and legal enforcement’, which are modelled on ‘voluntary’ certification standards.

However, at different stages the level of influence to achieve compliance with the objectives of ENGO’s standards varies. Attempting to convince six billion consumers is a considerable task. So is influencing producers which will ultimately result from successfully getting consumers to demand change.

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<sup>4</sup> World Wildlife Fund. 2010. “Certification and roundtables: Do they work? WWF review of multi-stakeholder sustainability initiatives”, p5, at [http://assets.panda.org/downloads/wwf\\_msireview\\_sept\\_2010\\_lowres.pdf](http://assets.panda.org/downloads/wwf_msireview_sept_2010_lowres.pdf)

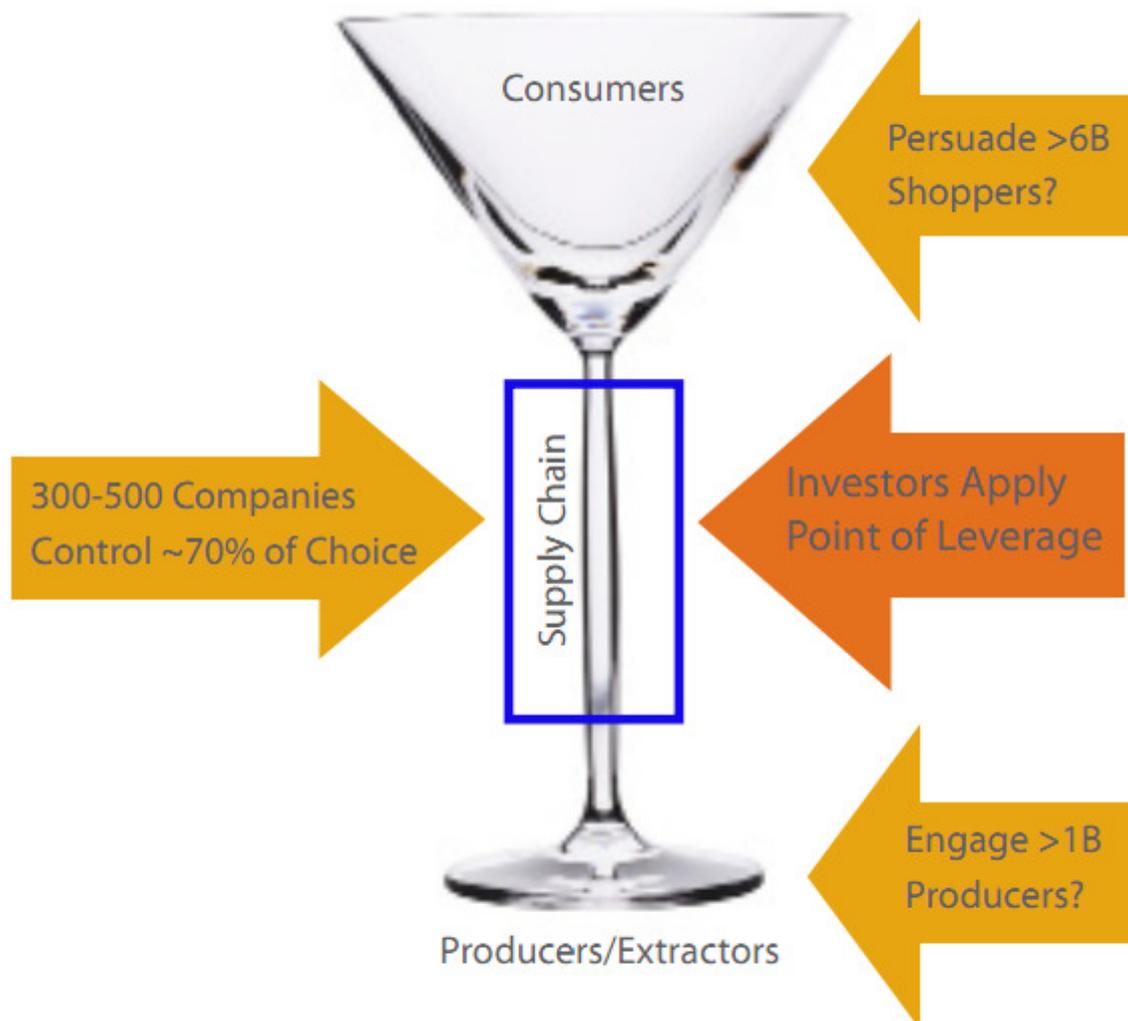
<sup>5</sup> World Wildlife Fund. 2010. “Multi-Stakeholders Engagement”, at [http://wwf.panda.org/what\\_we\\_do/how\\_we\\_work/businesses/transforming\\_markets/solutions/methodology/multi\\_stakeholders/](http://wwf.panda.org/what_we_do/how_we_work/businesses/transforming_markets/solutions/methodology/multi_stakeholders/)

<sup>6</sup> World Wildlife Fund. 2011. “Forest timber trade: Greening the market and trade rules”, at [http://wwf.panda.org/what\\_we\\_do/footprint/forestry/timbertrade/](http://wwf.panda.org/what_we_do/footprint/forestry/timbertrade/)

In response, WWF has developed its Market Transformation Initiative (MTI), which seeks to target products through the supply chain.

By targeting the supply chain, MTI isn't just targeting producers and extractors of commodities, but also those who participate in the supply chain, notably financial institutions, as well as governments who can establish import and export requirements. The intention of the MTI is outlined in Figure 2.

**Figure 2 | WWF's theory of change**



Source: World Wildlife Fund. 2010. "Quarterly Update for Financial Institutions, WWF Market Transformation", April, p1, at <http://www.worldwildlife.org/what/globalmarkets/intfinance/WWFBinaryitem16026.pdf>

As WWF's own assessment identifies, 'between 300 and 500 companies control 70 per cent more of the trade in each of 15 commodities that [they've] identified as having the biggest environmental impact'. And out of those companies, '100 companies control 25 per cent of the trade of all commodities ... affecting around 50 per cent of all production'.<sup>7</sup>

<sup>7</sup> Clay, J. 2010. "Transforming Markets", World Wildlife Fund, in United Nations Environment Program. 2010. "Tunza", October, p11, at [http://www.unep.org/pdf/Tunza\\_8.3\\_Eng.pdf](http://www.unep.org/pdf/Tunza_8.3_Eng.pdf)

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The intended impact is also outlined in descriptions for positions advertised in WWF's MTI jobs. In particular, they identify that "the key levers for change are major companies, their supply chains and the key corresponding industries that connect producers with consumers".<sup>8</sup>

The objective of the MTI is to ensure 'acceptable standards are met by more than 75% of global purchases of WWF priority commodities sourced from WWF priority places ... and acceptable standards are met by more than 25% of global purchases of WWF Priority Places'.<sup>9</sup> The definition of 'acceptable' and 'priority places' is not specifically defined; however, it is reasonable to assume that it is based around the MTIs' objectives to develop 'sustainable market standards and certification schemes through multi-stakeholders initiatives (Dialogues, Roundtables) ... and increase in supply and purchase of certified products'.<sup>10</sup>

### 3.2 [In]voluntary market influence

While MSIs and certification schemes were designed as 'voluntary' market instruments, it is now clear that it is not the ongoing intent. According to its September 2010 MSI review, through the implementation of 'voluntary' certification standards stakeholders have found that the effectiveness is limited by the essentially 'voluntary' nature. In response the feedback from stakeholders resulted in recommendations that included:

1. *'To increase MSI uptake, governments and international organisations in consumer and producer countries should establish complementary mechanisms to create an enabling environment. Such mechanisms could include national legislation, public procurement policies, tax incentives and tax relief, and start-up grants. Financial institutions also have an important role to play to support and enable MSIs.'*
2. *'There is a need to explore non-market based mechanisms that can drive better management practices for domestic production (eg. regulatory waivers in exchange for certification)'.<sup>11</sup>*

These recommendations are now being put into practice, turning voluntary market schemes into involuntary ones.

WWF's MTI strategy also outlines that while existing certification standards are useful, they are only one phase in an overall strategy, and that the next step is to transfer the objectives of certification into measurable standards. What is clear is that the MTI comfortably creates a framework for moving the 'voluntary' nature of certification schemes, into their compulsory application onto products.

The intent of the strategy to influence and control supply chains was outlined in a strategy document from October 2010.<sup>12</sup>

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<sup>8</sup> e-KORN/FERRY. 2011. "Opportunities: Director, Market Transformation Initiative", at <https://www.ekornferry.com/library/Process.asp?P=Opportunity&S=TI212>

<sup>9</sup> World Wildlife Fund. 2009. "Leader Market Transformation Initiative", at [http://wwf.panda.org/who\\_we\\_are/jobs/?uNewsID=162781](http://wwf.panda.org/who_we_are/jobs/?uNewsID=162781)

<sup>10</sup> World Wildlife Fund. 2011. "The WWF way to transform markets for the better", at [http://wwf.panda.org/what\\_we\\_do/how\\_we\\_work/businesses/transforming\\_markets/solutions/methodology/](http://wwf.panda.org/what_we_do/how_we_work/businesses/transforming_markets/solutions/methodology/)

<sup>11</sup> World Wildlife Fund. 2010. "Certification and roundtables: Do they work? WWF review of multi-stakeholder sustainability initiatives", p13, at [http://assets.panda.org/downloads/wwf\\_msireview\\_sept\\_2010\\_lowres.pdf](http://assets.panda.org/downloads/wwf_msireview_sept_2010_lowres.pdf)

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According to the same strategy, WWF gloats that in response to the question whether ‘government regulation [is] the next step’ it argues ‘Yes, it’s already happening [and they’ve] ...already set up standards that governments are using in their regulations’.<sup>13</sup>

Further, WWF also poses the question about whether there will be a time when consumers will not have a choice between products that do and do not meet their standards arguing ‘Absolutely ... [and] at some point in the not-so-distant future, this needs to be regulated by governments, not NGOs’.

There’s no ambiguity that certification standards, or next step measurable standards, are designed to then be used for the design of government regulation.

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<sup>12</sup> Clay, J. 2010. “Transforming Markets”, World Wildlife Fund, in United Nations Environment Program. 2010. “Tunza”, October, p11, at [http://www.unep.org/pdf/Tunza\\_8.3\\_Eng.pdf](http://www.unep.org/pdf/Tunza_8.3_Eng.pdf)

<sup>13</sup> Clay, J. 2010. “Transforming Markets”, World Wildlife Fund, in United Nations Environment Program. 2010. “Tunza”, October, p11, at [http://www.unep.org/pdf/Tunza\\_8.3\\_Eng.pdf](http://www.unep.org/pdf/Tunza_8.3_Eng.pdf)

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## 4.0 Extorting environmental non-government organisations?

While past efforts to allege that the intent of NGO's influences over certification schemes to move them from voluntary to compulsory schemes has predominantly been based on 'connecting dots', it is now clear that it is part of systemic design by NGOs.<sup>14</sup>

In 2005 Oxfam International published its landmark *Mugged: Poverty in your coffee cup* report into the international coffee trade, arguing that international over-supply of coffee was harming producers in the developing world. The international over-supply was a direct response to the collapse of the International Coffee Agreement managed by the International Coffee Organisation, which regulated and restricted the volume of production and export in the international coffee trade.

In response Oxfam argued that Fairtrade certification standards would assist to re-establish a profitable market for coffee producers. But behind the voluntary nature of the Fairtrade market, targeted at consumers to change their behaviour, Oxfam also argued that the spirit of the International Coffee Agreement should be re-established to rig the international coffee market on Fairtrade values.<sup>15</sup>

At its heart the 2005 report showed the clear direction of voluntary certification standards and how, over time, NGOs want them to be adopted in domestic and international laws and regulations to transform markets based on their values.

The same is now appearing out of WWF's MTI. And a recently published book by key personnel within the environmental movement is shedding light on how it fits within a broader strategy to force change in business behaviour through working with other ENGOs, such as Greenpeace.

### 4.1 Good Cop/Bad Cop

In *Good Cop/Bad Cop: Environmental NGOs and their Strategies toward Business*, major NGOs outline their specific strategies to target the business community and, in this author's opinion, use the environmental equivalent of blackmail, greenmail, to force business to adopt their standards, particularly by using the book's namesake strategy of Good Cop/Bad Cop.

In the chapter on his employer, Greenpeace's Research Director, Kert Davies, confirms the strategy they play identifying:

*'According to reports from Greenpeace staff of conversations with people at companies it has targeted, corporations may have a greater fear of its [Greenpeace's] campaigns than those of other organisations because of the strong connotations of Greenpeace's brand'.<sup>16</sup>*

He also outlines how Greenpeace leverages this advantage by playing 'Bad Cop' to force company action, outlining that 'NGOs can often be more effective by imposing harms rather than offering benefits'. And for Greenpeace that means:

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<sup>14</sup> World Growth, 2010. "Green Risk and Red Ink: WWF's Threat to Free Enterprise", Green Issues Paper, Issue VII, p9, at [http://www.worldgrowth.org/assets/files/WG\\_GreenPaper-WWF.PDF](http://www.worldgrowth.org/assets/files/WG_GreenPaper-WWF.PDF)

<sup>15</sup> Gresser, C. & Tickell, S. 2005. "Mugged: Poverty in your coffee cup", Oxfam International, at <http://www.oxfam.org.uk/resources/policy/trade/downloads/mugged.pdf>

<sup>16</sup> Davies, K. 2010. "Greenpeace", in Lyon. T. P. [Ed] 2010, "Good Cop/Bad Cop: Environmental NGOs and their Strategies towards business", Resources for the Future Press, Washington DC, United States of America.

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*'Greenpeace is willing to play the role of good cop or bad cop in partnership with organisations. Its reputation for radical actions positions it particularly well to play the bad cop that can drive organisations to partner with groups that seem more middle-of-the-road in orientation'.<sup>17</sup>*

However, the chapter does not outline who the 'Good Cop' is. Another chapter gives a clear indication of the possible double act being played by WWF with Greenpeace.

In his chapter on the WWF, the Senior Program Officer for their Business and Industry Program, Matthew C. Banks, outlines the deliberate strategy to 'transform markets' through their objectives and focus on agriculture, climate change, fishing, forests, international finance and the wildlife trade.

They achieve this through the 'tactic ... [of] target[ing] companies that have the greatest impacts on the places and threats that are most critical to a living planet ... by identif[ying] a joint body of work with a company and signs a memorandum of understanding (MOU) reflecting both the company's and commitments to mutual goals'.<sup>18</sup> And should the 'uncommon case where commitments have not been met [arise], WWF has expelled a company from its programs and publicly shared its concerns'.<sup>19</sup>

As portrayed in Figure 3, a Good Cop/Bad Cop strategy is based around two ENGOs working together to secure businesses to adopt obligations.

In short, an activist ENGO targets a business over their environmental, social or economic record. Another middle-of-the-road ENGO establishes a 'voluntary' certification scheme that, if adopted, would address these concerns and remove the criticism of the activist ENGO.

While a clever strategy, if as explicit as it appears to be written, it raises questions about whether these ENGOs may be colluding to the point of warranting questions of extortion.

For business, there is a cost for developing a relationship with ENGOs like WWF. If they adopt WWF's standards they are essentially locked in and cannot leave without criticism. Meanwhile certification standards can increase over time adding further costs that businesses have to absorb.

## **4.2 Markets for Change**

Greenpeace is not alone. In 2010 the Markets for Change (MFC) NGO was founded, and is now operating on a national-level to target the timber industry to expose "the companies and products driving environmental destruction, creating the impetus for retailers to adopt environmentally and socially responsible procurement policies to help create an environmentally responsible market".<sup>20</sup>

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<sup>17</sup> Davies, K. 2010. "Greenpeace", in Lyon. T. P. [Ed] 2010, "Good Cop/Bad Cop: Environmental NGOs and their Strategies towards business", Resources for the Future Press, Washington DC, United States of America.

<sup>18</sup> Banks, M. C., 2010. "World Wildlife Fund", in Lyon. T. P. [Ed] 2010, "Good Cop/Bad Cop: Environmental NGOs and their Strategies towards business", Resources for the Future Press, Washington DC, United States of America.

<sup>19</sup> Banks, M. C., 2010. "World Wildlife Fund", in Lyon. T. P. [Ed] 2010, "Good Cop/Bad Cop: Environmental NGOs and their Strategies towards business", Resources for the Future Press, Washington DC, United States of America.

<sup>20</sup> Markets for Change. 2011. "About MFC", at <http://www.marketsforchange.org/about-mfc/about-mfc/>

**Figure 3 | Ten Step Good Cop/Bad Cop Strategy to control business**

Step	ENGO1	ENGO2
<b>One</b>	<b>Activity:</b> Design strategy to attack producer or extractor of commodities business on their environmental, social and/or economic record. <b>Impact:</b> Create a problem.	<b>Activity:</b> Found, own & control a 'voluntary' certification scheme embodying environmental, social and/or economic standards addressing ENGO1's attacks. <b>Impact:</b> Create a solution.
<b>Two</b>	<b>Activity:</b> Attack producer based on strategy developed in Step One. <b>Impact:</b> Create a brand headache for producer.	<b>Skip to step Four</b>
<b>Three</b>	<b>Activity:</b> Advise producer stopping attacks requires meeting ENGO2's 'voluntary' standards. <b>Impact:</b> Create a solution for attacked business.	
<b>Four</b>	<b>Skip to step Five</b>	<b>Activity:</b> Approach producer advising that adoption and purchasing of 'voluntary' standards will address ENGO1's attacks. <b>Impact:</b> Deliver solution for attacked producer. Collect revenue from licensing logo on products.
<b>Five</b>	<b>Activity:</b> Attack retailers if they don't stock products that meet ENGO2's 'voluntary' standards. <b>Impact:</b> Place retailer pressure on business to adopt ENGO2's 'voluntary' standards.	<b>Activity:</b> Attack retailers if they don't stock products that meet ENGO2's 'voluntary' standards. <b>Impact:</b> Place additional market pressure on business to adopt ENGO2's 'voluntary' standards.
<b>Six</b>	<b>Activity:</b> Target consumers to only buy products that meet ENGO2's 'voluntary' standards. <b>Impact:</b> Create consumer pressure on retailers and producers to adopt ENGO2's 'voluntary' standards.	
<b>Seven</b>	<b>Skip to step Eight</b>	<b>Activity:</b> Tighten adopted 'voluntary' certification standards for business. <b>Impact:</b> Increase standards with additional costs that are passed onto retailers and consumers.
<b>Eight</b>	<b>Activity:</b> Attack business if it fails to meet, or leave, tightened ENGO2's 'voluntary' standards. <b>Impact:</b> Create incentive for businesses to fall into line.	
<b>Nine</b>	<b>Activity:</b> Lobby government to introduce procurement policies based on ENGO2's 'voluntary' standards arguing business has already 'voluntarily' adopted them. <b>Impact:</b> Exclusive government market access placing pressure on businesses to adopt 'voluntary' standards.	
<b>Ten</b>	<b>Activity:</b> Lobby government to require ENGO2's 'voluntary' standards in import laws & regulations arguing business has already 'voluntarily' adopted them. <b>Impact:</b> Compel businesses to comply with ENGO2's standards.	

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Unsurprisingly, MFC's activities fit neatly into the activities of other environmental NGOs, in particular WWF and Greenpeace. Especially since employees of MFC have worked with environmental NGOs in the past, including Greenpeace and Friends of the Earth. Similar experience exists at the MFC Board level.<sup>21</sup>

To date, MFC's most high profile target has been against technology and furniture giant, Harvey Norman, as part of its *noHarveyno* campaign. The *noHarveyno* campaign targeted the retailer for sourcing furniture with wood products sourced from Australian native forests that are processed in China and re-exported back for commercial sale. The 'solution' for Harvey Norman is to source products that have components that come from FSC-certified sources.<sup>22</sup>

In particular, MFC argues that retailers should introduce procurement policies that require products with wood components to be FSC-certified, with appropriate labelling standards for products. For consumers the solution is to demand retailers have procurement policies that require FSC-certification and labelling through lobbying and purchasing decisions.

### 4.3 Compulsory standards

After businesses have seemingly 'voluntarily' adopted certification standards, the same ENGOs work with public institutions and lobby politicians to have them introduced as procurement policies for government and business.

In the United States a large number of major consumer retailers such as Staples, Office Depot and OfficeMax have been pressured by ENGOs, including WWF and Greenpeace, to only stock paper products that have been certified by Greenpeace and WWF's preferred certification standards, FSC. Those companies that resisted became the face of public criticism by ENGOs until they eventually accepted no longer stocking certain imports that didn't meet standards equivalent to FSC.<sup>23</sup>

The same experience has been felt by Australian retailers, particularly Woolworths, which has been targeted by the campaign Wake Up Woolworths to only stock FSC-certified toilet paper.<sup>24</sup>

Similarly, after businesses have adopted these certification standards 'voluntarily', ENGOs directly, or indirectly with the support of public institutions, lobby government to require them in domestic laws and regulations. For example:

- An early version of a Bill before the Australian Parliament sponsored by Independent South Australian Senator, Nick Xenophon, as well as Greens and National Party MPs required separate labelling of palm oil as a food ingredient from vegetable oils. Under the proposal, palm oil could be labelled as either palm oil or 'certified sustainable' palm oil, which could only be achieved through RSPO certification. This campaign was heavily supported by publicly-funded Australian Zoos, such as the Melbourne, Perth and Adelaide Zoos who have relied on support from ENGOs.<sup>25</sup>

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<sup>21</sup> Markets for Change. 2011. "About MFC", at <http://www.marketsforchange.org/about-mfc/about-mfc/>

<sup>22</sup> Markets for Change. 2011. "Solutions", at <http://www.marketsforchange.org/solutions/>

<sup>23</sup> Consumers Alliance for Global Prosperity. 2010. "Pulp Wars: Empires of Collusion", at [http://pulpwars.com/downloads/empires\\_of\\_collusion\\_report.pdf](http://pulpwars.com/downloads/empires_of_collusion_report.pdf)

<sup>24</sup> Australian Broadcasting Corporation. 2010. "Background Briefing: Timber Politics", Radio National, at <http://www.abc.net.au/rn/backgroundbriefing/stories/2010/2908767.htm>

<sup>25</sup> Australian Senate. 2010. "Report: Food Standards Amendment (Truth in Labelling – Palm Oil) Bill 2010", Community Affairs Legislation Committee, Canberra, Commonwealth of Australia, at [http://www.aph.gov.au/senate/committee/clac\\_ctte/food\\_standards\\_amend\\_bill\\_2010/report/report.pdf](http://www.aph.gov.au/senate/committee/clac_ctte/food_standards_amend_bill_2010/report/report.pdf)

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- The World Bank’s private sector lending arm, the International Finance Corporation (IFC), included in its Final Framework for Engagement in the Palm Oil Sector the effective endorsement for RSPO. In doing so, meeting RSPO standards is effectively a requirement to access finance.<sup>26</sup>
  - Amendments to the Century-old US *Lacey Act* in 2008 included requirements for the recording and disclosure of wood imports into the United States. The legislative requirements oblige importers to identify the origin of wood imports and ensure that they are managed through the supply chain from production to the border. In doing so, the amendments to the Act essentially impose one of the central requirements of ‘voluntary’ forestry certification standards.
  - With the support of the domestic timber industry, trade unions, and environmental activists, the Australian Parliament is currently considering the *Illegal Logging Prohibition Bill* that will enforce similar provisions to the US *Lacey Act* requiring importers to adopt dimensions of certification standards to certify the origin of wood products.<sup>27</sup>
  - The World Bank and IFC’s forestry standards recognise FSC certification as part of financing assessment. Many aid agencies have followed suit.<sup>28</sup>

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<sup>26</sup> International Finance Corporation. 2011. “World Bank Group Framework & IFC Strategy in the Palm Oil Sector”, World Bank Group, Washington DC, United States of America, at [http://www.ifc.org/ifcext/agriconsultation.nsf/AttachmentsByTitle/Final\\_PO+paper\\_Mar2011/\\$FILE/WBG+Framework+and+IFC+Strategy\\_FINAL\\_FOR+WEB.pdf](http://www.ifc.org/ifcext/agriconsultation.nsf/AttachmentsByTitle/Final_PO+paper_Mar2011/$FILE/WBG+Framework+and+IFC+Strategy_FINAL_FOR+WEB.pdf)

<sup>27</sup> Parliament of Australia. 2011. “Illegal Logging Prohibition Bill 2011”, Commonwealth of Australia, Canberra, Australia, at [http://www.aph.gov.au/Senate/committee/rat\\_ctte/logging\\_bill\\_2011/exposure\\_draft.pdf](http://www.aph.gov.au/Senate/committee/rat_ctte/logging_bill_2011/exposure_draft.pdf)

<sup>28</sup> International Finance Corporation. 2007. “Environmental, Health and Safety Guidelines for Forest Harvesting Operations”, World Bank Group, Washington DC, United States of America, at [http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/gui\\_EHSGuidelines2007\\_ForestHarvesting/\\$FILE/Final+-+Forest+Harvesting+Operations.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/gui_EHSGuidelines2007_ForestHarvesting/$FILE/Final+-+Forest+Harvesting+Operations.pdf)

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## 5.0 Conclusions

It's clear there is a deliberate strategy by environmental NGOs to engage in campaigns against businesses to push them to adopt 'voluntary' certification schemes.

ENGOS, particularly WWF and Greenpeace, have acted as effective founders, owners and now controllers of some of the world's major certification schemes, seeking to 'transform' markets through market based schemes. These schemes include the FSC and the RSPO.

But they are not voluntary. Based on new evidence from ENGOS the strategy is clear:

- ENGOS create 'voluntary' certification standards for business to adopt.
- ENGOS attack producers until they adopt 'voluntary' certification standards.
- ENGOS attack businesses if they abandon the 'voluntary' certification standards.
- ENGOS then attack retailers to require they only stock products that are certified by their 'voluntary' certification standards.
- ENGOS increase the obligations of these certification standards.
- ENGOS lobby governments to require the schemes for commodities exported into the country.

In the past, suspicion of ENGOS colluding to push business into these schemes has been mere speculation. ENGOS are now openly gloating about their Good Cop/Bad Cop cooperation to push businesses to adopt certification schemes.

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## 7.0 About the Institute of Public Affairs

The Institute of Public Affairs, founded in 1943, is the world's oldest free market think tank. The IPA is a not-for-profit research institute based in Melbourne, Australia with staff and associates based around Australia. Think tanks act as public policy incubators and develop public policy solutions.

The objective of the IPA is to promote evidence-based public policy solutions rooted in a liberal tradition of free markets and a free society. The IPA achieves these objectives by undertaking and disseminating research; participating in national and international policy debate through the media; and engaging with opinion leaders, stakeholders and public policy makers.

All work completed by the IPA is published in the public domain for the consumption of governments, politicians, domestic and international policy makers and the public-at-large.

The IPA has a demonstrated track record of contributing to, and changing the terms of the public policy debate in Australia and internationally. In particular, in recent years the IPA has been at the centre of public discussion in Australia and in appropriate international fora on:

- Regulation
- Trade
- Intellectual property
- Water
- Energy
- Housing
- Industrial relations
- Taxation
- Investment

## 8.0 About the Sustainable Development project

Sustainable Development is a blog to promote environmentally, socially and economically sustainable evidence-based public policy for the developing world. SD supports a market-based approach to achieve sustainable development that improves the living standards of the world's poor, environmental standards and social cohesion. SD is a program of the Institute of Public Affairs and is led by Tim Wilson.

## 9.0 About the author | Tim Wilson

Tim's currently Director of the Intellectual Property and Free Trade Unit at the Institute of Public Affairs - the world's oldest free market think tank. Tim is also Principal Consultant for the public policy Dynamic Sunrise Consulting Group and a Senior Associate at communication strategy consultancy SDA Strategic. Tim also serves on the Department of Foreign Affairs and Trade's IP industry consultative group, as a Senior Fellow at New York's Center for Medicine in the Public Interest and as a Director of the Alfred Health Board covering the Alfred, Caulfield and Sandringham hospitals in South-East Melbourne. He regularly appears on Australian and international television, radio and in print media and previously co-hosted ABC News 24 TV's Snapshot segment. He's worked in international development across South East Asia, consulting and politics, including delivering Australia's aid program for the Vietnamese government to host APEC and advising State and Federal politicians. In 2009 *The Australian* newspaper recognised him as one of the ten emerging leaders of Australian society and is a recipient of an Australian Leadership Award from the Australian Davos Connection. At University Tim was twice elected President of the Student Union as well as to the University's Board of Directors. Tim's currently completing a Graduate Diploma of Energy and the Environment (Climate Science and Global Warming) at Perth's Murdoch University. He has a Masters of Diplomacy and Trade and a Bachelor of Arts from Monash University, a Diploma of Business and has completed Asialink's Leaders Program at the University of Melbourne. He has also completed specialist executive education on IP at the WIPO Worldwide Academy and international trade and global health diplomacy at the Institut de Hautes Études Internationales et du Développement, Geneva.