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# Wal-Mart: A bully benefactor

*The giant retailer is using its power to help the global poor and protect the planet.*

By [Marc Gunther](#), senior writer  
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(Fortune) -- Children who are forced to pick cotton in Uzbekistan, farmers scratching out a living in Guatemala and salmon fishermen in Bristol Bay, Alaska, would not seem to have much in common. But all are feeling the global impact of Wal-Mart.

As the world's largest retailer, with \$379 billion in revenues last year, Wal-Mart has long been a powerful force in the global economy - a bully, its critics would say. For years, they assailed Wal-Mart ([WMT](#), [Fortune 500](#)) for squeezing suppliers over costs, driving mom-and-pop stores out of business or crushing efforts to organize its workers.

These days, though, the company is winning praise for using its leverage - that's a polite term for bullying - to protect the environment and help the poor.

What's changed? Wal-Mart CEO Lee Scott, who announced last month that he will step down in February, has led an ambitious sustainability campaign, opened up to critics and promised to behave more responsibly. One of his last acts as CEO was to convene a summit of Wal-Mart suppliers in China to tell them that they had to adhere to higher ethical and environmental standards.

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Consider, as an example, Wal-Mart's confrontation with the authoritarian government of Uzbekistan over child labor.

Last spring, shareholder advocates from pension, labor and investment funds that call themselves socially responsible began a campaign on behalf of Uzbek children who, according to media reports and human rights groups, are forced to pick cotton for low wages and under inhumane conditions. The BBC spotlighted the problem with an eye-opening [investigative report](#) that said, among other things, that "for two-and-a-half months a year, classrooms are emptied across this Central Asian nation so that the crop can be harvested."

Uzbekistan is the world's third largest cotton grower and cotton is the nation's biggest export - so pressure from retailers in Europe and the United States could bring about change.

The activist investors, including the nonprofit As You Sow and the Calvert and Domini mutual fund groups, wrote to more than 100 retailers and brands, asking them to trace the cotton used in the goods they sell and avoid Uzbek cotton. Most ignored the letter. (Bed Bath and Beyond (BBBY, [Fortune 500](#)), Costco (COST, [Fortune 500](#)) and J.C. Penney (JCP, [Fortune 500](#)) were among those who did not respond.)

Others, including Levi Strauss, Target (TGT, [Fortune 500](#)), Haines Limited Group and Gap (GPS, [Fortune 500](#)), agreed to try to exclude Uzbek cotton, according to the shareholder coalition. Wal-Mart went further: It helped organize retail trade associations to pressure the Uzbek authorities and issued a strong public statement pledging to stop buying Uzbek cotton.

"We just thought, this is about as atrocious as it's going to get," Richard Coyle, senior director of international corporate affairs for Wal-Mart, told Fortune. "We just couldn't idly sit by."

As You Sow, an organizer of the shareholder coalition, praised Wal-Mart for its leadership, as did the Interfaith Center on Corporate Responsibility, an alliance of faith-based investors representing more than \$100 billion in invested capital.

Because Wal-Mart is asking its suppliers to avoid Uzbek cotton, the company is for the first time requiring them to trace the origins of the cotton they use to make apparel and home furnishings. This is a breakthrough - other retailers had claimed that it was hard or impossible to trace cotton to its source.

"The fact that you have a retailer like Wal-Mart asking for this from suppliers, it's going to have huge ripple effects," said Patricia Jurewicz, associate director of As You Sow's corporate social responsibility program. It means others can be persuaded to follow suit.

In Guatemala, meanwhile, Wal-Mart's stores have begun working with local farmers, in an effort to secure a steady supply of locally grown food while boosting the incomes of some of the poorest people in the region. The company has joined forces with a nonprofit development group called Mercy Corps and with the U.S. Agency for International Development to train about 600 farmers in sustainable agricultural practices, food safety and hygiene, processing and packaging.

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"Most of these people are native Mayans, and they've been neglected and marginalized for years," said Karen Scriven, senior director of corporate partnerships for Mercy Corps. "They've never had to grow anything but corn and beans," mostly to feed their families. Now they are selling cash crops desired by Wal-Mart and other retailers including tomatoes, potatoes, yucca and cilantro and other cash crops.

The three-year program will cost \$2.2 million - with \$600,000 coming from Wal-Mart, \$500,000 from Mercy Corps and U.S. AID matching their donations with \$1.1 million. That sounds like a lot of money to train 600 farmers but Scriven says the effort could affect 4,200 family members as well as neighbors.

Manuel Zuniga, vice president of corporate affairs for Wal-Mart Central America, says dealing directly with farmers - thereby cutting out various middlemen - enables Wal-Mart to save money and build relationships with trusted growers who meet its quality standards.

"We can create a loyal base of suppliers who know us well and know what the customer wants," he said. "We can provide a lower price to the customer, as well as a better price to the farmer." You can read more about the project at the Mercy Corps [Web site](#).

Want some fish to go with those veggies? Up in Bristol Bay, Alaska, the world's largest wild sockeye salmon fishery, fisher cheering Wal-Mart because the retailer has agreed to feature their catch as part of its sustainable seafood initiative. They're ads in Alaska thanking Wal-Mart for promoting the frozen wild salmon.

Wal-Mart agreed to support the Bristol Bay fishery as part of a commitment made in 2006 that within five years, all of the frozen fish it sells in North America would be sourced from fisheries that are independently certified as sustainably managed. Salmon populations have declined from over-fishing.

"This will increase the demand for Bristol Bay salmon, boost fish prices and keep more dollars in Bristol Bay," said Bob W. Bay Regional Seafood Association, an industry group.

To be sure, not everyone is buying into Wal-Mart's sustainability work. The International Labor Rights Forum, an activist group, is running a [campaign](#) against Wal-Mart, saying its "ethical sourcing" program is ineffective. Some environmentalists argue that Wal-Mart - selling cheap stuff made all around the world in big-box stores - can never become sustainable.

But they are the dissenters. There's no doubt that Lee Scott has had a profound impact on how Wal-Mart sees its role in the world sees Wal-Mart. ■

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