



**Friends of
the Earth
International**

**Presentation of Tony Juniper
Vice Chairman
Friends of the Earth International
WTO Symposium, Geneva – April 29th 2002**

Friends of the Earth International – what is it?

Friends of the Earth International is a federation of 68 grassroots and independent national member Friends of the Earth organisations working from the local to the international level in pursuit of sustainable development. We have members north, south, east and west. Contrary to some perceptions, we are not a northern organisation, but a global federation bringing local and grassroots views not only to national and local policy makers, but to international forums too.

Our vision of Sustainable Development

For Friends of the Earth, sustainable development is – *“development that improves the quality of life for all people while respecting environmental limits and the ability of future generations to enjoy a similar quality of life”*.

This deceptively simple definition has huge implications for several vital policy agendas, including that relating to international trade:

One is about economics and development – quality of life is linked closely to development and sound economic policy that improves the lives of people is at the heart of sustainability. That much at least, we can all agree.

A less often discussed dimension of sustainability, however, is the question of equity – sustainable development is about quality of life for *all* people, not just a minority who happen to be already wealthy and therefore best placed to benefit from development: to this extent, poverty alleviation, the equitable distribution of development benefits and social justice are also at the heart of what Friends of the Earth International means by sustainability.

The environment and measures to protect ecological systems are also at centre stage in our notion of sustainability. Improving quality of life for everyone must be achieved while respecting essential environmental capacities – for example limiting greenhouse gas production and the conservation of sufficient natural habitat to protect the Earth’s vast wealth of biological diversity. If this aim is to be taken seriously, then the process of wealth creation must be increasingly accompanied with drastic per capita reductions in materials and energy consumption – especially in the northern consumer countries where there is a dire need for leadership in de-linking ‘growth’

and environmental impact. Simultaneously, in line with principles of equity, the reductions in the environmental impacts caused by the rich societies should be matched by rising consumption in the poorer ones.

By contrast, if we continue on the present course and still expect to achieve sustainable development, our calculations predict that by 2050 it will be necessary for humanity to have access to eight planets like this one if everyone consumes at levels seen today in Western Europe or North America.

Finally, there is the question of future generations. Our definition of sustainable development talks about the needs of people as yet unborn. Certainly we can never know what people in the future will need or believe, but we can (and must) decide now to take a *moral stand* in handing to them a world that is as productive and vibrant as the one we inherited from past generations.

Is sustainable development happening?

The extent to which economic and other policies are failing to deliver sustainability is highlighted in several key trends. The emissions of the gases that are leading the changes in the global climate continue to rise, several renewable resources bases are threatened – for example many marine fisheries, while natural habitats everywhere remain under massive pressure with some regions, the super-biodiverse island of Sumatra for example, facing the loss of virtually all natural forest outside protected areas within a few years. And the economic ‘growth’ that is built on these and other environmental costs has as yet failed to raise hundreds of millions of people from the abyss of poverty.

That sustainable development is far from reality is clear for all to see and closely documented by a range of authoritative international bodies including the United Nations Environment Programme and the Intergovernmental Panel on Climate Change.

The WTO is not advancing the cause of Sustainable Development

The WTO Agreement preamble places the objective of “sustainable development” at the heart of the WTO’s work. However, the rules that the WTO create and maintain have not turned this rhetoric into reality.

Certainly we believe it is possible to achieve sustainable development, so do apparently the majority of the world’s governments who promised ten years ago in Rio de Janeiro to deliver policies to do just that: our contention, however, is that one of the most potent tools governments have, namely the creation and operation of multilateral rules governing trade, is presently being misused.

Far from promoting sustainability through the integration of economic, environmental and social policy, international discussions on the liberalisation of commerce are trading one agenda (the economy) against another (local communities and environment) in such a way as to not only present false choices (namely social justice and environment protection *or* development) but is also becoming dangerously

confused about the extent to which sustainable development is primarily, or even *only*, about wealth creation.

The impacts of corporate led trade liberalisation – why it is not conducive to sustainable development

The reality is that the impacts of trade liberalisation have worsened some crucial sustainability trends rather than improved them.

- Perhaps the most fundamental flaw arises from the pursuit of growth at any cost and the increasing tendency towards the promotion of liberalisation and trade as ends in themselves. This leads to, among other things, increased consumption, waste of natural resources and transport pollution. And in many cases where trade rules have come into conflict with environmental regulations both internationally and nationally, almost always the trade rules take precedence. Look at the example of the USA and its choice to defend the competitiveness of its companies rather than reduce greenhouse gas emissions in line with its Kyoto obligations.
- Economic instability arising from financial deregulation has also caused economic chaos in some countries leading to, for example, capital flight and serious impacts on poor people. Also, in the least developed nations, largely as a consequence of trade and economic policies conceived in northern dominated institutions, investment has been concentrated on the production of primary commodities that has had the effect of overproduction leading to declining terms of trade for many exporter nations. This situation has not been helped by trade barriers to processed goods designed to protect industries in the richer importing countries. The effect of these circumstances has in turn been the promotion of policies to increase production, often associated with very grave environmental impacts – the clearance of natural forests to make way for large-scale farms and mines, for example.
- Also, free trade policies, by establishing market conditions that require economic actors of different strengths to compete with each other on a legally equal footing, have pitted weak actors against strong ones and institutionalised the market dominance of transnational corporations (TNCs) in international (and increasingly in domestic) markets at the expense of small and medium enterprises – especially of those from developing and least developed countries. Small companies seeking to compete with the likes of Microsoft, Monsanto, MacDonalds and Mitsubishi stand little chance of commercial survival. The transnational corporations have thus thrived, often at the expense of smaller companies and local economies, and in the process virtually foreclosing the ability of local communities and governments – especially from developing and least developed countries – to foster and support domestic industries in ways that support sustainable development and progressively prepare them to compete globally.
- This trend has helped to ensure that the benefits of free trade have been unevenly distributed. It is the already wealthy who have gained most – the gap between the richest and poorest in global society grows ever wider: in 1960,

the richest 20 per cent of people were 30 times better off than the poorest 20 per cent; by 1997, they were 70 times richer: today the disparity is even worse. This trend moved the UNDP to remark in 1996 that *“The imbalances in economic growth, if allowed to continue, will produce a world gargantuan in its excesses and grotesque in its human and economic inequalities”*. Far from solving the problem of poverty, it seems that in some parts of the world – especially among the developing and least developed countries – that the international trading system is making matters worse.

- A consequence of all of this has been the accumulation of a vast ecological debt owed by the rich northern consumer countries to the resource providing nations of the south. Heavy financial debt burdens on impoverished countries encourage governments to facilitate increased exploitation of natural resources for export in order to generate foreign exchange. Export-led development programmes have reinforced this short-term and damaging approach, creating a vicious circle in which world markets are oversupplied, commodity prices tumble, and poverty-stricken countries are forced to increase exports. In addition, heavily indebted countries are often forced to slash environmental and social spending, making it difficult for governments to pursue sustainability objectives. Thus rich, importing countries have ready access to cheap supplies of natural resources and have, in fact, incurred an ecological debt to the countries of the South – which, it should be noted, far, far outweighs the official financial debt owed to them by the South.

‘Free’ trade theory is a fundamentally flawed idea and is anyway not a sincerely held political idea

These observations lead us to believe that free trade theory is out of date; capital is increasingly mobile and therefore the theory of comparative advantage is no longer tenable. The idea that each country should exploit its own unique advantages is being replaced with the reality of absolute advantage. This means that the win-win scenario promoted by advocates of free trade worldwide is increasingly one of win-lose. As the global economy is progressively opened, some will win, others will not.

Also there is, as far as we can see, no proof that economic liberalisation even leads to economic growth – let alone sustainable development. Thus is the fragility of an idea that now shapes virtually all policy making the world over.

And not only is the present system highly questionable from the evidence to show it works, it is also a questionable idea in terms of the practice. The behaviour of the USA in respect of steel imports is a recent case in point: the free trade rhetoric was gladly abandoned there in order to cater for domestic political pressures. I wonder what would have been the reaction of the USA if one of the economically weak countries it trades with behaved in a similar way? Perhaps the approach of the US towards Caribbean banana farmers gives a clue.

And what about the EU with its vast farm subsidies. Developing nations are urged by European leaders to open their markets while the EU protects its own. Even now, while the demise of the CAP is virtually assured by political and economic changes inside the EU itself, Europeans refuse to hand over the CAP as a sign of goodwill in

trade talks. They'd rather keep it for use as a bargaining chip to extract concessions elsewhere – perhaps in exchange for access to the services sector in dozens of developing countries.

Not only have developed countries, in the past 6 and ½ years that the WTO has been in existence, not implemented in full the promises that they have made in the Uruguay Round, but in the current Doha agenda, they are asking developing and least-developed countries to give them even more binding commitments in exchange for more promises. Not only has the Uruguay Round cheque bounced against developing and least-developed countries, but the north seems to be once again prepared to issue another bouncing cheque in exchange for more binding commitments from developing and least-developed countries under the Doha agenda.

These kinds of behaviours lead many of us in civil society to conclude that what governments call 'free' trade is not about global collective interest or sustainable development – it is about national self-interest and national gain, not least on behalf of transnational corporations, especially in the north. If you are rich and powerful, in the win-lose world you stand to gain most: perhaps that is why the most assured free trade proponents are from the governments of the developed north and the transnational corporations based there.

The specific concerns we have about the Doha mandate

The Doha agenda represents in itself a deepening of the applicability of WTO rules into areas already covered under the Uruguay Round (i.e. agriculture, industrial goods, and services) and a possible expansion of such rules into other areas (such as investment, competition policy, and government procurement, and trade facilitation) whose impacts on people and the environment, especially in developing and least developed countries, have been and might be more negative than positive. Such possible expansion is not necessary and may only serve to skew the global trading system even more in favor of the "haves" and even more against the "have nots" – not only in terms of economic equity and social justice but also in terms of environmental sustainability.

With these fundamental concerns in mind, Friends of the Earth International was present in Doha to make the case for deep reforms in how the trading system operates. Our basic point was to argue that governments should review the impact of existing free trade policies on local communities and the environment before embarking on new negotiations. In the light of what was agreed in Doha, this remains our basic position – there should not be any expansion in the power or scope of trade agreements or the WTO and that a fuller understanding of what has been the effect of existing rules must be achieved. Having said that, we should make a few more specific remarks about the negotiating mandate on the environment.

Firstly, we are not convinced that a review of the relationship between the WTO and the Multilateral Environmental Agreements is sufficient a step in seeking to identify and manage the environmental and sustainable development consequences of free trade. This is certainly a current and important question (for example in relation to the operation of the Biosafety Protocol in relation to trade rules for farm produce and the Montreal Protocol on the trade in ozone depleting substances) but is not sufficient.

We are also concerned that in clarifying the relationship between MEAs and trade rules in a trade forum might actually lead to a *de facto* weakening of the MEAs and a more institutionalised notion of what now happens in practice – which is to give precedence to trade rules over environmental ones. We will do all that we can to ensure that this does not happen – but such an outcome is nonetheless a serious risk.

Wider issues than MEAs

In respect of some of the wider questions that need to be tackled (and that won't be in the Doha mandate), consider the following. What are the environmental and sustainable development implications arising from the progressive liberalisation of agriculture, and who is reviewing those?

As far as we can see, the industrialisation of farming that is now happening worldwide continues to lead to really very serious social and environmental impacts. One is the continued erosion of biological diversity: not only from encroachment into natural habitats cleared to accommodate ever larger industrial-scale farms, but also within the farmed landscape as ever more intensive methods are used to enable producers to better compete in international markets. Linked to these trends, and to the TRIPs agreement as well, is the progressive loss of the biodiversity that has been at the heart of food production for centuries – namely the crop varieties honed by farmers to grow and thrive in local conditions. These are now being lost and replaced by patented varieties reliant on branded chemicals available only from the giant transnational seed and agrochemical firms.

Policies to promote export-led development in the agricultural sector are also leading to an increasing concentration of land and power in the hands of fewer people with one result being the marginalisation and impoverishment of many others. By all means let us review the relationship of trade rules in respect of environmental ones, but let's also look at these more deep-seated trends too, including the ones related to the impacts of liberalisation on people. If we had an independent review of these issues, we might get somewhere.

Similarly with respect to the impacts of pollution and transport infrastructure needed to shift goods and services around the globe. Although there is a weak international treaty in place that is established to manage the climate change question, it seems that 'free' trade policies are pushing practice against the aims of the stated policy to reduce greenhouse gas reduction as goods circulate ever further between producer and consumer – virtually all under power from fossil fuels.

And what will be the environmental implications arising from the negotiations on Services and Investment liberalisation? Many colleagues around the world, not just in Friends of the Earth International but in a huge and growing coalition of civil society groups from north, south, east and west are gravely worried. Many foresee powerful TNCs competing with domestic industries and undertaking profit-maximization activities in a variety of environmentally- and socially-sensitive sectors with governments handing over their future ability to manage and intervene in these sectors to promote sustainability.

For example, my colleagues from Uruguay last week identified a whole raft of environmentally sensitive ‘service’ sectors named in a recent EU liberalisation ‘hit list’ for that country. These included construction and related engineering services, so called environmental services (such as water collection, purification and distribution, wastewater management, solid/hazardous waste management, and protection of biodiversity and landscape, plus all other environmental protection services not classified elsewhere), transport services (including maritime, internal waterways, rail, road and air freight), energy services (including services related to exploration and production, to the construction of energy facilities such as oil and gas pipelines and power lines, services related to energy distribution and transportation of natural gas and petroleum, and the wholesale, retail sale, trading and brokering of electricity and energy products), and tourism and travel related services.

Similarly with potential Investment liberalisation, both under the GATS negotiations or in any potential WTO investments agreement, there are comparable concerns. For example, what will be the impacts on government’s ability to direct and regulate investment in key sectors such as natural resource management – including forestry and mining. The potential introduction of a multilateral framework for competition policy in the WTO might also foster increased TNC penetration of and activities in domestic economies, with possible add-on impacts relating to the loss of regulatory flexibility to ensure that both TNC and domestic economic actors support the objective of sustainable development. These implications of the possible introduction of the investment and competition issues as negotiating areas in the WTO must be studied and fully understood. No negotiations on these issues must therefore be launched until that is the case.

The corporations have designed the system to suit themselves

We are in no doubt where the momentum for such a comprehensive liberalisation agenda comes from. We know that international business works tirelessly behind the scenes to keep governments on track for the next round of trade reforms that will deliver still more growth and profits. The International Chamber of Commerce, the TransAtlantic Business Dialogue, the Biotechnology Industry Organisation, the Intellectual Property Committee, various US business advisory committees, the Investment Network, the European Services Network, the LOTIS committee, the European Roundtable of Industrialists - that has a committee on foreign economic relations chaired by a former GATT DG - and others all speak as one on what needs to be done next.

Such is the pressure from companies for more liberalisation that it seems the traditional relationship between business and governments is being reversed. No longer is it the case that governments regulate industry, it seems more and more that it is industry writing the rules that will regulate governments.

Where next?

With these reflections in mind, you will no doubt be wanting to hear what we want instead. We have published a detailed analysis and proposals on what we believe would be a more sustainable approach to policy making in this area and these can be

found at the FOEI website (www.foei.org). To give you a flavour in the short time available now however, here are a few of our more important points:

New Economic Objectives

Simply attempting to maximise GDP is no longer sufficient. Trade liberalization and economic deregulation, combined with increased production and consumption, is leading to increased socio-economic inequity (especially between rich and poor countries and communities), increased environmental degradation (locally and globally) and increased resource use and pollution. In addition, the wealth generated tends to be very unequally distributed.

A credible and productive system should have as its goal the satisfaction of people's needs through the equitable and sustainable use of the planet's limited environmental capacities. Poverty eradication, social and cultural sustainability, intergenerational equity and human dignity, along with environmental protection, must be key objectives.

Economic Diversity

Another of our key points arises from our scepticism towards the one-size-fits-all approach applied to economic liberalisation. To that extent, one of our main messages is that economic diversity should be enhanced and protected as an alternative to the imposition of global rules.

The prevailing neoliberal economic model reduces self-reliance and encourages a high degree of dependence on the global economy. There is little or no room for diversity. This inflexible approach has proved particularly difficult for many poorer countries wishing to build-up infant industries, promote local employment, protect cultural diversity and/or restrict resource exports.

The right of countries, especially developing and least-developed ones, to develop and steer their economies, *within* parameters agreed internationally (concerning equity, human rights and global resource use limits, for example) and on the basis of democratic and participative decision-making (which effectively rules out old-style state-planned economies) towards the objective of sustainable development and the upliftment of the economic conditions of their peoples, should be clearly recognized, supported, and strengthened by the world trading system.

Economic Subsidiarity

Another key principle for Friends of the Earth International is the notion of economic subsidiarity. We simply don't see how sustainable development can emerge in a world where global rules are applied to local situations. More decision-making power must be returned to local communities and democratic institutions. This is not to say that *all* decisions should be taken locally. The nature of the issue in hand should determine whether it is dealt with locally, nationally, regionally or internationally. Implementing the principles of economic subsidiarity and economic democracy, with decision-making taking place at a number of different levels in a democratic manner, should enhance input from the local level, encourage diverse economies and provide checks and balances that discourage the abuse of power at any one level.

Rebalancing Trade

Linked to this is the wider question of relocalising economic strength. We don't hold what might be regarded as protectionist views in Friends of the Earth International, we rather see our approach as integrated, internationalist and based on the promotion of international cooperation. We do believe that for sustainable development to evolve from aspiration to reality that it will be necessary to rebalance trade such that local economic activity is promoted and enhanced. This should lead to changes in consumption patterns in rich countries and a corresponding improvement in the economic conditions of poor countries in ways that support sustainable development. People must have the right to strengthen protection of their local and national environments; to promote small-scale, sustainable economic activity; and to exert control over their local and shared natural resources. Local economies should be able to choose the extent to which they wish to be self-reliant, generating their own wealth and jobs while retaining the option to trade internationally if they wish. Deprioritising international trade, giving a higher priority to local and regional trade (and small and medium-sized enterprises) and promoting more local self-reliance, we believe is a prerequisite for sustainability.

Regulating International Companies

And with the Johannesburg Earth Summit looming ahead, we believe it is time to examine the relationship between international companies, the environment and the societies they affect. With this in mind, Friends of the Earth International is calling on world leaders to commit to talks that will result in a new Corporate Accountability Convention. This will bind companies, especially TNCs, to best practices wherever they operate. This will also recognize the rights of access over natural resources of local communities, and establish legal remedies through which local communities negatively affected by TNC operations may seek compensation and redress against the company on an international level.

Large international companies have become hugely powerful politically and economically, not least arising from their successful advocacy for a level playing field for business on the global stage. Our call is for this level playing field to be extended to the realms of environmental protection and social engagement. If there really is no race to the bottom taking place as a result of trade and financial liberalisation, then there should be no argument against this proposal.

Recognise the Ecological Debt

Finally, if there is to be a just foundation to international economic relations, a vital early step must be the cancellation of financial debt and the recognition of the growing ecological debt owed by the North to the South. Impoverished countries must be allowed the space to invest in more sustainable development policies and to permit changes in production and consumption patterns. Debt eradication should not be linked to export-led development, as debt relief is at the moment.

In conclusion, free trade is not the same as sustainable development. Trade is a potent tool that can advance the cause of sustainability, but that is by and large not happening in a focussed or deliberate manner: either with respect to policy or practice. A process of reform is absolutely necessary, and it must begin with the post-Doha negotiations.