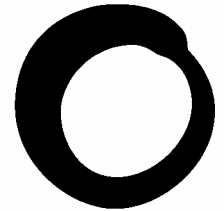


September 2005



**Friends of
the Earth**

Briefing

Keep Poverty History

"Free" trade and NAMA v sustainable development

While the G8 focussed attention on increasing aid and debt relief as tools to combat poverty, relatively little of substance was said about trade as the third leg of the development stool.

As the world now shifts attention to the December meeting of the World Trade Organisation (WTO), the UK Government and European Commissioner for Trade Peter Mandelson will repeat their assertions that market access for developing countries is the answer. This belief is unsupported by the facts, as a leaked document from the Department for International Development shows. Far from making poverty history, "free" trade is in fact making matters worse, increasing poverty and making it even harder to escape.

Trade policy must be refocused or any gains developing countries make in aid and debt relief will be lost to "free" trade. This briefing shows why this is so and how current "solutions" are short term at best. It also lays out what Friends of the Earth thinks should happen instead and what elected representatives can do to help.

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While the G8 in July 2005 focussed attention on increasing aid and debt relief as tools to combat poverty, relatively little of substance was said about trade as the third leg of the development stool.

As the world's poverty discussions now shift attention to the approaching December meeting of trade Ministers in Hong Kong for the VIth World Trade Organisation (WTO) Ministerial, the UK Government and European Commissioner for Trade Peter Mandelson will repeat their assertions that market access for developing countries is the answer. This belief is unsupported by the facts – leaked documents show that even the UK Government admits it is having trouble proving that “free” trade works.ⁱ Yet the automatic promotion of the current economic model continues, so politicians and unelected trade officials are repeating promises they cannot deliver.

Friends of the Earth believes that far from making poverty history, “free” trade is in fact making matters worse, increasing poverty and creating a political situation that makes it even harder to escape. It also threatens to cut away the safety net poor people rely on when times get tough. Despite the growth of world trade, the current approach pitches high level economic gains against the rights of individuals to protect their livelihood and their natural environment.

To create lasting poverty eradication, trade policy, including in the UK and EU, must be refocused or any gains developing countries make in aid and debt relief will be lost to “free” trade. This has lead critics to call the “dressing up of World Trade Organisation measures under the cloak of humanitarianism and international aid [as] perhaps the most successful aspect of the G8 summit's spin offensive.”ⁱⁱⁱ

The cost of “progress”

Trade could be part of permanently ending poverty North AND South. Yet crucial aspects of how to use trade to secure this are rarely properly debated or included in trade policy. Instead the “free” trade juggernaut carries on. Excluding these key considerations limits the ability of those policies to provide lasting solutions to poverty, rendering them short term plasters on huge wounds. Calling this progress and promising improvement later does little for the individuals and communities plunged into poverty or the ecosystems destroyed by such policies today. There is a better way.

Trade does not occur in a vacuum, and trade policy must consider more than economic growth to deliver promises of poverty eradication. Humanity needs healthy functioning ecosystems for survival. By 2065 the financial burden of natural disasters and climate change will outstrip total world economic output, and developing countries will be hit hardest – both because climate change will hurt them more and because they have fewer economic reserves to rally to help.ⁱⁱⁱ This means that without forward-thinking trade policy that includes the need to address climate change, we will all be in the red within 60 years.

Some 70 per cent of the world's poor live in rural areas and depend on their local environments for their daily survival, yet it is precisely these communities who pay the highest price for “free” trade. Since there are direct links between economic globalisation, environmental degradation and rural poverty, any environmental damage caused by trade

directly threatens to make poor communities poorer.^{iv} In many parts of the world, pressure from “economic development” on the natural environment, already under threat, is increasing as forests are logged to make way for plantations and agricultural land is cleared for “development”. This threatens the already beleaguered Millennium Development Goals of hunger eradication, improved health, etc agreed by the UN.^v

Yet current trade rules omit these costs of economic growth – the cash value of the lumber from a forest figures in GDP, but the value of the damage caused does not. Losing forests has a very high, if not irreparable, cost for those who rely on them functioning properly.

If the way trade is used to eliminate today’s poverty causes more long-term harm than it fixes, the benefits will soon evaporate, and poverty will return with a vengeance. The Millennium Ecosystem Assessment identified refocusing economic policy, like trade rules, as a key aspect of preventing this.^{vi}

Sadly trade negotiations too often focus on playing the system for national advantage – with many countries and corporations in the developed world benefiting from maintaining the status quo. Politicians are often driven by the short-term considerations. Tackling poverty through the trading system, which could bring short-term as well as long-term gains, requires a different, more comprehensive approach.

Friends of the Earth believes that the value of the environment and the services it performs for humanity (like cleaning our air and growing our food) must be combined with the moral imperative to end poverty. When costed, the value of these environmental services towers over current human capacity to replace them, even if we could. Such services must be properly taken into account now in developing trade policy, not later. We should not be aiming to make poverty history, but to keep poverty history.

NAMA – is market access the cure, or another poison?

In few places is the discrepancy between what is promised and what is delivered clearer than in the WTO. One of the areas of negotiations currently underway at the WTO centres on Non-Agricultural Market Access, or NAMA. The final coverage of these talks is likely to include a wide array of resources from forest products (like timber and paper pulp) to fish, gems and minerals, including oil. The talks exemplify the drive to make trade “free” and will ease access for our businesses to the natural resources of other, generally poorer, countries and communities. The UK Government strongly supports NAMA despite considerable drawbacks.

Market access is regularly advocated by campaigners and decision makers alike as the key to poverty eradication – but it’s not as simple as that. In fact, the current market access talks are set to drive people further into poverty now and prevent them from escaping it.^{vii}

Since the launch of the so-called “development Round” in Doha, Qatar in 2001, developing countries have come under increasing pressure to accept a joint Canada, EU, US proposal on NAMA. The proposal sets an ambitious target for reduction of tariffs (taxes). Despite repeated rejection by developing countries, the proposal was forced onto the agenda again in July 2004 and now acts as the basis for talks in the run up to December’s WTO Ministerial meeting in Hong Kong.

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Friends of the Earth fears that an agreement on NAMA will increase pressure on natural resources and make it harder for governments to protect their environments. For example:

- NAMA is likely to increase pressure on natural resources rather than encourage sustainable use - historical patterns show that increased international trade causes prices to fall in consuming countries, which in turn leads to increased extraction as producing countries try to retain a decent income;
- the weakest will be hit hardest, and existing problems will be made worse – NAMA will prevent countries with weak or failing environmental or social protections using tried and tested tariffs to help curb damage (eg, if a country uses export taxes to help protect its forests in the face of widespread illegal logging, removal of those taxes will increase pressure on those already threatened forests);
- non-tariff barriers (NTBs, like labelling regulations) are called “barriers” to trade that need to be removed, but there is no agreed definition of NTBs. Friends of the Earth has uncovered a growing list of complaints about such “barriers” that WTO members want removed. These include things like labels on dolphin-friendly tuna, promoting domestic goods, basic safety requirements on imports of food, cosmetics, chemicals and viruses and the use of the CE mark in the EU. One complaint simply objects to “all technical standards”. Hundreds of such “notifications” now threaten to cut a huge swathe through hard-won protections in areas like fuel efficiency, animal welfare, recycling, and human health and safety.^{viii}

Furthermore research by War on Want has shown how this kind of market access will not lead to wealth for the developing world as promised, but will in fact lead to deindustrialisation as Governments are prevented from fostering diversification in their economies in the face of direct competition from established businesses from developed world.^{ix} Research to be released by Friends of the Earth on 9 November 2005 shows that the threats to social and environmental stability are equally serious.

A poor rural woman relying on a nearby forest for everything from food to shelter to medicine, as a shield against disease and a flood defence, will not thank the EU or the UK for chopping it down with a promise of future benefit.

Empty “Promises” from UK and EU - strategy and policy in conflict

The UK Government appears to agree that sustainability should be our overriding objective, but UK trade policy runs counter to this ambition. If NAMA threatens social, economic and environmental sustainability, UK support for NAMA cannot meet the needs of a “development Round” or their own “Promise” to create a “one-planet economy”. The secrecy and lack of democratic accountability in developing trade policy at both UK and EU level are a significant part of the problem.

The UK Government is actively promoting NAMA, which includes areas they acknowledge to be highly sensitive (like forests and fisheries). They do so despite the fact that they neither Department of Trade and Industry (DTI) nor the Department for Environment, Food and Rural Affairs (DEFRA) are planning or considering any impact assessments to find out what the real life results of NAMA would be.^x In fact, a leaked document from the Department for

International Development reveals that the UK Government plans to step up the propaganda offensive at home to make the case for an agreement on NAMA, admitting something that Friends of the Earth has long known: they cannot adequately back up their support for “free” trade because of “the difficulty to produce clear cut examples of the benefits of liberalization,” as they put it.^{xi} This approach leads Friends of the Earth and others to conclude that far from leading the search for solutions to global poverty and its causes, the UK Government is part of the problem.^{xii}

Launching the UK’s new cross-Government Sustainable Development Strategy in March this year, both Tony Blair and Margaret Beckett extolled the virtues of action at “all levels of Government” to secure a “future for everyone”.^{xiii} DEFRA is charged with taking the strategy forward. A new independent Commission headed by former Friends of the Earth Director Jonathan Porritt acts as watchdog on Government performance.^{xiv} It is a big job.

The Strategy unveiled a series of “Promises”, “Actions” and “Challenges” from Government as part of its “taking it on” approach. Among these is the “Promise” that DTI and others will develop a “one planet economy” that does not shift our environmental burdens onto other countries.^{xv} This should be a welcome advance.

However, the Government’s trade policy continues to run counter to these goals, calling into question their commitment to the Strategy. The Government continues to assert that trade liberalisation and environmental protection are “mutually supportive” – in fact the Strategy even adds sustainable development to the equation.^{xvi} However, Friends of the Earth requests for the information providing the foundation for this assertion, and to explain related fundamental contradictions in the Government’s 2004 White Paper on trade, have yet to be supplied.^{xvii} We also await answers to our questions about how it is possible to so vigorously support NAMA before this foundation work is done.^{xviii}

Simply “Promising” that trade, environment and sustainable development will be mutually supportive without taking concrete action to bring trade policy into line with sustainable and just practice amounts to little more than spin.

These problems are magnified at EU level, where secrecy, lack of democratic accountability and reluctance to engage with the free press have become the hallmarks of trade policy development and implementation.^{xix} The UK has no direct voice at the WTO, and Peter Mandelson now represents all EU countries there in his unelected role as European Commissioner for Trade. EU trade policy and negotiating strategy are set by the highly secretive Committee 133. Friends of the Earth complained to the European Ombudsman about the lack of access to information about this committee. The Ombudsman criticised such secrecy in his findings and advised the Commission to find better ways to include citizens in their discussions and negotiations.^{xx}

Commissioner Mandelson does not appear to have a sustainability agenda or to understand the issues – his stated policy is to pursue European economic interests first and to consider the other two “pillars” of sustainability (social and environmental interests) only where they complement EU competitiveness.^{xxi} He denies that NAMA poses a threat to the environment, and claims “we can set our standards as high as we want.”^{xxii}

Days after making this statement, the EU issued notification of trade “barriers” it wants other countries to remove under the NAMA negotiations – all export taxes on all goods in all

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countries regardless of the reasons such taxes are put in place.^{xxiii}

Export taxes are a tried and tested, cheap and easy tool used by many countries to help protect social and environmental standards that they cannot otherwise afford to maintain. For example, Nepal applies tariffs to around a dozen wood and stone exports specifically to prevent environmental degradation.^{xxiv} Friends of the Earth Indonesia found that when the IMF forced Indonesia to reduce export taxes on forest products in 1998, “millions of cubic meters of logs from both legal and illegal supplies flooded out of the country,” forcing down international prices, undercutting Indonesian attempts to regulate forest use.^{xxv}

It appears the EU reserves the right to set our own standards “as high as we like” but will prevent others from doing the same, even if they have a good reason for doing so. The recent use of protectionist practices by the EU in the so-called “Bra wars” further demonstrates that the EU promotes one set of ideals for itself and another for everyone else.

Friends of the Earth has written to Secretary of State for Trade and Industry Alan Johnson and Secretary of State for Environment, Food and Rural Affairs Margaret Beckett asking how the UK Government can support an approach so clearly in contradiction to its own Sustainable Development Strategy and what those Ministries are doing to help drive a more sustainable approach forward in Europe in line with the “Promises” in that Strategy. We are concerned that unless the issue of democratic accountability is addressed, UK and EU trade will continue to be driven against the wishes of its people at the expense of others amid empty rhetoric about poverty alleviation.

Making trade work against poverty and for sustainability

Pursuing sustainability is not a matter of pitting environment against development. Truly sustainable development, a goal agreed at least superficially by most players, requires a more careful approach. The so-called “developed” world is far from being able to claim a sustainable approach or globally just behaviour, as the damage to communities and their environment caused by the unaccountable operation of our multinationals testifies. In this light, the drive by many to draw poorer countries into the current consumption-based trade system is both self-defeating and uncharitable in the long term.

Developing country governments are wary of creating categories of “permitted” interventions in the “free” market. Their experience of wealthy countries manipulating WTO processes and failing to take promised action (say in eliminating agricultural subsidies) leads them to fear environmental protection will also be manipulated for illegitimate protectionist means. Yet as the hosts of the vast majority of the world’s natural resource extraction, limits on the lengths to which multinational companies may go in retrieving those resources and effective mechanisms to redress violations of those limits, are vital to any poverty eradication program.

NAMA is a recipe for the opposite. Rather than find “a new kind of development” for both North and South that addresses our need to change what we consider “developed” behaviour, NAMA seeks to increase access to fragile systems for unaccountable businesses while removing the ability of home country Governments to regulate such access.^{xxvi} UK and EU support for NAMA belies, at best, a comprehensive failure of those authorities to do what

is required to even begin to meet their public rhetoric on both poverty and sustainability.

We cannot allow this to happen and call it a “pro-poor” outcome at the WTO.

Friends of the Earth demands that:

- the WTO negotiations must be halted;
- the WTO must not be used to lower hard-won environmental and social standards;
- full impact assessments must be conducted in all areas and the results properly integrated into any future negotiations; and,
- sensitive areas like fish and forests must be removed from NAMA altogether.”

What can UK MPs and MEPs do to help?

Normal democratic checks and balances should permit elected representatives to scrutinise proposed trade policy and negotiating positions to ensure that they are appropriate and meet the promises made by Government. The current use of unelected secretive committees who report to other unelected bodies to formulate trade policy erodes the legitimate authority of MPs and MEPs to do their job for us.

The issues discussed above are only part of the problem, and Friends of the Earth is seeking to re-establish proper democratic authority. We encourage MPs and MEPs to help by:

- writing to the UK Government asking for assurances that the “Promises” made in the UK Sustainable Development Strategy will inform all UK trade policy development and implementation;
- asking Parliamentary questions or questions during Prime Minister’s Question Time about the issues discussed above;
- encouraging other elected representatives to engage with these issues so we can begin to ensure that environmental sustainability takes an appropriate place in trade, so we can in turn make lasting inroads into poverty eradication North and South.

We would be happy to discuss any of these issues further, including ways MPs and MEPs can work with their constituents to help make trade work for developed and developing countries alike, now and for the future.

Friends of the Earth resources on the WTO and NAMA

- www.NAMAwatch.org – a tri-lingual one-stop-shop website for official documents, research and critical voices on the WTO negotiations
- *Nature: Poor people’s wealth - the importance of natural resources in poverty eradication*, see <http://www.foei.org/publications/pdfs/poverty.pdf>
- *Can’t see the woods for the trees* - Friends of the Earth’s research on the impacts of NAMA on forests and the people who depend on them, available from 9 November 2005

Endnotes

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- i See FOE press release “Geneva trade talks threaten environment”.
http://www.foe.co.uk/resource/press_releases/geneva_trade_talks_threat_26072005.html
- ii <http://www.corporatewatch.org.uk/?lid=1807>
- iii Working Group on Climate Change, *Up in Smoke*, October 2004.
- iv <http://www.foei.org/publications/pdfs/poverty.pdf>
- v *“Any progress achieved in addressing the MDGs [Millennium Development Goals] of poverty and hunger eradication, improved health, and environmental protection is unlikely to be sustained if most of the ecosystem services on which humanity relies continue to be degraded...An effective set of responses to ensure the sustainable management of ecosystems requires changes in institutions and governance, economic policies and incentives, social and behaviour factors, technology and knowledge. Actions such as the integration of ecosystem management goals in other sectors, increased transparency and accountability of government and private-sector performance in ecosystem management...promotion of technologies enabling increased crop yields without harmful environmental impacts...and the incorporation of non-market values of ecosystems in management decisions could all substantially lessen the severity of these problems in the next several decades.” Millennium Ecosystem Assessment, Summary for decision makers, March 2005.*
- vi Ibid.
- vii WTO agreements lock members in to “progressive liberalisation”, so countries who find their circumstances worsen cannot adjust their policies to meet new needs. WTO negotiations are agreed in a “Single Undertaking” (all talks in all areas are either accepted or rejected as a whole), so considerable pressure can be exerted on countries to make concessions in, say GATS (services) or NAMA, in order to get what they need in, say, Agriculture. The combination of these pressures leads countries to accept “agreements” that are bad for them in more ways than they are good.
- viii http://www.foe.co.uk/resource/media_briefing/ntbsanalysis.pdf
- ix War on Want, *The Doha Deindustrialisation Agenda: Non-Agricultural Market Access Negotiations at the WTO*, April 2005.
- x Meeting with DTI, 8 April 2005.
- xi Copies of the document, headed “Negotiations on tariff reductions: discussing the evidence” seen by Friends of the Earth.
- xii Friends of the Earth, War on Want, People and Planet and WDM, *2005 and Sustainable Development: Why the UK Government is Part of the Problem – Gleneagles update*, July 2005.
- xiii The full quotes read: Tony Blair: *“By joining up thinking and action across all levels of government, and by setting long term objectives, the Government is dedicated to securing the future for all.”* Environment Minister Margaret Beckett, *“Sustainable development is vital to building a decent future for everyone.”*
- xiv <http://www.defra.gov.uk/news/2005/050307b.htm>
- xv UK Government, *Securing the Future: Delivering UK Sustainable Development Strategy – Promises Actions and Challenges*, March 2005.
- xvi Ibid.
- xvii The Trade and Investment White Paper 2004 dedicates five pages to outlining the need for accelerated liberalisation in agriculture, and repeats the “need to ensure mutual supportiveness between trade rules and environmental rules”, but justice and sustainability get short shrift. For example, the White Paper goes on to note that agricultural liberalisation hits women smallholder farmers hardest (suggesting that they may find opportunities working for “larger-

scale firms” – perhaps those that drove them out of business). More tellingly, the DTI Economic Paper No 10 *Liberalisation and Globalisation: Maximising the Benefits of International Trade and Investment* (the economic back up for the White Paper) states clearly, “Modelling and empirical case studies are consistent in identifying the risk of potentially negative environmental and social impacts from agricultural trade liberalisation in developing countries.” When questioned by Friends of the Earth about how the Government could push liberalisation forward in a so-called “development Round” of WTO negotiations when its own data showed the damage it would cause, the DTI replied that a variety of competing demands “had to be brought together in a document to win hearts and minds to the wider vision [of the need for free trade].” No other basis for the approach has yet been forthcoming. See Trade Policy Consultative Forum notes 22 July 2004.

- xviii Meeting of the Trade Policy Consultative Forum, 12 September 2005.
- xix “Mandelson 'is like an illegal street hawker”’, <http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2005/04/03/nmand03.xml&sSheet=/news/2005/04/03/ixhome.html>, 3 April 2005.
- xx The full quote reads: “*The Ombudsman finds that even if the limitations on public access imposed by the nature of the negotiations within the WTO framework are legally acceptable, regard has to be had to the expectations of many citizens towards greater transparency and openness in this important policy area. Particularly so, in view of the recognition of the importance of transparency in the WTO's Guidelines and Procedures for the Negotiations on Trade in Services. Transparency cannot be attained by entirely excluding public access to information. The Ombudsman believes that it would therefore be advisable for the Commission to consider additional means which may render these negotiations more open and transparent for the citizens, and thus facilitate public access to the exchanges among the parties.*” Decision of the European Ombudsman on complaint 1286/2003/JMA against the European Commission, 19 October 2004.
- xxi BBC Today Program, 6 December 2004.
- xxii Meeting with Friends of the Earth, 13 May 2005.
- xxiii World Trade Organisation document TN/MA/W/46/Add.12, 24 May 2005.
- xxiv www.mof.gov.np/economic_policy/pdf/Tax_Policy.pdf
- xxv Longgena Ginting, Longgena Ginting, International Campaign for Ecological Justice in Indonesia, *Forests, People and Rights, Down to Earth Special Report*, June 2002.
- xxvi The full quote reads: “*In a nutshell: We need a crash program of energy sector decarbonisation, around the world, and the only way we’re going to get it in time is if the developed and developing countries make the right sort of deal. Leave aside the details, and it comes to this: The developed world is going to have to ante up. In exchange, the South is going to have to agree to a new kind of development, one that produces as little carbon as possible. And none of this is going to happen, not fast enough, unless the poor and vulnerable are protected along the way.*” Tom Athanasiou, “A glass half full? The Kyoto Protocol, and Beyond”, February 2005, see <http://www.fpif.org/papers/0502glass.html>