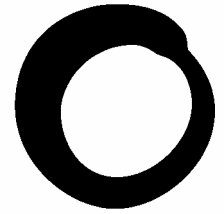


June 2006



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Evidence

Friends of the Earth's evidence to the
Environmental Audit Committee on
International Trade and the WTO

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1. WTO, natural resources, poverty and livelihoods

1.1 Ecosystem degradation can be the principal factor causing poverty

1.1.1 It is increasingly recognized, including at the intergovernmental level, that access to natural resources is a key aspect of both avoiding and escaping poverty. The UN Millennium Ecosystem Assessment, for example, states that *"the degradation of ecosystem services is harming many of the world's poorest people and is sometimes the principal factor causing poverty"*. It also argues that *"The world's poor depend disproportionately on ecosystem services to provide for their systems of small-scale agriculture, grazing, harvesting, hunting and fishing. Without access to infrastructure providing safe drinking water, electricity, fuel and transportation, poor people rely on natural sources of clean air and water, fertile soil, renewable energy and biodiversity to meet their needs."*¹

1.1.2 *The Wealth of the Poor: Managing Ecosystems to Fight Poverty*, a recent report from the World Resources Institute, the World Bank, the United Nations Environment Program and the United Nations Development Program, also argues that natural resources represent a route out of poverty for the impoverished: *"three-fourths of them live in rural areas; their environment is all they can depend on. Environmental resources are absolutely essential, rather than incidental, if we are to have any hope of meeting our goals of poverty reduction."*²

1.1.3 Forests and livelihoods

In addition, the Food and Agriculture Organization (FAO) published a research report on the links between trade and sustainable forest management in 2004. It found that, *"In many developing countries, domestic forest products trade is important for economic development and the livelihoods of rural communities, even if it may appear to contribute relatively little to gross national product."*³ According to FAO, *"more than 350 million people living in, or next to dense forests rely on them for subsistence or income"*. Sixty million indigenous people are almost wholly dependent on forests. A further 13 million people are employed in the formal forestry sector.⁴

1.1.4 Fisheries and livelihoods

The fishing industry provides livelihoods and essential nutrition for millions of people across the globe. Fish accounts for over 15% of animal protein intake globally, and is an important factor in national food security for many developing countries.⁵ Furthermore, developing countries provide 70% of all of the fish consumed by people worldwide, although most of it is channelled to wealthy nations.⁶ 38 million people are employed in small-scale artisanal

¹ *Ecosystems and human well-being: synthesis*. Millennium Ecosystem Assessment, Washington D.C., Island Press, 2005.

² *Report Series: World Resources 2005 -- The Wealth of the Poor: Managing ecosystems to fight poverty*, New York. United Nations Development Program, United Nations Environment Program, The World Bank, World Resources Institute, 2005. See <http://population.wri.org/worldresources2005-pub-4073.html>

³ See www.fao.org/documents/show_cdr.asp?url_file=/docrep/008/y5918e/y5918e02.htm

⁴ See

<http://www.fao.org/forestry/foris/webview/forestry2/index.jsp?siteId=5361&siteTreeId=20188&langId=1&geoid=0>

⁵ Food and Agriculture Organization Fisheries Department (2004), *The State of World Fisheries and Aquaculture*, Rome.

⁶ Ibid.

fishing around the world and they are responsible for 45% of global fish production.⁷ These small-scale fishermen and women are overwhelmingly poor.

1.1.5 Proposals to eliminate tariffs on fish and fish products could have serious negative impacts on fish stocks if accepted. Almost 70% of tradable fish is still obtained from wild harvest, which already places extreme pressure on the oceans' resources. The proposed tariff reductions in the NAMA negotiations will increase incentives to fish internationally, especially with large commercial trawlers, in turn fuelling further exploitation. Artisanal fisheries are more rational and equitable than industrial fishing fleets in their exploitation of fish resources. The cumulative loss of artisanal ecological knowledge will seriously undermine the appropriate management of fish resources.⁸

1.1.6 With respect to fisheries, local fishers and poor fishing communities would increasingly suffer the impact of dying seas, as large commercial fleets take many of the highest quality fish. If coastal nations with strong domestic markets such as Ghana and Cameroon are forced to lower tariffs under liberalization, the likelihood exists that imports will be forced upon them, undermining local fishing industries and food security.

1.2 Ecosystems are already severely degraded

1.2.1 Natural resources are already in a severely depleted state. About one quarter of the land area of the world – or 3.7 billion hectares – is covered by natural forests, for example. Existing forests are already diminishing fast. Over 56,000 square miles of natural forest are lost each year. Fifty-seven percent of the world's forests, including most tropical forests, are located in developing countries and more than 50 percent of the world's terrestrial species are found in tropical forests.⁹ Primary forests -- that is forests with no visible signs of past or present human activities -- account for 36 percent of total forest area, but are being lost or modified at a rate of 6 million hectares a year through deforestation or selective logging.¹⁰

1.2.2 Fishing stocks are being depleted globally due to increased fishing by fleets from industrialized countries, some of which have commercial agreements with developing countries to fish in their waters. Although fish capture from the wild has stagnated in the past 10 years, even decreasing in the last recorded years (2001-2002), the world's supply of fish is nearly exhausted with over 70% of wild fish stocks fully exploited, overexploited, or depleted. Any additional overfishing - which could be triggered through trade liberalization agreements – is likely to cause species to become commercially extinct and seriously hinder the process of their regeneration.

1.2.3 The UN Millennium Ecosystem Assessment states that “over the past 50 years, humans have changed ecosystems more rapidly and extensively than in any comparable period of time in human history, largely to meet rapidly growing demands for food, fresh water, timber, fiber and fuel. This has resulted in a substantial and largely irreversible loss in the diversity of life on Earth. In addition, approximately 60% (15 out of 24) of the ecosystem services it examined are being degraded or used unsustainably, including fresh water, capture fisheries, air and water purification, and the regulation of regional and local climate,

⁷ *Managing Artisanal Fisheries*, Sebastian Mathew, International Collective in Support of Fishworkers. See www.icsf.net/jsp/english/presentations/presentationDocs/1117619186883

⁸ Source: Research from Friends of the Earth US due to be published shortly.

⁹ See <http://www.worldwildlife.org/forests/basic/facts.cfm>

¹⁰ See <http://www.fao.org/newsroom/en/news/2005/1000127/index.html>

natural hazards, and pests.”¹¹

1.3 Natural resources prioritised for liberalization in the WTO

1.3.1 Despite increasing governmental and intergovernmental concern about the declining state of the global environment (as outlined above), and the impact that this ecosystems degradation will have on the world’s poorest, some governments are focusing on the complete liberalization of natural resources within the WTO’s Non-agricultural Market Access (NAMA) negotiations.

1.3.2 Aiming for complete liberalization

The following sectors have all been proposed, by groups of countries, for a ‘sectoral’ approach, with a view to complete liberalization. If agreed, this means that these sectors would be opened up more sharply and rapidly than other non-agricultural sectors also included in the NAMA negotiations:

- Forest Products, proposed by Canada, Hong Kong China, New Zealand, Thailand and the United States (WTO paper TN/MA/W/64, 18 October 2005).
- Fish and Fish Products, proposed by Canada, Iceland, New Zealand, Norway, Singapore and Thailand, (WTO paper TN/MA/W/63, 18 October 2005).
- Gems and Jewellery, proposed by Hong Kong China, Japan, Taiwan, Singapore, Thailand and the United States (WTO paper TN/MA/W/61, 21 September 2005).
- Primary aluminium, proposed by the United Arab Emirates (this paper also contains a proposal to table *all* raw materials for sectoral tariff elimination) (WTO paper TN/MA/W/37/Add.1, 28 May 2004).
- Ores, oil and copper products, also proposed by the United Arab Emirates (WTO paper TN/MA/W/37/Add.2, 28 May 2004).

1.3.3 Partial liberalization

In addition, all natural resources are also included under the ‘formula-based’ aspects of the NAMA negotiations. In other words, once a formula has been agreed it will be applied to all sectors, including natural resources. A low level of tariff lines (possibly between 5 and 10%) may be exempted but this is most unlikely to be sufficient to allow for the protection of natural resources, especially in countries dependent upon high levels of natural resource exports. It could also increase domestic tensions in countries as different sectors demand protection.

1.3.4 The WTO’s negotiations on the General Agreement on Trade in Services (GATS) are also relevant to natural resources, because they currently include proposals to open markets in various countries in a wide range of relevant sectors including energy (its extraction, generation, production and transportation), transport, water, travel and tourism, construction and park management (see below), all of which could clearly impact on biodiversity and access to water resources if commerce in these service areas increases. Negotiations to establish a horizontal mechanism regulating domestic standards (akin to the Technical

¹¹ See <http://www.millenniumassessment.org/en/global.condition.aspx>

Barriers to Trade (TBT) Agreement on goods) could also place serious constraints on the rights of governments and citizens to regulate to protect the environment and people at the national level, and their ability to control the activities of transnational service corporations (see below).

1.3.5 GATS incorporates health, education, water and education services, which are publicly run in many countries. Evidence shows that liberalization and privatization in these sectors is likely to result in higher costs for essential public services, such as water, energy, sanitation and transportation, which will again impact most heavily on the poorest communities. For example, when electricity was privatized in Colombia, and Spanish corporations Endosa and Union Endosa took over, prices for some people rose 500% above the initial average price. Similarly, water prices in Cochabamba, Bolivia, increased by 100-200% for some people following privatization, resulting in public protests, strikes and marches in April 2000 and leading to the termination of Bolivia's contract with water company Bechtel.

1.4 Trade liberalization could aggravate damage to ecosystems

1.4.1 Within the WTO little attention seems to be paid to the potential environmental and social impacts of the liberalization of natural resources. The WTO's Committee on Trade and Environment (CTE) is officially mandated, in paragraph 51 of the Doha Declaration, to *"act as a forum to identify and debate developmental and environmental aspects of the negotiations, in order to help achieve the objective of having sustainable development appropriately reflected"*. It has not done this. The only way in which the CTE has engaged with the NAMA negotiations, for example, is to discuss the issue of whether there should or should not be a list of environmental goods sectors to liberalize. It has not addressed the issue of natural resources liberalization. Furthermore, Pascal Lamy, Director General of the WTO, confirmed that multilateral sustainability impacts assessments are a 'very tricky area' in the WTO and must remain 'a national tool'.¹²

1.4.2 The positions of Japan and Korea on forests and fisheries

However, a few countries have taken account of the potential impacts on the environment and the livelihoods of those dependent upon natural resources and have taken positions ostensibly based on these concerns (although it must be said that there may also be associated trade advantages for them). These include Japan and South Korea. Japan has opposed the sectoral negotiations on forests and fisheries, and Korea has taken a similar position in relation to fisheries. Japan has this to say:

"A zero-for-zero approach in the fishery sector should not be pursued since it will abolish all tariffs regardless of the level of fishery resources, the management status and the importance of fisheries and fishing communities in each country. It will also add an extra pressure to the resources through inducing catches beyond the renewable capacity of resources, thereby impeding sustainable development of fisheries."

"Japan does not support the idea to call for further sector-specific tariff reductions in the forest products sector, including zero-for-zero and harmonization, in addition to the general tariff reduction formula, since it ignores the conditions and the management of forests in each country, seriously impedes the promotion of sustainable forest management, and does

¹² In response to a question, meeting with civil society groups, 17 October 2005.

not represent the position of importing countries.”¹³

1.4.3 The position of the European Union on forests, fisheries and other resources

The sectoral negotiations on natural resources are not supported by the European Union either. A number of sustainability impact assessments (SIAs) commissioned by the European Commission, indicate that trade liberalization could indeed have some serious negative impacts on natural resources and livelihood: *“The sectoral SIAs for agriculture, forests and fisheries have all identified significant adverse environmental trends that may be exacerbated by the trade liberalisation scenario, unless countered by appropriate mitigating policies.”*¹⁴

1.4.4 The EC’s ‘Global Overview’ SIA states that *“Due to prevalent tariff escalation in many developed countries and especially in developing countries, full trade liberalization would lead to increased production and trade in selected countries and products.”* Furthermore, the forest products SIA demonstrates that there are likely to be significant and irreversible impacts on forests and biodiversity in ‘biodiversity hotspot’ countries such as Brazil, Indonesia, countries in the Congo Basin and Papua New Guinea. In addition, countries that currently protect their forest industries using trade measures can expect those industries to shrink and possibly collapse.¹⁵

1.4.5 As a result of these SIAs, the EU’s position changed shortly before the Hong Kong Ministerial, and is now as described on the EC’s External Trade website: *“The EU is not pushing for an extra sector by sector effort to liberalise trade in natural resources such as fish, forestry and mining. An independent sustainability assessment for forestry carried out for the EU shows that existing problems of forest governance could be exacerbated by far-reaching trade liberalisation where this is not accompanied by complementary measures to improve forest management.”*¹⁶

1.4.6 Maintaining and strengthening the EU position

It is critical that the EU maintains this position even if there is internal dissent from forest product exporting countries. In any internal European debate the UK should strive to ensure this position is maintained and indeed strengthened: natural resources should be entirely exempted from both the full *and* partial liberalization scenarios.

1.4.7 Furthermore, both the UK and EU trade negotiating teams are in an excellent position to ensure that the sectoral negotiations on natural resources are formally removed from the Doha agenda. Each set of negotiations is required to have ‘critical mass’. That is, some 90% or so of governments engaged in world trade in the sector should be involved. Without the support of the EU and Japan and in the case of fisheries, Korea, that critical mass cannot be achieved and there is no point in continuing the negotiations. The EU should also resist any inducement to change position and sign up to the sectoral, if it is framed as an extension of the existing plurilateral Pulp and Paper Agreement, which the EU

¹³ TN/MA/W/15/Add.1

¹⁴ *Final Global overview trade SIA of the Doha Development Agenda*, commissioned by the European Commission, p67, see http://trade.ec.europa.eu/doclib/docs/2006/april/tradoc_128269.pdf

¹⁵ *Sustainability Impact Assessment of Proposed WTO Negotiations: Final Report for the Forest Sector Study*, Marko Katila and Markku Simula, Savcor Indufor Oy, Finland, in association with the Institute for Development Policy and Management, University of Manchester, UK, with financial assistance from the Commission of the European Communities, 19 June 2005 <http://www.sia-trade.org/wto/final%20report%20page.shtml>

¹⁶ http://ec.europa.eu/comm/trade/issues/newround/hk/environment_en.htm

and Japan and signatories to.

1.4.8 In discussion with Friends of the Earth a number of developing country negotiators (including India, South Africa and the Philippines) have also reacted very positively to the linking of natural resources, poverty eradication and the protection of livelihoods, and the idea of removing natural resources from the negotiations in one way or another. It therefore seems that there is a significant opportunity for a wide range of governments, from both North and South, to agree to remove natural resources from the WTO for developmental reasons.

1.4.9 The UK and EU should also strive to prevent the forest products industry being permitted undue influence over the course of forest product negotiations. The Santa Catalina group of forest industry associations appears to enjoy unique access to WTO trade negotiators in Geneva and at WTO Ministerials such as that held last December in Hong Kong. This interest group is clearly permitted to drive negotiations to liberalize the forest sector even though it is in direct competition with the needs of Indigenous Peoples for remaining forest resources¹⁷. Some governments freely admit that corporate lobby groups can confidently invite and enjoy the company of trade negotiators and even Ministers when they hosts Roundtables at WTO Ministerials.¹⁸ Yet other stakeholders, such as affected Indigenous Peoples, have no such say in the course of negotiations that could cause them to lose their livelihoods.

1.4.10 The EU challenge to export restrictions

The EU's position on export taxes is inconsistent with its position on natural resource sectoral negotiations. The EU is challenging *all* taxes and duties that countries apply to their exports, through a horizontal challenge in the NAMA non-tariff barrier (NTB) negotiations. These are generally used by developing countries to tax the exports of natural resources and agricultural products. In one of its initial submissions on this issue, the EU clearly identified "*minerals and metal products*" and "*woods, and forestry products*" as being two of its three predominant areas of interest (along with "*textiles, leather, skins and hides*").¹⁹ This is important to note, because it conflicts with verbal information from EC officials who have said that natural resources were not intended to be targeted by this challenge and could be exempted from any horizontal restriction on export taxes.

1.4.11 A study by the OECD²⁰ has analysed the export duties of 100 WTO members (counting the EU as 15). It found 39 of these countries applied export taxes, and that 37 of

¹⁷ "This forest products proposal is driven by industry interest. The Santa Catalina Group, which has industry representatives from both developed and developing countries, has met with NAMA negotiators on several occasions to discuss its members' priorities. Responding to this strong interest, WTO Members have met on a number of occasions to explore the possibility of a sectoral agreement." Market Access for Non-Agricultural Products, Tariff Liberalization in the Forests Product Sector, Communication from Canada, Hong Kong China, New Zealand, Thailand and the United States, TN/MA/W/64, 18 October 2005 (05-4784), World Trade Organization, Geneva.

¹⁸ "We would also note that the forest products industries of a number of Members have been instrumental in building support for a forest products sectoral agreement, particularly the "Santa Catalina Group". At the Hong Kong Ministerial Conference in December 2005, the industry associations of New Zealand and Canada hosted a meeting that was attended by a wide range of governments and forest products industry groups (including some Ministers)." Market Access for Non-Agricultural Products Progress Report: Sectoral Discussions on Tariff Elimination in the Forest Products Sector, Communication from Canada, JOB(06)/30 (restricted, not available on WTO website), 24 February 2006, World Trade Organization, Geneva.

¹⁹ TN/MA/W/46/Add.12

²⁰ *Analysis of non-tariff measures: The case of export duties*, OECD Trade Directorate, TD/TC(2002)54/Final, 31 January 2003, Paris

the 39 were either developing or transition economies. The main motivations that the countries gave for the use of export duties were²¹ fiscal revenue, promotion of local value-added industries and protection of the environment and natural resources, especially with regard to forestry and fishery products. Indonesia, Malaysia, the Philippines, the Dominican Republic, Mexico (an OECD-member but considered a developing country in the WTO) and Nicaragua have explicitly stated that the export taxes levied in their country serve environmental and resource conservation objectives.

1.4.12 While there is some evidence indicating that processing industries based in exporting countries may be less efficient in their use of natural resources when compared to their counterparts in importing countries, there is also conflicting evidence that suggests that the removal of export taxes, on exports of timber for example, does not automatically benefit the environment. In Tanzania, when export restrictions were removed, exports of processed wood increased alongside domestic production, while only limited technological improvements were undertaken.²² As a result, timber harvesting and deforestation have increased dramatically. In Indonesia the drastic reduction of the export tax on logs has led to a rapid growth of both legal and illegal exports of logs, resulting in increased deforestation.²³ Malaysia has argued that in its national institutional context it is very difficult to implement environmentally more efficient instruments like fees on the number of cut trees or the auctioning of logging quotas. Therefore, export taxes were the “second best” policy in the current circumstances.

1.4.13 In general, the major problems in timber exporting countries are weak governance structures and a lack of ability and will to enforce existing regulations and forest protection measures. Trade liberalisation tends to exacerbate such problems, and therefore lead to increased deforestation and loss of biodiversity.²⁴ Hence from an environmental perspective, the restriction and eventual elimination of export duties on natural resources is likely to be counter-productive. It will in many cases lead to rising exports of wood products resulting in increased deforestation, while expected improvements in efficiency of processing industries do not seem to materialise automatically. While export taxes are inferior to instruments such as stumpage fees from an environmental policy perspective, they can be used as a “second-best” instrument that is easier to administer especially in countries with relatively weak governance structures.

1.4.14 The UK should insist that the EU withdraw its much-contested proposal to bring export taxes within the purview of the WTO. The use of exemptions is not a satisfactory alternative, as it shifts the burden of proof onto exporting countries, whose capacity to justify such measures is likely to be limited, and who could therefore be discouraged from using export taxes even when it would benefit resource conservation and local economic development.

²¹ OECD: 2003, p.14

²² *Integrated Assessment of trade liberalisation and trade related policies, A case study on the forestry sector in Tanzania*, UNEP, New York and Geneva, 2002, p. 12

²³ *Indonesia's forest policy and reviews*, Pribadi, A., EC-FAO Partnership programme 200-2002, Forest policies and forest policy reviews, April 2002 p.65

²⁴ *Sustainability Impact Assessment of Proposed WTO Negotiations: Final Report for the Forest Sector Study*, Marko Katila and Markku Simula, Savcor Indufor Oy, Finland

1.5 Dispute over genetic resources in the WTO

1.5.1 Brazil, India, Pakistan, Peru, Thailand and Tanzania²⁵ (joined by China and Cuba), are calling for an amendment to the WTO's Trade-related aspects of Intellectual Property Rights (TRIPs) Agreement, to bring TRIPs into line with the Convention on Biological Diversity (CBD) by making the disclosure of the source of origin of biological resources and traditional knowledge mandatory for patent applicants. These countries have provided a draft text with a view to meeting the deadline for action on this issue, which is 31 July 2006. These countries have stated that avoiding the misappropriation of biological resources and traditional knowledge is a major interest of developing countries in the Doha Development Agenda.

1.5.2 The proposed text of the amendment to the TRIPS Agreement contains five paragraphs that propose that countries' patent regimes should require patent applicants to disclose the country of origin of biological resources and/or traditional knowledge used in the invention and to disclose any new information that comes to light subsequently. It also requires member governments to publish the disclosed information, and for members to enforce these provisions.

1.5.3 The amendment is contested by US, Korea, Japan, Australia, New Zealand, Canada, Chinese Taipei and Singapore. The EU seems to have been supportive in Hong Kong, but its position needs to be clarified on this important issue, which is a key example of the potential lack of policy coherence between the WTO and multilateral environmental agreements.

1.6 Access to traditional lands threatened by WTO GATS negotiations

1.6.1 A further threat to the livelihoods appears in the form of GATS requests to liberalize the protection of biodiversity and landscape, as part of the environmental services negotiations in GATS. A plurilateral request for certain countries to liberalise their environmental services has been made by Australia, Canada, the European Communities, Japan, Korea, Norway, Switzerland, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, and the United States. It is thought that the request has been made to Argentina, Brazil, Chile, China, Colombia, Costa Rica, Egypt, India, Indonesia, Israel, Malaysia, Mexico, Namibia, New Zealand, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Singapore, South Africa, Thailand and Turkey.

1.6.2 In general the GATS requests focus on the opening of 'Mode 3' services concerning the commercial presence of foreign providers (including barriers to commercial presence like foreign equity limitations, joint operation requirements and restrictions or requirements on types of legal entity for foreigners). Additionally, under Mode 4 (concerning the movement of natural persons) it also asks for recipient countries to ensure the mobility of people providing environmental services.²⁶ The list of environmental services targeted includes the protection of biodiversity and landscape.

1.6.3 The main reason for protecting biodiversity and landscape is to maintain and preserve critical ecological functions, including the regulation of climate, the preservation of

²⁵ WTO paper WT/GC/W/564, circulated on 31 May

²⁶ ICTSD BioRes, March 3 2006, see <http://www.ictsd.org/biores/06-03-03/index.htm>

genetic diversity, the protection of water resources and the prevention of flooding and soil conservation. Indeed, the conservation of biological diversity and ecosystems is an absolute prerequisite for sustainable development. However, it is also the case that in many of these areas there are Indigenous Peoples' who are entirely dependent upon their local and traditional resources for their livelihoods and culture, and they are recognised as being extremely knowledgeable in the management of these resources. Furthermore, many other impoverished communities are also likely to be at least partially dependent upon these resources, especially when poverty levels are particularly high. However, there is increasing evidence to suggest that such peoples and communities are increasingly being excluded from their own territories and denied access to their traditional resources, as the management of parks and biodiverse areas is liberalized and privatized.

1.6.4 The management of Komodo National Park, for example, an Indonesian national park with UNESCO World Heritage Site and Biosphere Reserve status, has been effectively privatised since 1995. The Nature Conservancy (TNC), a US-based non-profit transnational institution, was invited to manage the park by the National Park Authority. Its 'collaborative management concept' focused on establishing ecotourism with local companies in order to make the park financially self-sustaining. However, local communities are another matter. They have been banned from their traditional areas as entrance to park territories requires an entrance license and no exceptions are permitted. The local fishing practices of thousands have also been severely disturbed. The ecotourism company jointly owned by The Nature Conservancy has a 30-year concession from 2004 and is co-founded by the World Bank (which has provided US\$5 million).

1.6.5 The fact that GATS could force through the liberalisation and potential privatization of biodiversity resource management is therefore deeply worrying, since this could increase the risk that critical environmental and developmental objectives may be compromised in the interests of commerce. The EU should withdraw its requests to countries to liberalise the protection of biodiversity and landscape.

2. WTO threatens food sovereignty and security and rural livelihoods

2.1 The G33 and small farmers

2.1.1 The debate about the impact of agricultural liberalisation on food security and rural livelihoods is now centre stage in the WTO, with the G33 group of (46) countries initially arguing that they cannot and will not jeopardise food security and rural livelihoods. Their stated priority is to protect the millions of people dependent upon small-scale farming from the impacts of cheap subsidized food imports. In India, Bangladesh, Vietnam and countries in the rest of South Asia, and countries in East Africa and sub-Saharan Africa, for example, over 50% of the population is engaged in agriculture²⁷. The G33 is demanding that developing countries be allowed to self-designate 'special products' (SP) that will be liberalised either less extensively or not at all, and 'special safeguard measures' that can be

²⁷ *Winners and Losers: impact of the Doha Round on Developing Countries*, Sandra Polaski, Carnegie Endowment for International Peace, Washington DC, 2006

introduced in case of import surges.

2.1.2 This is critical. The increasing emphasis on international as opposed to local and national agricultural trade is having an extremely severe impact worldwide. Small farmers are being displaced (and at best taken on as smallholders in poor conditions, with unfair contracts and without compensation) as cheap, subsidised imports undercut production, land is turned over to production for export and farms merge to cut costs and compete. Crop diversity is being lost and traditional foods are being replaced with imported products. The impacts are undoubtedly worst in developing countries, where over half the population may be involved in agriculture, but farming is also in crisis in the North.

2.1.3 The World Trade Organisation's (WTO) Agreement on Agriculture (AOA), established during the last Uruguay Round of trade negotiations, has exacerbated this problem, because it pits small farms against larger, 'more efficient' agribusinesses in both the North and the South. Furthermore, at the end of the Uruguay Round, governments agreed to compensate 'net food importing' developing countries for losses they would incur as cereal prices went up - a promise that they subsequently failed to deliver on.

2.1.4 However, despite claims that the Doha negotiations would focus on development – the carrot that induced developing countries to reluctantly agree to a further round of negotiations in the first place– the G33 countries' concern for their small farmers is being roundly rejected, especially by the US., where agricultural exporters are insisting that they will only accept reductions in domestic support for agriculture in the US in return for extensive market opening in other countries to which they might export their agricultural products.

2.1.5 During detailed discussions over the past few months pressure from the US and supporting countries²⁸ has forced the G33 to scale back its original ambition. The G33 is now only proposing protection for "at least 20%" of developing countries' agricultural tariff lines (although technically speaking this could still be interpreted as 100%).

2.1.6 Yet on 24 April, the US infuriated developing countries, by tabling a paper²⁹ attacking even this reduced level of ambition, and it appears to have the support of the New Zealand Chair of the Committee on Agriculture in this³⁰. One outraged WTO ambassador has commented that this type of approach would '*decimate the entire rural populations of the poor developing countries*'.³¹

2.1.7 Friends of the Earth is of the view that all agricultural products should be considered as special products and therefore exempt from trade liberalization. Ultimately, food and agriculture should be taken out of the WTO, and the liberalization of natural resources

²⁸ Countries generally in support of the US's restrictive approach to SP and/or SSM are Argentina, Australia, Canada, Chile, Costa Rica, Malaysia, New Zealand, Paraguay, Thailand and Uruguay. Report by Third World Network, 3 May 2006, <http://www.twinside.org.sg/title2/twninfo401.htm>

²⁹ WTO paper (JOB906)/120 dated 24 April, for more detail see Third World Network report at <http://www.twinside.org.sg/title2/twninfo399.htm>

³⁰ Again, see TWN report, 3 May 2006, <http://www.twinside.org.sg/title2/twninfo401.htm>

³¹ "Let us be categorical. The ambition envisaged in some highly extreme and ambitious proposals on market access would decimate the entire rural populations of the poor developing countries". Ambassador Gusmardi Bustami of Indonesia, on behalf of the G33, reported by TWN, 9 May 2006, <http://www.twinside.org.sg/title2/twninfo406.htm>

should be stopped.

2.2 Agricultural liberalization and forests

2.2.1 It is also important to note that the expansion of industrial agriculture will also have a significant impact on the preservation of forests and their biodiversity. As the EC's Overview Sustainability Impact Assessment notes *"Unsustainable forest exploitation may also cause social conflicts and infringe on indigenous people's rights. However, incremental impacts may be relatively small compared to the impacts of agricultural trade liberalisation and the ongoing processes that are causing deforestation and forest degradation"*³²

3. Other WTO impacts to the environment

3.1 Domestic regulation

3.1.1 Non-tariffs barriers and NAMA

The Doha Declaration mandated governments to "reduce or as appropriate eliminate...non-tariff barriers" (Paragraph 16). This part of the NAMA negotiations initially developed into a rather chaotic process of notifications of non-tariff barriers by various countries. It is now in a second phase in which countries are re-tabling those which they specifically wish to negotiate or otherwise address (in 'non-negotiating' WTO Committees, for example, which continue work other than that mandated under the Doha Declaration).

3.1.2 In 2005, Friends of the Earth analysed the initial notifications and found some 212 that related to the environment, or health and safety. The scope of the notifications was extraordinary and included labeling and certification requirements, national standards and regulations, export restrictions, restrictions on foreign investment and measures to promote local economic development. It focused on national legislation regulating mineral products, automobiles, chemicals, electronics, environmental goods, fertilizers, fish and fish products, food, footwear, forest/wood products, mineral products and petroleum oils, shrimp, and textiles and leather goods. It also incorporated notifications of national measures to implement multilateral agreements such as the Convention on International Trade in Endangered Species (CITES), the Montreal Protocol on Substances that Deplete the Ozone Layer and the International Organization for Standardization's ISO 14000 (on environmental management systems) and ISO 8000 (on working conditions).³³

3.1.3 In the second 'negotiating' phase, however, there have been fewer NTBs listed. The reasons for this shift are not entirely clear. Some countries have simply not come back to the table, even though they listed a significant number of NTBs previously. These countries could re-engage at any point. Some bilateral agreements may have already been reached between challenging and challenged countries (this is impossible to track as information concerning which countries have been challenged is not made publicly available). Some countries are probably disenchanted with the chaotic nature of the negotiations to-date.

³² *Final Global overview trade SIA of the Doha Development Agenda*, commissioned by the European Commission, see http://trade.ec.europa.eu/doclib/docs/2006/april/tradoc_128269.pdf

³³ www.foei.org/trade/NTBs.xls

3.1.4 As a result of this high level of uncertainty, and the impossibility of concluding negotiations on all listed NTBs within the Doha timetable, both the EU and the NAMA 11 group of developing countries³⁴ have submitted almost identical proposals^{35, 36} to establish a permanent mediation process, outside the WTO's dispute settlement mechanism, for addressing the trade consequences of NTBs (whether or not those NTBs are deemed to be WTO-compatible). For this reason it is likely that much of the negotiations on NTBs will come to a standstill in the short-term, given other priorities within the WTO at the moment. However, it is also highly likely that the mechanism will be accepted, since it is proposed by both Northern and Southern countries, which may then provide an open-ended opportunity for countries to return to the WTO with their original, extensive lists of NTBs, and possibly more. The mediation mechanism proposed is not binding on countries, but it would be held behind closed doors and completed within 60 days, posing a clear risk to countries wishing to maintain effective domestic regulations.

3.1.5 The most apparent difference between the two NTB mediation proposals is on the question of whether the member that was requested to enter into consultations would be obliged to participate in the process or not. While the NAMA 11 states clearly that such participation would be mandatory, the EU is vague on this question. According to an EU official, this is deliberate as the EU is concerned that too many requests may be put to it at the same time. This brings into the question the EU's motivation for making this proposal in the first place. Why should a region that is likely to be the target of efforts to reduce strong domestic regulations around the world actually propose such a mechanism? It seems to be highly inappropriate.

3.1.6 Domestic regulation and GATS

The General Agreement on Trade in Services (GATS) negotiations are also considering the issue of domestic regulation, albeit in a more generic fashion. So far, disciplines that require measures to be not more trade restrictive than necessary to achieve legitimate domestic policy objectives, such as those defined by the TBT and Sanitary and Phytosanitary (SPS) agreements for trade in goods, do not exist in trade in services. However, GATS Article VI: 4 mandates Members to develop any necessary disciplines to ensure that qualification requirements and procedures, licensing requirements and procedures, and technical standards do not constitute unnecessary barriers to trade.

3.1.7 A central issue from an environmental perspective is disciplines on technical standards. A number of countries, especially Switzerland and Mexico, have essentially proposed to establish a TBT-like agreement in GATS. This would include the requirement that measures are not more trade restrictive than necessary to fulfil a national policy objective.

3.1.8 A number of developing countries including Brazil, the Philippines, the ACP Group, the Africa Group and the Small and Vulnerable Economies (SVE) are extremely concerned that they will lose the policy space that they need to regulate their services in the public

³⁴ Argentina, Bolivarian Republic of Venezuela, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa and Tunisia

³⁵ European Communities: *Negotiating proposal on WTO means to reduce the risk of future NTBs and to facilitate their resolution*; WTO, TN/MA/W/11/Add.8, 1 May 2006

³⁶ NAMA 11: *Resolution of NTBs through a facilitative mechanism*; WTO, TN/MA/W/68/Add.1, 8 May 2006

interest. They have made alternative proposals stressing the right to regulate and rejecting the “necessity test”. Furthermore, they reject the idea of imposing the use of international standards, particularly on establishing international standard setting bodies as norms in the WTO, when all WTO Members are not full and equal participants in these bodies. Also major developed countries like the US reject the necessity test.

So far, the EU appears not to have taken a position on this issue. It is critical that the EU rejects moves to allow the WTO to determine what regulations may or may not be used to regulate services domestically.

4. Conclusion

4.1 These are not Friends of the Earth’s only concerns in relation to the outcome of the WTO’s Doha negotiations. Since we are an environmental organization we have chosen in this evidence to focus on concerns relating directly to the environment and those impoverished people most directly reliant upon it. But we share the wider concerns of civil society organizations and social movements working together within the Our World Is Not For Sale network (www.ourworldisnotforsale.org). The WTO’s agenda clearly favours the interests of transnational commerce over and above those of society and the environment. In addition to the concerns set out above, the Doha negotiations as currently framed are likely to worsen poverty and unemployment and lead to further deindustrialization in the developing world. Friends of the Earth is of the view that this agenda is highly inappropriate and that any country purporting to support the Millennium Development Goals, which include halving poverty by 2015, must withdraw its support for the WTO’s Doha negotiations. In other words, the current negotiations should be stopped, and the value and impacts of the institution itself, and its existing agreements, independently reviewed. Furthermore, should the negotiations move into deadlock in 2006, as is possible, this should be viewed as beneficial and used as an opportunity to institute a thorough review.