

Media Briefing

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MARKET ACCESS v SUSTAINABLE DEVELOPMENT

HOW WTO NEGOTIATIONS COULD UNDERMINE ATTEMPTS TO TACKLE POVERTY

Trade ministers from World Trade Organisation (WTO) member countries are scheduled to meet in Hong Kong in December for the sixth WTO Ministerial. Negotiations ahead of the meeting are already underway and this week (27th July) member countries will meet at the WTO in Geneva to discuss progress. Friends of the Earth is concerned that the latest stage of negotiations poses a serious threat to efforts to tackle poverty, while also threatening to turn the natural environment into a commodity for sale.

The talks are the next stage in the Doha “development” Round, and follow the focus on poverty and development at the G8 meeting in Scotland earlier this month. While the G8 focused attention on increasing aid and debt relief as tools to combat poverty, relatively little of substance was said about the importance of trade.

The impact of these negotiations on developing countries could be crucial. Talks in Cancun two years ago collapsed after the EU and US failed to give adequate recognition to developing countries demands. Trade has the power to make a tremendous difference to the developing world – but Friends of the Earth believes that the current agenda could undermine the progress made on aid and debt relief at the G8.

This briefing looks at the issues on the table for the December meeting, focusing particularly on negotiations on non-agricultural market access. It paints a bleak picture of trade and economic development pitched against the rights of individuals to protect their livelihood and their natural environment – and argues that a major rethink is needed if trade negotiations are going to play any role at all in the fight against poverty (and the fight against climate change).

Trade – could help show the way out of poverty

Despite the growth in world trade, in many parts of the world poverty levels are getting worse. Changes in weather patterns as a result of climate change and pressure on natural resources are likely to make this situation worse. By 2065 the financial burden of natural disasters and climate change is expected to outstrip total world economic output¹. 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. This means that without forward-thinking trade policy that includes the need to

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address climate change, we will all be in the red within 60 years.

Around 70 per cent of the world's poor live in rural areas, depending on their local environment for daily survival, and it is often the rural poor who pay the heaviest price for environmental degradation. In many parts of the world, pressure from "economic development" is already putting the natural environment under threat, with forest are logged to make way for plantations and agricultural land cleared for "development".

It is the rural poor who pay the heaviest price for such environmental degradation, and indeed the case can be made that such "development" does in fact make poor communities poorer.ⁱⁱ It also poses yet another threat to potential progress on the UN's Millennium Development Goals of hunger eradication and improvements in health.ⁱⁱⁱ

Trade could play an important part in tackling poverty in the North and the South. Yet crucial aspects of how trade can do this are seldom considered. 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 in the North and South are often driven by short-term considerations, such as the need to protect particular sectors of the economy. Tackling poverty through the trading system, which could bring short-term as well as long-term gains, requires a different, more comprehensive approach.

The current trade rules omit the 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. If local people rely on the forest for everything from food to medicine to shelter, then losing the forest has a very high, if not irreparable, cost.

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.^{iv}

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

One of the issues currently under discussion at the WTO is Non Agricultural Market Access (NAMA), which aims to "free" up trade by making it easier to trade in natural resources. While exact details of what will be covered under any NAMA agreement are still under discussion, resources being considered include forest products (eg timber and pulp), fisheries, gems and minerals. The UK Government supports NAMA.

Market access is put forward as the key to poverty eradication – but evidence does not necessarily support this argument. Developing countries are under increasing pressure to accept proposals on NAMA, which have been put forward by Canada, EU and the US. The proposals set ambitious targets for the reduction of tariffs (taxes) and other measures used by countries on non-agricultural goods, like the European Commission's complaint that some governments promote buying domestic goods. Other complaints are made about basic safety requirements on imports of food, cosmetics, chemicals and viruses. One complaint simply objects to "all technical standards" and China has challenged the use of the CE mark in the EU.

Friends of the Earth fears that a trade agreement on NAMA could increase pressure on natural resources and make it harder for governments in developing countries to protect their environments. The current market access talks could drive people further into poverty, making it harder for them to escape in the future.^v For example:

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- **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 included as “barriers” that need to be removed**, but there is no agreed definition of NTBs. Friends of the Earth has uncovered a growing list of so-called “barriers” to trade, like labelling of dolphin-friendly tuna, that WTO members want removed. 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.^{vi}

Furthermore research by the campaign group War on Want shows that this kind of market access will not lead to wealth for the developing world as promised, but will in fact lead to de-industrialisation as Governments are prevented from fostering diversification in their economies in the face of direct competition from the developed world.^{vii} Preliminary research by Friends of the Earth suggests that the threats to social and environmental stability are equally serious.^{viii}

UK and EU support for NAMA

Friends of the Earth believes that NAMA clearly threatens social, economic and environmental sustainability. The UK Government’s support for NAMA contradicts the needs of the “Development Round” and their own commitment to create a “one-planet economy” – a commitment made as part of the cross-government Sustainable Development Strategy launched in March this year.^{ix}

But the Government’s trade policy runs counter to these goals. The Government continues to assert that trade liberalisation and environmental protection are “mutually supportive” – but does not explain how this balance is to be achieved. Indeed, evidence shows that in many parts of the world, trade liberalisation is directly damaging the environment – with environmental standards jettisoned to encourage development.

Against this background, the Department of Trade and Industry is actively promoting NAMA despite the fact that no assessment appears to have been made of the potential benefits or damages.^x Friends of the Earth believes that the UK’s support for NAMA is driven by UK business interests rather than by a genuine desire to improve the wealth and trading positions of developing countries.

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.

This approach leads Friends of the Earth and others to conclude that far from offering solutions to global poverty and its causes, the UK Government is part of the problem.^{xi}

These problems are magnified at EU level, where the European Trade Commissioner Peter Mandelson, who is not elected or democratically accountable, represents EU countries in the trade

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negotiations. EU trade policy and negotiating strategy are set by Committee 133 – which has been criticized by the European Ombudsman because of the secrecy with which it works.

The EU's trade agenda, as put forward by Mr Mandelson, 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.^{xii} Mandelson denies that NAMA poses a threat to the environment, yet the EU is seeking to remove trade barriers some of which exist to provide environmental protection.^{xiii}

Export taxes are a tried and tested, cheap and easy tool used by many countries to help protect social and environmental standards which some developing countries cannot otherwise afford to maintain. For example, Nepal applies tariffs to around a dozen wood and stone exports specifically to prevent environmental degradation^{xiv}. 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.^{xv}

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 development sustainable

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 (for example 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 are vital to any poverty eradication programme.

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 "development", NAMA seeks to increase access to fragile systems for businesses while removing the ability of home country governments to regulate such access.^{xvi}

Friends of the Earth trade campaigner Eve Mitchell said:
"NAMA has huge potential to do more harm than good – to drive people deeper into poverty and prevent them ever climbing out of it. We cannot allow this to happen and call it 'development.'"

Friends of the Earth demands that:

- the WTO negotiations on NAMA must be halted;

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- 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.”

Friends of the Earth is calling on UK MPs and MEPs to:

- write to the UK Government and the EU Director General for Trade asking for assurances that the UK Sustainable Development Strategy will inform all UK trade policy development and implementation;
- ask parliamentary questions about the issues discussed above;

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
- www.foe.co.uk/resource/briefings/what_need_know_nama.pdf - *What you need to know about NAMA* – a brief introduction to the areas covered by NAMA and Friends of the Earth’s concerns about the talks
- *Nature: Poor people’s wealth - the importance of natural resources in poverty eradication*, www.foei.org/publications/pdfs/poverty.pdf
- *Glossary of terms: World Trade Organisation* – a quick and easy reference for WTO-related terms and acronyms. See http://community.foe.co.uk/resource/how_tos/glossary.pdf

ⁱ Working Group on Climate Change, Up in Smoke, October 2004.

ⁱⁱ <http://www.foei.org/publications/pdfs/poverty.pdf>

ⁱⁱⁱ “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.

^{iv} *Millennium Ecosystem Assessment*, Summary for decision makers, March 2005.

^v 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.

^{vi} http://www.foe.co.uk/resource/media_briefing/ntbsanalysis.pdf

^{vii} War on Want, *The Doha Deindustrialisation Agenda: Non-Agricultural Market Access Negotiations at the WTO*, April 2005.

^{viii} Due to be published Autumn 2005

^{ix} UK Government, *Securing the Future: Delivering UK Sustainable Development Strategy – Promises Actions and Challenges*, March 2005.

^x meeting with DTI, 8 April 2005

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^{xi} 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.

^{xii} BBC Today Program piece, 6 December 2004

^{xiii} World Trade Organisation document TN/MA/W/46/Add.12, 24 May 2005

^{xiv} www.mof.gov.np/economic_policy/pdf/Tax_Policy.pdf

^{xv} Longgena Ginting, Forests, People and Rights, Down to Earth Special Report, June 2002, International Campaign for Ecological Justice in Indonesia.

^{xvi} *“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, *“The Kyoto Protocol and Beyond”*, 25 February 2005.

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