Sale of the Century?

The world trade system: Winners and losers
This report - the second of five in the series from Friends of the Earth International covering the WTO’s 4th Ministerial Conference and the proposed new round of negotiations (the Sale of the Century? The WTO’s 4th Ministerial series of reports) - examines the winners and losers from the current world trading system. It calls upon a large number of personal accounts from both the South and North, together with case studies and statistics, to illustrate how various sections of civil society - small scale farmers, consumers, employees, women, children, indigenous peoples, small businesses and local communities - have suffered negative social, environmental and developmental impacts caused by trade liberalisation.

Note: this report was drafted prior to the tragic events in the US on 11th September 2001. Friends of the Earth International cannot predict with any certainty what changes this will have on global trade but will clearly have implications for some of the issues contained in this report.

CONTENTS

Part 1: Winners and losers now ................................................... 3
Farmers, food and agriculture ...................................................... 3
Export-led development .......................................................... 8
Disputes - beef, cigarettes, oil, shrimp/turtles, asbestos and GM products .......................... 11
International trade and transport ................................................... 15
Intellectual property and patents ................................................... 17
Banana wars .................................................................. 20
No 'trickle down' - poverty and inequality ............................................ 23
Corporate consolidation ......................................................... 25

Part 2: New winners and losers? ................................................. 28
Investment, labour and the race to the bottom ......................................... 28
Multilateral environmental agreements .............................................. 32
Services ................................................................. 35

References ................................................................. 38

You are invited to reproduce information from this report, but asked to acknowledge Friends of the Earth International as the source of your information. We would also refer the reader to FOEI’s Citizen’s Guide to Trade Environment and Sustainability (http://www.foei.org/activist_guide/tradeweb/)

Please also refer to the Activists Guide on the World Trade System if you want to take action at (see Sale of the Century? series of reports) http://www.foe.co.uk/campaigns/sustainable_development/publications/trade/
Friends of the Earth International - November 2001
Contact Details for Friends of the Earth International’s Trade,
Environment and Sustainability Programme

INTERNATIONAL

Ronnie Hall
FoE (England, Wales & Northern Ireland)
26-28 Underwood St.
London N1 7JQ
United Kingdom
Tel: 44 20 7490 2665
Fax: 44 20 7490 0881
E-mail: ronnieh@foe.co.uk
Web Site: www.foe.co.uk

Vicente Paolo B. Yu III
WTO Programme Officer
BP 21, 160A Rte. De Florissant
CH-1231 Conches
Geneva, Switzerland
Tel/fax: 41 22 789 0742
E-mail: yuvice@philonline.com

AFRICA

Emmanuel Agyapong/Theo Anderson
FoE Ghana
Private Mailbag
General Post Office
Accra
Ghana
Tel: 233 21 225 963
Fax: 233 21 227 993
E-mail: foeghana@africaonline.com.gh

ASIA

Francis Victoria
Legal Rights and Natural Resources Center, Inc.
Kasama sa Kalikasan/Friends of the Earth Philippines
3rd Floor Punong Bldg., 47 Kalayaan Ave.,
Diliman, Quezon City,
Philippines 1101
Tel: 63 2 9279670; 63 2 928 1372
Fax: 63 2 9207172
E-mail: kix@philonline.com
Web Site: www.info.com.ph/~lrcksk/

EUROPE

Alexandra Wandel
Friends of the Earth Europe (FoEE)
29, rue Blanche
B-1060 Brussels
Belgium
Tel: 32 2 5420185
Fax: 32 2 5375596
E-mail: alexandra.wandel@foeeurope.org
Web Site: www.foeeurope/trade/about.htm

LATIN AMERICA AND THE CARIBBEAN

Alberto Villarreal
REDES - FOE Uruguay
San Jose 1423
11 200 Montevideo
Uruguay
Tel/fax: 598 2 902 23 55/598 2 908 2730
E-mail: comerc@redes.org.uy

MIDDLE EAST

Hanan Awwad
Friends of the Earth Middle East
PO Box 9341
11191 Amman
Jordan
Tel: 962 6 5866602/3
Fax: 962 6 5866604
E-mail: mftz@gmx.net
Web Site: www.foeme.org

NORTH AMERICA

David Waskow
FOE (United States)
1025 Vermont Ave, NW, 3rd Floor
Washington DC 20003
United States
Tel: 1 202 783 7400
Fax: 1 202 783 0444
E-mail: dwaskow@foe.org
Web Site: www.foe.org
PART 1: WINNERS AND LOSERS NOW

FARMERS, FOOD AND AGRICULTURE

*The Winners:* transnational agribusiness corporations, developed countries and large farms  
*The Losers:* small farms (South and North), developing countries, local communities and the environment

Case studies, examples and statistics: the Movimento Sem Terra (MST), Monsanto and soya farming; maize farming in Mexico and the Philippines; farmers in India; subsidised European beef dumped in Africa; the dumping of other products; the largest agrochemical corporations; pork farmers from Iowa; small holders in Poland; impacts on small farms in the US and various European countries; farming and intensification.

Introduction

The WTO's Agreement on Agriculture (AOA) was one of the results of the last Uruguay Round of negotiations. Its aim is to reduce subsidies and protection for agriculture. However, the agriculture deal was largely stitched up between the EU and the US in bilateral negotiations, before being negotiated in the WTO. The AOA (together with the Agreement on Trade-related Intellectual Property Rights (TRIPs)) has largely maintained a regulated global trade system for food and agriculture. This has been particularly the case in the North where markets are still protected behind high tariff barriers and production is supported by high levels of subsidies. In contrast, for developing countries, whilst trade regulations have been severely tightened through the TRIPs Agreement (which for example has imposed the use of western style intellectual property rights systems), the AOA has to a large extent also liberalised agricultural trade for these same nations by increasing access to their markets. The combination of trade liberalisation and regulation, together with the structure of the AOA also ensured benefits for Northern transnational agribusiness corporations.

In the North, the AOA perpetuated the post-war transformation of agriculture into an intensive production system supported by hefty subsidies (this is particularly the case in the EU and the US). The AOA continues to allow the developed world to maintain high levels of support. For example, the EU Common Agricultural Policy (CAP) reform of 1992, which was negotiated with the AOA in mind, continued to skew the distribution of benefits of support towards the largest farms (and more recent reforms have done little to change this situation). Trade liberalisation and regulation, export-led production and economies of scale are also intensifying agriculture in both the developed and developing world in favour of large producers and agribusiness at the expense of the small. Overall, this has increased global agricultural production over the past decade forcing prices down.

The WTO's TRIPs Agreement is also a significant barrier to securing technology transfer for the development of farming and food security in the South. Technology is generally developed for and owned by those that can afford it.

Friends of the Earth does not believe that the complete liberalisation of agriculture would necessarily lead to a fairer trade system that encourages food sovereignty, security and sustainable food production. More sustainable agricultural systems require targeted support for rural communities and sustainable agricultural practices. The WTO's current agreements on agriculture and intellectual property do not encourage this. See FOEI’s briefings *Peoples’ Food Sovereignty* Parts 1 and 2 for further consideration of these issues.
The winners and losers in the South

The AOA and trade liberalisation favour large landowners and agribusiness aimed at the export market (see also next section under export-led development), and it has undermined subsistence farming and small-scale market production. The AOA has a particularly marked effect on the least developed countries and those that are net food importers.

The cost of food

It is generally believed that as agricultural support mechanisms are reduced through further trade liberalisation, so global prices for agricultural products will eventually rise. The Food and Agriculture Organisation (FAO) originally estimated that the food import bill for low-income food deficit countries would be $9.8 billion higher in 2000 than it was in 1988 (an increase of 55%). Of this increase, $3.6 billion would be as a direct result of the last Uruguay Round of trade negotiations. More recent studies have confirmed the potentially deteriorating position of these countries. Between 1993/4 and 1997/98, the cost of cereal imports for net food importing developing countries (NFIDCs) increased by 47% (it should be mentioned that the results of these studies depend heavily on when they were conducted because of wildly fluctuating global cereal prices during the 1990s which reached a low in 1993, a high in 1996 but fell thereafter). The potential impact on low-income food importers was considered at the end of the Uruguay Round, when member governments agreed that compensation should be given to affected countries, but this promise has never been fulfilled.

Opening up markets to large foreign investors

Trade liberalisation has also opened up new markets for agribusiness. A principal target for these firms are developing countries since there are few expansion prospects in the US, the EU and Japan (agrochemical companies are now focusing on Asia which has 73% of the world's agricultural production). For example, soya production is on the increase. At a global level, production reached an estimated 143 million tonnes in 1997 whereas three decades earlier it stood at 32 million tonnes. A significant proportion of this increase has occurred in Latin America, much of which is exported to the developed world for animal feed. GM soya - particularly Monsanto's genetically modified ‘Round-up Ready’ soya beans - is also expanding rapidly, It is widely grown in Argentina and growing approvals have recently been granted in Brazil. Export-led development has increased the supply of many commodities onto the global market, depressing world prices.

In fact, rapidly increasing soya production in Brazil has provoked a furious response from Brazilian farmers and peasants. In total, land under soya production in Brazil has increased from 200,000 hectares to 12 million hectares in the last 30 years. Soya production is now in the control of giant mechanised estates, and small producers and land owners have been displaced. Partly as a result, the people responded with the Movimento Sem Terra (MST), the largest direct action land-reform group in Latin America. Since 1984, MST has co-ordinated land occupations and helped those who have ‘reclaimed’ land to produce food. In 1995 alone, there were 30,500 families engaged in land claims spread over almost 150 sites throughout the country. They have often been on the receiving end of violence. In the year 2000, for example, 12 members of the MST were killed amidst growing oppression of the movement by the Government. Trade has been taken out of the hands of exploitative middlemen. Co-operatives from MST now trade and market directly in city squares.
Box 1: Movimento Sem Terra

An unnamed hungry child: “I am 14 years of age and for six years I worked in the sugar cane plantation with my family because we had no land. They paid us very little, moreover we also had to repay a debt. I used to leave home at 4 o’clock in the morning to go to work, always with an empty stomach. Now with others we have occupied uncultivated lands of the big landowners, thanks to the Sem Terra Movement. We cultivate for ourselves, indeed I am going to the rural school, and we eat twice a day and in the morning there is even herva mate, the national tea. But many other labourers had to emigrate to the city, or they continue to die of hunger in a country that is so green, rich and huge, with 100 million hectares not cultivated. Up agricultural reform!”

MST has been active longest in the state of Parana. Here they have helped establish co-operative systems, for example the New Hope settlement where people work on individual plots but collaborate on many activities, such as marketing. Land, work, costs and profits are shared equally within the community. Zaires Morais de Moura is president of the land co-operative and farms livestock: “If you are working by yourself you can’t invest anything, but here if you want to invest 1,000 reais you can add 2,000 reais from other people...Each year people organise themselves better and improve their working methods.”

Domestic subsidies, dumping and small scale farming in the South

Similarly, as developing countries open their economies, so they expose themselves to subsidised imports. For example, the US use to provide up to US$5 billion a year in WTO compatible subsidies (known as direct ‘deficiency payments’) to its maize producers (such payments were eliminated in the last US Farm Bill but new programmes were introduced). Domestic subsidies allow countries to export at prices that are so low that most staple food producers in developing countries cannot compete with them (ie it is often dumped in their markets).

Following the signing of the Uruguay Round and the implementation of the AOA, India is struggling to compete with cheap imports of agricultural products. For example, one estimate concludes that the livelihoods of some three million people will have been lost because import tariffs on edible oils were progressively reduced from 65% to 16.5% between 1995 and 1998. Similarly, trade liberalisation of maize could jeopardise up to half a million livelihoods in the Philippines. The Philippines is liberalising its imports of a range of agricultural commodities under the AOA. For maize, tariffs on imports will be halved over the next four years. According to the UNDP, who stated in 1997, “depending on world price trends, maize imported from the United States could be available at 30% below current market prices by the end of the decade”. This would drive down domestic farm prices and undermine local production. In much the same way, under NAFTA, Mexico opened up its market to maize from the US. It is expected that up to 15 million farmers and their families (many from indigenous farming communities) will be displaced as a result of Mexico now competing directly with US maize imports from the mid west. At the time of the signing of NAFTA, US maize was available at the Mexico border some 50% cheaper than the domestic cost of production in Mexico. Because Mexico is a critically important centre of origin for maize, it is expected that the enormous genetic variety and diversity of this crop cultivated by these same communities - which has greatly contributed to their own and global food security - will also be lost.

Export subsidies

During the Uruguay Round governments made a limited commitment to reduce export subsidies, but this appears to have done little to curb the further dumping of cheap subsidised northern agricultural products in the South. This has destabilised local markets and production. For example, to reduce food mountains in the EU in the late 1980s and early 1990s, beef was exported to Africa under export subsidies of £1.60 per kg. In 1991 alone, the EU spent £70 million on export subsidies for poor-quality beef valued at only £18.9 million. Exports undercut the price of beef produced in Burkino Faso, Mali and Niger by some 30-50%. More recently, subsidised beef has been exported to South Africa, depressing prices by 20%. Whilst campaigns to stop subsidised exports of beef to Africa were successful, intervention stocks in the EU are projected to rise. The EU has confirmed that because EU prices are higher than world prices (because of the European system of subsidies), they can only export with subsidies.
Other examples of dumping

• Subsidised EU dairy surpluses are exported to India undermining local family production.
• Large scale industrial pork production in the US is exported to the Caribbean ruining domestic farming.
• Exports of EU pork surpluses to West Africa.

Technology transfer

Tighter intellectual property rights increase the cost of technology transfer. Biotechnology products are clearly aimed at large-scale (mostly) northern farmers who can afford to buy them and thus reap the benefits. Herbicide resistant crops or seed varieties suitable for mechanised production are designed for large, intensive farms, not small holdings.

The winners and losers in the North

Transnational corporations (TNCs)

The main benefactors of the AOA have been large land owners in the North and the TNCs that support them. On balance, the support system continues to favour large farms at the expense of the small, since many payments are for unit area. Large farms tend to be more intensive producers, benefitting from new and higher yielding agro-chemicals, further damaging the environment. In Europe (and in the North generally), agro-chemical companies have, indirectly, been subsidised by the taxpayer (and the introduction of set-aside in the EU appears to have done little to reduce agricultural production and the demand for chemical inputs): “The agro-chemical companies have good reason to be grateful to the agricultural policymakers. That they now share a multimillion pound market is thanks, in part to government intervention. Without public subsidies that market could not have developed to anything like its present scale.”

Agro-chemical companies continue to reap the double benefits of a regulated agricultural trade system in the North and increased access to markets in the South. Between 1996 and 1998, the top 10 agrochemical corporations dominated 80% of the market with the top three - particularly through recent mergers - showing dramatically increased sales and consolidating their position as market leaders (see Table 1). Further, trade is increasingly being dealt with by fewer and larger companies. For example, just two companies Cargill and Archer Daniel Midland distribute 80% of world grain.

Trade liberalisation, imports and small producers

Many agricultural sectors in the North are also being affected by trade liberalisation. In 1999, over 20,000 farm workers left the sector in the UK. Falling prices in the UK is, to a significant extent, due to trade liberalisation. For example, small farmers cannot compete with lower prices from abroad, the sources of which are usually from large, export-oriented agricultural practices. Early potatoes from North Africa are often available some 30% cheaper than local UK production. Similarly, milk products from abroad are invariably available some 20% cheaper than milk produced in the UK.

Similarly, Latvia joined the WTO in 1998 but almost immediately, imports of pork increased dramatically. Under WTO rules, to protect their domestic market and the livelihoods of their farmers, countries are only able to take temporary measures for a period lasting up to 200 days. Barriers (increased tariffs) were put in place during the second half of 1999. However, it appears that the European Commission then ‘lent’ on Latvia not to extend the temporary measures beyond this period. The EU is a major exporter of surplus pork to Latvia (often through the use of export subsidies) and threatened to impose measures to restrict imports into the European Union from Latvia on butter and other milk products. The Commission is also able to exert leverage on Latvia as the country attempts to accede to the EU. Barriers were lifted leading to the loss of many thousands of domestic producers.
Table 1: Top 10 agrochemical corporations (1996, 1998, 2000) (Sales US$ millions)\(^{25,26,27}\)

* In October 2001, Bayer agreed to purchase Aventis Crop Science

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Syngenta (merger between Novartis and Zeneca)</td>
<td>5888</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Novartis</td>
<td>4068</td>
<td>5010</td>
<td></td>
</tr>
<tr>
<td>Monsanto</td>
<td>2555</td>
<td>4032</td>
<td>3885</td>
</tr>
<tr>
<td>Aventis (merger between AgrEvo and Rhone-Poulenc)*</td>
<td></td>
<td></td>
<td>3701</td>
</tr>
<tr>
<td>Du Pont</td>
<td>2472</td>
<td>3156</td>
<td>2511</td>
</tr>
<tr>
<td>Zeneca</td>
<td>2630</td>
<td>2798</td>
<td></td>
</tr>
<tr>
<td>Dow Chemical</td>
<td>2010</td>
<td>2352</td>
<td>2271</td>
</tr>
<tr>
<td>AgrEvo</td>
<td>2422</td>
<td>2330</td>
<td></td>
</tr>
<tr>
<td>Bayer*</td>
<td>2343</td>
<td>2200</td>
<td>2252</td>
</tr>
<tr>
<td>American Cyanamid</td>
<td>1989</td>
<td>2190</td>
<td></td>
</tr>
<tr>
<td>Rhone-Poulenc</td>
<td>2243</td>
<td>2066</td>
<td></td>
</tr>
<tr>
<td>BASF (purchased Cyanamid in 2000)</td>
<td>1503</td>
<td>1880</td>
<td>2228</td>
</tr>
<tr>
<td>Top ten as % of all sales (1996)</td>
<td>79%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Subsidies**

The Organisation for Economic Co-operation and Development’s (OECD) figures for the total amounts of agricultural subsidies in OECD countries need to be treated with caution. They have been widely criticised and many fundamentally disagree with the way they have been calculated. However, they reveal that support to agriculture within OECD countries remains extremely high, estimated at some $360 billion each year by the end of the 1990s (although they fell to $327 billion in 2000).\(^{28,29}\) This is equivalent to about twice the combined GDP of all least developed countries. Between 1998 and 2000, the OECD estimated that producer support levels per farmer in the US and the EU were about $21,000 and $16,000 respectively (it is assumed that these are annual figures).\(^{30}\)

Similarly, both Japan and South Korea have high subsidy levels to protect their small producers of rice.\(^{31}\) Yet, whilst the average subsidy in the developed world is high, it is very unfairly distributed with many small farmers in rich countries still facing bankruptcy and poverty. For example, in the EU the largest farms receive the bulk of all direct payment subsidies. 17% of farms - those that fall into the EU’s definition of ‘large’ and ‘extra large’ farms (essentially 50 hectares and over) - receive 50% of agricultural support.\(^{32}\)

**Small farms disappearing**

Economies of scale, large subsidy handouts and falling prices during most of the 1990s continue to drive the further intensification of agriculture as farms are amalgamated into ever larger units at the expense of the small. Small-scale farmers are finding it difficult to survive as low prices erode margins. Many are being bought out by larger enterprises who in turn are seeking to reduce costs. In the US, for example, the average farm size has tripled since 1935. In 1920, there were 32 million farmers living on farms. By the 1990s, this figure had fallen to just 4.6 million.\(^{33}\) Small farms are disappearing at a rate of 30,000 a year.\(^{34}\)
Box 2: Pork farmers in Iowa
Lavon Griffeon and her family run a small farm in Iowa, in the US. Lavon is vocal about the problems family farms increasingly face. Many are selling because they are being squeezed on two fronts: urban sprawl and the power of agricultural conglomerates, particularly in pork (a staple of the Iowa economy). Pig farming is now highly intensive. The large food producers have created vast pork factories, which drove down prices by about 40% between 1997 and 2000. More and more small farmers are giving up the struggle. One farmer, Todd Lust has lobbied politicians to enforce competition rules to stop family farmers from going out of business. Lavon has seen many of her small farming neighbours leave. “It’s becoming a lord-serf kind of thing”: but as her family have been in farming for six generations, she herself has decided to continue the campaign.  

Small farmers in the UK
Mike Hart farms 120 acres (50 hectares) and went part-time at the beginning of 2000 to bring in extra income from lorry driving. His income in 2000 from farming was just £1,800. “We have lost a third of family farms in the past decade...the government does not recognise the small farmer at all. They see us purely in economic terms and say you’re inefficient and must intensify. They take the line that it is inevitable that we will go. They told us to diversify but they offer no way forward. They have done almost nothing to help us.” Part of the problem he continues is low prices: “There’s very little we are producing in this country that we are selling above the price of production.”  

A similar process is underway in the EU. Here the Common Agricultural Policy (CAP) is supposed to protect farming livelihoods. Yet, the CAP continues to skew the distribution of benefits of support towards the largest farms (see above). It is forecast that in the UK the average cereal grower would require at least 325 hectares to remain profitable on the global market. The average size of UK cereal farm in 2000 was under 50 hectares. There were 450,000 farms in the UK in the 1950s. Now there are about half that number. The UK Government has confirmed its commitment to the further globalisation of agriculture and has made it clear in its strategy for agriculture that it favours further ‘restructuring’ of farming in order to enhance financial performance. This will invariably involve “some further shift towards larger enterprises” and a “decline in the total number of farms and in the number of people working”. The government is predicting that 25% of farms (mostly small ones) will have closed or merged by 2005 and a further 50,000 people will have left the industry.  

There has been a steady loss of farms and thus rural employment across the EU having a very profound effect on local communities which cannot support the level of services - shops, post offices, public transport, schools etc - due to dwindling populations. Some of the largest falls in agricultural employment have been in Greece, Spain, Ireland, Italy and Portugal (see Table 2). In the 1960s, there were three million farms in France. Today there are fewer than 700,000. It is expected that 200,000 farms as well as 1,500 villages will be lost over the next 20 years. The average size of farm was about 14 hectares in 1955. Today, it is over 40 hectares. The latest census in France reveals that the country “is hollowing out - losing population from the heavily agricultural center to south, north and west...there is a diagonal strip of depopulation from the Belgian/Luxembourg borders to the Pyrenees, covering one-third of the country. As larger farms gobble up smaller ones, hundreds of hamlets and villages are dying”. This trend is expected to occur in eastern Europe as countries line up to join the EU (see Box 3).  

<table>
<thead>
<tr>
<th>Table 2: Employment in the agricultural sector, 1987 to 1999 in selected EU countries (% of total active population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1999</td>
</tr>
</tbody>
</table>

Falling prices, increased production and further intensification
Falling prices (in part due to over-production in response to continued high levels of subsidies) are not only leading to the impoverishment of many mainly small-scale farmers, but also the further intensification of land use with detrimental impacts on the environment. As the Institute for Agriculture and Trade Policy states: “With farm incomes so low in many developed countries, it is difficult to believe that a payment of any kind will not be used to increase production.” In the UK, falling prices and further intensification have been most evident in the livestock sector. Here, falling prices only
compel farmers to farm more intensively, putting further pressure on prices, as they attempt to reduce costs and improve margins from their land or livestock. For example, between 1990 and 1995 sheep numbers fell in the UK by 2.5% whilst prices were generally increasing. In contrast, between 1995 and 1999, when prices were generally decreasing, sheep numbers increased by 4.4%. Increasing sheep numbers in the UK has been a major cause of over-grazing in upland areas.

Box 3: Small farms in Poland

Poland has two million farms averaging just eight hectares (a third are less between one to three hectares). Only the larger farms have a chance of surviving the country’s eventual accession to the EU. It is estimated that by 2003, rationalisation will have cut the number of farms to 800,000 with the potential loss of 2 million livelihoods. The drive for so-called efficient farming will lead to more intensive agricultural methods and larger farms (not least to keep a lid on the CAP budget as more members join the EU). There is already a fear that the freedom of capital and people throughout the EU will bring rich landowners and western companies in search of productive farming land. This is already happening in the Polish village of Prusowice where rich Europeans are buying land. Here Polish small-holders scratch a living from potatoes and sugar beet. Danuta Michalska, is one of these small-holders and a mother of two children. She has discovered that the land around her farm is likely to be sold to a rich landowner from west Europe: “We’ll be slaves...We’re not afraid of being expelled from our fields. But they’re all rich. And they’ll get the sugar beet contracts from the refinery. So what happens to us then?”. Boguslaw Koscik also farms locally and keeps 30 pigs, three cows and farms 12 hectares. “I live from the farming alone. It’s hard but I manage. But I suppose the EU means they will be buying land here”. He optimistically carries on that they could also buy land in the EU. But prices just over the border in Germany are ten times the price of land in Poland.
EXPORT-LED DEVELOPMENT

The Winners: TNCs in the forestry, mining, oil, and cash crop sectors; large mobile fishing fleets
The Losers: those displaced from land holdings due to cash crops, mining, logging, oil development and other commodity production; and the environment

Case studies, examples and statistics: resource production and consumption figures for renewable commodities; logging in the Philippines; the Grasberg mine in West Papua; gold mining in the Wassa-Fiase area of Ghana; shrimp farming in Indonesia and Bangladesh; oil exploration in Colombia.

Introduction

One of the main principles behind trade liberalisation is the pursuit of ‘export-led development’ - the (re)structuring of an economy towards producing goods for export markets in order to afford more imports and stimulate economic growth. Such programmes are also promoted by the Bretton Woods institutions, the World Bank and the International Monetary Fund.

The winners and losers

Such development creates a vicious circle in which world markets are oversupplied (for example, minerals, cash crops and fossil fuels), commodity prices tumble, and poverty-stricken countries are forced to increase exports. 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 far outweighs the official financial debt of the South. Between 1980 and 1991, the cumulative loss in terms of trade for all developing counties was $290 billion (ie, declining terms of trade is the revenue from a given volume of exports purchases a smaller volume of imports). Much of this fall is due to the decline in world commodity prices. Between 1980 and 1990, the decline in real commodity prices fell by 45% (also, see sections on trickle down, and food and agriculture).

It is thus not surprising that in many parts of the world, export-led policies have not delivered economic growth and development. In West and Central Africa, a number of countries - for example Cote d’Ivoire and Gabon which are both significant exporters - liberalised their economies during the 1980s and 1990s, placing the emphasis on export-led growth. However, both countries have suffered declining average real per capita GDP during this period. GDP also fails to consider the high cost of other dimensions with respect to development, such as the environment.

Export-led development is generating unsustainable levels of resource use and, in some sectors such as mining, extremely severe environmental impacts. Trade liberalisation and export-led development have also been accompanied by a marked trend towards concentration of business within larger producers. Small scale producers or farmers have become marginalised or displaced from their land. In many of these countries, this has had a particularly strong impact on women, who are often involved in agriculture and cottage industries (such as textiles) and traditionally responsible for feeding the family. Thus children suffer as well. There should thus be less dependence on policies that promote exports and more emphasis on policies that prioritise subsistence needs.

Impact on resource use

UNEP has confirmed that tropical forests and marine fisheries have been seriously over-exploited and that globalisation is also leading to species invasion. The global marine catch almost doubled between 1975 and 1995. Over-fishing for export-led development now means that 60% of the world’s ocean fisheries are at or near the point at which yields start to decline.

In the 1960s and 1970s, the Philippines liberalised its economy, adopted export-led policies and became one of the top four timber exporters in the world. In the process, 90% of its forests have been lost. The country is now a timber importer with 18 million impoverished forest dwellers, an external debt of nearly $48 billion in 1998 (up from $17 billion in 1980)
and over one third of the population still living below the poverty line.\textsuperscript{53}

At a global level, 56 million hectares of forest was lost between 1990 and 1995. Demand for wood continues to increase. The global production of wood products is now some 35\% higher than in 1970. The recent analysis of the conservation status of 10,000 tree species (out of an estimated world total of 100,000) found that over half were globally threatened as defined by the International Union for the Conservation of Nature and Natural Resources (IUCN).\textsuperscript{54} The increase in global trade of wood products has stimulated the invasion of alien species often with dramatic ecological impacts. The US, for example, has recently restricted imports of packing materials due to the high occurrences of the destructive Asian long horned beetle.\textsuperscript{55}

**The impact of mining**

Increasing international trade in minerals is having a dramatic impact in all continents of the world, but most particularly in the South, where countries are particularly anxious to generate foreign-exchange revenues.

For example, mining is a very large export earner for Indonesia. The Grasberg mine in West Papua is the world’s largest gold producer and the third largest copper mine. It has been described as representing one of the world’s worst known cases of environmental degradation and human right’s abuses. It is owned by the US company Freeport-McMoran. Rio Tinto of the UK has a minority stake in the company. Over 100,000 tonnes of ore tailings are dumped into water courses every day. Villagers have been forcibly resettled including 2,000 people in 1998 alone. The Amungme and other tribal peoples have campaigned against the mine for years but their protests have been met with torture and murder (see Box 4).\textsuperscript{56,57}

**Box 4: The Amungwe and Freeport**

A personal message from tribal chief, Narkime Tuwarek of Waa village regarding Freeport: "I always ask God everyday in my prayers and thoughts, why did He have to create those beautiful rocky and snowy mountains in the Amungme tribal people's area? Or for those beautiful rocky and snowy mountains which have rich mineral resources attracting Freeport...and many outsiders to come here and exploit the resources for their sake leaving us sufferers, and therefore we the Amungme people have to be continuously suppressed, captured and killed?...you’d better destroy us and wipe us out so that you can take all we have, our lands, our mountains and every piece of our resources. It's true I am always angry at God and why He had to place those things here. But gentlemen I'm coming here now because my time has already arrived. I'm old now...And you should be aware yourselves that we have received nothing from Freeport. All we've got today are costs, the problems that we deal with now."\textsuperscript{58}

The people of Wassa Fiase traditional area in the Wassa West District of the Western Region of Ghana are also among those who have been seriously affected by the current world trading system. The Wassa-Fiase area in Ghana is said to have the largest concentration of mines on the African continent. Mining in this area is conducted to the detriment of the people and the environment, whilst the government is unconcerned about the plight of the people due to the short-term economic gains derived. In order to press home their demands for the mitigation of the environmental and social impacts of the numerous surface mining operations, the chiefs in the area, with the support of the people, embarked on a historic demonstration at Tarkwa in 1996 where they presented a petition to the government through the local authority. Friends of the Earth spoke to the people of the area two years after the incident. It came to light that none of their demands have been heeded, and they continue to live impoverished lives (see Box 5).
Box 5: Ghana and mining

Nana Kwandoh Brempong II is the Acting President of the Wassa Fiase Traditional Council in Ghana: "The demonstration the chiefs staged was inevitable due to previous unsuccessful attempts at peacefully dialoguing with the companies and government". He continued: "there is no land in Wassa-Fiase now which has not been given out for mining prospecting". Nana Kwandoh Brempong II was worried because the communities are mostly agrarian and as their lands are taken over for mining purposes, the people are deprived of their livelihoods. He declared that the chiefs and the people will continue to fight for their rights until their demands are heeded to. He stated in plain words that "we are requesting for a moratorium on the opening of new surface mines until effective control measures are put in place".

Dora Biney, a 37-year old farmer and native of Prestea Himan lives at Bodwireagya-Anikoko. She said one trick the mining companies have been playing is the creation of alternative homes, built of sandcrete blocks and cement. However, the houses and facilities provided by the companies are woefully inadequate. "The companies maintain that the resettlement scheme is based on affordability but it's not what we want". She said that fewer rooms and inadequate facilities are provided. Dora said that "we prefer to live in mud houses with sustained livelihoods as we were happier in our original communities than now". Dora cannot even pay for the school fees of her children. She has been compelled to withdraw them from school because the farmlands which provided her with income have been taken away. Neither can she afford medical care nor maintain a decent standard of living. "This phenomenon if not immediately checked will perpetuate poverty in our rural areas" she concluded.

The impact of shrimp-farming

The expansion of shrimp-farming in Indonesia provides a further clear example of the impact that export-led development can have. The Indonesian government has been planning to drastically increase its shrimp production by 2003 by converting 320,000 hectares of new land into shrimp farms, almost doubling the area under production. Half the shrimp from Indonesia are exported. The massive land development required to reach these targets will threaten mangrove forests and affect local shrimp farmers. One of the country’s largest shrimp farms covering 170,000 hectares, in South Sumatra, has been the focus of a long-running dispute between the company and local farmers (numbering some 2,500). In 1995, they were forced to give up their holdings of small-scale ponds to make way for the massive new development. Some were taken on as smallholders but many outstanding problems remained, including compensation for their land, unfair contracts and credit agreements, and inadequate housing and equipment.59

Similarly, between 1979 and 1996, the World Bank and the IMF initiated a number of structural adjustment programmes for Bangladesh. The main policy changes recommended included a reduction of the anti-export bias in the tax structure, tariff rationalisation, overall trade liberalisation, privatisation, flexibility in exchange rates and price decontrol. These policy changes then set the context for the expansion of shrimp cultivation, a major export-oriented activity in Bangladesh. As a result, shrimp exports increased by nearly 700% between 1980 and 1998. However, “[a] number of studies point out the serious damage caused to the local environment as a consequence of shrimp cultivation. Increased salinity, land degradation, deforestation, and destruction of mangroves in southern coastal regions have led to serious damage to biodiversity and ecosystems which is, for most part, irreversible.”60

The impact of oil development

The Colombian government regards oil as the country’s most important commodity, and production and exports increased dramatically in the 1990s. Part of this was due to trade liberalisation policies initiated in 1990.61 US company Occidental Petroleum (net sales of $6.6 billion and net income of $363 million in 1998) is currently involved in the exploration for oil in the Colombian rainforests. It is operator for a consortium (which previously included Royal Dutch Shell and Ecopetrol) which has exploration rights in the Samoré concession. The concession however is home to the U’wa people numbering some 5,000 - in an area of pristine cloud forest at the headwaters of the Orinoco river basin. The U’wa have already witnessed the impacts of oil development to the east of their territory. Here, Occidental has paid scant regard for the environment. Of particular concern has been the disposal and volume of waste water which has polluted receiving rivers and lakes. High and dangerous levels of heavy metals and toxic aromatic hydrocarbons have been found in lakes near to the company’s facilities.62 The U’wa are determined to defend their traditional territory from a similar fate. Roberto Cobaria, president of the U’wa traditional authority states: “We cannot sell oil, the blood of our Mother Earth. Mother Earth is Sacred”.63 Such was the pressure on the consortium - the U’wa had threatened to commit mass suicide - that Shell relinquished its interest to Occidental in 1998. Occidental subsequently relinquished 75% of the original
concession but the remaining 25% still lies within the territory of the U’wa. Occidental began drilling in November 2000.⁵⁴
DISPUTES: BEEF, CIGARETTES, OIL, SHRIMP-TURTLES, ASBESTOS AND GM PRODUCTS
(see also section on Banana Wars, page 20)

The Winners: transnational corporations
The Losers: public health and consumers, the environment, biodiversity, small businesses and labour in Europe

Case studies, examples and statistics: Hormone-treated beef and retaliation by French farmers and café owners; Venezuelan oil; Thai cigarette import ban; shrimp and sea turtles; the export of asbestos; import bans on GM products.

Introduction

Almost all WTO dispute rulings have favoured free trade at the expense of health and the environment. A case in point at the moment is the US and Canadian challenge to the EU’s ban on imports of North American hormone-treated beef. The WTO upheld the challenge, authorising retaliatory trade sanctions. Similarly, US legislation attempting to reduce air pollution in its worst affected cities has also become a casualty of the world trade system. In addition, the attempt by the US to enact legislation to protect sea turtles from shipping fleets catching shrimp with nets was challenged in the WTO and brings into question whether governments can take unilateral action to protect species in the global commons.

Perhaps the only exception to these rulings is the recent asbestos dispute. The WTO’s appellate body ruled against Canada when it objected to a French ban on the production, trade and sale of asbestos. The appellate body stated that members are free to set an appropriate level of protection in relation to public health (the WTO does allow trade restrictions where they are deemed necessary to protect human, animal or plant life or health). The body further ruled that products carrying known health risks cannot be considered ‘like products’ when compared with safer substitutes.

There also appears to be a bias towards disputes that favour the richer countries. Developing countries - who do not have the financial resources to withstand punitive trade sanctions - find it difficult to defend domestic regulations which protect public health. For example, this has occurred in the cases of the ban on the imports of GM products by Sri Lanka and the ban on foreign cigarette imports into Thailand. Both these examples are considered in greater detail below.

The WTO dispute settlement procedure is up for review as part of the built-in agenda. As far as TNCs are concerned, this review should reinforce the primacy of free trade over health and environmental issues.

The winners

Companies (and their shareholders and the executives who work for them) stand to benefit from the rulings of WTO dispute panels. For example, US cigarette manufacturers Philip Morris, British American Tobacco, RJR Nabisco and Rothmans. The manufacturers of bovine hormones, for example, Monsanto/Upjohn (see section on intellectual property and patents, page 17), Eli Lilly and American Cyanamid (now part of BASF). Oil refiners producing petrol from dirty oil such as the state owned Petroleos de Venezuela, S.A. (PdVSA).

In the beef-hormones dispute, Micky Kantor, the then US Trade Representative initiated the action in the WTO in response to strong lobbying from Monsanto (Micky Kantor is now a board member of the company), the US National Cattlemen’s Association, the US Dairy Export Council and other interest groups. “On the EU side, industry groups such as FEDESA, the primary lobby organisation for the European animal ‘health’ products industry, and the European Federation of Pharmaceutical Industry Associations (EFPIA), both members of EuropaBio (the primary biotech lobby group in the EU), pressured the Commission to lift the ban, which was affecting European companies as well.”

14
The losers

People's health, environment and consumer choice are at stake. Small companies hit by the US’s punitive trade sanctions are also being affected.

**Beef**

The EU’s 13-year old ban on imports of beef produced using a range of growth-promoting hormones has been successfully challenged in the WTO by the United States and Canada, on the basis that the EU does not have the scientific evidence required to support the ban.

One of the reasons that the EU imposed the import ban on beef hormones is fear that they may cause health problems. Specifically the EU has cited health issues relating to breast and colon cancer. The ban has, however, proved controversial because of differing opinions concerning the safety of the various hormones. But an equally important reason for the ban is that consumers in the EU, according to officials, have expressed a strong preference to eat hormone-free meat even in the absence of any scientific proof (these concerns come hard on the heels of many health scares in food production in Europe, including bovine spongiform encephalopathy or BSE, more commonly known as mad cow disease). There is also an additional argument for a ban on animal health/husbandry grounds (ie, pushing animals to grow faster than they would naturally). These additional concerns are not valid under current WTO rules.

Small companies have been hit throughout the European Union because of US-imposed sanctions following the WTO ruling. Amongst those affected are Denmark and Germany (pork and other meat exports), France (mustard, cheese, truffles and other gourmet products) and Italy (canned tomatoes, truffles and fruit juice). 70% of truffles in Italy are exported to the US so the $3.4 million sanctions could jeopardise some of the hundreds employed in the sector.

**Box 6: Reactions in France to trade sanctions**

Reactions to French sanctions demonstrates how highly charged world trade wars are becoming. Café owners across France retaliated against the US trade sanctions. Anne-Marie Sandrine, owner of Le Bowling du Rouerquite café in Rudez near Toulouse jumped to the defence of her local Roquefort cheese manufacturers. Like other café owners in France, she was so incensed by the sanctions that she increased the price of a bottle of Coca-Cola to $15. But even more spectacular price increases were found in Dijon, where bottles were priced as high as $75.

French farmers have also responded furiously, particularly in response to the sanctions applied to Roquefort cheese production in the south of the country. Demonstrations have involved damage to a half-constructed McDonalds restaurant and the imprisonment of several protesters. The leader of the French farmers, José Bové, was released after a number of weeks to a chorus of sympathetic comments from French Ministers, including the Prime Minister Lionel Jospin, who is reported to have commented that "Mr Bové's cause is just". The then agricultural minister invited Mr. Bové to attend the Seattle meeting and reportedly said: “Today, for the first time, we are in step with public opinion. There’s a national consensus about bad food. People realise we need a different international logic than the economic, social and environmental dumping of modern agriculture. We have to change the WTO so that it respects people’s cultural choices, does not destroy the world’s peasantry and guarantees fair trade for all.”

**Oil**

The US has strongly opposed the import of Venezuelan petroleum because of fears that high levels of olefins would contribute to the formation of toxic nitrogen oxides (NOx). Olefins increase NOx emissions and have strong ozone-forming potential. In 1994 the US Environmental Protection Agency (EPA) issued regulations under the Clean Air Act requiring a 15 percent increase in the cleanliness of gasoline sold in cities with air pollution problems. Due to difficulties in getting reliable data on some gasoline refineries, the regulations divided producers into two categories. Producers for which there was adequate data had to make the 15 percent improvement from their gasoline's actual quality in 1990. Newly established US refineries and foreign refineries (for whom it was difficult for EPA to verify data) had to make the 15 percent improvement from a baseline of the average US gasoline quality in 1990.

Foreign producers lobbied unsuccessfully against this rule in the US. So, when it was adopted, Venezuela, supported by
Brazil, challenged the rule in the WTO. They argued that it violated the national treatment requirement of the GATT by treating foreign producers less favourably than most US producers. The Dispute Panel and the Appellate Body both agreed with Venezuela, ruling that the regulation was incompatible with the GATT. As a result the US changed the regulation to give foreign refiners an option of using either the US 1990 average or an individual baseline. While establishing this new rule, the US EPA acknowledged that it "creates a potential for adverse environmental impact." This is because foreign producers will only choose the individual baseline if it allows them to ship dirtier gasoline into the US than they would have been allowed under the average baseline. The principle of national treatment may have been upheld, but real people's health is negatively impacted as a result.

**Cigarettes**

Each year three million people die world-wide from tobacco (with over 300,000 of those people coming from the US). In the late 1980s, the US lodged a complaint at the WTO against unfair trade practices in Thailand for imposing a ban on cigarette imports (supposedly for health reasons). At the time that the US filed the complaint, the number of smokers in Thailand was rising dramatically. Between 1988 and 1991, the number smoking between the ages of 15 to 19 increased by 24%. What ever the merits or otherwise of Thailand’s actions - ie, domestic cigarette production was not affected - the country was forced to reverse its decision after the WTO ruled in favour of the US because it could not afford to withstand trade sanctions. The US General Accounting Office has subsequently confirmed that any USTR initiatives aimed at opening tobacco markets overseas were inconsistent with public health goals. They conflict with the US government's support of global health programmes (such as the World Health Organisation's programme to prevent smoking).

**Shrimp and turtles**

Seven species of sea turtles are currently recognised. All seven species are included in the Convention on the International Trade in Endangered Species (CITES) Appendix I and all appear in the International Union for the Conservation of Nature and Natural Resources (IUCN) Red Data List of threatened species. According to research published by the US Government and by the IUCN, the main threat to the survival of sea turtles is the incidental mortality in nets used by shrimp trawlers in the open sea. The US thus enacted legislation to require domestic shrimping fleets to use turtle excluder devices (TEDs), inexpensive but effective devices that allow turtles, but not shrimp, to escape from nets. The law also required other shrimp-producing countries to show a regulatory programme and incidental mortality rate comparable to that of the US as a condition of market access for imports of shrimp into the US.

Malaysia, Thailand, Pakistan and India lodged a complaint with the WTO. Initially, the WTO Dispute Settlement Panel ruled that the US measure was arbitrary and unjustifiable and was not within the scope of Article XX (ie measures to protect animal life and natural resources). The Appellate Body overturned this ruling but found that the way that the measure had been implemented was discriminatory (ie, some countries had received longer phase-in periods). The US government changed some of the procedures (Malaysia subsequently challenged the revised measures that were introduced by the US but the Appellate Body rejected the complaint). In the absence of any international agreement, given the mixed decisions by the WTO, this case highlights whether governments can take unilateral action to protect species in the global commons and the problems for the WTO to arbitrate on the appropriateness of democratically enacted conservation measures.

**Asbestos**

In 1998, Canada challenged a French law banning the manufacture, import and sale of asbestos, arguing that the French ban could not be justified on health grounds and was harmful to Canada’s economic interests (Canada is the world’s leading asbestos exporter). However, the EU says that there is no safe exposure level to chrysotile asbestos, which it plans to ban across the EU in January 2005. France defended its ban on the grounds that some 2000 people die in the country from asbestos each year. Asbestos causes cancer of the lung and abdomen and can take up to 20 years to manifest. 500,000 people in Europe will die from asbestos by 2035. But Canada’s asbestos industry claims that the product can be used safely if recommended control and management practices are followed. Seven of Canada’s main markets are in the developing world - for example, India, Thailand and Korea. Here demand is actually growing.

The WTO’s dispute panel reached a decision in September 2000. The panel ruled that members are free to set an appropriate level of protection in relation to public health (the WTO does allow trade restrictions where they are deemed
necessary to protect human, animal or plant life or health). However, it also ruled that the ban violated WTO rules which require equal treatment for like products - that asbestos (despite its known health affects) should be treated equally with asbestos substitutes. However, the European Commission was successful in getting the ‘like product’ violation reversed through the WTO Appellate Body, who stated that the health risks constituted a legitimate factor in determining the likeness of products (i.e. the original panel had ruled that the product’s end use should be the determining factor in likeness and that characteristics, including toxicity, were irrelevant).73 Although the original panel’s decision does continue to raise concerns about their analysis of like products, it was the first time that a panel had excepted human health as a justifiable reason to impose trade restrictions.74

**GM Products**

In May 2001, Sri Lanka imposed a ban on imports of GM ingredients in 21 categories of food. Until such time as the country had adequate facilities to test for GM presence, it would rely on certification in the country of origin and would not import foods that were not certified to be GM free.

The US was the most vociferous opponent of the ban. Firstly, it does not label its own GM production. Secondly it argues that there was no credible scientific evidence to justify the ban. The fact that such a ban would only affect about 4% of the US’s agricultural exports to Sri Lanka did not prevent the US from exerting a great deal of pressure, presumably to avoid any precedents being set.

As a result, Sri Lanka temporarily suspended the ban following a request by the WTO that they should give the country’s trading partners 60 days to prepare for the restrictions. However, Sri Lanka remained adamant at the time that it was not backtracking on its original ban which would be reinstated on 1 September 2001.75

Yet moves were made by the U.S. Government to undermine the import ban on genetically modified foods by threatening to initiate proceedings at the WTO. In September, Sri Lanka capitulated and reversed its decision because of political pressure and/or the threat of retaliatory trade measures.
INTERNATIONAL TRADE AND TRANSPORT

The Winners: business air lines, road haulage, shipping and air freight companies, TNCs (ie, those manufacturing air craft or engaged in global trade)

The Losers: the environment, natural habitats, business, local communities living near motorways or airports, the taxpayer and the public (health and increased accidents)

Case studies, examples and statistics: predicted increases in road haulage (for example in the EU, and between the US and Mexico); predicted growth in air freight and airports (often backed by subsidies); residents living below flight paths into Heathrow; Boeing, the company’s Chief Executive Phil Condit and China; accident and health impacts of increased road traffic; transport related pollution statistics.

Introduction

Trade liberalisation and the increasing mobility of capital are increasing the movement of goods and people, particularly by road and air. In addition to this, a new focus on the liberalisation of transport services in the WTO’s GATS negotiations could increase trade and transport even further (see section on Services, page 35).

The winners

As international trade increases, the transport of goods obviously increases in parallel. For example, freight transport in the EU is expected to increase by some 70% by 2010. Much of this increase will be in road haulage, with its 'market share' increasing from 70% to 80% (at the expense of rail which will take just 10% by 2010, down from 32% in 1970). It has also been estimated that truck transportation in North America is likely to be seven times higher in 2005 than it was in 1995 as a result of the North American Free Trade Agreement (NAFTA). This will benefit overland cargo hauliers - such as J. B. Hunt Transport, the largest haulier in the US.

Air traffic is also forecast to grow exponentially. Air cargo nets $40 billion annually and is forecast to grow by 6.4% per year, which means it could triple in about 20 years (air cargo freight is thus expected to grow considerably faster that the expected worldwide GDP of 3% per annum through to 2019). Freight within and between Asia is expected to account for more of this air freight than any other region. Air freighters carried 35% of air cargo in 1996 and this is expected to increase to 44% by 2016 (the balance is carried on passenger planes). The world's air freighter fleet will thus nearly double by 2019 with an additional net 1,500 planes coming into operation. The number of air passengers - both leisure and business - will also grow (almost doubling in the next 20 years).

Because of these increases, Boeing is arguably one of the companies that stands to benefit the most from further trade liberalisation and the increased movement of goods (particularly perishables such as food and flowers). The company has experienced mixed fortunes over the past 10 years with the boom-bust cycle of aircraft production and employment. Nevertheless, in 1998 it made a profit of $1.4 billion. Clearly Phil Condit, Chairman and Chief Executive Officer of the company, who was paid just over $1 million in 1999, sees the WTO as an unrivaled opportunity to boost business. In 2000, Boeing was the US's largest exporter at $51 billion. (See also page 28 on Investment). At the Seattle Ministerial Conference, Phil Condit co-chaired the Seattle Host Organisation, along with Bill Gates of Microsoft. Through the offices of the two companies (both based in Seattle), some of the world’s largest companies - including Bank of America, Ford Motor, General Motors, Hewlitt Packard, Proctor and Gamble and Weyerhauser - paid hundreds of thousands of dollars in the hope of privileged access to key ministerial and other negotiators at the Conference. The companies’ sponsorship could enable them to “become part of a process to develop substantive business input to the WTO though a series of business programmes”. In addition, they were able to attend receptions and dinners for heads of states, ministers and delegates, with preferential seating.

Asia and China are key markets. Overall, Asian markets will account for more than 50% of the world freight market by 2019. China is expected to have the fastest air traffic growth of any nation with an annual growth of about 9.3% per
annum predicted between 2001 and 2020. The country’s growing aviation industry will require nearly 1,800 airplanes or about $140 billion of orders including freighters over the next 20 years. The fact that China is poised to join the WTO is also a highly significant factor for Boeing. In August 1999, China placed an order for 13 Boeing 747 freighters, worth some $2.5 billion. Although Boeing's competitor, Airbus, has also won orders from China, this was the largest freighter order ever received by Boeing. China is the market to capture at present and this will have been a significant break through for Boeing. Unsurprisingly, Phil Condit - either through the company or as the chair of the US Business Roundtable's International Trade and Investment Task Force - has lobbied hard for China's accession to the WTO. The company has repeatedly argued that unless Washington acts, China will do business with Airbus.

**Air transport and subsidies**

In the European Union, subsidies to airlines (ie, direct subsidies, no excise duty on kerosene, or no VAT on kerosene and air planes) runs to at least 41 billion Euros each year (currently about $36 billion). In the US, similar air transport subsidies have primarily benefitted TNCs engaged in trade. Airports are being funded through the federal government. A new airport in Arkansas will be big enough to handle fully laden Boeing 747 freighters (about 60% being funded through the tax payer). One of the beneficiaries will be the Arkansas state’s giant poultry companies, Tyson Foods, Hudson Foods (the two companies recently merged) and Peterson Industries.

**The losers**

Increasing road freight traffic will inevitably lead to more congestion and accidents. For example, the Confederation of British Industry pessimistically estimates that the economic cost of congestion in the UK is about $33 billion annually. Cost/benefit analysis suggests that the health impacts from traffic pollution in the UK cost a further $18 billion a year. In the European Union (EU), 45,000 people die and 1.6 million are injured every year in road accidents. This costs the EU almost $50 billion a year for the cost of health and emergency services and lost economic output. In 1999, with the new North American Free Trade Agreement in place (which according to the US Government would expand cross-border traffic between the US and Mexico sevenfold with a subsequent increase in noise and air pollution), about 5,000 trucks cross the Texas-Mexico border every day of which a quarter carry hazardous explosives or chemicals.

Transport is also a major contributor to air pollution and climate change. Every year, nearly 3 million people die from air pollution globally. Maritime transport moves some 95% of the world’s traded goods and causes as much as one-sixth of global carbon, nitrogen and sulphur emissions from petroleum sources. Pollution from air travel is already growing faster than in any other transport sector. This will be compounded by the exponential growth in air traffic expected over the next 20 years. The total pollution from an air plane on a 500 kilometer flight is 70 times that of a train (per passenger kilometer) and nearly twice that of a car. By 2050, aircraft emissions could be responsible for a staggering 15% of all global warming. In the two minutes of take off, a DC10 (belongs to the family of Boeing planes) produces the same amount of nitrogen oxides pollution equivalent to 21,500 cars driving one mile at 30 miles an hour. Food is now travelling 50% further than it did 20 years ago and because much is perishable, it is often transported by air freight (fruit and vegetables accounts for 13% of all imports of UK air freight). The distribution of one kilogramme of apples from New Zealand sold in the UK accounts for its own weight (1kg) in carbon dioxide emissions.

Increasing transport infrastructure also frequently necessitates the removal of dwellings and important habitats. Thus, for example, the building of the new 1,100 hectare airport in Arkansas (see above) will force 50 families off their land. The proposed Trans European Network threatens the social integrity of 1,000 small villages throughout Europe. In the UK, many hundreds of the country’s most important wildlife sites are threatened annually from road construction (either directly or through indirect effects such as increased air pollution from growing traffic).
Box 7: Increased air freight and local communities

The volume of freight and number of passengers through UK airports - but particularly London Heathrow - continues to climb. Between 1992 and 1998, cargo tonnage through UK airports increased by 70%. The vast majority comes through Heathrow (some 1.3 million tonnes in 1998, 57% higher than in 1992). With British Airways new cargo freight terminal at Heathrow, these figures are set to rise. Rita Pearce has lived in the immediate vicinity of the airport for 55 years. In that time she has witnessed its enormous growth and the associated environmental issues - particularly noise, pollution and congestion - which have worsened over the last 10 years. “The quality of our lives has deteriorated greatly. There are more aircraft movement, night flights, early morning arrivals and aircraft using reverse thrust on landing in order to vacate the runway quicker”. The growth in cargo has also compounded these problems: “Heathrow has recently opened a massive new cargo terminal for British Airways which is a magnet for heavy goods vehicles on the already congested roads. Not just on motorways, but these beasts come trundling through the villages”. Such is the demand for warehousing around the airport that other employment is vanishing. “Its being replaced with large tin boxes employing a handful of people. My fear is this area will end up with only unskilled jobs”.

20
INTELLECTUAL PROPERTY AND PATENTS

The Winners: transnational companies
The Losers: local farmers everywhere and indigenous peoples in developing countries

Case studies, examples and statistics: the Intellectual Property Committee; International Plant Medicine Corporation and ayahuasca; Monsanto and seed piracy cases; Monsanto’s links with the US administration; terminator and traitor technology; W. R. Grace and the neem tree; Monsanto in India and local farmers; and the Karnataka State Farmers Association (KRSS).

Introduction

Traditionally, trade liberalisation has been associated with deregulation. However, the opposite is the case with intellectual property rights (IPRs) protection. The WTO’s Trade-related Intellectual Property Rights (TRIPs) Agreement lays down a set of rules stipulating how governments must regulate to protect various aspects of intellectual property including patents, copyrights, designs and trade marks. It affects a diverse array of sectors including pharmaceuticals, computer programming and transgenic crops. TRIPs standards are derived from industrialised countries’ legislation, which is quite different from much developing country legislation. In this way, the trade system protects the intellectual property of knowledge-rich Northern based companies rather than diffusing knowledge and transferring technology. This has already generated a great deal of conflict.

The TRIPs Agreement is up for review as part of the WTO’s ‘built-in’ agenda. While many developing countries will be arguing for a scaling back of the TRIPs Agreement, it is thought that the USA might seek to remove developing countries’ existing option to introduce their own sui generis IPR systems and use the TRIPs renegotiation to demand full patenting of all plant and animal life forms (at the moment only plant varieties and microbiological processes are covered). However, it is more likely that the US might fight to keep TRIPs off the agenda, due to concerns that the review might lead to a backsliding of current commitments and meet some of the demands of developing countries. In addition, some governments may push for further discussion on the related issue of the links between biotechnology and trade in the WTO.

The winners

The TRIPs Agreement regulates trade in a way which significantly benefits northern TNCs. Since these companies were involved in initiating TRIPs negotiations this comes as no surprise. The first initiative on intellectual property was taken in the 1980s during the GATT negotiations in the Uruguay Round by a newly formed corporate lobby group. The Intellectual Property Committee (IPC) brought together thirteen major US corporations - including Monsanto, DuPont, General Motors, Pfizer, IBM and Bristol Myers Squibb - and was instrumental in getting intellectual property onto the GATT agenda. The US government then asked the private sector to provide specific proposals for the agreement. The IPC, together with the Union of Industrial and Employers Confederations of Europe (UNICE) and the Keidanren in Japan, were able to draft the standards for intellectual property and a dispute mechanism to support it. The Chairman and CEO of Pfizer at the time - Edmund Pratt - helped lead the company initiative on intellectual property.

Today, industrialised countries hold over 97% of all patents. It is estimated that about 750,000 patents are granted annually. It is also estimated that 90% of technology and product patents are held by TNCs. The use of patents has increased dramatically in recent years as biotechnology and genetic engineering companies have sought protection for ‘inventions’ such as Monsanto’s Round-up Ready soya bean and the ‘terminator gene’. Although Monsanto and other companies have now pledged not to commercialise its ‘terminator’ technology, companies - such as Syngenta - continue to research and/or patent biologically-engineered sterile seed. The latest patent was awarded to Syngenta in November 2000. In addition, companies are developing research and/or patents “for a new generation of GM plants whose traits can be switched on or off with the application of proprietary chemicals.” This has been called traitor technology. Since May 2000, Syngenta and Dupont have both secured patents for this research. The creation of Syngenta will bring into one company “over half the world’s patents that have been identified on Terminator and Traitor Technology”.
In 1986, Loren Miller - the Managing Director of International Plant Medicine Corporation in the US - was awarded a patent on a supposedly new and unique variety of *Banisteriopsis caapi*, more commonly known in the Amazon as ‘ayahuasca’ or ‘yagé’. Ayahuasca is a liana and has been used by many indigenous peoples for centuries in traditional and ritual healings and for its psychotherapeutic benefits. COICA, a coalition of Amazonian NGOs has been challenging the patent. According to Antonia Jacanamijoy: “To us, this is a clear example of biopiracy…it is objectionable that someone can patent a plant we have known and used for centuries”. In late 1999, the patent office subsequently withdrew the patent and accepted that the “claimed plant variety was not distinctive or novel, but [at the same time] did not acknowledge the argument that the plant's religious value warranted an exception from patenting.” This case illustrates the way in which the use of patents can completely ignore traditional knowledge, passing ownership to transnational corporations.

In the US, biotechnology is seen as a way of maintaining the US’s position as the world’s leader in agriculture, and agrochemical and biotechnology companies wield considerable influence. In the US, formal consultative committees exist to create links between the administration and different sectors of business and society. The President’s Advisory Committee for Trade Policy and Negotiations (ACTPN) gives recommendations on US Trade Policy. Robert Shapiro, former chairman of Monsanto (now non-executive chair of the recently merged company Pharmacia/Upjohn/Monsanto), is a member of this important body, directly nominated by the President of the United States. Similarly, the US Trade Representative for much of the Uruguay Round, Mickey Kantor, is now a board member of Monsanto. He played an important role in bringing the Round to a conclusion and served as Trade Meeting Counsel at the Ministerial meeting in Seattle on behalf of the Wheat Industry.

**The losers**

TRIPs and the use of patents expropriates knowledge from local farmers and indigenous peoples in developing countries who, in many cases, have been cultivators, researchers and protectors of plants for thousands of years. As such, companies have alienated a large number of people and farmers. For example, under WTO enforced patent law, Monsanto has the right to take farmers to court if they collect and use seeds from its patented plant varieties. Monsanto has opened up a series of ‘seed piracy’ cases (it has opened 475 in the USA alone). One of these was against Percy Schmeiser in Canada (see Box 9). Monsanto’s ‘terminator gene’ technology, which makes plants sterile, would have helped the company to enforce its patent rights. However, even if Monsanto keeps its voluntary pledge not to commercialise this technology (which the company has recently confirmed it will honour), the promotion of patented varieties, backed by legal action, could pose a significant threat to food security in the developing world. Approximately 1.4 billion people around the world depend on farm-saved seed for their food security.
Box 9: Monsanto and seed piracy

Percy Schmeiser lives near Bruno, Saskatchewan on a 1,400 acre farm growing mainly canola (commonly known as oil
seed rape in Europe). It is thought that through the company’s now defunct ‘free phone’ sneak line (and subsequent
inspections by private investigators), Monsanto discovered that Percy was growing its own patented, genetically
engineered (GE) Round-up Ready canola without having paid them for it. The company’s GE canola can survive its own
Roundup herbicide which will kill other plants (i.e. weeds) but not the canola. Critically, under the patent, farmers cannot
save seed from one year to the next as farmers have done for generations. They must buy new seeds every year.

Percy claims he has never bought Monsanto’s canola seed and maintains that the likeliest sources are wind blown, leading
to cross-pollination. Once in place, the GE contamination is difficult to displace. Its “all over the place,” he said. "It
blows in the wind, cross-pollinates." On opening a canola pod, he reveals the freckle-sized, black seeds. "Little plant
like this makes a minimum 4,000 seeds...maybe 10,000 seeds," he said. Percy continued: "Now they're saying it doesn't
matter how the (Monsanto canola) gets into a farmer's field. Doesn't matter if it's blown onto the field or if it's by
cross-pollination. They say it's their patent and if they find it on your field they'll take your crop, they'll sue you, they'll
fine you."110

In March 2001, a court agreed with Monsanto and found against Percy. The judge ruled that whilst some of source of
the GE seed may have got to the farmer’s fields without his knowledge, it was the concentration and extent of the
Roundup canola that counted against him (which led Monsanto to claim that it was a case of old-fashioned theft111).
Whatever the merits and ruling of the case (Percy appealed against the decision, he questions the results of Monsanto’s
investigations and still maintains that he did not plant the company’s seeds) it raises a number of important issues.
Namely the way in which small farmers are confronted with the growing domination and economic power of TNCs and
the threat to stop farmers saving seed - under potential threat of legal action - which has severe consequences for food
security worldwide.

Monsanto has been granted extremely broad patents on a wide variety of food items such as the brassica family and on
neem products. Similarly, US company W.R. Grace has patented certain pesticide properties of the neem tree. This tree
has been used for centuries by people in India for a variety of uses, including for pest control. In 2000, a panel of the
European Patent Office withdrew the patent given to the company endorsing “the arguments of the critics of the patent
that the process for extracting the oil from the neem tree was actually in use in India long before the 1994 patent
application...The core issue for the EPO examiners was the question of whether a purported invention, as claimed by
the US multinational, has never before been conceived as an idea...[and] ruled that the patent granted in 1995 is
characterised by a ‘lack of novelty’”.112 This example however again highlights that patents are awarded that do not
recognise indigenous or traditional knowledge and the 'benefits' will exclusively go to companies and those consumers
that can afford their products.

Monsanto’s actions in India and the response they have generated epitomise the current battle over knowledge between
large transnationals and small farmers. Monsanto has been operating in India since 1949 and has been attempting to push
its GM crops onto the country’s farmers. The company has already claimed patent rights on over 30 'new' crop varieties
including corn, rice, tomato and potato varieties which have been genetically altered to be resistant to Monsanto's
herbicides. But Monsanto's main focus, in a sub-continent where cotton is widely grown, has been the promotion of GM
'bollgard' cotton (modified to be resistant to the boll weevil). However, Monsanto offered the cotton to farmers without
informing them in was a GM variety and which at the time had not been passed by the Government for testing. The tests
were illegal and the deception infuriated the farmers (see Box 10).113

India has been the subject of a complaint from the US regarding their non compliance with the TRIPs Agreement114 In
1998 the WTO’s dispute panel ruled that India had failed “…to establish a legal basis that adequately preserves novelty
and priority in respect of applications for product patents for pharmaceutical and agricultural chemical inventions…”
and also failed “…to establish a system for the grant of exclusive marketing rights”. India was bound by the TRIPs
Agreement to implement this ruling or face possible trade sanctions, even though there remains strong opposition within
the Indian farming community to the TRIPs Agreement more broadly. In 1999, India’s parliament approved a patent
system that brought the country into compliance with the ruling.115

Monsanto has been granted extremely broad patents on a wide variety of food items such as the brassica family and on
neem products. Similarly, US company W.R. Grace has patented certain pesticide properties of the neem tree. This tree
has been used for centuries by people in India for a variety of uses, including for pest control. In 2000, a panel of the
European Patent Office withdrew the patent given to the company endorsing “the arguments of the critics of the patent
that the process for extracting the oil from the neem tree was actually in use in India long before the 1994 patent
application...The core issue for the EPO examiners was the question of whether a purported invention, as claimed by
the US multinational, has never before been conceived as an idea...[and] ruled that the patent granted in 1995 is
characterised by a ‘lack of novelty’”.112 This example however again highlights that patents are awarded that do not
recognise indigenous or traditional knowledge and the 'benefits' will exclusively go to companies and those consumers
that can afford their products.

Monsanto’s actions in India and the response they have generated epitomise the current battle over knowledge between
large transnationals and small farmers. Monsanto has been operating in India since 1949 and has been attempting to push
its GM crops onto the country’s farmers. The company has already claimed patent rights on over 30 'new' crop varieties
including corn, rice, tomato and potato varieties which have been genetically altered to be resistant to Monsanto's
herbicides. But Monsanto's main focus, in a sub-continent where cotton is widely grown, has been the promotion of GM
'bollgard' cotton (modified to be resistant to the boll weevil). However, Monsanto offered the cotton to farmers without
informing them in was a GM variety and which at the time had not been passed by the Government for testing. The tests
were illegal and the deception infuriated the farmers (see Box 10).113

India has been the subject of a complaint from the US regarding their non compliance with the TRIPs Agreement114 In
1998 the WTO’s dispute panel ruled that India had failed “…to establish a legal basis that adequately preserves novelty
and priority in respect of applications for product patents for pharmaceutical and agricultural chemical inventions…”
and also failed “…to establish a system for the grant of exclusive marketing rights”. India was bound by the TRIPs
Agreement to implement this ruling or face possible trade sanctions, even though there remains strong opposition within
the Indian farming community to the TRIPs Agreement more broadly. In 1999, India’s parliament approved a patent
system that brought the country into compliance with the ruling.115

Monsanto has been granted extremely broad patents on a wide variety of food items such as the brassica family and on
neem products. Similarly, US company W.R. Grace has patented certain pesticide properties of the neem tree. This tree
has been used for centuries by people in India for a variety of uses, including for pest control. In 2000, a panel of the
European Patent Office withdrew the patent given to the company endorsing “the arguments of the critics of the patent
that the process for extracting the oil from the neem tree was actually in use in India long before the 1994 patent
application...The core issue for the EPO examiners was the question of whether a purported invention, as claimed by
the US multinational, has never before been conceived as an idea...[and] ruled that the patent granted in 1995 is
characterised by a ‘lack of novelty’”.112 This example however again highlights that patents are awarded that do not
recognise indigenous or traditional knowledge and the 'benefits' will exclusively go to companies and those consumers
that can afford their products.

Monsanto’s actions in India and the response they have generated epitomise the current battle over knowledge between
large transnationals and small farmers. Monsanto has been operating in India since 1949 and has been attempting to push
its GM crops onto the country’s farmers. The company has already claimed patent rights on over 30 'new' crop varieties
including corn, rice, tomato and potato varieties which have been genetically altered to be resistant to Monsanto's
herbicides. But Monsanto's main focus, in a sub-continent where cotton is widely grown, has been the promotion of GM
'bollgard' cotton (modified to be resistant to the boll weevil). However, Monsanto offered the cotton to farmers without
informing them in was a GM variety and which at the time had not been passed by the Government for testing. The tests
were illegal and the deception infuriated the farmers (see Box 10).113

India has been the subject of a complaint from the US regarding their non compliance with the TRIPs Agreement114 In
1998 the WTO’s dispute panel ruled that India had failed “…to establish a legal basis that adequately preserves novelty
and priority in respect of applications for product patents for pharmaceutical and agricultural chemical inventions…”
and also failed “…to establish a system for the grant of exclusive marketing rights”. India was bound by the TRIPs
Agreement to implement this ruling or face possible trade sanctions, even though there remains strong opposition within
the Indian farming community to the TRIPs Agreement more broadly. In 1999, India’s parliament approved a patent
system that brought the country into compliance with the ruling.115
### Box 10: Monsanto, GM cotton and Indian farmers

In 1998 an Indian farmer, Basanna Hunsole, found out that he was - unknowingly - growing GM cotton crops on his land that were supplied by Monsanto. Furthermore, the yields were poor and the crop became heavily infested by boll weevils. In November 1998, the Karnataka State Farmers Association (KRSS) arrived at Basanna’s field. In protest at Monsanto’s actions, they tore up the GM cotton plants and burnt them, with the assistance of neighbors and other local farmers. They then started a formal campaign to drive the company out of the country.\(^{116}\)
BANANA WARS

The Winners: transnational companies and their Chief Executive Officers, politicians
The Losers: small businesses and labour in Europe, small-scale producers in the Caribbean, banana plantation workers in Latin America, the environment

Case studies, examples and statistics: banana production costs; Chiquita; the Windward Island banana growers; wages, health and environmental impacts on Latin American banana growers; Guatemalan and Costa Rican banana farmers; impacts on small businesses in the UK hit by sanctions.

Introduction

The WTO dispute rulings favour free trade at the expense of development and social issues. For example, the EU’s preferential import regime for Caribbean banana farmers - aimed at supporting small scale growers where costs are high because of steep terrain, poor soils and climatic hazards - has been deemed incompatible with WTO rules. A complaint was lodged by the US on behalf of its banana-producing transnationals, who wanted greater access to the world’s largest market - the EU. The WTO ruled that the EU was discriminating unfairly in favour of a group of countries and authorised the US to impose sanctions of $191 million on a range of EU exports to the US. The EU is now revising its banana import scheme as requested by the US and TNCs such as Chiquita and subsequently these sanctions have now been lifted. The new scheme provides for a transition period for the introduction of a tariff-only system by 2006. During the transition, banana imports will be regulated through import licenses on the basis of past trade. This came into affect in July 2001. However, the new systems threaten the livelihoods of 200,000 banana farmers in the Caribbean. The most likely alternatives for these farmers are unemployment or growing marijuana. The sanctions also had severe economic impacts on small companies in Europe that have no involvement in the banana trade.

The winners

World trade in bananas is dominated by two US transnational corporation (TNCs), Chiquita and Dole Food. Between them they produce and control up to 50% of world trade. These TNCs are closely associated with plantation production in South and Central America where costs are significantly lower than in the Caribbean and have much to gain from the WTO decision. For every $1 of bananas from Costa Rican plantations, about 57 cents of the profit goes to the owning, importing or exporting company.

Between 1988 and 1997, the Chiquita president, Carl Lindner, relatives and officials in his companies gave a total of over $3 million in donations to both the Republic and Democratic parties. Lindner’s personal wealth is put at $830 million. It is widely suspected that Lindner’s/Chiquita’s $500,000 donation to the democratic party in 1996 was instrumental in persuading the US administration to lodge a complaint against the EU just a few days later. Politicians would appear to have been swayed by Lindner’s ‘generosity’ and supported his company in the dispute. It is also reported that the Republican candidate at the presidential election in 1996 Robert Dole borrowed Lindner’s private jet and was instrumental in arranging meetings between Chiquita and Micky Kantor, the US Trade Representative at the time. Lindner’s support for both Democratic and Republican parties has won him other friends in high places, Dick Gephardt (now House Minority Leader), for example, and Trent Lott (now Majority Leader in the Senate).

The losers

Renwick Rose, the Co-ordinator of the Windward Island Farmers’ Association reflects on the impact of the WTO’s ruling on the EU’s preferential import regime for Caribbean bananas. 60% of the Windward Islands’ export earnings come from bananas. Of those in the Windward’s, 70% of St Vincent’s population makes a living, directly or indirectly from bananas. On St Lucia it is about 33%.
### Table 3: Estimated production cost per box

<table>
<thead>
<tr>
<th>Country</th>
<th>Cost (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecuador</td>
<td>$2.95</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>$3.25</td>
</tr>
<tr>
<td>St Vincent</td>
<td>$8.40</td>
</tr>
<tr>
<td>Dominica</td>
<td>$9.37</td>
</tr>
</tbody>
</table>

Whilst Renwick is not entirely surprised by the ruling itself (previous WTO decisions have ruled against social and development considerations), the impact for Windward Island farmers could be devastating. Renwick believes that it could set in train a process of economic ruin, resulting in mass unemployment, undermining the social fabric of their society and possibly lead to political instability and social unrest.

### Box 11: Banana growers, Windward Islands

**Message from Emile Thomas, a Dominican banana farmer:**

“My farm is typical of the Windward Islands. It covers 7 acres of mountainous terrain and provides me with an income which does not even meet my family’s needs. Bananas are the only year round crop that can produce again within months of damage or destruction by storms, floods or hurricanes, which are constant Caribbean hazards. We know we can only sell our bananas in the European Union (EU) because of the special arrangements which the EU provide us with as traditional suppliers to the UK. The World Trade Organisation (WTO) have ruled against these arrangements and we could lose our market as a result of this. Employment in Dominica is hard to find and if I stopped growing bananas I simply do not know how else I could earn a living for myself and my family. I urge the Commonwealth to support the cause of the Caribbean banana industry on which so many livelihoods depend”.

Similarly, St. Vincent banana farmer Alroy Smart is frustrated and angry. His decent, legal, livelihood may well be snatched away because of the ruling by the WTO: “The situation is really bad now. I feel like abandoning the fields. The question is: what to do? If I plant marijuana, I’ll go to jail. There is no other alternative in this country. Unemployment is very high. Bananas were the only thing that we could depend on.” Banana grower, Thomas St Hill will also be affected: “If the banana industry goes down, St Lucia goes down with it.”

Furthermore, it’s not as if Central American banana farmers have much to gain from this decision. Labour, health and environmental standards on these plantations are appallingly low. Workers receive just three cents from every dollar earned exporting bananas. Furthermore, workers are often subjected to agro-chemicals in the fields, where they get sprayed along with the crop, and during packing (see Box 12).

In Costa Rica, pesticide poisoning on banana plantations is three times higher than in the rest of the country. Chemicals that the workers are currently using include at least four that are classified as extremely hazardous by the World Health Organisation, including paraquat. Because the plantations use high levels of agrochemicals, rivers have also been polluted killing fish and coral reefs and 30% of the current extent of banana plantations in the region were originally covered by forests. On parts of the Caribbean coast, there appears to be little life of any kind, except for bananas in a featureless landscape. As a result of the WTO’s ruling, negative impacts on workers and the environment in Latin America will also be compounded, since production and export from South and Central American plantations can be expected to increase.
**Box 12: Banana workers in the banana plantations in Central America**
Feliciano and his family have worked on the banana plantations in Guatemala for 60 years. He is an active trade union member. Feliciano, and fellow workers Octaviano, Guillermo and Ubaldo, recount life working on the plantations. The work has left some of them destitute. There is often nothing good to eat. Electricity and water have been cut off and drinking water from the wells is polluted. Workers are paid as little as 63 cents an hour or $28 a week. Some have been affected by chemicals in packing plants, making them sick and giving them sores. Workers in the field are subjected to aerial fumigation of the crops without protective clothing. The foul-smelling chemicals make them feel nauseous, causing nose bleeds and sore eyes and they have difficulty breathing (the chemical is reported to be the organophosphate insecticide, *chloropyrifos*, which attacks the nervous system). 131

Similarly, in Costa Rica, Carlos Mora is one of the 20% of plantation workers that have been left sterile after handling the toxic chemical DBCP (now banned). Another worker, Juan also handled the chemical. His wife gave birth to a baby whose head was four times larger than his body: “I couldn’t even hold him because it seemed to make things worse. So I just talked to him and cried with him. It’s the worst thing that can happen to anyone. There are no words than can tell what life is like.” 132

**Trade sanctions and small businesses**
It is not just small scale farmers that have been affected by the WTO decision on bananas. Sanctions have been imposed on a number of EU goods (these sanctions have now been lifted). For example, bath products, handbags, felt paper and paper board, folding cartons, bed linen, and batteries (see Box 13). One sector in the UK hit by sanctions is batteries. Estimates suggest that 400 jobs in the UK could rely on battery exports to the US. 133

**Box 13: Trade sanctions and small businesses**
At the end of 1998, Iain Russell was reviewing the prospects for his family run business - Arran Aromatics - on the Island of Arran in Scotland. The outlook was favourable. Expansion plans would increase employment and take turnover from £4.25 million in 1998 to eventually £15 million (amounting to half the total turnover for the Island).

Imagine his surprise and anger when he found out in early 1999 that his products - bath products - would be hit by sanctions imposed by the US as result of the WTO ruling on the ‘banana wars’. As much as 40% of the company’s turnover in 1998 was exported to the US. Iain was equally incensed because he found out by word-of-mouth that the company would be the unwitting victims of this dispute. No one from the EU or the UK Government had bothered to inform the company that they were potential targets.

As Iain explained to FOE, despite the fact that he supports the principle of EU support to small banana producers in the Caribbean, the impact on his company from this trade dispute was completely outside his control. Planned turnover was £6 million for 1999 but the company reached only £3 million because of the dispute. With a high proportion of turnover and sales to the US, so customers there have turned to other suppliers. The company reckons that the cost overall will be about £12 million in lost customers (the company, along with others, is currently taking legal action against the European Commission to recover these costs). 134 Whilst the company will survive, it caused economic hardships to employees - for example, there was no pay increase for 1999 and the directors have had to take pay cuts - and not surprisingly, it created great anxiety and uncertainty. As the largest employer on the Island of Arran, the fortunes of the local community are closely tied in with prospects of the company. For example it put in serious jeopardy the continued support to the local school and to other charities. 135
NO ‘TRICKLE DOWN’ - POVERTY AND INEQUALITY

The Winners: the already wealthy - rich countries, rich communities, rich people and rich companies
The Losers: developing countries, poor and marginalised communities around the world

Case studies, examples and statistics: predicted winners and losers of the Uruguay Round; declining terms of trade for developing countries; changing consumption patterns and inequity; income inequalities; developing country marginalisation in the WTO process.

Introduction

The WTO is the institutional embodiment of trade liberalisation, which is now being pursued as a goal in itself rather than as a means to an end. The ideology behind trade liberalisation is that it is the driver responsible for increasing global economic prosperity. On the basis of the ‘trickle down’ theory, wealth should then be passed onto the rest of society, raising living standards, promoting human development and providing the finance and standard of living deemed necessary for people to seek environmental protection measures.

In reality, however, the negative impacts of trade liberalisation are now being felt by a significant proportion of the world's population. Trade liberalisation is associated with increasing inequality both between and within countries. The workings of the WTO favour the powerful and influential at the expense of the powerless and those without influence.

The theory outlined above also assumes that poor people are not concerned with preserving their environment. This is an erroneous assumption.

The winners and losers

Trade liberalisation directly benefits those already trading and enjoying economies of scale. There appears to be no evidence to support the ‘trickle down’ theory. As economist Michael Jacobs concludes: “The theory that wealth would automatically ‘trickle down’ from the rich to poor has been proved simply wrong: rather, it now appears that wealth can circulate and expand within geographical and economic class boundaries to the exclusion of those outside.”

The experience of previous rounds of trade negotiations confirms that the benefits have accrued to the rich and powerful. World trade expansion as a result of the Uruguay Round is expected to increase global income by between US$212 and $510 billion by 2005. However, a number of studies have shown that this new wealth is shared very unequally. In terms of countries, most of the benefit will accrue to the US and the EU, with China and a few upper-income Southeast Asian countries being the main beneficiaries in the South. In contrast, it has also been estimated that the world’s least developed countries (LDCs) stood to lose up to US$3 billion in the period up to 2000, whilst sub-Saharan Africa was set to lose US$2.6 billion.

These figures continue an alarming trend in declining terms of trade for developing countries. Between 1970 and the mid 1990s, least developed countries have suffered a cumulative decline of 50% in their terms of trade (see figure 1). Between 1980 and 1991, the cumulative loss in terms of trade for all developing counties was $290 billion (ie, declining terms of trade is the revenue from a given volume of exports purchases a smaller volume of imports). Much of this fall is due to the decline in world commodity prices. The United Nations Development Programme has recently confirmed the deteriorating trade position of the world’s poorest countries and the expanding inequality between developed and developing nations. Of the richest 25 countries in the world, by 1998 all but seven (Australia, Canada, Cyprus, Iceland, Ireland, Norway and the UK) had improved their terms of trade since 1980. Japan was the major beneficiary, improving its terms of trade by nearly 100%, followed by Italy, Israel, Spain, France, the US and Finland (in that order). Of the world’s 25 poorest countries (where data is available), 19 had experienced declining terms of trade over the same period. In both Nigeria and Uganda, terms of trade had fallen by about 70% whereas in Burundi, Mozambique, the Central African Republic, Gambia, Angola and Tanzania they fell by about 50%. Government support for ‘non-intervention’ in trade, means that little or nothing has been done to rectify this situation. Indeed, the emphasis on export-led development has increased supply of many commodities onto the world market thus depressing prices.
Global consumption has increased on average 3% annually since 1970, but this figure hides significant imbalances. Consumption in Africa is now 20% lower than it was in 1980. Basic needs - such as adequate nutrition, literacy and information - are not being achieved. For example in sub-Saharan Africa, between 1970 and 1995, per capita consumption of printing and writing paper actually decreased from 2.2 to 1.6 kilograms per annum, whilst calorie intake in 1995 was still below the daily minimum calories requirement of 2,300. In contrast, between the same dates, the consumption of printing and writing paper in industrialised countries increased by 70% and calorie intake by 5%.\textsuperscript{141}

Income inequalities between countries have been rising steadily for over 200 years. The ratio between the richest and poorest country in 1820 was 3 to 1. By 1992, this ratio had climbed to 72 to 1.\textsuperscript{142} Latest indications suggest that this ratio has reached 95 to 1.\textsuperscript{143} In 1960, the 20% of the world's population living in the richest countries were thirty times richer than the poorest 20%. By 1997, they were 74 times richer.\textsuperscript{144} In the 1990s, the richest 20% of the world's population had 95% of all commercial lending, 94% of all research and development, 86% of world gross national product, 82% of world trade, 81% of all domestic investment, 81% of all domestic savings and 68% of all Foreign Direct Investment (FDI). In contrast, the poorest 20% had only 1% of world GDP and 1% of FDI.\textsuperscript{145,146} 1.2 billion people are still obliged to manage on less than one dollar a day.\textsuperscript{147}

![Figure 1: Declining Terms of Trade - Average annual rate of change (%)](Source: UNDP, Human Development Report, 1997.)

\textbf{Box 14: GATT, WTO and developing countries}

The strength of feeling amongst developing countries concerning GATT and the WTO is very strong. At the 50th anniversary of the multilateral trading system, only two African countries were represented. "That African leaders [did] not bother to attend is a big indication of how dissatisfied [they are] with the events of the past 50 years," noted an African diplomat. According to Nathan Shamuyarira, Zimbabwe's then Industry and Commerce minister. "For many decades the GATT [the WTO's predecessor] has had a legacy of treating developing countries like second class members of a rich men's exclusive club.\textsuperscript{148}

The following is reported remarks from the Foreign Minister of Guyana regarding the Green Room process at the Seattle Ministerial (Guyana then held the chair of the Group of 77 developing countries). "...at the Conference there is actually no transparency at all, as we are being sidelined in the so-called Green Room Process...After we made our voice heard, I received an invitation to a Green Room meeting on agriculture. To my amusement, when I turned up at the meeting, the chairman of the meeting presented this ‘non-paper’ to us. We were informed that no changes could be made. I created a stink. I asked what is the status of this document, and why we are called here. When I was told we were only invited here to be informed, I felt it wasn’t a serious meeting at all. It was only a joke...The chairman and a senior WTO Secretariat official were trying to bamboozle us to accept their draft on agriculture...We found out that this so-called Green Room meeting...was only a diversion. Since we had asked to take part in a Green Room Meeting, they gave us one. But they had shifted the real negotiations [elsewhere]...from which we were further marginalised.\textsuperscript{149}

Developing countries have been marginalised in the WTO decision making process (see Box 14). At the Singapore Ministerial Conference in 1996, the majority of time was devoted to the priority agenda items of the EU and US. Developing countries were not involved in much of the 'behind-the-scenes' negotiating that took place. The negotiations were dominated by some 30 delegations to the exclusion of the others who were often not aware of what was going on.\textsuperscript{150} Negotiations were structured so that different issues were discussed in different places at the same time. This practice favours the powerful traders like the EU and USA, that have large delegations comprising expert trade lawyers. It acts against those developing country members with small delegations and fewer lawyers. In fact, some developing countries
cannot even afford a base in Geneva, the home of the WTO. So, for example, Bangladesh has one official based in Geneva to cover all WTO matters whilst the US has over 200.
CORPORATE CONSOLIDATION

*The Winners:* transnational corporations, their shareholders and chief executive officers
*The Losers:* consumers, labour (lost jobs and job insecurity) and small businesses

*Case studies, examples and statistics:* Concentration of trade in various agricultural and industrial sectors; various statistics relating to trade and transnational corporations; mergers and job losses; the impacts of international supermarket groups on small store owners; loss of small businesses in Italy.

**Introduction**

In today’s highly competitive global market, companies need to capture ever greater market shares yet find themselves competing with companies operating to different standards and with different costs. This ever increasing pressure to keep costs down has sparked a trend for corporate restructuring, rationalisation and consolidation, primarily through mergers and acquisitions. The process of globalisation is thus creating unemployment and increasing job insecurity, concentrating trade in the hands of the larger players and knocking out smaller, less competitive companies. This is happening simultaneously in many different sectors with important implications for employment, consumer choice, value for money and prices. Trade liberalisation is in fact facilitating a process of ‘unfair competition’ pitting local producers against transnational corporations in areas where economies of scale and the capacity to pay for advertisers, marketers, lawyers, lobbyists and other services determine success. In other words, current trade liberalisation is facilitating the extension of monopolistic economic environments.

**The winners**

Trade liberalisation (with often an emphasis on export-led development) has been accompanied by a marked trend towards concentration of business within larger producers and traders. For example, in the food and non-food commodity sectors, it is now the case that:

- 80% of world grain is distributed by just two companies, Cargill and Archer Daniels Midland;
- five corporations control about 75% of the banana trade - Chiquita, Dole Food, Del Monte, Fyffes and Noboa;
- three corporations control 83% of the cocoa trade;
- three corporations control 85% of the tea trade; and
- five corporations are responsible for about 70% of tobacco production; Philip Morris, BAT, RJR Nabisco, Rothmans (now merged with BAT) and Japan Tobacco.

In the pharmaceutical, telecommunications, computer, agrochemical and music sectors, in 1998:

- the top ten companies controlled 35% of the $297 billion global pharmaceutical market, with some of the largest recently consolidating even further through a series of massive mergers (including Glaxo SmithKline and Warner Lambert-Pfizer);
- the top ten companies controlled 86% of the $262 billion global telecommunications market, again with some of the largest having recently consolidated further through mergers (including Vodaphone-Airtouch and Mannesmann);
- the top ten companies controlled 70% of the $334 billion global computer market (of which the largest are IBM (hardware) and Microsoft (software));
- the top ten companies controlled about 80% of the $32 billion global agrochemical market, again with some of the largest having recently consolidated even further through a series of mergers (notably Syngenta - previously Zeneca and Novartis, Aventis - previously AgrEvo and Rhone-Poulenc, BASF and Cyanamid and most recently Bayer and Aventis);
- just 6 companies controlled 91% of the world's recorded music business, the largest of which are Polygram, Time Warner and Sony.
The extent of corporate power can be summed up in the following statistics:

- 50 of the world's largest economies are TNCs.
- About two-thirds of world trade is now accounted for by just 500 companies, and 40% of world trade occurs within these companies.
- The total income of the 10 largest TNCs is greater than that of the world's poorest 100 countries, and many TNCs have greater sales than the GDP of some developed countries. For example, General Motors is more powerful in pure economic terms than Thailand or Norway.

This process of consolidation currently knows no bounds. For example, in early 2000, AOL and Time Warner announced a $135 billion merger creating one of the world’s biggest company, a global empire covering the internet, music, films, magazines and TV.

The losers

Consumers

As Consumer International reported: “Whilst the Uruguay Round contained some liberalisation measures which could benefit consumers, the package overall may be having a negative impact because of its impact on consumer rights...it has increased the global concentration and the market power of large multinational corporations. This has tended to reduce competition, and therefore choice and value for money for consumers, rather than increasing it, undermining the basis for consumer support for trade liberalisation”. There is plenty of evidence to support such assertions. Take two of the companies mentioned above. Microsoft was ordered by a judge in the US to be broken up for being in violation of anti-trust laws whilst Archer Daniels Midland pleaded guilty to price fixing and paid a record $100 million fine.

Furthermore, it wasn’t until the European Commission stepped in to halt the largest industrial merger in history - between two US companies General Electric and Honeywell - that issues surrounding competition and the impact of the current spate of mega-mergers on customers began to be fully aired in public. The Commission cited reduced competition in the aerospace industry and the prospect of higher prices for customers as reasons for calling off the merger.

Level playing fields

One of the most oft-quoted phrases in the free trade lexicon is that it provides a ‘level playing field’ for international trade. This is highly misleading. Level playing fields are only relevant in competition between equals. Yet small scale producers are expected to compete in the global economy along with the likes of IBM, Monsanto and AOL/Time Warner even though there are massive differences in wealth and power. Assymetries in information also means that consumers do not necessarily choose the best (or even cheapest) products. In other words, even the argument that the consumer gains from the ‘level playing field’ is flawed.

Workers

Contrary to the claimed benefits of trade liberalisation, the consolidation of businesses can have a direct negative impact on employment. The oil industry is one example. After the merger between BP and Amoco, 7,000 redundancies were announced. Moreover, in 1998 BP-Amoco axed a further 3,000 jobs because, despite the fact that it still made a massive $4.5 billion profit, this was a drop from $6.5 billion the previous year. In 1999, BP-Amoco acquired American oil company Arco resulting in a further 2,000 job losses. The merger between Exxon and Mobil in 1998 was projected to shed 9,000 jobs. The merger between Texaco and Chevron in 2001 could result in about 4,000 jobs being lost whilst Shell has recently announced job cuts due to corporate restructuring.
Small businesses - Retailing

A ‘level playing field’ does not apply in retailing. The business has undergone a massive transformation with the arrival, globally, of larger and larger superstores who enjoy economies of scale. The emergence of supermarkets known as ipermarcati in Italy has put 370,000 small, family run concerns out of business since 1991. In less than 10 years, half of Italy’s corner groceries and a third of the country’s other small stores have disappeared. This picture is mirrored across the developed world.

The impact of Wal-Mart in the US and Europe: Robson Walton (and family) are the richest people on earth with a family fortune of $45 billion in 2001. Wal-Mart is expanding globally and Europe, Latin America and Asia could experience the same impact felt by the company’s operations in the US. Studies have shown that with the opening of a new Wal-Mart, stores within a 20-mile radius lose, on average, 19% of sales. Another study found that between 1983 and 1993, of the 7,326 closures of grocery, hardware and clothing stores, they were concentrated in areas where Wal-Mart or a similar operation had moved in. In 1999, only nine per cent of Wal-Mart’s sales were overseas. Within a few years, plans are to increase this to one-third. Wal-Mart has expanded into the UK through the acquisition of Asda. The take over of Asda by Wal-Mart has already sparked a new wave of mergers in Europe. In late 1999, Carrefour and Promodes of France merged creating the world’s second largest retailer after Wal-Mart.

Box 15: Wal-Mart and small stores

Mickey Molteledo owns a hardware store near Clinton, New Jersey. He has worked in the store for eight years - his father ran it before him. “But I don’t expect to be here for much longer. I can’t run a business if I discount to less than I pay for the stuff can I. If I don’t, there’s no reason not to buy the same thing at Wal-Mart”. Other towns have been more successful - such as the failed attempt by Wal-Mart to establish a store near Greenfield, west of Boston. The campaign lives on, run by Al Norman under the name ‘Sprawl Busters’: “They won’t come in unless they think they can suck more out of the community than they put in. Small-town quality of life is not for sale at my Wal-Mart”.

The Unions in the US have accused Wal-Mart of paying poor wages and keeping staff on part-time work to avoid health insurance responsibilities.

The impact of international supermarket groups in Latin America: The power of Wal-Mart and Carrefour is already being felt in new markets such as Latin America. Small and medium-sized Brazilian suppliers and wholesalers are losing bargaining power with the expansion of international supermarket groups in Brazil. Carrefour of France, Sonae and Jeronimo Martins of Portugal, and Wal-Mart of the US were expected to make combined sales of R$13.9 billion in 1999 (25 per cent of the sector’s 1998 overall turnover of R$55 billion). These large international groups could force small and medium-sized suppliers into bankruptcy. Carrefour is already the market leader in Brazil owning 75 hypermarkets. According to the company’s web site, “[s]ince 1999, the Group has also begun expanding its supermarket activities by acquiring regional chains (Lojas Americanas, Planaltau, Roncetti, Mineirao, Reina Dallas Continente supermarkets) and is now operating 125 supermarkets.” Similarly, it is the number-one owner of hypermarkets in Argentina. It has 22 and recently acquired Supermercados Norte, a leading food retailer in Argentina with 139 supermarkets.
PART 2: NEW WINNERS AND LOSERS?

INVESTMENT, LABOUR AND THE RACE TO THE BOTTOM

The Winners: transnational corporations
The Losers: labour (jobs and job security), consumers, the environment

Case studies, examples and statistics: Nestlé; Boeing; investment in China and Slovakia; Ericsson; Hoover; US fashion house sweat shops in Saipan; a Saipan worker; ‘maquiladora’ companies in Mexico; maquiladora workers; the impact of foreign investment in Uruguay; work related diseases and injuries.

Introduction

Firms and investors are increasingly moving or looking to new countries to take advantage of lower wages and weaker labour, health and safety and environmental regulations. As borders open and capital becomes ever more mobile, foreign investment also becomes easier. Unfortunately, this also allows companies to play countries off against each other, forcing down costs and standards everywhere. This is known as the global ‘race to the bottom’. Standards are kept low in order to be more ‘competitive’ and ‘flexible labour forces’ are currently popular with governments. A marked trend towards weaker contractual working arrangements is increasing job insecurity. This ‘race to the bottom’ is being fuelled by governments providing tax breaks, subsidies, sweeteners, infrastructure developments and weaker environmental regulations to incoming investors.

The global ‘race to the bottom’ is likely to accelerate if there is any further deregulation of investment through the WTO. Investment may be dealt with under the built-in agenda, where it appears as the Agreement on Trade-Related Investment Measures (TRIMs), or as a separate ‘new issue’. The TRIMs agreement already bars countries from imposing several kinds of performance requirements (conditions) on foreign investors. Governments cannot require corporations to export a minimum percentage of finished products or to use a minimum percentage of domestically-produced components.

The winners and losers

TNCs are the main beneficiaries of the race to the bottom, taking advantage of lower wages, weaker environmental and safety standards, or reduced workers rights and union influence. As the head of General Electric candidly put it: “Ideally you’d have every plant you own on a barge”, implying that if governments attempt to impose more exacting regulations or standards, the plant would simply move. The companies, their executive officers and shareholders often benefit from cheap, sometimes subsidised production overseas (see example of Boeing below). Unsurprisingly, the largest TNCs are all members of bodies such as the International Chamber of Commerce and the Transatlantic Business Dialogue, both of which have lobbied hard for investment to be included in a new round of talks. The losers are the workforce, the unemployed, consumers and countries which have forced down labour and environmental regulations.

Companies are also moving or expanding operations in developing countries where work force health and safety regulations are lower. This is leading directly to an increase in hazards in the workplace. According to the International Labour Organisation, over one million work-related deaths occur every year together with hundreds of millions of accidents. Work-related diseases - such as cancer and cardiovascular, respiratory and nervous-system disorders - are expected to double over the next 20 years. The problems for developing countries are compounded because globalisation is creating industries which are often informal and dangerous. The contrast could not be more marked. In Nordic countries there is almost universal occupational safety and health protection whilst only 10% or less of the workforce in developing counties is likely to enjoy such benefits.
**Nestlé**

The main beneficiaries of trade and investment policies are companies that have evolved into global transnational corporations (TNCs). One of the largest TNCs - in terms of sales ($52 billion in 1998) and the proportion of their assets outside their home territory (87%) - is Nestlé. The company has about 500 factories operating in over 70 countries and has been at the forefront of recent attempts to liberalise investment, often through the auspices of the International Chamber of Commerce and the European Round Table (ERT). The Honorary Chairman of Nestlé, Helmut Maucher, is a former chair of the ERT and the Chairman of the Special Presidency Group of the ICC. Similarly, the chief executive officer and vice-chair of the company is also a member of the ERT.¹⁷⁸

The ERT and the ICC, whose members include most of the largest TNCs in Europe, were the corporate heavyweights behind the MAI. They are now pushing hard for investment to be included in the WTO. Their influence is considerable: “The ICC’s campaign towards the Seattle Ministerial Conference was kicked off on May 20th, when a top level ICC delegation (including its President Adnan Kassar, vice-Presidents Richard McCormick from US WEST and Nestlé’s Helmut Maucher, Secretary General Maria Livanos Cattau and the chairman of ICC Germany Ludger Staby), met with German Chancellor Schroeder to bring him the ICC’s demands for the G-8 Summit two weeks later.” Nestlé’s influence does not stop there. Arthur Dunkel, former head of GATT, is also a registered WTO dispute panellist and a board member of Nestlé.¹⁷⁹

Investment negotiations at the WTO will mean different things for different companies. What does a more liberalised investment agenda mean for a company like Nestlé? According to Nestlé itself it is “about setting out an international structure that stimulates the ongoing process of opening, deregulation and modernisation of the developing countries’ frameworks for doing business.” The company confirms that access to markets is important and would like to see the issue negotiated at the WTO. Nestlé ‘works best and most efficiently’ in countries which share their view of marketing. According to the company: “there are still restrictions on marketing in certain sectors...At times, these restrictions are quite incoherent, as for instance in infant foods”.¹⁸⁰ This position - and specifically the company’s aggressive marketing of baby milk products - has been condemned by NGOs world-wide for undermining breast feeding. The WHO estimates that reversing the decline in breast feeding could save the lives of 1.5 million infants every year.¹⁸¹

**Boeing**

The incentive to move production - particularly high-tech jobs - overseas is having a dramatic impact on job insecurity in the US. Boeing, for example, has undergone a number of restructurings recently, with massive job losses as a result. Production has been moved abroad to countries such as Japan and China. Support for overseas investment is often backed by low cost financing from the US Export-Import Bank. Boeing and McDonnell Douglas - which has been merged with Boeing - have been amongst the largest beneficiaries of finance from the Bank in the 1990s.¹⁸² Some of the technology being shipped abroad will have also been subsidised in the US because of the company’s defence work.

**Box 16: Job insecurity**

Lois Holton used to work at the Boeing Everett Plant in Seattle. He says that the work force is frightened beyond belief due to the movement of jobs. He believes he would still be working for the company if production had been kept in the US.¹⁸³

The migration of Boeing’s high-tech jobs and production makes a mockery of the theory of comparative advantage and free trade: “The aircraft industry offered a better window on the global reality than other sectors precisely because its migration was not complicated by the standard issues of comparative wage levels or which company held the high ground in the technological contest. Boeing was already, without dispute, the best. It was the world’s most efficient low-cost producer, even with the $20-an-hour wages for machinists. Boeing products and especially its design capabilities were without peer. If the economists’ logic of comparative advantage ruled the world, then Boeing could be making all the world’s jet airliners.”¹⁸⁴ The fact that Boeing is not making all its air craft in Seattle is because the company is using its power and influence to gain market access. But to obtain access, it has had to transfer production and jobs overseas. Boeing’s only main competitor - Airbus Industries - is only able to compete with its US rival because it pays no taxes and has received an estimated $20 billion in government subsidies since 1970.¹⁸⁵
**Investment, profits and standards**

A survey of 10,000 large to medium sized German firms revealed that one in three intended to transfer part of their operations to Eastern Europe or Asia because of lower wages and weaker environmental standards. For example, in the mid 1990s, labour costs in Germany were $25 per hour compared to Korea ($5), Hungary ($2) and China (50 cents). Subsequently, Bayer announced plans to move bulk capacity to China due to lower costs and for environmental reasons. As the Chief Executive of the company confirmed: “The main disadvantage we have to face are higher labour costs and expensive social security systems, coupled with widespread regulation of environmental affairs by the state.” At least 120 of the world’s 500 largest TNCS now have operations in Shanghai. Market access is also an important consideration to these companies in what is one of the most profitable and fastest growing consumer markets in the world. In 1999, China attracted 20% of all Foreign Direct Investment inflows to developing countries.

Similar examples can be drawn from two US companies, Stone Container and General Electric. Stone Container, which at the time was looking to invest in a wood-chip mill in Costa Rica “has admitted that it engages in projects in Central and South America to avoid more stringent US environmental policy”. General Electric, through a series of rationalisation programmes over the past 15 years has progressively shifted production to lower wage countries. They recently closed a factory in Turkey and moved it to Hungary where wages are lower. It has since threatened to close a factory in Hungary and move operations to India.

As well as lower wages and weaker environmental and labour costs, governments use a range of financial incentives to entice new investment. Volkswagen, for example, has been enticed to invest further in Slovakia which has a relatively inexpensive workforce. The Slovak Government put together a range of incentives such as tax-free holidays and zero customs duties and removed value-added taxes. It is also partly paying for the cost of new infrastructure by supplying $6.4 million to create 1,200 jobs. Yet these inducements are being paid for through reductions in public expenditure in education, health care, on the environment and social provision.

A similar situation exists for Norwegian companies who are being forced to look abroad and being enticed to do so. Norway has traditionally been a large producer of aluminium, taking advantage of cheap energy from hydroelectric sources. However, the country also has strict environmental laws. 10 years ago companies - such as Norsk Hydro - began to move aluminium production abroad to areas where there are less strict environmental regulations and attractive incentives - such as Slovakia, where electricity production is subsidised.

But the race to the bottom is not confined solely to a race from countries in the North to developing countries or countries in eastern Europe. It is also happening between countries in the developed world. According to the UNDP, it is probably workers rights that have been weakened the most: “the pressures of global competition have led countries and employers to adopt more flexible labour policies, and work arrangements with no long-term commitment between employer and employee are on the rise”. This is evident throughout the EU, although the trend appears to be most apparent in the UK, which has weakened workers dismissal laws and moved towards more decentralised wages bargaining. In 1998, the Swedish telecoms-equipment firm, Ericsson, threatened to move its headquarters from Stockholm to London because of cheaper labour and lower taxes. With higher energy costs and little chance of labour reform in Sweden, other large companies were also thinking of leaving the country. Ericsson subsequently announced a major reorganisation which included a new office in London. Weaker labour rights in the UK did not, however, stop another company Hoover, threatening to move its operations from the UK to France unless the workforce accepted flexible working time, limited period contracts, overtime cuts, constraints on the right to strike, a year-long freeze on wages and the introduction of video cameras on the shop floor. It subsequently appears that the company had little intention of moving but the ruse worked and the workers accepted the conditions.

Similarly, US fashion houses - such as Gap, Ralph Lauren and Tommy Hilfiger - are using sweat shops in the US dependent territory of Saipan in the Pacific. Shirts on sale for £40 have a factory-gate price of £3. Working conditions are appalling but are accepted by many of the mainly 13,000 Chinese women who have been lured by the prospect of eventually working in the US. They have to sign strict contracts (which include a ban on pregnancy) and work up to 15 hours a day in hot, cramped, and unsafe conditions. Living conditions are poor, infested with vermin and have inadequate water supplies (see Box 17).
Box 17: Workers in Saipan
Wang Li works in Saipan. She has recently aborted a child because of fears that she would be sent back to China. She works 15 hours a day, six or seven days a week for £130 a month after deductions for essentials such as food. She shares her accommodation with three other workers and an assorted collection of rats and cockroaches.

Maquiladora in Mexico
In Mexico, there are more than 2,000 manufacturing ‘maquiladora’ companies (mostly US owned) just over the border from the US (although such companies are increasingly common over all parts of Mexico). Blue chip US companies - such as General Motors, General Electric, Du Pont, Ford, Honeywell and Wal-Mart - have established maquila facilities or contract work out for re-export back to the US.

Many firms moved from the US to Mexico after the signing of the North American Free Trade Agreement (NAFTA) in 1994. A survey of companies that did move showed that the majority did so because of cheaper labour whilst 25% cited lower environmental standards in Mexico (see Box 18). A good example is in the forest sector. According to the International Forum on Globalisation, “fifteen U.S. wood product companies set up operations in Mexico, and much of their investment is in regions possessing some of North America’s largest remaining intact forests....Forest protection was given no consideration by those who drew up NAFTA. One of its predictable consequences, however, is the voracious demand for wood-fiber (packaging) created by the maquiladoras - the export-oriented factories that line the U.S.-Mexican border. Further forest destruction is also occurring as a result of deregulation of border controls which have greatly increased drug trafficking and the production of cocaine in the Sierra Madre mountains of Chihuahua.” One of the companies that moved after the signing of NAFTA was Boise Cascade which established operations in Mexico in the mid 1990s as environmental legislation in the US became stricter and forests resources were being increasingly depleted.

Box 18: Workers in maquiladora
Zenaida Ochoa is one of half a million from Central America who work in the maquiladora sector (which consists of about 2,000 assembly plants mostly belonging to US firms). Zenaida comes from a farming family and is one of six children. She came to Tijuana near the border with the US to escape a life of poverty and found work in a clothing factory. At $60 a week for nine hours a day, this was a small fortune even though it was about one-tenth the US rate. However, Zenaida found Tijuana a depressing place. Smog hangs over the town, there is much dust in the air from the busy roads and the poor working conditions and the long walk to and from work began to affect her health. The surroundings in the shanty town are appalling. She has to pick her way through raw sewage to walk to work. A fellow worker that tried to organise a trade union for better pay and conditions was fired.

Another person to be fired was Alma Molina, another of Mexico’s maquiladora workers. “A group of us wanted to improve our working conditions, safety and wages at Clarostat [a US company]. We worked with dangerous chemicals, including phenol and epoxy resin, but no masks were provided. The chemicals irritated our skin. Six of us began to organise a union ... I was fired. Four other workers were fired one week later. The personnel manager told me I was fired because I was trying to organise a union.”

It is the inadequate or non-existent safety controls that pose most threat to the workers in the maquiladora sector. Production machinery is often not shielded resulting in cuts and burns. Employees are often exposed to toxic chemicals. One study found that 41% of workers regularly handled chemicals resulting in frequent health problems such as headaches, stomach ailments and dizziness. Another study reported that 43% of those interviewed stated that they were exposed to dust-born chemicals whilst 45% reported exposure to gas or vapour. Perhaps the most common occupational health issue is the repetitive and stressful nature of the work (at very low wages). Many workers have reported physical pain to elbows, forearms and shoulders due to machine vibration or the repetition of physical work (see Box 18).
**Investment in Uruguay**

In Uruguay, the country’s national gas company was privatised in 1995, becoming Gaseba, a subsidiary of Gas de France. However, the arrival of Gas de France (a public utility company in France) saw hostile treatment of the unions and increased job insecurity.

For ten days, in August 1999, members of the Independent Union of Workers and Employees of Gaseba chained themselves to the doors of the French Embassy in Montevideo, demanding an interview with the French ambassador concerning France's industrial strategy and the impact of this political ‘colonialism’ on labour laws in Uruguay. After ten cold and wintery days chained to the railings, the French Ambassador still refused to see the workers (see Box 19).

---

**Box 19: Investment in Uruguay and labour**

Alexander Acosta is a member of the Union of Workers and Employees. He says that: "Gas de France's priority is to make as much money as possible with the smallest possible investment in wages and employment conditions. Investment capital from France has brought job cuts. We had 430 employees - now we only have 240. Gaseba made these changes purely to cut costs, not because of investments in new technology... To be without work these days is to be left without a future as far as workers and their families are concerned. This situation is so hard that some companions committed suicide, because they had no opportunity for alternative employment."

Whilst the company is creating jobs in France “they apply policies common to transnational companies operating in the Third World. They attack the unions and the workers. The privatisation of the Uruguayan gas company demonstrated what can happen when public companies are privatised using international capital.” says Acosta. He continues: "Gaseba's president, Pierre Perez, has suggested that all workers should become self-employed. This would be the final nail in the coffin as far as employment security and standards are concerned. Piece work would bring in around 500 dollars a month, of which 200 would go in tax and social security costs. We would also lose many employment rights including annual paid vacations, maternity payments, health insurance, Christmas bonuses, and accident insurance. The leaders of our union are elected by the members through a secret ballot. Nevertheless, Gas de France wants to dismiss the leaders of the union."

"It is quite incredible that we have to go to these lengths to speak out, yet it seems to be the only way of making government authorities listen" says Luis Puig, another member of the company's union and member of the Executive Board for the National Workers' Union Confederation of Uruguay. The leaders of the Union then organised a hunger strike.
MULTILATERAL ENVIRONMENTAL AGREEMENTS

The Winners: transnational corporations, developed countries
The Losers: people and their environment

Case studies, examples and statistics: The Biosafety Protocol; the Basel Convention; the Kyoto Protocol; Exxon Mobil; and the Global Climate Coalition.

Introduction

Many environmental problems - such as species loss, the depletion of the ozone layer and global warming - are now addressed by intergovernmental environment treaties known as multilateral environmental agreements or MEAs. There are some 24 international environment agreements that concern trade or have trade provisions. However, the WTO bans discriminatory trade provisions which might conflict, for example, with the Most-Favoured Nation principle of the World Trade Agreement (WTA). This principle requires WTO members to give equal treatment to all other members. This means, for example, that provisions in the Montreal Protocol banning transactions with countries who trade in substances (and products containing these substances) that are regulated by the Montreal Protocol fall foul of the WTO.

Whilst no multilateral environmental agreements have ever been challenged in the WTO, it is the case the WTO rules have already had a marked effect on some international agreements and negotiations designed to protect the environment and promote development (such as the Kyoto Protocol, see below). The European Union is proposing that the WTO formally discuss multilateral environmental agreements. However, there is no guarantee that negotiations would improve the status of the 'environment'. On the contrary, any WTO negotiations on environmental issues could be used to reinforce the effective primacy of global trade rules and over-ride MEAs such as the Biosafety Protocol on the transfer and handling of GMOs. The fact that there is legal uncertainty concerning the relative status of the GATT 1947, the World Trade Agreement signed in 1994 and the various MEAs is a particular concern.

The winners and losers

Civil society and the environment in general benefit from many different MEAs. Species and the environment are protected, health issues and consumer concerns are addressed and the movement of dangerous substances is prohibited. However, MEAs could well be undermined through the WTO. If this happens it would be a great loss for civil society. Nevertheless there would still be some who benefit: those actively lobbying against the negotiation of such agreements - countries and companies with vested interests in subjugating MEAs to global trade rules.

The Biosafety Protocol (2000)

The Biosafety Protocol was successfully adopted in early 2000 (but is not yet in force) and establishes a legal regime to govern the transboundary movements, transit, handling and use of all genetically modified organisms (GMOs) except those that are used as pharmaceuticals for humans. However, prior negotiations reveal how trade issues and the influence of TNCs very nearly undermined attempts to reach an agreement.

For example in February 1998, representatives from 174 countries gathered in Colombia to finalise the Protocol. But as a result of the efforts of what was known as the ‘Miami’ group of countries (the United States, Canada, Argentina, Uruguay, Australia and Chile) the talks collapsed. This was in spite of the fact that the United States was not (and still isn’t) a signatory to the umbrella Convention on Biological Diversity and was only attending the talks as an observer. The head of the US delegation to Colombia confirmed that one of his main objectives was "to avoid undue interference with world trade because this is as much a trade agreement as an environmental agreement." In the lead up to Colombia, the US based Biotechnology Industry Organisation (BIO) (representing most of the world’s major biotechnology companies) lobbied hard against a strong and effective international agreement.
The Miami Group of countries export genetically-modified crops and their aim was to make sure that trade was not disrupted by any Protocol. The Miami Group wanted the Protocol to apply only to GMOs that are deliberately released into the environment, such as seeds for planting. Thus they argued that all commodities (over 90% of world trade in GMOs) should be excluded (since they are to be eaten and not released into the environment) and strongly opposed plans to label GM crops. The Miami Group also clashed with the European Union over whether WTO rules should take precedence over the rules of a Protocol. Since the European Union and G77 group of developing countries refused to accept the Miami Group's proposals the talks became deadlocked. Negotiators met again in Vienna, from 15-19 September 1998, to try to restart the talks. Although the governments re-confirmed their political will to conclude a Protocol no major break through was achieved.  

To some extent, the trade interests of GM exporters and the influence of TNCs are evident in the agreed text of the Protocol. The preamble states that the “Protocol shall not be interpreted as implying a change in rights and obligations of a Party under any existing international agreements” and that measures “must be in accordance with that Party’s other obligations under international law” (Article 2(4)). Further, decisions by any Party to prohibit imports of GMOs must be based on a scientifically sound risk assessment (Article 10(3)), in much the same way as set out in the SPS Agreement of the WTO.


For many years, the movement of large quantities of hazardous wastes around the world went largely unregulated. This led to fears that the developing world was being used as a dumping ground for the industrialised world’s toxic waste. This prompted countries like Nigeria to declare hazardous waste dumping on its shores a capital offence. Such gestures were simply token gestures in reality however. Failure to control international movements of waste has even led to situations - both frightening and farcical - where ships of dubious origin and ownership, with a multinational crew, spent months cruising round the world looking for somewhere to off-load hazardous wastes.

The Basel Convention is intended to control the international movement of hazardous wastes, to prevent dumping in developing countries and to encourage waste minimisation in countries of production (generally in the developed world). In order to do this it includes a raft of ‘discriminatory’ provisions. Trade is controlled largely through notice and consent procedures, although each signatory country has the right to prohibit the import of hazardous wastes from other signatory countries. Exports should only be allowed after permission has been granted by the importing country government. Trade with non-signatory countries is not permitted. An amendment to the Convention now also restricts trade within the OECD. In the past, a few OECD governments - such as the US, Australia, New Zealand, the Netherlands and Canada - have attempted to undermine the Convention. The US is the only OECD country that still refuses to become a party to the Convention.

**The Kyoto Protocol (1997)**

In 1992, 165 nations agreed the United Nations Framework Convention on Climate Change (UNFCCC). At the third meeting of the UNFCCC in 1997, 175 nations agreed to the Kyoto Protocol setting out legally binding reductions to greenhouse gases of 5.2% for the years 2008 to 2012 (using 1990 as a base year) for 39 developed countries.

In July 2001, Parties to the Protocol met in Bonn to negotiate its implementation. However, the entire agreement nearly collapsed as a result of US efforts to protect its domestic economy. A new Republican administration was elected in early 2001 and were heavily supported by the US fossil fuel lobby during the election campaign. In March 2001, President Bush declared the Protocol dead claiming that emissions reductions would damage the US economy. At the same time the Bush administration was publishing its new energy strategy which called for increased use of fossil fuels. Following this declaration by the US, some Parties (notably Japan) who had previously been in favour of the Protocol began to waver on the grounds that they did not want to jeopardise their industries’ competitiveness in relation to the US. Thus talks at Bonn actually focused on whether the Protocol would be implemented at all. In the end, the Protocol survived Bonn but it has been watered down considerably, allowing industrialised countries to minimise domestic action to reduce greenhouse gases (i.e. through the use of forest sinks at home and in developing countries).
Since the Protocol was agreed in 1997, most prominent amongst the opponents in the US has been the Global Climate Coalition (GCC) which consists of trade associations and companies. Exxon (together with its newly merged partner, Mobil) led the fight by industry to block the Protocol completely. With profits of $17.7 billion and revenues of $210 billion in 2000, Exxon Mobil is the world’s largest company. It possesses about 21 billion barrels (equivalent) of oil and gas which it is keen to exploit, refine and trade around the world. Exxon and Mobil have been the most aggressive opponents of the Protocol, keen to protect the oil production and refining industry (one of the main sources of carbon dioxide). They contributed to a $13 million advertising campaign in the run up to Kyoto, have questioned the science behind climate change and were behind plans to run a $6 million PR campaign to discredit the science. They have failed to follow the example of other oil companies to expand into renewable energy. Exxon and Mobil are ranged against a number of TNCs who support the Protocol - such as British Petroleum - who not only left the GCC, but recognised the need to act to address climate change and invest in renewable energy.\textsuperscript{214}

It is also reported that in order to ensure that the Republican party reflected the views of the fossil fuel industry, oil companies gave about $26 million to the Republican party throughout the year 2000 in the run up to the presidential election of which Exxon donated over $1 million (President Bush himself received $1.9 million).\textsuperscript{215}
SERVICES

The Winners: transnational service sector companies
The Losers: those needing health care, health care professionals, the environment, local communities and indigenous peoples, the poor and those requiring access to basic services

Case studies, examples and statistics: the health, transport, tourism, energy and environmental (particularly the water) sectors; the US Coalition of Service Industries; the European Services Forum.

Introduction

Worldwide trade in services is now big business at some $1.4 trillion per annum. The two leading sectors are transport and tourism/travel.

The General Agreement on Trade in Services (GATS) - administered by the WTO - is intended to secure the progressive removal of measures which discriminate against foreign service suppliers through successive rounds of negotiations. The official WTO list of service ‘sectors’ covered by the GATS is all embracing (in total there are about 160 separate sectors or subsectors). The sectors are business, communications, construction and related engineering, distribution, educational, environmental, financial, health and social, travel and tourism, recreational, cultural and sporting, transport, and ‘others not specified elsewhere’.

As far as the next round of negotiations (known as GATS 2000) is concerned, it is now clear which sectors governments - but in particular the EU and US - want to include and prioritise:

• The US has included 12 (sub) sectors - accountancy, audiovisual, distribution, tertiary education and training, energy, environmental, express delivery, financial, legal, movement of natural persons, telecommunications and tourism.

• The EU has proposed 9 (sub) sectors - professional services, business services, telecommunications, construction, distribution, environmental services, financial services, tourism and transport.

But in order to achieve maximum negotiating momentum in services, the US and the EU have proposed clusters for commitments across a number of related sectors and sub-sectors most notably energy, environmental services and tourism. For example the US energy cluster proposal includes ‘exploration, development, extraction, production, generation, transportation, transmission, distribution, marketing, consumption, management, and efficiency of energy, energy products and fuel’.

But both the European Commission and the US Trade Representative (USTR) have stated that they do not support liberalisation in areas such as public health and primary and secondary education services although such issues could also fall under the proposed ‘new issue’ of Government Procurement. Currently, regulations relating to the procurement of goods and services by a government (through its departments and agencies) for its own use, are outside the scope of the main WTO rules for goods and services (although opening up this area is a key target for industry, see below).

A number of sectors have extensive environmental, social and developmental implications. In particular, health, energy, environmental services, transport and tourism. See FOEI’s briefing Services - the Implications of Current Trade Negotiations for further consideration of these issues.
The winners and losers

The GATS Agreement passed relatively unnoticed by civil society when the Uruguay Round was completed. It was hurriedly ratified by member governments without MPs knowing how far-reaching the Agreement would be. According to the Ecologist, “incredible as it might seem...the list of sectors affected by the Agreement was never made available to [Members of Parliament throughout Europe]”.

The main winners will be those industries actively promoting service liberalisation within the WTO. They include the US Coalition of Service Industries. Members include some of the world’s largest service companies - American Express, Andersen Worldwide, AT&T, AOL Time Warner, Citigroup, General Electric, Microsoft and Price WaterhouseCoopers.

In the EU, many corporate groupings are pushing for liberalisation of services, including the ERT (who believe the next round of WTO talks should prioritise market access in services) and the ICC (who are pushing for broad liberalisation in many sectors including transport, finance and insurance, telecommunications and also government procurement of services). But by far the most proactive is the European Services Forum (ESF) who describe themselves as “a network of representatives from the European services sector committed to promoting actively the interests of European services and the liberalisation of services markets throughout the world in connection with the GATS 2000 negotiations.” It includes amongst its members the AXA Group (insurance), Barclays, Commerzbank and ABN AMRO (banking), Cargolux and AP Moller (transport), Vivendi and Suez (environmental), Fortum Corporation (energy) and British Telecom, France Telecom and Deutsche Telekom (communications) as well as many European service federations.

The ESF was formerly the European Services Network (ESN) and was established in response to encouragement from the European Commission. For example the ESN would "advise EU negotiators on the key barriers and countries on which they should focus on in these negotiations [on the General Agreement on Trade in Services]." The impetus behind the ESN was clearly the pivotal role that companies played in another network - the Financial Leaders Group (FLG) - which assisted and worked closely with the Commission on the Agreement on Financial Services. Not surprisingly, the (co)-chairman of the FLG and the ESN at the time was the same person - Andrew Buxton, Head of UK-based Barclays Bank. Clearly, their influence and power over trade talks within the Commission is considerable. Leon Brittan confirmed: "You [the ESN] are the driving force of the consultation system which we have established; my door is open for any matters of concern".

Health

Despite recent reassurances from the European Commission and the USTR that health issues would not be included under GATS 2000, there have been suggestions in the past from the United States that all service sectors should be considered - and health has been particularly high on the list of priorities of industry. The US service sector has argued that government health contracts are awarded under closed procedures which should be open to competition from both domestic and foreign companies. Leon Brittan, the European Commission’s last trade Commissioner, also appeared to be promoting liberalisation of a wide range of service sectors, including ‘in politically difficult ... sectors’ (which would certainly include the health sector).

The former US Trade Representative Charlene Barshefsky is also reported to have said that “commercial opportunities exist along the entire spectrum of health and social services”.

According to the Ecologist, the privatisation and globalisation of the health sector - opening it to competition and takeover by transnational companies - is partly inevitable. In the UK, privatisation has already begun. For example the rapid growth in private institutional care which has risen from 175,000 places in 1985 to 650,000 in 1998. Others see Britain at the cutting edge of liberalisation in the health sector. For example, the use of private finance initiatives to fund the building of hospitals which are then rented back to the public sector at considerable profit.

In the run up to the Seattle Ministerial and negotiations under GATS 2000, the health agenda was being pushed from the US. Health provision certainly seems to be a key area of interest for the US’s Coalition of Service Industries (CSI). For example, just prior to Seattle, a CSI Working Group stated that the general objectives of negotiations at the WTO should be “to encourage more privatisation, to promote pro-competitive regulatory reform, and to obtain liberalisation...
More recently, the CSI has proposed that specific negotiating objectives at the WTO might include:

- Obtaining market access, national treatment commitments, and the right to fully own healthcare facilities in other markets;
- Ensuring transparency in the licensing of health care facilities; and
- Seeking inclusion of health care in WTO government procurement disciplines.

Patients and the public thus become customers and the losers. The laws of the market suggest that the high-cost of treatment will favour those that can pay, whilst the rest will have to do with a cheaper form of healthcare on tight budgets and potentially longer waiting lists.

**Transport**

The liberalisation of international transport services, in conjunction with an increase in the trade of goods, is likely to have substantial environmental and social impacts (see section on International Trade and Transport). However, the EU has tabled a wide-ranging services liberalisation proposal covering land, air and maritime transport seeking increased market access (this requires countries to provide unlimited access for service operators and their operations without regard to the environment). In the case of maritime transport, unlimited access to ports for ships could result in increased dredging, coastal pollution from oil, habitat destruction to important wetland conservation areas as well as increasing air emissions.

**Tourism**

Both the US and the EU have made proposals for this sector. The EU recommends a cluster approach which could expand the restrictions that GATS places on environmental protection regulations. For example, broad market access commitments may mean that restrictions on the number of excursions or number of boats allowed in sensitive areas could be GATS illegal. The US proposal focuses on removing market access and national treatment restrictions for the establishment and operation of hotels and other lodges. Tourism often has destructive effects on biodiversity and natural resources such as forests, wetlands and coral reefs. Expansion of tourism services through GATS would exacerbate these trends.

**Energy**

The US has proposed that countries make the broadest possible market access and national treatment commitments for the supply of energy services. The environmental and social impacts of the sector are wide-ranging and well-known. For example, the local environmental impacts of oil exploration and extraction and pipeline construction and transport, including deforestation and toxic contamination. Other environmental impacts include those from fuel refining operations and electrical power generation, major contributions to climate change, and frequent impacts on indigenous communities and human rights.

The expansion of energy service operations will compound these impacts, and GATS rules will make it increasingly difficult to adopt and enforce environmental and natural resource protections. For instance, GATS disciplines in the energy sector would restrict governments’ ability to place quantitative environmental restrictions on fossil fuel exploration and drilling, extraction facility construction, and petroleum pipeline construction and operation. The following could become WTO illegal - limits on the number of oil rigs constructed in a certain area, limits on the length, size or throughput of a pipeline, limits on the number of oil refineries or their operations, and limits on the operations of power plants.

**Environmental services and water**

The EU environmental services proposal includes a major new area to be subject to GATS discipline - water. Much of the emphasis for the inclusion of water in the GATS comes from multinational companies who view it as a commodity and nothing more. Water supply is already rapidly becoming a privatised sector with private companies increasingly responsible for extracting, collecting and distributing water, particularly in the developed world. The companies argue that the solution to current water scarcity in many parts of the world is simply to put a price on water and to market it. They claim - and many governments go along with this argument - that only the private sector can afford the infrastructure to deliver water to the world’s thirsty. Given water scarcity in many parts of the world, this raises a number
of environmental, social and developmental concerns. For example, prices may be set at levels beyond the reach of the poor (see Box 20) and market access commitments under the GATS may prohibit the rights of governments to restrict the quantities of water extracted from the ground.

Under heavy pressure from the World Bank, the Bolivian government was told to privatise part of the water sector. As part of this programme, the city of Cochabamba’s water supply was sold off to a consortium including Bechtel of the US and Edison of Italy. As soon as Bechtel took over, water prices were increased, at times by over 100% (in one instance by 300%). In protest against privatisation and increased prices, thousands took to the streets and a number of protestors were killed (see Box 20). Subsequently, the contract with Bechtel was cancelled.

Box 20: Bolivian workers and water supply

Oscar Olivera is a factory worker and trade union leader: “We have been fighting the multinational corporations. Bolivia is a poor country that no longer owns anything. The only thing that is ours is our air and water. We have been struggling to make sure the water continues to be ours. We formed a coalition called ‘Defense of Water and Life’. It has been difficult to fight the World Bank and our government. But it has given us the opportunity to self organise and unite. We have lost our fear, and we poor people have fought off this giant Bechtel as David did Goliath.”

REFERENCES

3. UK Food Group, 1999. Op cit
34. SEF, 1998a. The big get bigger. In Small is Beautiful, Big is Subsidized. International Society for Ecology and Culture, Dartington, UK and Berkeley, USA.


