

**FACING THE IMPLICATIONS AND  
CHALLENGES OF GLOBALISATION**

**With Special Reference to the Asia Region**

**By Martin Khor**

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## **FACING THE IMPLICATIONS AND CHALLENGES OF GLOBALISATION**

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### **PART 1. INTRODUCTION**

This paper examines the needs and problems faced by Asian countries, in particular local communities in these countries, in the face of economic, social and environmental challenges resulting from the rapid processes of globalisation and liberalisation.

The aim of the paper is to clarify some critical aspects of globalisation, their social and environmental effects, and how groups that represent public and community interests could intervene in meeting the globalisation challenge.

The paper starts by looking at some of the general aspects of globalisation, and examines the processes of global and regional integration and how NGOs can respond to these. Following this, some specific issues are examined, including emerging sectoral problems, sustainable agriculture and food security, the failure of market mechanisms to deal with social and ecological needs, and the issue of environmental and social standards.

The paper has been prepared on request by HIVOS as an input into its analysis and planning for programmes in the Asia region. The following are the specific terms of reference for the paper:

1. To address the need for Asian societies and NGOs to analyse and face the challenges and problems posed by the globalisation process, which underscore many of the problems that will be faced in future. What are some of these globalisation processes, what are its implications (including for marginalisation), and what are the options to deal with them?
2. To elaborate on the importance of international and regional processes and institutions in shaping the structures and policies that affect communities in Asia, and on advocacy or lobbying strategies that can be used on these institutions. What are some of the key issues relating to these institutions and how should they be handled?
3. To elaborate on the type of aid programmes in the agricultural sector that are required in Asian societies, and to

elaborate on the problems of food security and environmental sustainability faced by developing countries, including as a result of the Uruguay Round, and also to indicate how countries and communities will be affected.

4. To elaborate on the failure of market mechanisms to provide for environmental resource management and social equity or meeting of people's needs, and proposals to overcome such a failure.

5. To assess the potential and possible problems relating to the use of production or product standards, and the possible position of NGOs on such standard setting.

6. To elaborate on the comparison between investments taken now for more sustainable technologies and the costs of social and environmental damage in future should unsustainable technologies be used.

As each of the topics is very complex, it is not within the scope of this paper to provide detailed analyses. Rather, an outline of the problems and issues is given. Moreover, the suggestions and proposals are indicative of broad directions and not detailed in specifics.

The following sections of the Report deal with each of the above topics, providing suggestions and proposals on what kinds of actions can be taken by the NGO community and the local communities. Whilst the analysis in this report is general, given the nature of the topics, it is placed within the context of the Asian region. This is particularly so where the suggestions are concerned. Passages in the text that contain suggestions have been highlighted in bold print for the convenience of the reader.

## **PART 2. GLOBALISATION AND ITS IMPLICATIONS FOR ASIAN COUNTRIES AND COMMUNITIES**

### **(a) General aspects of globalisation**

The globalisation phenomenon has been of great interest and concern to NGOs in the Asian region. This is because many NGOs realise that globalisation is having great effects in terms of economic policies, economic and social projects, and national sovereignty, and that all these eventually significantly determine the position and interests of local communities.

There are several aspects to globalisation.

Firstly, there is the **"transnationalisation process"** in which transnational companies and financial institutions are increasing their outreach to Third World countries. This is especially so in the Asian region, where several countries have been recipients of large inflows of foreign goods and services and foreign direct investment.

Secondly, changes in technology (especially in information, communications and transportation technologies) have facilitated **cross-boundary financial and trade transactions**, making countries more "integrated".

Thirdly, these technological developments have also led to **tremendous openness of Asian countries to Western media**, especially television and news programmes. CNN and BBC World Service are now in service in many Asian countries and provide them with perspectives of news events. MTV and other pop and music programmes are disseminating Western culture with great effect, in addition to the CDs and cassettes of pop singers. These, and the revolution in video shows, have penetrated even the more remote villages in Asia.

Fourthly, most Asian countries are "globalising" by **opening up their markets to imports and foreign investment**, as well as orienting their production structure more towards exports.

Fifthly, and perhaps most importantly, there has been a **"globalisation of policy-making"**. Areas and issues that have traditionally been under the control of national governments have increasingly come under the influence of global institutions and processes, especially the World Bank and IMF and the WTO. These institutions have a philosophy of liberalisation and a laissez-faire approach to economics, with a minimal role for the state, a stress on the private sector and "free market forces" and an open economy. Indebted countries have to follow the Bretton Woods structural adjustment policies to qualify for debt rescheduling and new loans. In the WTO, the agreements and rules are legally binding and thus Asian countries have to adjust their domestic laws and policies to comply, failing which there is the threat of trade sanctions to being about compliance.

However, whilst the World Bank, IMF and WTO are the most powerful, the United Nations and its agencies also form an alternative set of global institutions. The past five years have seen several UN World Conferences on environment (1992), population, social development (1995), women (1995), habitat (1996) and genetic resources (1996) and food (1996). The UN also has legally-binding Conventions. The UN agencies, Conferences and Conventions, which are much more transparent and democratic, also influence the content of globalisation and has influence over national policies, at least potentially. The UN approach in

economic and social issues is different from the WTO\_Bretton Woods approach, as it is based on the belief that public intervention (internationally and nationally) is necessary to enable basic needs and human rights to be fulfilled and that the market alone cannot do the job and in many cases may hinder it.

A major problem is that the Bretton Woods-WTO institutions have become much more powerful than the UN, whose authority and influence in the social and economic areas have been depleted in recent years. As a result, the type of globalisation promoted by the Bretton Woods and WTO, which is based on privatisation, liberalisation, "free market forces" and non-intervention by states, is becoming triumphant. The type of globalisation promoted by the UN, which is premised on basic and human needs and the responsibility of the state and the international community to intervene on behalf of poorer nations and people, is being sidelined.

#### **(b) Uneven and unequal nature of globalisation**

"Globalisation" is a very uneven process, with unequal distribution of benefits and losses. This imbalance leads to polarisation between the few countries and groups that gain, and the many countries and groups in society that lose out or are marginalised. Globalisation, polarisation, wealth concentration and marginalisation are therefore linked in a single process.

In this process, investment resources, growth and modern technology are focused on a few countries (mainly in North America, Europe, Japan and East Asian NICs). A majority of developing countries are excluded from the process, or are participating in it in marginal ways that are often detrimental to their interests.

The globalisation process is thus affecting different categories of countries differently. This can broadly be categorised as follows:

(i) growth and expansion in the few leading or fully participating countries;

(ii) moderate and fluctuating growth in some countries attempting to fit into the globalisation/liberalisation framework;

(iii) marginalisation and exclusion experienced by many countries unable to get out of acute problems in trade (eg commodity dependence and low commodity prices) and debt, and unable to cope with problems of liberalisation;

(iv) polarisation, or a wide and rapidly growing gap between the sets of countries, particularly between (i) and (iii).

The uneven and unequal nature of the present globalisation is illustrated by and manifested in the fast growing gap between the world's rich and poor people and between developed and developing countries; and by the large differences among nations in the distribution of gains and losses in economic growth.

The UNDP Human Development Report 1992 highlighted the high and growing income inequality in the world. It estimated that the 20% of the world's population in the developed countries receive 82.7% of total world income, whilst the 20% of people in the poorest countries receive only 1.4%. In 1989, the average income of the 20% of people living in the richest countries was 60 times higher than that of the 20% living in the poorest countries. This ratio had doubled from 30 times in 1950.

The UNDP's Human Development Report 1996 showed that over the past three decades, only 15 countries have enjoyed high growth whilst 89 countries are worse off economically than they were ten or more years ago. In 70 developing countries, the present income levels were less than in the 1960s and 1970s. "Economic gains have benefitted greatly a few countries, at the expense of many," said the Report.

Since 1980, 15 countries (mainly Asian) have had growth rates much higher than any seen during industrialisation in the West. However, economic decline for most parts of the developing world has lasted far longer and gone deeper than during the Great Depression of the 1930s. Whilst the rich countries mostly rebounded from the depression within four to five years, the lost decade of the 1980s is still continuing for hundreds of millions of people in many countries of Asia, Africa and Latin America. In some cases people are poorer than 30 years ago, with little hope of rapid improvement.

The UNDP 1996 Report also contradicts the conventional wisdom that economic growth has been benefitting most of the world's people. It concludes that more economic growth is needed to advance human development, but economic growth is also not sustainable without human development. It proposed "a strategy for economic growth that emphasises people and their productive potential." If attention is not paid to the quality of growth, the "wrong" kind of growth is bound to occur. The report identifies five such types of growth: jobless growth (the overall economy grows but fails to expand job opportunities); ruthless growth (the rich get richer and the poor get nothing); voiceless growth (the economy grows but democracy/empowerment of the majority fails to keep pace; rootless growth (cultural identity is submerged or outlawed); futureless growth (the present generation

squanders resources needed by future generations).

Nayyar (1995) examines the same phenomenon of "uneven development", showing how globalisation mainly benefits the developed world, whilst in the developing world, the benefits of accrue only to a few developing countries. There are only eleven developing countries which are an integral part of globalisation in the late 20th century. They accounted for 66% of total exports from developing countries in 1992 (up from 30% in the period 1970-80); 66% of annual FDI inflows to developing countries in 1981-91; and most of portfolio investment flows to the developing world.

### **(c) The Asian context**

In the Asian context, there are great differences among different countries, and among groups within the same country. A rough categorisation of countries is as follows:

#### **(i) High-growth countries in East and Southeast Asia**

Some developing countries in East and South-East Asia that have had high growth and have taken part in globalisation through high exports or/and high inflows of foreign investment. These include South Korea, Taiwan, Hong Kong, Singapore, Malaysia, Thailand, and Indonesia. These "successfully integrating" countries have enjoyed a combination of factors and conditions which many other developing countries are unable (or have been unable) to attain. Chief among these conditions is the absence, until recently, of the need to reschedule their external debts and thus the "freedom" of not having to follow externally-designed structural adjustment policies. This enabled the countries to follow their own macroeconomic policies and development strategy, which involved strong state intervention and role in the economy, and policies that combined protection and positive promotion of the domestic sector with a phasing in of liberalisation in a strategic sequence. In the absence of appropriate conditions, many or most developing countries have been unable to reap the benefits of globalisation, and instead may experience negative consequences from it.

(Recently, however, the Thai economy has entered a crisis phase due to the rapid build-up of high foreign debts and a huge currency depreciation, requiring Thailand to seek huge loans from the IMF; and the Indonesian economy has also begun to look more vulnerable as it also has a large foreign debt and a high debt service ratio, which may be more difficult to service due to the

recent currency depreciation).

Despite relatively high growth, there are also weaknesses in these countries. Among the weaknesses are that:

(a) The model basically follows the same route of industrialisation and commercialisation adopted by countries of the North. This model has been criticised as being "unsustainable" from a global environmental and social perspective. The East Asian "success stories" are in fact replicating the "unsustainable patterns of production and consumption" criticised in Agenda 21 for using up the world's resources;

(b) Within the East Asian countries, there is also major ecological deterioration as a result of rapid growth based on environmentally insensitive patterns;

(c) In some countries, for example Indonesia and Thailand, there has been a high degree of inequity in distribution of the gains from growth. Whilst elite groups have grown very wealthy, large sections of the population remain poor, causing social tensions.

(d) Many local communities have had to suffer adverse social consequences of growth, by having to "make way" for development or having to suffer the negative side-effects. These include farmers who are displaced by big dams, indigenous people whose forests are logged and water supplies contaminated, urban "squatter" communities who are evicted to make way for urban development.

(e) In many East Asian countries there is a significant degree of corruption and patronage; many cases of these have recently been highlighted in the media, for example in the Far Eastern Economic Review (April 1997).

(f) In many of the countries, there are still limited degrees of democratic freedom and practices, there being curbs on the right of association and of the scope of NGO activities, and the use of detention of activists.

(g) The quality of construction and infrastructure in many cases has been poor, resulting in collapses of buildings, highways and bridges, and in landslips and hill erosion;

(h) Some East Asian corporations are increasing their overseas investments; the environmental record of some of them (eg those involved in logging of forests in Papua New Guinea, Cambodia and Central America) has been severely criticised.

(i) Most recently, the currency crisis that afflicted Thailand,

starting in June 1997, has raised serious questions about the problems caused by high dependence on foreign capital by some of the Asean countries. The Thai economy has recently had problems with high levels of external loans, rapidly softening property markets and values, non-performing loans threatening the viability of financial institutions. Due to loss of confidence and speculative attacks, the baht had to be put on a float and depreciated 24% between 2 July and the end of July. Facing serious financial repercussions, the Thai government has had to resort to IMF loans and policy advice. As a consequence of the Thai situation, the currencies of the Philippines, Malaysia and Indonesia have also depreciated, although by not so much as Thailand. These countries also have wide current account deficits and thus heavy reliance on inflows of foreign funds (loans, portfolio and direct investment), making them vulnerable to shifts in foreign investor confidence and to currency speculation. Increasingly, questions are being asked about the sustainability of the South-east Asian "miracle" growth.

Despite these weaknesses, the East Asia experience is valuable in that it illustrates that successful growth (of the conventional type) does not require following the SAP model, and that indeed following the SAP prescription is likely to hinder or obstruct growth and development. The SAP model and the East Asian development patterns are only some of the possible models of development and macroeconomic policy. Allowing for a diversity of a wide range and diversity of models to co-exist, and to recognise that this is valid and even desirable, would free the developing world from the constraints of having to follow orthodoxy and economic fundamentalism contained in the World Bank-IMF model of structural adjustment.

#### **(ii) Lower-income countries in South and Southeast Asia**

In general, the South Asian countries in the past two decades have had relatively lower per capita incomes, and higher rates of poverty and unemployment compared to South-east Asian countries. Their rates of economic growth have also been relatively lower. Indeed, the South Asian region contains a majority of the world's poor people. Most people in this sub-region live in rural areas, therefore the conditions of agriculture are extremely important in determining living standards in these countries. Wealth and income distribution are highly unequal and the lack of access to adequate land resources is a very critical problem causing the persistence of poverty. Several of these countries have high external debts and undergone structural adjustment programmes. Although located in South-east Asia, the Philippines also shares these characteristics of low growth, high debt and being under SAPs.

Another major difference is that most of these countries have not had the same degree of "trade openness" as the East and Southeast Asian countries. In recent years, either autonomously or under SAPs, these countries have liberalised their import regime. Under the WTO rules, this import liberalisation will continue.

This carries with it the potential for problems, should the local commercial firms and the local farmers not be able to compete with cheaper imports.

The process of liberalisation, privatisation and opening up to foreign investors has led to inflation, social inequity and social insecurity among lower-income groups in India. This discontent was a major cause of the change of government in the last General Election.

### **(iii) Socialist countries undergoing economic reforms**

In recent years there has also been a change in economic policies among the Asian socialist countries. In the past two decades, China has increasingly turned to the market for economic direction, and it has become a major exporter of industrial consumer products as well as the largest developing-country recipient of foreign investment. Its double-digit growth rates have also led to a boom in urban areas. The Chinese high-growth performance has led to expectations that it will be an economic powerhouse within a few decades. In more recent years, Vietnam has also expanded its private sector, and has geared up to hosting foreign investors. Cambodia is also seeing an influx of foreign investors; this has led to high rates of logging.

A major challenge facing China (and to a lesser extent Vietnam) is the rise in social inequity and in geographical imbalances as some cities and urban areas undergo commercial boom, whereas other areas remain depressed. Liberalisation and the transfer of state resources to the private sector and the erosion of welfare benefits have also increased unemployment and social insecurity. Finally, the environment is also rapidly deteriorating.

For the Indochina countries and Burma, there will be the additional challenge of facing up to trade and investment liberalisation resulting from their recent entry as members of the ASEAN grouping. Within five years, the AFTA (Asean Free Trade Area) will come into force, the implication being that tariffs on a wide range of products would have to be reduced to zero to five per cent. The small-scale and "infant" local industries and agricultural producers may be adversely affected if they are

unable to compete with cheaper products and more advanced companies from other ASEAN countries.

**(iv) The Asian ex-Soviet countries**

There are also special problems affecting another group, which is the five Asian ex-Soviet Union countries. The economic reform process has badly affected social conditions in these countries, with a decline in employment, health services and a dramatic drop in life expectancy. As the traditional social safety nets are withdrawn, following the decline in the role of the state, and the inability of private enterprises in filling the vacuum, conditions of life are severely affected, with the brunt being felt particularly by pensioners, children and women.

**(d) Opportunities and Problems Resulting from Liberalisation and Globalisation**

Among the biggest dilemmas for countries in the region is how to take advantage of the liberalisation process, which to a large extent is being pushed externally, whilst at the same time avoiding or minimising the disruptive consequences. The ability to manage liberalisation and globalisation will be a crucial aspect of development and national management in Asian countries in the years ahead.

**A selective approach to liberalisation is necessary, in which a careful balance is struck between opening the domestic market (to benefit consumers) and protecting it to take into account especially the interests of small producers. NGOs have an important role as a watch-dog, to monitor government policies, and as advocate, to promote the right policies and thus avoid costly mistakes.**

An UNCTAD summary of the opportunities and challenges of globalisation (contained in its Secretary General's report to UNCTAD-IX) may be a good starting point for NGOs to draw a framework for analysis of the potential costs and benefits of globalisation at country level.

According to the UNCTAD report, the **opportunities** include:

\* Trading opportunities arising from the Uruguay Round. Developing countries can take advantage of: tariff cuts in both industrial and developing countries; the phasing out of the Multifibre Agreement; reduction of discriminatory protective measures through the Agreements on safeguards and subsidies; increased opportunities in agriculture and services; and the

strengthened multilateral system of trade rules.

\* Opportunities related to international capital flows and financing of development. Since the beginning of the 1990s, private external financing has increased to developing countries, but mainly restricted to countries that avoided a debt crisis (mainly in Asia) and to some Latin American countries. However, UNCTAD also warned of the risks involved, and noted that the majority of developing countries did not enjoy these facilities.

\* Opportunities provided by international production through foreign direct investment and transnational corporations. FDI is becoming an increasingly important component of long-term resource flows to developing countries. The TNCs bring a package of capital, technology and management skills that can spur development and expand markets.

\* There are increased opportunities for economic cooperation among developing countries (ECDC) to boost South-South cooperation in trade, transport, information and technology exchange and infrastructure development.

The UNCTAD report also says that globalisation can lead to the following three **negative consequences**:

\* Loss of policy autonomy. Policy instruments available to developing countries have narrowed as a result of economic liberalisation policies and stringent multilateral disciplines. Specifically, the Uruguay Round Agreements limit the range of policy options: for example, developing countries may not be able to emulate industrial policies previously followed by successful East Asian countries, especially the use of export subsidies, investment performance requirements and compulsory licensing. Loss of policy autonomy also arises from increased financial openness and dismantling of barriers to capital flows, which reduces the ability of national governments to use macroeconomic policy instruments to influence output, employment and inflation. It is no longer possible to delink national interest rates from those abroad without suffering large capital outflows. It is difficult also to pursue expansionary macroeconomic policies regardless of the pace of demand abroad as this would cause deterioration in the payments position.

\* Financial openness and the risk of instability and disruption to development. As many Asian and Latin American countries are integrated into the global financial markets, they have experienced volatility of capital flows due to abrupt shifts in sentiments of external investors. Large surges in inflows of portfolio capital also pose problems for macroeconomic management (such as loss of influence over interest rates and exchange

rates). Also, when external deficits can no longer be sustained, a sharp currency depreciation is often inevitable, causing inflation and necessitating deflation to reduce imports. Thus the reversal of a surge in capital inflows can damage the real economy and financial standing of the country.

\* The phenomenon of marginalisation. Some developing countries, especially LDCs, are unable to benefit from or meaningfully participate in globalisation. This marginalisation arises from:

(i) Supply-side impediments and structural weaknesses that are a barrier to growth of traditional primary products and non-traditional products and to efficient import-substitute production.

These constraints include weak technological capacity, lack of skills; lack of credit for small farmers, small enterprises and long-term investors; non-transparent legal and regulatory frameworks; deficient physical infrastructure.

(ii) Many developing countries are heavily dependent on non- and semi-processed commodities in production and exports. Due to this, they are unable to take advantage of trading opportunities from globalisation. The decline in commodity prices over the past several decades adversely affects growth, economic stability and creditworthiness. Due to the nature of commodity production, farmers are unable to switch from one product to another in response to demand conditions. Also, the development of substitutes and use of less materials in products of developed countries has displaced primary commodities.

(iii) Difficulties of LDCs and weak economies in attracting FDI. These impediments include: low income, slow growth and small markets; low level of domestic savings and paucity of entrepreneurs, reducing the scope for joint ventures; shortage of managerial and technical skills; lack of good infrastructure.

(iv) Decline in official development assistance. Due to inability to attract FDI and other private capital inflows, LDCs and weak economies continue to depend heavily on ODA but aid flows have fallen since 1991.

(v) Continued difficulties with external debt. The debt crisis persists in many countries and meeting their debt obligations incurs heavy economic and social costs. Despite some relief measures, many heavily indebted low-income countries still face unsustainable debt burdens, especially due to heavy multilateral debt.

Although the UNCTAD report provides a useful summary of some important implications of globalisation, they are by no means

exhaustive. In particular, the social and environmental effects are not covered.

**(e) Social Costs of Globalisation: marginalisation and the persistence of poverty in Asia**

Despite the Asian region, as a whole, having had the highest rate of growth in the developing world in the past many years, there has not been a corresponding improvement in reducing poverty in many countries. According to the latest UNDP Human Development Report 1997, which focuses on poverty, Asia is the region with the most number of poor people in the world. The combined region of South Asia, East Asia, Southeast Asia and the Pacific has 950 million of the world's 1.3 billion poor people.

In terms of incidence of poverty, Africa is the highest; by the year 2000, an estimated 50% of people in sub-Sahara Africa would live in poverty. Asia as a region has a lower incidence of poverty than Africa. However, because of the very high population of Asian countries combined, the region still houses a very large share of the total number of people in the world. Thus, the media-generated image that equates poverty with Africa and wealth with Asia is largely misleading. Most poor people are based in the Asian region, and thus the battle against world poverty must take into account the large numbers of the Asian poor.

Poor communities in Asia have continued to be marginalised in most countries; and in addition some countries as a whole have also been marginalised. According to ESCAP data, in the four years 1992-96, growth in developing countries in the Asian-Pacific region has been above 7 percent per annum (compared with 5 per cent for all developing countries in the world). However, ESCAP admits that "relatively superior economic performance in the region failed to bring about a corresponding impact on the poverty situation of about 800 million persons living in absolute poverty in the region." The largest concentration of the poor, about 520 million, are in South Asia. "Failure to combat poverty in the wake of growing population has been identified as another unfulfilled expectation and a major constraint to sustainable development in the region. More people live in abject poverty in Asia and the Pacific today than ever before."

The communities and groups in Asia that are likely to be adversely affected by globalisation and regionalisation are the following:

\*\* Local communities in rural and urban areas that are asked to make way for development projects as economic growth and modernisation continue their sweep across the region. These

include farmers and indigenous people making way for large dams, mining projects, logging of forests conversion of land to plantations; and urban settlers and "squatters" who have to make way for urban projects such as highways, golf courses and hotels, office buildings and housing estates.

\*\* Small farmers who may find that as a result of agricultural liberalisation they would have to reduce the prices of their products (thus having their net incomes reduced), and for some of them they may have to close their farms, being uncompetitive.

\*\* Government and public employees (including of public enterprises) that face retrenchment from their jobs as a result of privatisation.

\*\* Larger numbers of unemployed people as the process of liberalisation and contraction of the public sector may not be offset by an increase in private sector jobs, at least in some countries.

\*\* Lower-income and poor consumers who no longer may be able to receive the same level of subsidised health care, water supply, housing or welfare services as governments reduce or eliminate social spending, or change their financing system towards the cost-recovery and the-user-must-pay approach.

\*\* Because of the poverty and unemployment situation, many Asian children are forced to work, often in conditions of misery; whilst many Asian women are pressurised into prostitution. They are the victims of lack of economic and social opportunities resulting from the inequities of the system.

An interesting outline of the social problems relating to globalisation in the Asian context can be found in the IBON Features, "The Social Cost of Globalisation" (Manila, November 1996).

**NGOs in the region should be encouraged to monitor and counter the adverse social effects of globalisation and liberalisation, and to provide support to communities that are marginalised and victimised by development projects and policies. Whilst provision of safety nets to the marginalised may be necessary for immediate relief, NGOs and people's organisations should also advocate for components in the design of national policies that take into account the rights and participation of poor groups and local communities so that their economic and social development is given prominence.**

#### **(f) The Ecological Costs of Development in Asia**

Due to the processes of development as well as under-development, the Asian environment has rapidly deteriorated. The effects are on resource degradation and depletion and increased pollution and release of toxic substances, with adverse effects on both environment and human safety and health.

The most up-to-date analysis of the region's environmental problems is the UNEP publication, "Global Environment Outlook", published in April 1997. The book reveals the following major problems in the Asian region:

**\*\* Land:** Of the world's 1.9 billion hectares affected by soil degradation, the largest area (850 million hectares) is in Asia and the Pacific, accounting for 24% of the region's land. Of total arable land in the region, 13% is severely degraded, 41% moderately degraded and 46% lightly degraded. Land degradation in Asia results from displacement of soil material, mainly through water erosion (61%) and wind erosion (28%) and from biophysical (2%) and chemical (9%) deterioration. The contribution of human activity to land degradation is as follows: removal of vegetation cover (37%),

overgrazing by livestock (33%), unsustainable agriculture practices (25%), overexploitation through construction of infrastructure (5%).

**\*\* Forests:** Due to industrialisation, agricultural expansion and forestry product trade, deforestation remains one of the major environmental issues in Asia. Deforestation in the Asia-Pacific region increased from 2 million hectares per year during 1976-81 to 3.9 million hectares per year in 1981-90. During 1981-90, tropical forest area decreased by 6.7% and natural tropical forest area decreased by 11.1%, the highest rate observed for this type of forest as compared with other regions. Southeast Asia has the highest absolute deforestation rates, with continental and insular Southeast Asia losing 1.3 million and 1.9 million hectares respectively. Indonesia alone in the early 1990s had an average annual deforestation rate of 0.6 million hectares (0.5 % of forest cover) whilst Malaysia, Myanmar, the Philippines and Thailand were each losing more than 300,000 hectares per year, representing 2, 1.3, 4 and 4 percent of their forest cover respectively, for the period 1981-90.

**\*\* Water:** Increasing water scarcity is likely to be the scenario for many countries in Asia. Fresh-water availability of below 1,000 cubic meters per capita per year indicates water scarcity. Singapore is already water-scarce, while Iran and India are heading in that direction. India is among the countries projected to fall into the water-stress category before 2025,

whilst China is expected to only narrowly miss the water-stress benchmark by 2025. The fresh-water withdrawals in Asia-Pacific range from 15 to 1,400 cubic meters per person per year. Agriculture accounts for 60-90% of the annual water withdrawal in most countries of the region. The demands for domestic and industrial uses are increasing due to high rates of urbanisation and industrialisation and also parallel to population growth.

The problem of water pollution is also serious. It is caused mainly by domestic sewage, industrial effluents and runoff from agriculture and mining activities. The problem of pathogenic pollution (caused mainly by discharge of untreated domestic sewage) is quite severe in South and Southeast Asia, the Pacific Islands and China. South Asia and China are most severely affected by organic matter pollution, the main source being effluent from pulp, paper and food industries. Discharge of mine tailings and effluents from industries discharged into rivers have resulted in hot spots of heavy metal pollution throughout the region. In the small island states, salinisation severely affects ground-water resources due to sea-water intrusion. In Thailand, rapid lowering of the water table due to excessive extraction of ground water has caused the shallow aquifers in Bangkok to be contaminated with sea water. The overwithdrawal of ground water reserves has also caused land subsidence in cities such as Bangkok and Jakarta.

**\*\* Atmosphere:** An important implication of economic growth in Asia is the rapid 3.6% per annum growth of energy demand for the whole region in 1990-92, compared with the average 0.1% growth for the whole world. In particular the region accounted for 41% of world coal consumption in 1993. This translates into significant increase in air pollutants. Urban air pollution is serious in many major cities in the region, whilst health threats also arise from indoor pollution caused by the use of coal, wood, crop residues and dung for cooking and heating in low-income houses throughout the region. Fly ash from coal mining is also a significant problem.

Acid rain has also emerged as a significant problem, especially in South China, areas southeast of Thailand, Cambodia and southern Vietnam.

**\*\* Biodiversity:** The region is rich in biodiversity, for example containing two-thirds of the world's flora. The flora and fauna of the region are threatened now more than ever before. The drive for increased agricultural production has resulted in the loss of genetic diversity. Land under rice cultivation rose between 1960 and 1970 by only 25% but production rose 77% due to replacement of traditional varieties with higher-yielding semi-dwarf varieties. By 2005, India is expected to produce 75% of its rice with just 10 varieties compared with the 30,000 varieties traditionally cultivated. In Indonesia, 1,500 varieties of rice disappeared during 1975-90. Marine biodiversity is also being

lost due to coastal habitat loss and degradation. Thailand alone lost 200,000 hectares of mangrove from 1961-93. Conversion of mangroves to shrimp mariculture and unsustainable fishing practices such as fish blasting are widespread. The rates of loss of coral reef and mangrove habitats are among the highest in the world.

**\*\* Marine and Coastal Environments:** The marine environment is very important as most people in the region live along the coasts and marine resources are economically important to most countries, mainly for fishing and tourism. Coastal and marine pollution in Asia is mainly due to direct discharge from rivers, surface runoff and drainage from port areas, domestic and industrial effluents and contaminants from ships. River waters are heavily contaminated by municipal sewage, industrial effluent and sediments. There is also heavy metal contamination from industrial effluent and dumping of land-based solid waste into the sea. In India, exceptionally high concentrations of lead, cadmium and mercury were found on the Bombay Coast, and in Pakistan heavy metal contaminants were detected in the coastal area within the mouth of the Indus River. There is increasing evidence of these toxic substances getting into the food chain. In the Straits of Malacca, 490 shipping accidents were reported in 1988-92, resulting in considerable oil spillage. Pesticides and fertilisers discharged into the sea have contaminated fish life. Another major problem is overfishing and the use of destructive fishing techniques throughout the region.

**\*\* Urban and Industrial Environments:** In 1995, the Asia-Pacific region was home to 3.3 billion people, with an average annual population growth rate of 1.7%. The urban populations in the region's developing countries grew between 3 and 6.5% a year in the mid-1990s, about 35% of the region's population is urban and 13 of the largest 25 largest cities of the world are in the region. The environmental stress generated by urbanisation in the region is related to poverty as well as economic growth and affluence. The rise of cities has been accompanied by a proliferation of slums and squatter settlements without access to basic infrastructure, clean water and sanitation, with associated health risks. The lack of basic infrastructure also results in local environmental degradation. A large share of the world's urban poor will continue to live in South Asia.

Meanwhile, urban environmental problems resulting from growth and affluence include congestion, increasing air and water pollution, loss of productive agricultural land, loss of coastal habitats to conversion and land reclamation, overextraction of ground-water resources resulting in land subsidence, and deforestation as a consequence of increased demand for construction timber.

Another major problem is waste and waste management: about 700 million tons of solid waste and 1,900 million tons of industrial waste are generated each year in Asia-Pacific, causing health and environmental problems as disposal is poorly done and 30-50 percent of municipal solid waste is uncollected in the region. Also, 100 million tons of hazardous wastes are produced in the region, with 90% generated in China and India alone. About 60-65% of these wastes end up in landfills, 5-10 per cent are dumped in oceans and only 25% are incinerated or undergo physico-chemical treatment.

Given the immense and growing environmental problems caused by both affluence and poverty, support should be given to Asian NGOs to tackle the various major aspects of ecological deterioration, especially to support local communities that are defending their rights to natural resources, clean environment and sustainable livelihoods. NGOs should also advocate for changes in development policies and priorities so that environmental considerations are fully taken into account, and policy makers should be influenced to view environment protection not as a hindrance but as a key component of development, including it being worthwhile for high government expenditure to be allocated to environmental rehabilitation.

### **PART 3. INTERNATIONAL PROCESSES AND INSTITUTIONS AND THE ROLE OF NGOS**

#### **(a) Introduction**

As discussed in the previous Section, an extremely important aspect of globalisation, is the "globalisation of policy making", in which national policies and laws are increasingly being made (or shaped) through international processes, institutions, agreements and Conventions.

Some of these processes and institutions (for example, the UN global summits and their follow-up activities, and the environment Conventions) have many positive aspects, and could be made use of by NGOs for the benefit of local community interests. The recent series of major United Nations conferences, on environment and development (1992), human rights (1993), population (1994), social development (1995) and women (1995), have produced voluminous declarations and programmes of action. These may not have the

same kind of legal clout as a binding international agreement, but they do have importance in setting agendas, policy frameworks and priorities.

On the other hand there are institutions and processes (for example, the World Bank, IMF and WTO) that by and large may be against the interests of Asian developing countries and communities. In these cases, NGO activity and participation are also crucial, in order to monitor and if possible influence the policies and processes of these institutions.

There is considerable scope for NGOs in Asia to conduct advocacy work at national level on these global issues, as well as to undertake joint activity with other NGOs in the region and in the Third World, as well as to help build North-South coalitions on several issues.

The following is a brief description of some of these processes, their key issues, and suggested areas of intervention by NGOs. Because of time limitation, not all the institutions are covered, by many of the major ones.

#### **(a) The Earth Summit and the Commission on Sustainable Development**

In the area of environment and development, the major event was the UN Conference on Environment and Development (UNCED) or Earth Summit. This has led to several follow-up institutions and processes, including the Commission for Sustainable Development (CSD), the Biodiversity and Climate Change Conventions, and the Desertification Convention.

Many Asian NGOs were very active during the Earth Summit and some of them continue to be active in the follow up activities. The Southern NGOs and NGO networks, including Third World Network, were able to help transform what might have been a conference focusing solely or mainly on the environment into one that linked the environment crisis to development issues such as poverty, basic human needs and the inequitable international economic structures.

UNCED eventually established the principle of "common but differentiated responsibilities", by which the North being more responsible for the ecological crisis would bear a correspondingly greater burden for tackling the crisis. Unfortunately the pledges made by the North at the Rio Summit of 1992 for greater aid have fallen flat. Instead, most Northern governments have reduced their aid budgets. In the follow-up process, centered on the CSD, the Southern countries and their NGOs have to continue to coordinate their policies so as to protect against the erosion of the Rio principles, keep in front the need for the North to keep

its commitment to partnership with the South on development issues, whilst at the same time also promote the transition to more environmentally sound development in the South.

The General Assembly will hold a Special Session in June 1997 to review what has happened in the five years after Rio. An objective analysis would show very disappointing results, as the pressures of globalisation have downgraded both environment and development on the international agenda.

However the CSD, which normally meets once a year but may also have inter-sessional meetings on specific issues, remains a useful forum for raising environment issues (and, to a lesser degree, development issues). It is also a good meeting place for NGOs and for them to meet government and UN officials, and thus for networking and increasing worldwide campaigns on issues. For example:

\*\* In the CSD session 1995, TWN and other groups, together with scientists, highlighted the dangers of genetic engineering. This had a major impact on the government delegates and on the final CSD declaration on biotechnology. It also greatly increased awareness among NGOs, and has helped to give a vital boost to the biosafety campaign. The coalition that was built up included NGOs and scientists, from both North and South. In the area of biosafety, there is great scope for North-South solidarity and coalition building, with Southern NGOs investigating the state of importation and research in their countries whilst Northern NGOs and scientists can provide more scientific information since the use of the technology is more advanced in the North.

\*\* In the CSD session 1996, several NGOs, including some from the Asian region, were able to highlight the issue of the damage caused by commercial aquaculture. This gave a boost to NGO North-South campaigning on this issue, with the Southern NGOs focusing on the problems faced at the production end (especially the impacts on affected communities and on the environment) whilst Northern NGOs could focus on the financing aspect (eg to look at the role of World Bank loans or bilateral aid) and on the consumption aspect (eg to raise awareness among consumers about the nature of the shrimp production).

\*\* In the CSD session 1997, TWN was able to raise the issue of WTO and globalisation and their impact on sustainable development, whilst indigenous groups successfully raised the issue of the impact of mining on indigenous rights. Again, the globalisation issue offers much scope for North-South NGO collaboration, as well as collaboration between environment and development groups.

The CSD handles the whole range of issues in environment, and some aspects of development as well. The issues are those

contained in Agenda 21 as well as a few other Earth Summit documents, such as the Forest Principles. Each year, the CSD focuses on some "cross-cutting issues" (such as financial resources, poverty) as well as some specific issues (eg. water, chemicals, forests, agriculture). A list of which issues will be discussed in which year in the 1998-2002 period will be decided on at the General Assembly session in June 1997.

With this list, NGOs can then target what issues can be brought up, in which year. In addition, it is likely that an item "critical or emerging issues" will be included each year, so there is flexibility in raising new issues as well. Moreover, NGOs are also free to hold events on any issues of their choice at NGO functions at the CSD. There is also an NGO Steering Committee for the CSD which facilitates NGO participation and activities.

Whilst some Asian NGOs do take part in the CSD, more support should be given to increase their participation. However, this should be accompanied by more systematic planning on what issues to highlight and what activities and publications should be produced to highlight these issues in any particular year or session. Based on this planning, support should then be given to the relevant groups to take part. With this strategy, issues of great concern to local communities (especially new problems that emerge that have not yet attained a high international profile) can be brought up successfully at the CSD session, both to delegates and UN officials, as well as to the NGO community. Moreover, support can be given to promote not only South-South cooperation but also North-South NGO solidarity and collaboration as well as collaboration between environment and development groups. Significant elements of such collaboration are already taking place, including in the CSD context.

#### **(b) The Biodiversity Convention**

In the Biodiversity Convention, the Southern countries (aided by many NGOs from both South and North) have succeeded so far in keeping alive the links between nature conservation and development issues. Some of the key social and development issues in the Convention are:

\*\* The sovereign right of countries over their biological resources.

\*\* Finding ways to ensure the equitable sharing of benefits from the sustainable use of biodiversity.

\*\* Terms of gaining access to biological resources of a

country.

\*\* The ownership, control, access and use of ex-situ collections of germplasm existing in gene banks.

\*\* The proper and fair treatment of intellectual property rights in the use of biological resources.

\*\* The recognition and treatment of "farmers'rights", in terms of their knowledge and development of the use of biological resources.

\*\* The recognition and treatment of indigenous peoples' rights.

\*\* The need for biosafety regulations, in recognition of the potential hazards of genetic engineering.

\*\* Measures to conserve diversity in agricultural, forest and marine resources.

\*\* An appropriate funding mechanism or mechanisms for the Convention.

NGOs, Southern countries under the Group of 77 and some Northern governments (particularly the Nordics) have also pushed for a **biosafety protocol** to protect against the environmental and health risks of biotechnology applications. An expert group is negotiating the protocol. NGOs, with scientists, have been playing a crucial role in the process. These NGOs and scientists come from both North and South, and thus there is considerable scope for further North-South NGO coalition building in this issue.

The Convention's issues have very critical implications for the agricultural sector and for incomes and technology in developing countries.

In the Convention, NGOs have been playing a very crucial role in raising the issues and in providing inputs to delegations. Among the key NGOs that have raised the social issues and the biosafety issue are TWN, GRAIN and RAFI. The IUCN is active on the conservation aspects. There are also some NGOs active at the national level, influencing their governments. A few of these NGOs (eg in Indonesia, India, Philippines) have become advisors or members of their country's biodiversity committee and sometimes are part of the official delegation. Indigenous peoples' organisations have also played an active role, as a result of which there is a proposal for a separate protocol on indigenous peoples' rights to be discussed later in 1997 or 1998.

**Given the good inroads that NGOs have made, it is suggested**

that NGOs, that have an interest in farmers' rights, genetic diversity or biosafety, be encouraged to get involved in the process at national level by finding out the positions of their government. They can provide inputs to the national process, as governments have now to institute national policies and regulations on these issues. Some of them can also play a more active role at international level in the Convention itself. This issue as well as the Convention itself offers major opportunities to further develop collaboration between Northern and Southern NGOs, as cooperation between both categories have already developed well till now.

#### **(c) FAO Plant Genetic Commission and the International Undertaking**

The FAO has a Commission on Plant Genetic Resources whose task is to promote the conservation of agricultural genetic resources as well as be the secretariat for the International Undertaking on Plant Genetic Resources, under which governments have agreed to recognise farmers' rights to their traditional knowledge in agriculture and seed varieties. A revision of the Undertaking is now being negotiated. There is concern that some developed countries would like to dilute the Undertaking and to deny or downgrade the recognition of farmers' rights. However, some developing countries (with Africans in the lead) are trying to safeguard and strengthen farmers' rights. There is also a possibility that this issue may be developed into a protocol on agricultural diversity under the Biodiversity Convention.

In 1996, the World Conference on Plant Genetic Resources organised by the FAO in Leipzig attracted many NGOs involved in agricultural diversity and farmers' rights issues. However, the follow up process has been relatively weak.

Of the various regions, African governments have been more active as a grouping in the follow up process. At a meeting in April 1997, they prepared a draft revised International Protocol.

It is suggested that Asian NGOs pay greater attention to the FAO process on genetic resources, the FAO International Undertaking, the follow-up to the Leipzig Conference and the issue of agricultural diversity, so that they can better represent the interests of local farming and indigenous communities to their governments, and that the Asian region can play a more effective role in the international processes.

#### **(d) Climate Change Convention**

The Climate Change Convention is also an extremely important area, which has major environmental, social and North-South implications. At present, the key focus is on the Northern countries, which are under public pressure to set targets for scaling back on the growth of emissions of carbon dioxide and other Greenhouse Gases in their countries. The Conference of Parties meeting in Japan in December 1997 will be crucial for this.

At the same time, pressure is building up among some developed countries, especially the US, for putting limits to emissions from developing countries, and also thus to their energy consumption. Some developing countries are concerned that the rich nations would like to limit their energy use and overall economic growth, whilst the North would then want to continue to maintain a much higher level of energy and GNP in per capita terms.

The stage would then be set for an unfriendly exchange with North pitted against South. The key issue is:

(i) whether the rich nations would try to use their much greater strength and power to institute an unequal agreement whereby the South is fated to operate their economies at a far lower level than the North,

(ii) or whether an arrangement is agreed to with equity as the main operational principle, in which case allotment of energy use and emissions are made on some kind of per capita basis, and countries exceeding their quota are then required to scale down whilst countries using less than their quota are allowed to scale upwards.

Needless to say, the second alternative is critical to opt for, to avoid "eco-imperialism". However, principles and schemes have to be developed to flesh out and operationalise this second alternative. NGOs can play an important role in this regard, and the work has to be done fast. Otherwise the first option will be pushed for, with the help of economic arguments that are biased in favour of the affluent (for example, through the assumption that human lives in the Northern countries should be estimated to be "worth" more than lives in a poor country because the earning capacity of the rich are far higher than of the poor, an assumption that was made by some of the leading economists in the economics working group of the Climate Change Convention).

**It is thus suggested that NGOs be supported to conduct activities on climate change issues, with the main objectives of promoting equitable solutions to reducing emissions of Greenhouse Gases both at international and national levels, so that the burden of adjustment does not fall on the weak and poor but rather**

on the more affluent who are over-using resources and who can afford to adjust. As the Climate Change Convention is bringing forth very sensitive and important issues on a North-South basis, it is important that NGOs from both South and North work out a common strategy for moving forward with global plans to combat climate change using equity (instead of power relations) as the major operational principle. With North-South solidarity at the NGO level, there may then be an opportunity to influence the North-South divide at the official level in the Climate issue.

**(e) The Conventions relating to Toxic Substances: Waste and Chemicals**

The problem of the transfer of toxic waste to the South was highlighted in the 1980s. This led to the Basel Convention, where the prior-informed-consent (PIC) system was initiated. For some years after this, Asian countries continued to receive toxic waste, sometimes in the guise of recycling industries, for example when plastics waste was exported to countries like Bangladesh and Indonesia. A few years ago, the Basel Convention was upgraded from the PIC level to an outright ban of export of toxic waste from OECD to non-OECD countries. However, Asian countries still have to be vigilant to ensure that this ban is fully implemented.

**The following roles are suggested for NGOs in this regard:**

**\*\* NGOs can play an active role in investigation and alerting the authorities to the continued import or dumping (including at sea) of toxic waste.**

**\*\* They can help ensure that the government installs national laws (in line with the Basel Convention) to ban the import of hazardous waste.**

**\*\* In particular, an alert system can be set up by relevant NGOs, to monitor and act when hazardous waste is found dumped in the vicinity of local communities.**

**\*\* NGOs can also be on the alert for the import of hazardous industries which give rise to toxic waste, which Northern corporations may resort to in order to get around the Basel Convention (as the Convention only bans toxic waste but not the transfer of hazardous industries that produce toxic waste).**

Under the UNEP, a new Convention is now being negotiated to establish a prior-informed-consent (PIC) system for the international trade in toxic chemicals, in particular pesticides.

The most recent meeting of this PIC Chemical Convention was held in May 1997 in Geneva.

**As very few NGOs are following this process, it is suggested that Asian NGOs that have been involved in the issue of pesticides and in agro-chemical hazards be alerted to the negotiations on this new Convention so that an effective high-standard Convention is attained. NGOs can also advocate that the PIC level action be later upgraded to an export ban, as in the case of the Basel Convention. Asian NGOs should link up with other Third World NGOs and also with Northern NGOs as the issue of transboundary trade of hazardous materials is an obvious opportunity for North-South NGO collaboration.**

#### **(f) The Social Development Summit**

The Social Summit of 1995 mobilised a lot of NGO attention and resources. The key issues discussed were poverty, unemployment and social disintegration. NGOs were fairly successful in pressurising for the structural causes of these problems to be discussed, and not only the symptoms.

In particular, they were able to push for measures for debt relief and modification of structural adjustment policies (SAPs), as among the most important issues under discussion. For the first time, the negative effects of SAPs and the need for giving greater prominence to social goals in SAP priorities were recognised at an important UN Conference.

During the Social Summit process, the most important set of issues voiced by developing country governments and especially by a wide range of Southern and Northern NGOs was the negative economic and social effect of structural adjustment policies, the non-accountability of the Bretton Woods institutions and the need to resolve the South's debt crisis. They argued that debt and structural adjustment were the most important impediments to social development in developing countries.

The Social Summit was attended by 117 heads of state and government. They signed the Copenhagen Declaration, which in several parts recognised the weaknesses of structural adjustment programmes in neglecting social development concerns. One of the "Commitments" of the Declaration (Commitment 8) was devoted solely to a change in structural adjustment programmes. Under this Commitment, the political leaders pledged to ensure that structural adjustment programmes "include social development goals, in particular eradicating poverty, promoting full and productive employment, and enhancing social integration." They also pledged "to promote basic social programmes and expenditures,

in particular those affecting the poor and vulnerable segments of society, and protect them from budget reductions"; to "review the impact of structural adjustment programmes on social development...in order to develop policies to reduce their negative effects and improve their positive impact"; to "reinforce the social development components of all adjustment programmes, including those resulting from the globalization of markets and rapid technological change, by designing policies to promote more equitable and enhanced access to income and resources." They also committed themselves to:

"strive to ensure that structural adjustment programmes respond to the economic and social conditions, concerns and needs of each country" and to "enlist the support and cooperation" of international organisations, the UN system and especially the Bretton Woods institutions in the "design, social management and assessment of structural adjustment policies and in implementing social development goals and integrating them into their policies, programmes and operations."

With the momentum built up at the Social Summit, there are potential opportunities to make further progress on debt relief, and to improve or change the terms of loan conditionalities through a redesign of structural adjustment and the widening of economic and social policy options for developing countries.

These opportunities can be pursued through the follow-up process of the Social Summit, through the General Assembly and Ecosoc, and through initiatives such as the Agenda for Development. Debt relief and changes to loan conditionalities can also be taken up from within the Bretton Woods institutions themselves.

Another major issue arising from the Social Summit is the need for better allocation and use of aid resources. In particular, much more aid should be allocated to poverty eradication and social development, and much more government expenditure in developing countries should be used for these purposes. This is in line with the 20:20 concept (ie setting targets that 20% in aid and 20% of government budget be allocated for social development).

Unfortunately there is a very weak follow-up mechanism within the UN system itself. The Commission on Social Development is the agency following up on the Social Summit, but its sessions lack the kind of profile that the Commission on Sustainable Development has. There is a real danger that the Social Summit follow up will fade away.

The most organised follow-up is by the NGOs, mainly through the Social Watch project (supported by Novib) in which several NGOs

monitor and grade the follow-up actions of both Northern and Southern governments in meeting their Social Summit and Women's Conference commitments. The project publishes a detailed annual report called Social Watch of the findings. The report has gained a reputation as an independent and alternative NGO analysis of development, different from the annual reports published by the World Bank and UNDP.

Another useful follow-up would be through the NGO activities relating to debt and debt relief (in which the Eurodad is playing an important coordinating role) and to World Bank related activities (see later section). More NGOs, especially those located in countries undergoing structural adjustment, should be encouraged to participate in networks and activities relating to debt and structural adjustment, and to social development issues as a whole.

#### **(g) UNCTAD**

The UN Conference on Trade and Development (UNCTAD) had been established as a UN organ to strengthen the capacities of developing countries to develop their national economies and to have a more meaningful participation in the world economic system.

UNCTAD's efforts to improve the terms of trade for Third World commodities through commodity agreements and a Common Fund for Commodities had once seemed promising, but these were rendered less effective through lack of interest by Northern countries. The useful role of UNCTAD, as a research facility and a negotiating forum with a mandate to assist developing countries improve their status in the international economy, has been gradually eroded, especially with the greater powers extended to the GATT and WTO and to the Bretton Woods institutions. There have even been recent suggestions to close down UNCTAD. These suggestions have been criticised by the Group of 77. At the UNCTAD-IX meeting in 1996, UNCTAD's continued existence was ensured. However, the very fact that the closure of UNCTAD can be proposed shows how eroded is the position of the South in international affairs.

**In order to strengthen agencies like UNCTAD that play an important role in servicing the needs of the South, there has to be greater effort by NGOs to defend and build up the United Nations as a legitimate and effective forum for international economic and social policy making.**

Otherwise even more of the UN's role and powers will be eroded, and international decision making on economic and social matters will reside wholly in institutions controlled by governments of rich countries, for the interests of their corporations and banks.

Moreover there is a danger that UNCTAD, coming under financial and political pressure from the Northern countries, could also lose its pro-South and pro-development direction and be transformed into an organisation controlled by the North, or be neutralised so that it cannot effectively speak in favour of the development perspective and for the poorer countries.

**At present, there is little NGO interest and participation in UNCTAD's activities. Few development NGOs are accredited to UNCTAD. Yet it still has the potential to be the major development forum of the UN system. It is therefore suggested that efforts be made to bring in more development NGOs (from both South and North) into the ambit of UNCTAD activities and issues, and that they actively participate in the Trade and Development Board annual meetings as well as in some of the working groups.**

#### **(h) World Bank and IMF**

In the past, most NGO activity relating to the World Bank focused on the adverse environmental and social effects of Bank-funded projects, such as large dams and other activities (logging, road construction) that lead to deforestation. In some sectors (such as forest and energy), NGOs have managed to also dialogue with the Bank on its sector-wide policies, and not just on specific projects. In many cases, there has been collaboration between Northern and Southern NGOs in the investigation into and critique of Bank projects and policies. The impact of NGO activities on such areas has been considerable, with the Bank taking increasing account of NGO views. However, much more can be done, for the main policies of the Bank have not changed. NGOs could also expand the monitoring and critique of the Bank's projects in other sectors, such as transport, industrial and urban development, and in the social sectors such as health care and water supply.

In the last few years, the NGOs have also increased their interest and influence in another area of the World Bank's activities, i.e. its policies towards Third World debt (in particular the debt owed to multilateral institutions like the Bank and the IMF) and its structural adjustment programmes (SAPs).

In this regard, the activities and policies of the IMF have also come under scrutiny. Again, these activities have involved a significant degree of collaboration between Northern and Southern NGOs.

In 1995 and 1996, in conjunction with the 50th anniversary of the birth of the Bretton Woods institutions, several NGOs implemented a campaign called "Fifty Years Is Enough", which

focused on the negative social effects of the World Bank and IMF's structural adjustment policies. The NGOs also increased their call for the start of relief of poor countries' multilateral debt (owed to the Bank and Fund). They pointed out that there were already moves for debt relief on commercial and bilateral debt, but that the Bretton Woods institutions had till then refused to contemplate multilateral debt relief.

As a result of these campaigns, and as a follow-up to the Social Summit, the World Bank leadership initiated a move in the later part of 1995 to begin a process of relief on multilateral debt. In 1995 and 1996, the World Bank secretariat leadership also intensified its dialogue with the international NGO community on the effects of and need to review (and possibly reform) its structural adjustment programmes. Following discussions between NGO representatives and the World Bank President and senior staff, it was agreed that a joint NGO-World Bank project be established to examine the social impact of structural adjustment programmes on developing countries.

After several meetings between the Bank and the NGOs, preparations are under way for a joint study of the impact of structural adjustment policies in about ten countries. The country studies would be conducted under the joint supervision of the Bank staff and of an international NGO grouping, in consultation with the governments concerned and the participation of local NGOs. Following the country studies, a conference will be held to draw conclusions and learn lessons for future World Bank lending. The process will take place in 1997 and 1998.

In order to involve the NGO community, a network called SAPRI (structural adjustment participatory research initiative) has been established, with its secretariat based with Development GAP in Washington. A steering committee of NGOs with regional representation from the South is managing the process. This is an opportunity for the NGOs to make further inroads in their critique of SAPs and to propose alternative macroeconomic policies.

**It is suggested that NGOs in Asian countries be supported to upgrade their capacity to monitor and analyse policies and projects of the World Bank and IMF in their countries, especially in those countries where the knowledge on policies of the Bank and Fund are not yet so well known. NGOs should participate in networking with other groups in the region as well as internationally so as to increase their knowledge and influence. The issues that can be taken up include specific projects and their effects, as well as sectoral policies, debt repayment and relief and macro-economic policies, particularly structural adjustment programmes. NGOs in countries undergoing SAP should actively participate in the SAP review process currently undertaken jointly by the Bank and NGOs.**

### **(i) The World Trade Organisation**

The WTO has emerged as perhaps the most important international organisation, as more and more issues are brought under its jurisdiction on the ground that they are "trade-related." In fact, the aim of the major trading countries in widening the scope of the WTO is to make use of its dispute settlement system to create binding international disciplines and rules have to be compulsorily translated into domestic laws and policies in developing countries. Failure to meet these obligations would render these countries susceptible to trade retaliation and cross-retaliation under the WTO's dispute settlement system.

The WTO is therefore going to be the main instrument for global economic governance, facilitating the continuance of world economic hegemony by the rich nations. It is already a powerful instrument for the globalisation of national economic and social policies of the neo-liberal variety, where not only the market but world market forces are to reign supreme.

The Uruguay Round redefined the scope of the meaning and definition of "trade." Through the prefix "trade-related", many critical economic areas including policies on foreign investments, on technology and intellectual property, and on the services sector, have now been brought into the framework of international trade relations and trade law.

In the post-Uruguay Round process, there will be continuous negotiations on a whole range of issues. These issues are not yet well understood by governments in developing countries, nor by most of the Asian NGOs.

**Asian NGOs should be supported to build their capacity to understand the key WTO issues affecting their countries. NGOs that already have experience or capacity in these issues can help train other NGOs on these issues. After gaining knowledge of the WTO system, rules and issues, the NGOs could then monitor and analyse the implications of the issues, especially for the interests of local and poorer communities and the general public. They could then increase the awareness of the local communities and specific groups, such as farmers, workers, consumers and women's groups, on the implications. They could also relate to the trade policy officials in their countries and share their information and analyses.**

Among the key issues that should be focused on are:

(i) Implementation and review of the various WTO agreements, especially the Agriculture and the TRIPS agreements (which will affect farmers and poor consumers most), as well as the services and TRIMS agreement. These issues will come up for review in the next few years, providing an opportunity to advocate for changes and revisions if it can be shown that there are serious problems in implementing them. Developed countries will try to make use of the review process to further open up the markets and economies of the South. Thus, developing countries will have to use the same process to show that the opening up already achieved through the Uruguay Round has already caused dislocation, and thus there should not be further liberalisation for the time being and if possible, some of the points of the Uruguay Round agreements should be revised.

(ii) The continuation of negotiations of "unfinished Uruguay Round business", mainly in the services agreement. An example is the financial services negotiations, where Northern countries are putting pressure on Asian countries to open up their banking, insurance, stockbroking and other sectors, to allow foreign banks and firms to enter and operate on the same basis as local firms. The fear is that if there is too much liberalisation, the financial sectors of developing countries will be taken over by foreign banks, insurance companies and other financial firms.

(iii) The issue of trade and environment, which is already in the WTO through its Committee on Trade and Environment. Developed countries will try to make use of environmental issues in a way that gives advantage to their products (which they will argue are produced in a more environmentally friendly way). Developing countries have to counter-argue that much of the environmental damage is caused by over-production and over-consumption in the North and that this should be appropriately reflected in the principles and conclusions of trade and environment in the WTO.

(iv) The "new issues" that were approved at the WTO Ministerial Conference in December 1996, namely, trade and investment, trade and competition policy and transparency in government procurement. These three issues were introduced by developed countries with the intention of getting developing countries to open up their economies to foreign firms, to remove defensive mechanisms that now exist to protect the interests and position of the smaller local companies, and to create a legal framework by which it would be illegal for governments to give preference to local companies and local people. Developing countries have, in turn, to argue that such affirmative-action policies favouring and protecting local farmers, enterprises and firms are essential to prevent the takeover of their economies by more powerful foreign companies, and that the development and national priorities of the developing

countries are not only legitimate but should take precedence over the abstract principles of "free trade and free investment."

(v) The issue of the lack of transparency and equitable participation of developing countries in the WTO system.

(vi) The lack of public transparency and accountability of the WTO system and the need to increase the role of NGOs.

Besides work at the national level, support should also be given to NGO networks to work systematically on specific aspects of the WTO, in particular agriculture and food security, intellectual property rights, the implications of a multilateral investment agreement, and trade and environment. As a new issue, trade and investment is of particular urgency since the OECD will have an agreement on investment by May 1998 and this will be used to pressurise developing countries to sign onto the OECD agreement or to adopt its principles in the WTO.

Some NGOs in Asia could play an important role not only at national level but also to raise the level of networking and collaboration internationally. For example, Bangladesh has played an important role as a leading spokesman for least developed countries and NGO support can be provided to analyse the implications of WTO issues for LDCs.

Since the WTO's next Ministerial Conference will be in Geneva probably in May 1998, NGOs should also begin preparations towards participating meaningfully in activities relating to that event.

**(j) Asian regional processes (APEC, ASEAN, SAARC).**

Another potentially important area of NGO work in Asia is the proliferation of regional agreements and processes. These are having the main effect of trade and possibly investment liberalisation among members of the pacts concerned. There are positive opportunities as well as some potential adverse effects in such regional arrangements. By and large, the economically stronger members may stand to benefit more as their products and companies will be able to have greater access to the markets of others, whilst the less developed countries will find it difficult to break into the markets of the stronger nations whilst at the same time their smaller companies will find it hard to compete against the cheaper imports and the bigger companies that enter their countries to invest.

Potentially the biggest problems may arise in the APEC grouping as it contains the strongest countries such as the US, Japan, Australia and Canada, as well as the developing and less developed countries. Here the main issue is the extent to which the

liberalisation aims of APEC will be implemented on a voluntary basis (ie each country offering to liberalise its trade or investment regime according to national priorities and needs) or on a compulsory time schedule. The developing countries favour the former, whilst the US and other developed countries are pushing for a more legally-binding arrangement, so that there will be "free trade" among Apec countries by the years 2010 (for developed countries) and 2020 (for developing countries).

**Asian NGOs should monitor and advocate for less damaging and more positive developments in APEC, keeping in mind the need to protect the weaker communities and segments of society from liberalisation moves as well as to protect the environment. In particular, there should be focus on the need to have each country's liberalisation goals or policies remain on a voluntary basis, and that APEC should not be turned into a legally-binding trade agreement of the NAFTA variety. Moreover, the voluntary investment code in APEC should not be transformed into a legally-binding or higher-standard agreement.**

Where the two Asian regional blocs are concerned, Asean (for Southeast Asia) and SAARC (for South Asia) are less problematic in that the members of each are at a more even level of development. Thus there is less of a danger of powerful members overwhelming the economies of weaker members. There can also be a positive result if the blocs result in strengthening regional trade and thus lessening dependence on the rich countries outside the blocs. This could result in greater benefits.

**However there is still an important role for NGOs in the region to monitor developments in the regional organisations of Asean and SAARC from the point of view of equity and social and environmental effects. In Asean, for example, the new members Vietnam, Laos, Cambodia and Burma have weaker market economies and their having to lower their tariffs to zero or 5% in the next several years could cause adverse effects to local firms and farms unable to compete with products of other Asean countries. Moreover, liberalisation of these economies could result in even greater environmental problems caused by rapid logging and mining and by infrastructure projects such as the Mekong dam projects.**

#### **PART 4. AGRICULTURE, FOOD SECURITY AND ENVIRONMENTAL SUSTAINABILITY**

The question of rural development, agriculture, food security and the environment is both very important and extremely complex as it involves several aspects:

(a) The **social aspect** of ownership, control and access to production resources for the farmers, especially land, water, production inputs and credit. Unequal land distribution, landlessness and insecurity of land tenure, high rents and lack of water resources remain the major obstacles for many small farmers in Asia.

(b) The **macro-economic framework** within which farmers and the agriculture sector operates. Important factors here include the prices of the farm outputs (as well as inputs), the country's policies towards trade (in particular, towards imports) and investments (in particular, the freedom given to foreign investors to operate in agriculture). Of relevance is the influence of international institutions such as the World Bank-IMF and the WTO in setting the macro-economic framework.

(c) **Environmental factors** such as soil condition, availability and quality of water, type and availability of fertiliser, chemical contamination, and range of diversity and quality of seeds.

(d) **Agricultural technology systems** and their relationship to the environment and to productivity in the long term. The issues include the advantages and disadvantages of the Green Revolution method, genetic engineering, traditional non-chemical systems, and a range of organic farming methods.

(e) Supporting **socially and environmentally sound agriculture projects**.

#### **(a) Social Aspects: Empowering Communities to Defend and Realise Their Rights**

On the first factor, the lack of land for many millions of farmers remains the most crucial factor in many Asian countries, where land reform is still the most pressing social agenda. Unequal distribution of land and other productive assets is often the major factor for the continuation and often the worsening of livelihood conditions. In most Asian countries, land is unequally distributed. Large tracts of land owned by bigger landowners who may reside in towns are left idle. Millions of poor rural people have little or uncertain access to land and other facilities, and are thus deprived of adequate livelihood opportunities.

**Development agencies should therefore continue or strengthen**

**their priority to support farmers' organisations and their support groups to empower the poor and marginalised farmers to improve their position relating to land ownership, security and access.**

The problem of lack of land access has been compounded in recent years by the increasing competition for resources. In many Asian countries, the livelihoods and living spaces of millions of people living in hitherto more remote areas are being affected by the forces of commercialisation and modernisation and by environmental degradation. This has led to conflicts in some cases.

The affected communities include:

\* Many millions of people living in or near forest areas, especially indigenous people, whose lives have been disrupted by logging activities, by the conversion of forests into agricultural plantations and by mining activities.

\* Small-scale traditional fisherfolk whose catch is affected by pollution of fishing grounds and the overfishing by trawler boats.

\* Hundreds of communities living in coastal zones which have been adversely affected by the proliferation of commercial aquaculture projects in their vicinity.

\* The eviction, displacement and relocation of many millions of people to make way for urbanisation and for infrastructure projects, highways, housing, and industrial and commercial-agriculture projects. UNRISD (1995) estimates that in the past decade 80-90 million people were displaced by infrastructure projects (dams, roads, ports etc).

\* The livelihoods of nearly one billion rural residents are at risk as a result of environmental degradation (UNRISD 1995 p24).

**Therefore, high priority should be given to projects and activities that support the local communities (including small farmers, fisherfolk, urban settlers and indigenous people) in defending their economic and social rights to their resource base, and to the means of sustainable livelihoods. Moreover, groups representing these communities, or advocating on their behalf, should be supported to present their interests and positions to policy-makers in state and national governments, and also in the international arena.**

**(b) The Macro-Economic Framework Influencing the Agricultural Situation**

### **(b.1) General**

The second factor, the macro-economic framework, is undergoing important and dramatic change. Whereas previously, national governments determined the policy framework for agriculture, in recent years countries undergoing structural adjustment programmes have had to accept the SAP framework in agriculture. And at present, all WTO member countries have to alter their agriculture policies in line with the Uruguay Round's Agriculture Agreement.

Since this is a relatively new development, not much work has been done in terms of research, understanding of the implications, and advocacy in this area. The local communities themselves have little information, especially on the WTO developments.

**Therefore, NGOs should build the capacity to conduct research, inform the communities, and carry out advocacy at national and international levels on the macro-economic aspects of the rural and agriculture situation, especially in relation to structural adjustment and to the WTO Agreements.**

**Speedy and urgent attention should be paid to this as these factors are likely to be increasingly influential in determining the future and even survival of the agriculture sector and the livelihood of farmers and the food security situation.**

Both SAPs and the WTO Agreements share the same approach in putting pressure on Asian countries to liberalise their agriculture sector. Whilst some aspects of liberalisation may have positive effects, each country should choose the pace and nature of liberalisation, whilst at the same time maintain the right to protect the sector in ways that are necessary or in the interests of farmers, sustainable agriculture or food security. The concern here is that SAPs or/and the WTO are placing external pressure towards liberalisation at a forced pace and in a manner that significantly erodes the right of governments and communities to determine the appropriate balance of liberalisation and protection.

Such a "liberalisation under pressure" is likely to have negative social consequences. The social impact of agricultural liberalisation has already been severe, and is likely to worsen with the implementation of the WTO Agreements. According to a report by UNRISD (1995, p44), which refers to liberalisation under SAPs: "Poor farmers in developing countries undergoing adjustment programmes have had no cushion of social security." In region after region, governments have eliminated subsidies and as a result small farmers have lost access to essential inputs and services, and many have suffered a steep fall in income or have

had to leave farming altogether. "Farmers producing food for local markets have also been suddenly subjected to the cold wind of international competition - and may find it impossible to compete with technologically advanced farmers in Europe or North America who can sell cheaply in part because they have benefitted from massive subsidies. Expanding international markets may have created vast opportunities for some wealthier farmers, but the impact on the livelihood of the rural poor in developing countries has been harsh."

### **(b.2) Structural Adjustment Programme's Impact on Rural Society**

The effects of SAPs on agriculture and rural livelihoods and social development have been drastic. However there has not been systematic collation of the existing research done on this area in Asia. Nor have conclusions been made by the NGO community on this subject on a regional level. Since SAPs are still on-going in several Asian countries, it is still important to collect existing studies and if needed to do new studies on SAPs and on the effects of agricultural liberalisation in general.

**NGOs should conduct, or arrange for, studies at regional and country level on the effects of SAPs on agriculture, or to synthesise conclusions from existing studies. This should be the basis for advocacy for reviews and changes to SAPs in the area of agriculture and rural development, should such changes be needed. Such studies and advocacy can be inputs to the international dialogue with the World Bank and IMF on the need to review SAPs.**

### **(b.3) The WTO Agriculture Agreement**

The WTO Agreements on Agriculture and also on TRIPs will need even closer study as they will have even wider ramifications. The Agriculture Agreement covers three main areas: improving market access for imports, reduction of domestic support; and reduction of export subsidies. Under market access, countries are asked to abolish non-tariff barriers (eg import quotas, minimum import prices, discretionary licensing, state trading measures) and convert them to equivalent tariffs; and tariffs (including those resulting from tariffication) are to be reduced by 36% for developed countries and 24% for developing countries. There should also be a minimum access for imports equal to 3% of domestic consumption in 1986-88 established for 1995, rising to 5% at the end of the implementation period.

For domestic support policies, the total level of support (i.e. and not according to individual commodities) given in 1986-88

should be reduced by 20% in developed countries and 13.3% in developing countries. On export subsidies, there must be a reduction of 21% (by volume of exports) and 36% (by value of expenditure on subsidies); these reductions are on a product-specific basis.

The Agreement does have some concessions for developing countries. The time frame to complete the reduction commitments of developing countries is ten years (2004) compared to six years (2000) for developed countries; least developed countries need not make any reductions. For domestic support policies, developing countries that have been given special and differential treatment in the Agreement, are allowed (a) to trade in food security stocks at administered prices; (b) to distribute subsidised domestic food aid to the poor; (c) to give investment subsidies and agricultural input subsidies for poor farmers. Also, there are special provisions recognising adverse effects of expected higher food prices on food-importing developing countries and provides for

redress via food aid, technical aid to raise agricultural productivity and possibly short-term aid to finance normal commercial imports.

Despite these concessions, many developing countries are likely to suffer adverse effects. A FAO study on the impact of the Uruguay Round on agriculture concludes: that the Uruguay Round will **raise food import bills of most developing countries** because of the reduction in export subsidies on those products, and it will also lead to a **sizeable fall in the value of preferential trading arrangements**.

A WWF International report by Watkins and Windfuhr (1995) concludes that producers in developing countries will continue to **face competition in local markets from subsidised imports, with adverse consequences for their livelihood**. Exporters among them will also continue to compete in world markets where prices are artificially depressed by subsidised exports from the EU and the US. Middle-income developing countries have to reduce domestic support and relinquish import controls on the unfulfilled assumption of real cuts in production in developed countries, which are unlikely to materialise. As a result, **some developing countries will find it more difficult to improve food security and environmental sustainability**. Although it is difficult to assess which countries and communities will be most affected, in general "the further opening of domestic markets in some developing countries, in the face of still depressed world market prices, will **reduce the income of many small farmers, and even their chances of staying in production**. Treating food under these

market-oriented GATT disciplines fails to take account of crucial food security objectives, such as the access of poor households to food, income, and employment opportunities. It also ignores the failure of market mechanisms to provide for effective environmental resource management."

The implications of the **WTO Agriculture Agreement** are likely to be immense. Its **effects on different countries and communities** may differ, depending on the existing economic conditions and the policies to phase in the implementation of the Agreement. Factors that will influence the effects in a country, in relation to import liberalisation, would include:

- \* the present price levels of various crops;
- \* the present levels of subsidies;
- \* the present non-tariff measures such as bans or quotas on imports.
- \* what the country has offered or will offer in the Agriculture Agreement in terms of maximum import duties and the rates of liberalisation;
- \* levels of price competitiveness of products in the country with removal of subsidies and progressive reduction of import duties, in relation to import prices.

**Since so many factors are involved, it is important that studies are conducted on a country-by-country basis. A possible draft framework for such country studies is as follows:**

#### **Experiences of developing countries in the implementation of the WTO Agriculture Agreement**

##### **(I) Experience as Importer**

- \* Have all the non-tariff measures been eliminated? If not, which ones are still existing and what are the problems in eliminating them?
- \* Have there been difficulties in eliminating the measures?
- \* Has the annual ceiling on domestic subsidy actually resulted in reduction or elimination of any domestic subsidy so far? If so, which subsidies and on which products have been reduced or eliminated?
- \* Has there been actual reduction of export subsidy in terms of amount and quantity? If so, how many products have been covered by the reduction so far?

- \* Has there been increase in import of agricultural products as a result of the elimination of non-tariff measures? What have been the import levels in 1994, 1995 and 1996?
- \* Has there been any complaint from farmers, particularly the small and household farmers, against the rise in import?
- \* Has the production of any product declined because of the reduction of domestic support? What have been the levels of production of these products in 1994, 1995 and 1996?
- \* Have there been any complaints from farmers against the reduction of domestic support?
- \* Has there been any decline in the use of agricultural inputs? What have been the levels of these inputs in 1994, 1995 and 1996?
- \* Has there been any mistake of calculations in the schedules?

## **(II) Experience as Exporter**

- \* Have the major importing countries eliminated their non-tariff measures? Have they reduced the domestic support up to the extent of commitment?
- \* Has there been a rise in export to these countries? What have been the exports in 1994, 1995 and 1996?
- \* Has there been any case of countervailing duty or anti-dumping duty in any importing country in 1995 and 1996?
- \* Has there been any special safeguard action in importing countries?

The above framework has been proposed by Mr. B. L. Das for the Third World Network. Mr. Das was formerly India's Ambassador to the GATT and subsequently the chief of UNCTAD's Trade Division. In addition to the above questions for study, others may be added, such as specific cases where greater competition from imports (as a result of lower tariffs or removal of non-tariff measures) have led to lower incomes or loss of markets for small farmers and the resulting social effects. Also, the environmental implications of liberalisation can be added on to a revised framework.

The above framework serves, however, as a good starting point for studies on the potential and actual effects of the Agriculture Agreement. **Support and encouragement should be given to groups, NGOs and researchers in the Asian region to undertake studies on how the Agriculture Agreement will affect the rural communities. These studies can then be the basis for policy advocacy and campaigns at both national and international levels.**

An illustration of a case-study is found in another article by Kevin Watkins of Oxfam UK, who analysed the situation of maize farmers in the Philippines. The study shows the effects of a lowering of agricultural tariffs on smallholder producers who have to face drastically increased competition against the industrialised and heavily subsidised farming systems of North America and Europe. Watkins (1997) concludes that: "Silently, relentlessly, and away from the glare of the world's media, 'free trade' is displacing communities and destroying their livelihoods with all the ruthless efficiency of a civil war."

In the Philippines, in the past, import restrictions protected domestic food producers in order to bolster rural employment and national food self-sufficiency. Under its WTO commitments, the government is planning to lower import barriers to half their present levels over the next six years. A recent Oxfam report estimated that average household incomes of maize farmers will be reduced by as much as 30% over the six years as cheap imports from the US drive down prices in the local markets. The report estimates that in the absence of trade restrictions, US maize could be marketed at less than half the price of maize grown on the Philippine island of Mindanao; and that the livelihoods of up to half a million Filipino maize farmers (out of the total 1.2 million) are under immediate threat.

According to Watkins, for the US, the case for free trade is self evident as a third of its agricultural output is now exported, earning \$40 billion. The agri-corporations need foreign markets to absorb domestic surpluses, and the Pacific Rim region (which already accounts for two-thirds of US farm exports) is expected to be the biggest market. "Hence the drive for free markets and a level playing field. The problem is that the 'free' market in world agriculture does not exist, and that US supremacy in world markets derives less from comparative advantage than comparative access to subsidies. According to the OECD, each US farmer receives a subsidy of about \$29,000. This is roughly 120 times the average income of maize farmers in the Philippines. The upshot is that Cargill can offer US surpluses for sale at prices equivalent to half the cost of production - destroying local agriculture and creating a captive market in the process."

Watkins concludes that throughout the developing world, "free trade" is creating winners and losers. The winners are the

corporate grain traders who market US and European surpluses, the big farmers who get most of the production subsidies, and chemical companies providing the inputs that produces the surpluses and destroy the environment. The losers are the rural communities where the poor compete in a market that is rigged against them.

#### **(b.4) The WTO's TRIPS Agreement**

**NGOs should also pay special attention to another aspect of the WTO, the agreement on trade-related intellectual property rights (TRIPS), which may have serious effects on agriculture and farmers' rights.**

A clause in TRIPS requires governments to afford patent protection for microorganisms and biological processes involving them, which includes genetic engineering processes and genetically-engineered animals and plants. It also requires that intellectual rights on plant varieties be protected either through patenting or an "effective sui generis system of protection."

The concern is that the knowledge of Third World farmers and indigenous communities that is mainly responsible for developing crops and the use of plants will not be legally recognised, whilst corporations which genetically engineer biological resources will be rewarded instead. Countries of the South would then have to purchase biotechnology products at high prices (which are facilitated by the patent protection) even though they are the origin of the biological resources (and of the knowledge on their utilisation) used in biotechnology. This is likely to lead to higher cost of seeds and food products in developing countries.

On the patenting of biological resources issue, there has been opposition among some NGOs and intellectuals in Asia. The farmers' movement in Karnataka state in India also held a large rally of 500,000 farmers in 1994 against patenting. However, outside of India, the issue is still relatively not understood well in Asia among either governments or NGOs or farmers.

**By 1999 the WTO will review the relevant clause in the TRIPS agreement on IPRs relating to biological resources. There is therefore only a few years for action to be taken to mobilise public opinion and government policy-makers to make relevant changes to the TRIPS clause. Since the issue is so important and pressing, it is proposed that support be given to Asian NGOs and farmers' groups to understand and to advocate on this issue.**

#### **(c) Environmental Factors and Issues**

In Asian societies, environmental factors are playing a critical role and will play an even more critical role in the future of the agriculture sector and for the local communities' ability to satisfy their basic needs such as water, food, health and housing. in Asia. There is rapidly growing interest and concern among NGOs and social groups in Asia on this issue, but much more needs to be done to systematically monitor the issues, provide support to grassroots groups defending their environment and do policy advocacy, on national and regional levels.

Environmental issues could be approached from at least two ways:

\*\* Firstly, the key elements of environment (such as water, soil, pollution, toxic waste, land degradation, genetic diversity, carrying capacity) could be looked at and acted upon.

\*\* Secondly, focus should be given to tackling problems arising in various sectors (fisheries, aquaculture, forest, crop agriculture) and faced by the corresponding social groups (fisherfolk, forest dwellers and indigenous people, farmers).

Details of some of the key environmental problems facing Asia have already been presented in Section 2 of this report; and some of the problems in various sectors are provided in the following section.

NGO activities on environmental issues have grown significantly in recent years, and many NGOs have been able to link these issues to human rights, community mobilisation and also to public interest litigation. The negative social and environmental effects of development projects have given rise to a large number of actions, for example:

\*\* Campaigns against large dams in India (Narmada, Tehri), the Philippines, Thailand, Indonesia and Malaysia (Bakun);

\*\* Mobilisation of small fisherfolk to protect their dwindling fish resources as a result of overfishing by trawlers and by pollution; and

\*\* Organising of local communities and indigenous peoples affected by the logging and damaging commercial activities affecting the forests and river systems.

An encouraging development in recent years is the increase in connections being made by local communities and NGOs with regional and international networks, so that news on problems and actions in one area are disseminated to others in the region and the world, thereby facilitating support for these local actions.

Another interesting development is that increasing numbers of cases have been brought to court by communities affected by environmental problems and by NGOs supporting them in some Asian countries, particularly India and Malaysia. NGOs and lawyers from other countries could learn from the experience of groups that have taken up such legal cases. Also, some NGOs are pinpointing weaknesses in their countries' environmental laws and policies and proposing changes or new laws or better enforcement. In countries where governments are responsive, such activities are worthwhile.

It is suggested that: (i) support be given to local communities and NGOs to defend themselves against the causes and effects of environmental problems, especially those that make the links between environment, people's rights and community action; (ii) NGOs in countries where environmental action is still at a new stage (eg Indochina, China, Burma and the Asian ex-Soviet countries) could learn from the experience of NGOs of other Asian countries with a strong environmental background (eg Malaysia, Indonesia, Thailand, India) through visits to one another and through NGO training programmes; (iii) NGOs should be supported to take up public interest legal cases and also to advocate for new or improved environmental laws; (iv) NGOs with more experiences should make efforts to transfer their expertise to other NGOs which are starting their activities and often operating under more unfavourable conditions; (v) NGOs should be supported to disseminate, on an international level, more effective strategies on issues relating to the environment and to people's rights.

#### **(d) The Fight over Technology Models: Green Revolution, Genetic Engineering and Sustainable Agriculture**

A major issue in the next five years that will fundamentally affect Asian societies is the choice of technology in agriculture and fisheries. Intervention by NGOs at this time could have an important effect on this choice.

In another paper, I have discussed the substance of this issue in some detail (see Khor 1995, "Economic globalisation and eroding international cooperation: implications for agricultural and rural sustainability").

In **agriculture**, many Asian NGOs have been very critical of the chemical-based Green Revolution, some because of its social effect in widening inequalities or marginalising non-owning farm workers; some because of the adverse health effects of pesticides (eg Pesticides Action Network); some because of the threat to consumers of chemicalised foods (eg CAP); some because of environmental impact on soils and water; and some (eg Vandana

Shiva) because of the serious weaknesses of the entire model as a system.

The alleged high rise in productivity of the Green Revolution model has been challenged, especially by Vandana Shiva. This is now also being backed up by evidence that over time the productivity declines. The state of decline is quite advanced in some Asian countries, and it has been admitted by the Asian Regional Office of the FAO.

Some NGOs have also been supporting traditional (pre-Green Revolution) systems of agriculture, and with organic agriculture and other forms of sustainable (ecological) agriculture. For example, the Goa Foundation (with support from Third World Network) has recently published an extensive study of organic farming movements in various states of India.

Given the increasing problems of the Green Revolution (which could approach crisis), there is a great opportunity for proponents of sustainable agriculture to advocate for a large-scale shift away from chemical-based to sustainable agriculture. However there is still a lack of systematic data and studies to have a comprehensive monitoring and critique of the Green Revolution model and to make a strong policy case for sustainable agriculture.

**It is thus proposed that NGOs in Asia should conduct empirical studies on the effects of the Green Revolution over time, in particular the trends in productivity including output, use of inputs, and incomes and costs. This should be compared with the traditional systems where they still exist, and also with farms using organic and sustainable agriculture systems. In the comparative studies, overall output of all crops and products in the farms should be looked at. The studies, to be done in some countries, could have a common framework of analysis and data collection. The conclusions will be of immense benefit. They could be used to present the economic, social and environmental case for sustainable agriculture to national and regional policy-makers.**

At the same time, there is a great push by the biotechnology industry, backed up by segments of the international agricultural establishment (eg CGIAR system), for research into and production using genetic engineering. Due to the efforts of some NGOs, some Asian policy-makers are rather aware of the possible threats to the environment and to health of this technology. However, Asian countries are coming under immense pressure (through aid, technical and commercial channels) to introduce and adopt genetic engineering. There is thus a real danger that as the Green Revolution method declines, genetic engineering will be phased in as a "new saviour" of Asian agriculture.

At present, a few Asian NGOs (in Malaysia, Indonesia, Philippines, India) have been working on the dangers of the new biotechnology. However, knowledge in this area is still sparse. Therefore, there should be capacity building of Asian NGOs and networks to understand the implications of the technology, to establish links to policy makers at national and regional levels and to disseminate information on the general and specific aspects of genetic engineering in agriculture. NGOs should also develop the capacity to influence national biosafety policies and regulations.

In the area of **Fisheries**, the Asian region is facing a growing problem of overfishing by trawler boats and huge fishing vessels, and by pollution of the rivers and seas. Although there are NGOs in the various Asian countries that extend support to small fishing communities affected (the NGO support network is particularly strong in India), more can be done to build up an effective regional network to counter overfishing and to promote the interests and the technologies of the small fisherfolk of Asia.

In the area of **Aquaculture**, there has been an upsurge of community protests against big commercial aquaculture schemes in many Asian countries (especially Bangladesh, India, Thailand and Malaysia). The projects, which produce tiger prawns and other "exotic" items such as eels, for export to the rich countries, have destroyed the coastline ecology (including valuable mangroves and wetlands), polluted seawater, deprived fisherfolk of their landing areas, depleted groundwater and poisoned farmlands of surrounding villages.

In Bangladesh and India, national campaigns and networks have been established. A new network, the International Network against Unsustainable Aquaculture, has been formed to help support the actions of national groups and provide a regional and global platform.

Given the large numbers of local fishing and farming communities affected and the large areas of coastline in several Asian countries affected, it is suggested that support be urgently provided to local community groups and NGOs to defend themselves against such aquaculture projects. The capacity of existing networks on this issue should be built up to highlight the need for policy changes in aquaculture at national, regional and global levels. For example, aid programmes promoting such intensive aquaculture projects should be stopped. In their place, small-scale community-managed and environmentally-sound forms of aquaculture, aimed at augmenting local food supply, and as have been traditionally practised in many countries, should be supported. NGOs should be supported to make out the case for these

**traditional aquaculture systems.**

In the area of **Forestry**, the Asian region has seen enormous social and ecological damage caused by logging and other activities. In many Asian countries, bad forestry practices are still prevalent, in which commercial logging (even if it claims to be on a "selective" basis) has caused deforestation and polluted the river systems, with devastating effect on local communities (especially indigenous people). Whilst the problems have been experienced for several years now in countries such as Malaysia, Thailand and Philippines, they are now increasing in countries such as Cambodia, Burma, and Vietnam and the Pacific Ocean countries.

**Assistance should be given to local communities, especially of indigenous peoples, and to NGOs and NGO networks supporting them, that are fighting to protect forest resources and watersheds and to defend and promote the rights to land and forest resources of these communities.**

Besides logging, there is an increased threat to local communities arising from a spurt in **mining activities, large dams and agricultural plantations**. This is due to the acceleration of development in Asia and the changes in national laws that facilitate rapid liberalisation, including allowing foreign companies to have extensive ownership of lands. For example, the 1995 Mining laws in the Philippines have opened up the mining sector to foreign companies, resulting in a threat to the status of many millions of people who live and work on lands parcelled out to mining concessions.

**Support be given to local communities and their support NGOs to defend and promote their interests in light of increasing encroachment on their lands and natural resources arising from commercial activities such as logging, mining, dam construction and plantations.**

**(e) Supporting socially and environmentally sound agriculture projects and health-related projects.**

In the Asia region, there are many forms and examples of agricultural, fishery, aquaculture and forest-related practices and projects that can be considered socially appropriate and environmentally sound. The criteria for such projects could include that they:

\*\* are beneficial to the ordinary public, and especially if they help to empower the poor, disadvantaged and marginalised

segments of society;

\*\* help to redress social inequities and reduce the gap between rich and poor;

\*\* contribute to the fulfillment of basic and human needs of the ordinary and poorer sections of society;

\*\* enable the generation of sustainable livelihoods and better incomes;

\*\* promote environmentally sound principles, technologies, policies and lifestyles;

\*\* involve the participation of the community, including women;

\*\* serve as examples that can have "demonstration effect" on other communities and also on national policy.

In different Asian countries, there already exist several examples of innovative and beneficial projects and programmes that meet the some of the criteria above. These include:

\*\* Programmes aimed at empowering communities and marginalised groups such as poor and landless farmers and urban squatters, to form their own organisations to promote and defend their rights to land and land security, housing, water, etc.

\*\* Programmes that help local communities to fight against unfair ousting from their lands, forests and homes due to development projects such as construction of dams and highways, logging of forests, or establishment of aquaculture ponds, or for fair compensation and terms of resettlement.

\*\* Legal aid programmes that assist communities and groups that are victims of environmental degradation, for example the siting of toxic waste dumps or hazardous industries in the community; health hazards faced by workers and residents; the cutting of hills and forests for tourist resorts; etc.

\*\* Consumer groups that monitor and fight against the dumping and marketing of dangerous and inappropriate products (such as unsafe pharmaceutical drugs, pesticides, asbestos); that help the public fight against business malpractices and misuse of administrative power; and that promote socially and ecologically appropriate consumption patterns and lifestyles.

\*\* Farmers and groups that have set up organic farms and ecological agriculture programmes.

\*\* People's social forestry programmes to protect, conserve and rehabilitate natural forests and to use forest resources in sustainable and socially useful ways.

\*\* Farmers' and women's cooperatives to make and market processed foods and other agricultural products.

\*\* Farmers' and fisherfolk's producer cooperatives, in which the land, animals, boats and tools are cooperatively owned (or at least partly owned cooperatively), and in which production tasks are managed cooperatively, with income shares determined through a cooperative management system.

\*\* Alternative trade and marketing projects, in which farmers' produce (often organically grown) are sold directly to consumers' cooperatives, thus cutting off the middleman's high profits.

\*\* Mini hydro projects, planned, implemented and managed by or with the participation of the local communities.

\*\* Grassroots-based and grassroots-oriented science and technology projects promoting appropriate rural and household technology, and projects that promote indigenous knowledge and its use.

A small but significant sampling of these kinds of projects are described in IADEA ("Integrating alternative development efforts in Asia"), a report of a workshop of Asian NGOs held in 1996.

Moreover there are also a range of social practices (in identification and use of traditional medicine; health care; nutrition and food preparation; water harvesting, storage and use; shelter and housing; etc) which are traditional, indigenous to the local communities, and appropriate to cultural and social conditions.

**It is worthwhile and indeed critical that such agriculture-based and social-sector practices and projects be identified, analysed, and given higher profile, not only in their individual contexts, but also in the context of the search for appropriate and sustainable solutions in social, environmental and development policies.**

**Such practices and projects should be promoted and developed, and support be given to systematically recording and projecting these practices and projects as components of alternative policies at national, regional and international levels. In doing so the examples of good practices and indigenous knowledge can be upgraded from the level of anecdotes to the level of policy, being granted official recognition and forming part of national and**

**regional policies on agriculture, health care, housing, etc.**

For example, in the **agriculture sector**, there are many examples of successful and high-yielding ecological farming in Asia. But only a small proportion of official agricultural aid (in either research or projects) has been spent studying or promoting them. More significant has been some aid provided by Northern NGOs to some Asian NGOs to promote sustainable agriculture experiments and projects. But this has also been insufficient to make adequate impact on the agriculture sector as a whole in the region, or in each country.

**It is thus suggested that priority be given to:**

**\*\* Research on reassessing the concept and measurement of agricultural productivity, giving due recognition to the value of traditional and ecological farming and enabling a scientific comparison with conventional Green Revolution methods;**

**\*\* Research into sustainable agriculture systems in the Asia region, their operations and dynamic inter-relationships, their problems and solutions to these problems;**

**\*\* Sustainable agriculture experiments, test farms and demonstration farms in selected countries of the region;**

**\*\* Training programmes for farmers, policy and extension officials, and NGOs on sustainable agriculture, including the need and methods for achieving higher yields, productivity and incomes from sustainable agriculture.**

**\*\* Farmers' programmes and government programmes for implementation of sustainable agriculture, including eventually on a large scale.**

**\*\* Support to farmers, community groups and governments for establishing community-based seed banks to revive and promote the use of traditional varieties, support for subsequent exchange of seeds amongst farmers, and for improvement of seed varieties using appropriate traditional breeding methods.**

**\*\* Programmes for the transfer of the knowledge and experience of NGOs and countries that have experience of the problems of the Green Revolution, or that have knowledge of the practical and scientific aspects of sustainable agriculture, to countries and NGOs that have less experience and knowledge so that mistakes can be avoided.**

In the **fishery, aquaculture and forest-based sectors**, support should similarly be provided to local community groups and NGOs to identify and promote appropriate and indigenous practices and

projects. These should be widely publicised and projected to policy makers and the public.

**In the social sectors, NGOs should be supported for identifying and promoting indigenous and appropriate uses of traditional medicine plants and health care practices, the planting of such traditional plants in villages, and the integration of traditional medicine in national health policy and in the health and medical education system.**

This is important especially in light of the increasing failure of modern western medicine as more and more disease-carrying bacteria and micro-organisms become increasingly immune to antibiotics. Therefore we can expect that there will be a growing interest in traditional and more holistic systems of health care, even on the part of scientists, doctors and policy-makers.

Indeed, health problems can be expected to emerge as a major (even the most important) social problem in Asian countries in the next decade, gaining even more prominence than environmental issues. This is due to re-emergence in a big way of old diseases (such as malaria, TB and cholera), whilst there is the emergence of new diseases or mutant and deadlier forms of old diseases, as well as epidemics such as AIDs.

**In anticipation of this growing health crisis, on which adequate attention has generally not been paid, there should be an intensification of health-related activities and projects, especially those that focus on identifying and tackling the causes of emerging and re-emerging diseases and that aim at preventing and minimising these problems. NGOs should also expand their activities that defend and promote the concepts of primary health care and the human right to health, as against the emerging World Bank-supported concepts of cost-recovery and user-fee that stress financial return at the expense of the health rights of the poor. The responsibility of the state to provide for health services should also be stressed as against the current trend of privatising health services, which will generally be at the expense of the poor.**

## **PART 5. FAILURES OF MARKET MECHANISMS AND COUNTER MEASURES**

One of the major problems facing the Asian region is the recent tendency for governments to place too much reliance on "the

market", in the simplistic belief that market forces and the private sector can solve most or all problems. In many countries, governments are now involved in a combined process of privatisation, deregulation and liberalisation. This is taking place not only in the economic sectors (such as manufacturing, construction and infrastructure) but also in the social sectors (such as health care and water supply).

The state in Asian countries is rapidly withdrawing its role in the economy as well as infrastructure and social services, and placing responsibility instead on private companies and the "market mechanism" to run the economy and fulfil society's needs. The most dramatic examples of the rapid withdrawal of the state are found in the Asian ex-Soviet countries.

The danger is that this almost total faith in the market is misplaced in many respects, as the market may be useful in many ways, but market mechanisms and institutions are also the cause of many social problems and at the same time are unable to address many pressing needs and issues.

The following are some of the "failures" of the market mechanism in its inability to meet certain social and environmental needs and the dangers of the state withdrawing from its role:

(i) Allowing "free market forces" to operate tends to lead towards **social inequality and polarisation** between rich and poor. This may result in social and political instability. The market tends to reward those who already have money, capital, land and other assets, whilst those who have little or none are unable to participate, take advantage and benefit. The original state of inequality of different groups of people is such that freedom given to sheer market forces will lead to unequal outcomes and greater inequality. There are thus winners and losers in the "market game." The situation is especially acute or even explosive if those who gain are few whilst those who lose are many.

**To counter the inherent tendency of market forces to increase social inequalities and injustice, the state and/or people's organisations and NGOs should take measures to reduce the present state of unequal distribution of wealth, productive assets, education and skills. This can be done through land reform programmes that increase ownership, access and security of land to the poor and landless farmers; through helping the poor establish their own producers' and marketing cooperatives and credit unions; and through generating employment opportunities and sustainable livelihoods, including through providing space and encouragement of the family-owned informal sector.**

(ii) In developing countries, **many households and communities are not that significantly involved in the market**, or else they are involved as small players in the so-called "informal sector." Above them in the market's pecking order are the small enterprises, the medium-sized enterprises, the large-scale local private enterprises and public-sector enterprises, and the large-scale foreign transnational companies.

There is a danger that as the state privatises its operations and enterprises, and as it promotes liberalisation, much more space and power will be provided for the large foreign enterprises, with the large local private companies fighting for their share (sometimes in collaboration with the foreign companies). Many small enterprises may get squeezed out.

Of direct concern is that the non-monetised subsistence farms and the semi-subsistence farms as well as the family farms that sell to the market are not given effective right or means to participate in the privatising economies. Indeed, under World Bank and WTO pressures, the subsidies given to these units are being gradually withdrawn. Laws and regulations protecting this sector may also be amended to allow large commercial companies to buy up, acquire or take over the lands of the small farmers.

In the cities, the informal sector and small shops and vendors may also face being squeezed out by monopolies, for example large supermarkets taking away the business of small retail shops.

**Thus, the market, if given free rein, without the state playing a role in protecting small farmers or small informal-sector units, could lead to the deterioration of the position of local communities and family-owned enterprises, that usually form the majority of production units in Asian societies.**

**It is therefore proposed that:**

**\*\* Support be given to the small farmers and informal operators and small enterprises, and to groups supporting them, to advocate that their interests and rights be protected and not sacrificed in favour of big companies.**

**\*\* NGOs can advocate to government that favourable treatment, protection, resources (including credit, land, licenses or permission to operate) should not only be maintained but increased for them.**

**\*\* NGOs themselves could set up projects to help small producers to improve their production and marketing capability, for example through micro-credit schemes and through the establishment of small producers' and trading cooperatives, which could strengthen their bargaining position in the market as well**

as facilitate their activities.

(iii) As deregulation and liberalisation take place, there is a tendency for **larger and larger shares of the national market to be taken over by big private companies**, especially foreign companies. This leads towards a **monopoly market situation**, replacing the "free market" of smaller firms and farms competing more equally in the market place, as is still prevalent in many regions of Asian developing countries. If this trend continues, the market will lose its partial nature of being a collection of free and equitable units of production and trade.

Ironically, this policy of letting market forces rule, will lead to "market failure" in that large monopolies that control the market will be able to jack up their prices in a non-competitive situation, and thus earn "rent" from consumers, at the expense in particular of the poor. There will be tendency towards inflation, and a widening of the income gap between rich and poor.

To counter the trend towards monopolisation, support should be given to groups that monitor and counter inappropriate liberalisation and deregulation policies and measures, and that point out the need for government to adopt policies that protect local firms and farms from opening up to foreign trade and investment too rapidly. Support should also be given to groups that advocate for a fairer and more competitive market through anti-monopoly laws and pro-competition policies. Consumer groups that fight against monopolies, unfair trade practices, over-charging and exploitation of the public, and advocate for greater space for smaller producers and the rights of poor consumers, should be supported.

(iv) There is also a "market failure" when firms conduct activities that lead to **"externalities"**, or **effects that impact negatively on the environment and health of the community**. The firms concerned do not have to pay for these costs, which are instead borne by the public. Since many industries, or their waste dumps, are located near poor communities, the burden is usually carried by the poor, who are therefore subsidising the companies with the loss of their health, security and environment.

The "market" has failed in that the actual costs of production are not borne by the firms that generate these costs, and thus are not reflected in the prices of their products or services; and thus these firms are able to continue to sell their products and make profits. There is, in other words, a divergence of the costs and benefits of the private companies, and the costs and benefits of the public. If the costs were to be borne by the companies, then they would earn less profits or go out of business.

Alternatively, the companies would be forced to take measures to prevent the environmental or health hazards.

However, since these "externalities" are often allowed to take place without governments getting the companies to prevent or pay for their adverse effects, the market mechanism is inefficient in that the companies are not being charged their true costs of production, and thus they are "encouraged" to continue to pollute or cause adverse health effects.

**NGOs and relevant social groups should counter such a market failure of externalities by the following:**

**\*\* Advocacy towards policy makers to have strict regulations (including severe fines) relating to pollution, toxic waste, hazardous industries, occupational safety, so that corporations are prevented from making use of hazardous substances and methods of production and pressurised to minimise pollution.**

**\*\* Advocacy for strict liability laws and policies so that companies found guilty of polluting the environment or harming the health of its workers, consumers of their products and the community will have to pay the full cost of damage and restoration.**

The current case where state governments in the US are suing tobacco companies to pay the health costs borne by the state to treat ailments caused by cigarette smoker, should be studied and similar actions can be encouraged of Asian governments in relation to companies causing health and environmental problems.

**\*\* NGOs can facilitate affected communities and individuals to take legal action against companies that have caused health, social and environmental problems. In recent years there have been such actions by NGOs in some Asian countries. This kind of action can be encouraged in other countries.**

(v) At a macroeconomic level, there are **no self-correcting and built-in mechanisms** that guarantee that (left to itself) the market will result in a situation of full employment or balance of payments equilibrium; or that the market will be able to solve the problems of poverty and provision of social needs. Indeed, experience shows that the following "market failure" is common and widespread: that if the state were to leave social policy to the dictates of market forces, the result could be serious unemployment and an increase in poverty, social ills and inequities.

**There are therefore severe limits to what liberalisation can achieve. Given the failure of the market to secure peoples' rights to employment, poverty eradication, health and social**

facilities and social equity, the following measures should be supported:

\*\* NGOs should conduct research and advocacy in their own countries, to analyse the nature and social effects of government liberalisation policies, and to advocate for a strong state role in ensuring employment and sustainable livelihoods for the people as well as a healthy balance of payments position through appropriate macroeconomic and development policies.

\*\* NGOs should advocate that the state continue to play, or strengthen its role, in redistributing income and resources from the affluent to the poor and ordinary citizens. Public revenues should be raised through systems of progressive taxation, with the corporations and the rich and middle-class paying taxes, and the revenues used to finance projects that directly help poor communities in terms of their economy and provision of health care, water, housing and other social facilities.

\*\* Whilst subsidies to companies (which allow them to pollute without bearing the costs) should be stopped, the state should not withdraw subsidies to the poor consumer or community by forcing them to pay the full cost of water or health and other social facilities. NGOs should advocate for continuance or strengthening of such subsidies to the poor and for great caution in considering or implementing the kind of user-pay and cost-recovery health schemes being promoted by the World Bank.

(vi) Finally, what is required urgently in Asian countries is to strike a proper balance in the relation between the state, the market and the people. NGOs can be supported to advocate in favour of the people's interests as well as for a proper active role of the state.

An interesting analysis of this need for balancing the roles of the state and market is given in a recent book by two eminent Indian economists, Amit Bhaduri and Deepak Nayyar (1996), which focuses on India but whose conclusions are valid for the Asian region as a whole. Both are economics professors in the Jawaharlal Nehru University and Nayyar was formerly Chief Economic Advisor to the India Government.

They argue that, contrary to the laissez-faire structural adjustment model, both the market and the state have key roles. "It is now indisputable that an unbridled economic role for the government in the name of distributive justice is often a recipe for disaster in the long run...On the other hand, market solutions

are often ruthless to the poor. Even more importantly, government failure does not imply that a reliance only on markets will succeed.

The study warns against fundamentalism in belief in either state or market. "The socialist command system failed because it lacked any built-in self-correcting mechanism. On the contrary it suppressed intellectual dissent...For precisely the same reasons, the fate of market fundamentalism without adequate provision for self-correction is going to be no different in India or elsewhere." (p64).

The authors point out numerous reasons for government failure (inadequate information, divergence between policy design and implementation, bias towards influential interest groups, bad management of state enterprises, corruption and nepotism) as well as market failure (the presence of monopolies and imperfect markets; externalities; inability to provide for public goods; divergence between private and social costs and benefits; the generation of inflation and unemployment, poverty, inequities).

What is important is to recognise both government and market failures and introduce correcting devices against both. The proper functioning of a market needs the support and guidance of the state, whilst conversely the State cannot do without the market. "The problem arises mainly because the high priests of liberalisation paint the State and market in black and white...On the contrary, the chances of policy failure would decrease only if we succeed in making the State and the market complement one another. Indeed this is precisely what happens in successful market economies. As the scope of the market expands, new regulations from the State are needed which, in turn, lead to further strengthening and expansion of the market process."

## **PART 6. THE ISSUE OF ECOLOGICAL AND SOCIAL STANDARDS**

### **(a) General**

The issue of standards (including environmental, safety and social standards) has become much more complex than before because of the attempts by some governments and some groups to link standards to trade, and especially to the possibility of trade sanctions and boycotts. Because of this there has been a "politicisation" of the standards issue, which could be detrimental to the genuine attempts of environmental and social groups to fight for higher and better standards as a means to

promote environmental and social causes.

There have been various kinds of standards setting that up to now have served beneficial purposes. For example:

\*\* National governments set standards for food safety (including bans on certain types of additives and coloring matter, and maximum levels of contaminants such as bacteria, pesticides, chemicals and heavy metals), safety standards for other products (such as pharmaceutical drugs) and for the environment (for example, bans or restrictions of use of on certain technologies, industries, and substances; standards for pollution of water, air and noise; and standards for procedures, production and construction as in environmental impact assessments of projects).

\*\* Intergovernmental organisations establish standards or guidelines, for example the WHO and UNEP, for food and water safety and for environmental pollution. These standards are often used as benchmarks for national standard setting.

\*\* Standards set by private organisations and NGOs to meet certain environmental or social objectives, such as IFOAM (for organic agriculture and foods) and fair trade organisations that promote fair prices and incomes for producers as well as quality for consumers. This has served the needs of those consumers who want a certain quality in their products, such as safe foods or promotion of the interests of small producers.

\*\* Standards set by ISO (the International Organisation for Standardisation) for industrial products and by national standards authorities. These have been used as targets for quality and reliability by companies.

The above standards systems have worked rather well, although there are weaknesses and questions (for example, many consumer and environmental groups have been concerned about the low food standards of Codex Alimentarius, which they attribute to the influence of the food industry in that body).

However, the standards issue has become controversial because of certain recent developments: the introduction of trade and environment as an issue in the WTO; the attempt by some groups and governments to link the level of environmental standards to the possibility of trade sanctions; the introduction of "environmental standards" in the ISO; the apparent recognition by the WTO system of the primary role of ISO in international standard setting; the attempt by some groups (particularly Northern and international trade unions) to link labour standards to trade and the WTO, including its trade sanctions mechanism; and the most recent proposal by the ILO director-general to establish a system of "social labelling" of countries, tied to their exports.

In general, Southern governments and many Southern NGOs are opposed to attempts to link environmental or social standards to the trade system (in other words, to link the level of standards prevailing in countries to the possibility of trade penalties and sanctions). Their view is that it is unfair to apply the same environmental or social standard to all countries, irrespective of their level of development or national and cultural characteristics. Poorer countries cannot be expected to have the same standards as rich countries because they lack the technology, financial resources or administrative capacity as the rich countries. Imposing the same standards (or even some "minimum international level of standards") on them, which they are at present unable to meet, under threat of trade penalties for non-compliance, would constitute protectionism against their exports.

Ironically, if this were done, the result would worsen rather than improve the environment or social position, as loss of export earnings would lead to greater poverty, less jobs and less resources for environmental protection. Instead of such punitive measures, developing countries argue that the rich countries should instead encourage them to develop their economies (including by giving them the space meanwhile to operate with lower standards). As the level of development increases, there would be a tendency for the resources for environmental standards, wages and labour conditions to improve.

The Southern position is that the setting of environmental and social standards should be left to national governments to do, without their being pressurised by these standards being linked to trade agreements and the threat of trade actions. International organisations such as UNEP, WHO and ILO can play an important role in setting international guidelines and recommended standards, or even legal Conventions which governments are party to. These would help countries to set and improve their standards. However these international guidelines and standards should not be linked to the WTO trade system or to the threat of trade actions.

#### **(b) Environmental Standards**

In the WTO, the issue of environmental standards became "politicised" when proposals were made to extend the existing standards for products to the process of making those products (i.e. to PPMs or processes and production methods). Under these proposals, countries with lower environmental standards in technology (i.e. that result in higher pollution or greater resource wastage) could be deemed to be guilty of "eco-dumping" and thus unfairly subsidising their exported products. Importing countries could then put a countervailing duty on these products

to offset the unfair subsidy. Developing countries objected that this would discriminate against their products, as they lack environmentally-sound technology and moreover their access to such technology is being blocked by the WTO's new intellectual property rights rules, and the promised North-to-South technology transfer is not taking place.

What is unfortunate is that there may also be a fallout on sincere and beneficial attempts by NGOs that want to promote environmental causes whilst at the same time helping developing countries. Southern governments are already viewing attempts at eco-labelling and standard setting with suspicion. There is now a question mark whether a decision to voluntarily align national standards with international private or official standards may in the end lead the country into trouble.

Eco-labelling is another controversial issue. Each country now has the right to institute domestic regulations on eco-labelling on products. The concern of some developing-country governments is that eco-labelling will be used for protectionist purposes, applied or encouraged by some countries selectively to products that are imported or that compete with their own products. Examples of these concerns are given below.

At a WTO-Committee on Trade and Environment meeting in October 1995, Malaysia (on behalf of the Asian group), speaking on labelling requirements (relating particularly to timber), said the Asian group was not against such requirements but these should be fair, equitable and implemented in a non-discriminatory way. While labelling requirements to advance sustainability was appreciated, such schemes were being promoted in consuming countries ostensibly in the name of sustainability but coloured by political and economic expediency. Labelling requirements should be based genuinely on the need to ensure sustainability of the world's forest and timber and hence labelling schemes should include both temperate and tropical forests. Timber also competes with other substitutes such as plastic, aluminium and steel; hence similar measures about sustainability must cover these products also. Any credible labelling scheme also requires a realistic implementation time-frame.

According to the Egyptian WTO diplomat, Magda Shahin (1996), developing countries are concerned about pressures exerted to reach some kind of multilateral recognition on the validity of setting ecolabel standards. The main risk attached would be the introduction of process and product methods (PPMs) in the WTO. According to Shahin: "Developing countries make clear we do not want any standardisation of ecolabelling or anything relating to PPMs being introduced through the backdoor in WTO, especially those which are not related to the end product." As environmental standards and PPMs are based on values that differ from one

society to another, it would be difficult to internationalise PPMs and require all countries to follow the same production methods. "On the other hand we have nothing against dealing with environmental standards which are product related, such as disposal and handling, which have at any rate to be distinguished from non-product related standards."

Meanwhile the standards issue is also being complicated by the rapid development of the status of the ISO. With its apparent recognition by the WTO as a key (or the key) setter of international environmental standards, the ISO has gained much higher profile and potentially much greater power. Its 14,000 series has brought the ISO into the area of environmental standards, and it is now poised to become the premier institution defining environmental standards in the world.

This has raised many serious concerns, which are spelt out in an increasing number of studies and papers (UNCTAD 1996; Pierre Hauselmann 1996; Matthias Finger 1997; Pacific Institute 1997). The main concerns are as follows:

1. The ISO is not an intergovernmental or international body but a private body comprising national standards institutions (some of which are non-governmental) and other institutions, and in which TNCs have an overwhelming influence. Commercial interests of the large corporations are likely to determine ISO policies and standard-setting, at the expense of small companies.

2. If the ISO is the premier body recognised by the WTO, it would herald the privatisation of standard setting, in that a private body is delegated the task of setting standards that would be recognised by governments in the WTO. Yet the ISO is not accountable to governments. Its recognition by WTO would also displace and downgrade the role of other international bodies that also set standards (using a different approach than ISO) such as UNEP and WHO which are intergovernmental and whose decisions are made by or under the guidance of governments.

3. There is a lack of adequate participation of developing countries in the ISO. Only a few of these countries take part in ISO meetings that are making key decisions that will affect developing countries' interests, including the competitive position of their products and their firms and farms.

4. There is also a lack of NGO participation and influence in ISO, and therefore the NGO community is not able to safeguard its interpretations of and approaches towards standards and procedures.

5. The first of ISO's environmental standards, the ISO 14001 on Environmental Management System (EMS), only sets standards for

the way a company plans, monitors and manages its activities in relation to the environment. It does not measure the environmental performance of the companies, for example the level of its pollution and waste or the environmental content of its products. As pointed out by a WWF critique, it is thus possible for a company to get ISO 14001 certification and yet have environmental performance levels that fail to meet legal requirements (eg for pollution, waste disposal etc). In fact, there may be an incentive for companies to meet the ISO's management framework rather than to take actual measures to improve environmental performance. The ISO 14001 certification is thus likely to be misleading, in that the public is made to believe that a company having accreditation has environmentally sound practices and processes when it may not. There is justifiable concern that this would turn out to be an exercise in "greenwash."

6. Environmental NGOs' fears about the potential negative role of the ISO 14000 series are already bearing out. After participation in the ISO's forestry group, NGOs (including WWF) concluded that some sectors were seeking to use ISO's good name to create a "sham" certification scheme. This concern was taken seriously by many delegates at the ISO. (Hauselmann 1996, p14).

7. There is thus also a danger that if the WTO recognises ISO in environmental standard setting, then ISO and its system might emerge as the leading authority, and displace or damage other independent schemes for certification that are based on alternative and better approaches, including environmental performance (eg the IFOAM standards and certification system for organic foods).

8. There is also a danger that the voluntary adherence to standards that are basically set by corporations themselves will be used by governments as an approach to environmental management, and that the present system of management using regulations and prosecution of non-complying firms will be eroded. Voluntary standards will replace (instead of serving) legally-binding regulations. The result can be expected to be poorer environmental performance, and further environmental deterioration.

### **(c) Labour Standards**

There has also been a great deal of debate on the inter-related issues of labour standards and social clauses. All sides in the debate appear to agree that core labour standards are important to recognise and uphold. There is disagreement however on the best means to go about this task.

Many international trade unions, including the umbrella body the ICFTU, would like the issue of labour standards to be linked to the WTO. The rationale is that the ILO has a relatively weak enforcement mechanism, whereas the WTO's dispute settlement system, which includes trade sanctions, is very effective. Thus, the ILO could take charge of monitoring violations by countries of core labour standards and then eventually communicate the complaints to the WTO, which can then use its dispute settlement system to discipline the offending countries. Advocates of this school of thought believe that countries that do not adhere to these labour standards have an unfair advantage in that their production costs are enabled to be lower. Thus, those countries where labour standards are higher are being unfairly "punished" (by becoming less competitive). There is a danger that investors will move from countries with high standards to countries with lower standards in search of lower labour costs and higher profits. This will put pressure on high-standard countries to lower their standards in order to retain investments. Thus, the bargaining position and income status of labour in the high-standard countries will be negatively affected. Also, the workers in low-standard countries will be exploited by transnational companies. To counter this, a social clause should be introduced in trade agreements, so all countries will adhere to core labour standards, failing which the offending countries may have action taken against them.

Although this seems to be the position of many international trade union groups, there is no consensus position among labour unions worldwide. In Asia, major Indian trade unions are opposed to linking labour standards with trade measures; and in the Philippines one of the major labour movements are also opposed to the linkage. In some other Southeast Asian countries, unions affiliated to the ICFTU have expressed support for the linkage. In Africa, there is also a division between unions supporting and opposed to the linkage.

In the NGO community, there is also a division between some NGOs that support a social clause (or the inclusion of labour standards) in the WTO and some that oppose it.

The division within labour groups and within NGOs was rather evident during NGO activities at the WTO Ministerial Conference in Singapore in December 1996. In order to help one another understand each other's position, a dialogue session was organised that included trade unions and NGOs from both the North and South.

Generally, the Southern NGOs (and some Southern-based unions) at this dialogue were opposed to the proposal to bring labour standards into the WTO. They argued that they were as concerned as any other group about the welfare and rights of workers in the South, and it was based on this concern that they opposed the

social clause in trade agreements like the WTO. This opposition is based on their understanding of the WTO, its decision-making processes and its system of operations. The WTO is heavily dominated by a few developed countries which have been making use of the organisation for their own trade and economic advantage. It is thus likely that the labour standards issue will be used by these major countries to depress the trade position of competitors from developing countries. Although the international trade unions insist that only certain core labour standards would be linked to the WTO (in their proposal), there is no guarantee on how these standards would be interpreted by WTO members (particularly by the major countries that dominate the WTO), and also no guarantee whether other labour issues, including wage levels and social security, might not be introduced later into the WTO. Moreover the most crucial aspect is that when an issue is introduced into the WTO system, it would become subject to its dispute settlement system. This means that countries found not adhering to the WTO-defined labour standards could be subject to trade measures such as sanctions and import duties imposed on their products. The products of developing countries, which generally have lower labour standards than developed countries, would then become less and less competitive in the international market. This could lead to loss of jobs in Third World countries. Moreover, imports from Northern countries that presumably would meet the labour standards would take a larger share of the local markets in the South, and local firms (including those that do not even export) may have to retrench their workers. Ironically, workers' rights would not be served by the imposition of these labour standards and their linkage to trade as the loss of jobs would affect the workers' right to work.

During the dialogue in Singapore, it appeared that some union representatives from developing countries that supported a social clause had been under the impression that linking labour standards to trade would not make the products coming from the South subject to negative action such as a trade sanction. They were under the impression that a labour standard-trade link meant that products coming from countries adhering to labour standards would be given positive incentives such as more favourable market access. They were surprised when it was pointed out that the major aspect of bringing an issue like labour standards to the WTO implied the threat of being disciplined by trade penalties and trade measures against the products of countries that did not adhere to the WTO-defined standards.

It was agreed that further dialogue among NGOs and trade unions should be conducted as this exchange was useful.

At the official WTO Ministerial Conference, the labour standards issue was also hotly debated in an informal negotiating group. The developing countries were unanimously against the

issue being brought into the WTO system. The Northern countries were split, with France and the US taking the lead among those in favour of the issue, whereas the UK and some others were against it. Eventually the WTO Ministers agreed that the WTO is not the right venue for labour standards and that the issue belongs to the ILO. However, France made it clear it would attempt in future to introduce the subject in the WTO again. Also, a fresh controversy erupted in June 1997 when the ILO director-general proposed that an official social labelling system be created, in which ILO staff would investigate the level of compliance of international labour standards in various countries, and provide complying countries with positive social labels that would be attached to their exported goods. The implication is that products that do not carry the labels are made in countries that exploit labour, and thus consumers are encouraged not to patronise these products. The developing countries under the Non-Aligned Movement have protested against this latest attempt to link trade with labour standards.

The attempt to link standards with trade measures may well prove to be counter-productive because Southern governments now fear that any standards they may agree to in any forum may in future be used against them in the area of trade. This is a new situation because in the past, standards were set and agreed to or followed by governments as independent measures to protect the environment or health or workers' rights. Now that there are pressures to link countries' standards with trade measures, the developing countries will be more and more reluctant to agree to high standards in fora such as UNEP, WHO or ILO, or even to declarations in UN World Conferences, as they are concerned that their agreement in these specific contexts may in future be used against them in another context (i.e. in the context of trade and especially of the WTO).

For example, some Asian developing countries are already considering to propose to renegotiate the ILO's labour standards, downwards, because of this fear. Many countries may also not be so willing to adopt environment standards and other social standards in future. Ultimately, with confidence eroded, it would be more difficult to attain international cooperation in the environmental and social fields as any discussions would be held under the threat of a future trade measure being created out of the agreements.

#### **(d) Fair Trade**

A campaign on fair trade for the people of the Third World is a worthy initiative that can be jointly carried out by Northern and Southern NGOs.

Efforts of the part of NGOs to promote "fair trade" on behalf of Third World people should include a critical examination of the disadvantages faced by the South in the world trading and economic system.

The traditional issues of low commodity prices (especially when compared to the prices of industrial products) and poor and declining terms of trade for developing countries, remain just as relevant today, especially for the poorer countries. There should be a revived effort in pressing the Northern governments to pay attention to this problem. Low commodity prices are a major cause of continued low income levels, unstable employment opportunities and (in some cases) retrenchment and unemployment in many developing countries. The continued high rate of extraction and production of raw materials also contributes to ecological problems. A key measure could be the revival of international commodity agreements, which help developing countries produce in planned quantities and that guarantee them fair prices, which reflect the appropriate social and ecological values for the

commodity products. This will enable a planned overall reduction in production and exports but offset by higher product prices, so that overall developing countries will stand to benefit.

Developed countries should also be pressed to give greater and fairer market access to semi-processed and manufactured products coming from developing countries. Many processed products are still subject to higher tariffs than raw materials, thus preventing or reducing the importation of processed products from Southern countries and depriving them the opportunity of earning more revenue through processing their raw materials.

Also, in the Uruguay Round, it was agreed that the Multi-Fibre Agreement (MFA) would be phased out in ten years. This would then enable textile producers in the South to expand their exports to the North. However in the implementation of the phase-out of the MFA, the developed countries have chosen to reduce tariffs or quotas on products in which they have little imports, leaving the bulk of products which they import to be liberalised only at the end of the ten-year period. This deprives the exporting countries the export opportunities and revenues for several years. There is also a fear that new protectionist ways will be found to still block textile and footwear products of the South when the ten-year period ends. Thus, NGOs should campaign that Northern countries phase out the MFA in a proper, fair and balanced way and that at the end of the phase-out period, no new protectionist measures are taken.

Generally, the Uruguay Round and subsequent events have given

rise to WTO Agreements, trade rules and a WTO system that is heavily biased against developing countries and the poor. An effective fair trade campaign should evaluate in which ways the trade rules are stacked against the developing countries and poor sections of society, devise proposals to correct the imbalances and deficiencies, and campaign to get these proposals accepted by governments. This is probably the most urgent task to make fair trade a realistic prospect. Otherwise the WTO rules, already so biased against the South, may generate social and economic dislocation when they are implemented, and even more unfair rules will be introduced through new agreements in the future.

#### (e) Proposals

It is proposed that the issue of linking trade and trade measures to environmental and social standards be very carefully approached. In general, such linkages should be discouraged, as attempts to do so would instead erode the credibility in the use of standards and affect the willingness of developing countries to cooperate internationally on standards.

In the examination of the issue of standards, attention should be given not only to differences in environmental standards at present, but also the historical and past processes and inequities.

The concepts of cost internalisation, ecodumping and processes and production methods should be extensively discussed outside of the WTO negotiating context, in more open and democratic fora.

Similarly, the issue of labour and other social standards should not be linked to the WTO. Neither should it be linked to trade via the route of social labelling in the ILO.

NGOs (and also Southern governments) should also more actively participate in, monitor and positively reform the ISO so that its system of environmental standards is made to serve environmental and social goals in an equitable way, and not be an ineffective system that replaces or displaces other and better approaches to standards.

Research and advocacy should be done to ensure that the WTO system and the ISO system do not place obstacles or prevent genuine attempts and good schemes for standards and accreditation either of national governments or of other institutions (NGOs or intergovernmental and other international bodies). At the same time, standards, accreditation and labelling schemes should not be designed or implemented in ways that are detrimental to poorer farmers and countries or that are protectionist against developing

countries.

There should be appropriate roles given to standards and to regulations respectively. The voluntary adherence to standards set by industry should not be used to replace or substitute for government environmental and social regulations. Rather, standards should be used as tools in the formulation of such regulations and policies.

Measures should also be taken to promote and campaign for fair trade, along the lines suggested above. This should include the following issues:

\*\* Higher prices for commodities and a rational system for production and output levels, planned through a new round of commodity agreements to enable commodities and their prices to reflect their social and ecological values.

\*\* Greater market access for processed and semi-processed raw materials from the South.

\*\* A fairer and balanced phasing out of the Multi-Fibre Agreement and no new protectionist measures on its products.

\*\* A campaign to correct the biases, imbalances and deficiencies in the current WTO agreements and rules, and to campaign against attempts to introduce yet more unfair agreements or rules in future.

#### **PART 7. THE NEED FOR ENVIRONMENTAL PROTECTION AND MEASURES, AND ECONOMIC ARGUMENTS IN FAVOUR OF THESE**

It has become increasingly obvious that the Asia region faces enormous environmental problems. The rapid development in several Asian countries have of course contributed to this ecological degradation. Since the political and economic establishment in these countries are very committed to the growth process, it is often frustrating for environmentalists who sound warning bells about ecological problems in these countries. The reply, very often, from governments in the region is that growth and development have to come first; only when the country reaches developed status can we afford the luxury of looking after the environment.

It would thus be very useful if economic arguments could also

be put forward to show policy makers that it makes better economic and financial sense to take care of the environment now, even as the country progresses, rather than later.

**NGOs and research groups should conduct research and advocacy, providing evidence that environmental damage is economically harmful, and that environmental protection and eco-friendly technology and practices are themselves economically efficient ways of conducting development.**

**Examples exist from the Asia region that can make this point. However, a much more systematic effort should be initiated to pull the materials together and make a strong economic and financial case for this argument.**

The following are a few examples to make the case that investment in environmental protection and ecological technology will yield much greater economic results, than environmentally-damaging development methods.

#### **(a) Land degradation in South Asia.**

Soil erosion and land degradation is one of the major environmental problems in Asia, and can also cost loss of property and lives. A recent UN study also shows how economically damaging these can be: it estimates that South Asian countries lose at least US\$10 billion every year from land degradation.

When land is disturbed or degraded, the serious effects include soil erosion, loss of soil fertility and thus reduced plant growth or crop productivity, clogging up of rivers and drainage systems, extensive floods and water shortages. Another effect is slope failure caused by erosion, resulting in loss of property and lives.

Soil degradation and erosion should thus be seen also as a key economic issue as it causes tremendous losses to the economy. These costs may well outweigh the benefits of many development projects that give rise to the problem.

A study sponsored by three United Nations agency (FAO, UNDP and UNEP) estimated the severity and costs of land degradation in South Asia. It concluded that the countries (India, Pakistan, Bangladesh, Iran, Afghanistan, Nepal, Sri Lanka, Bhutan) are losing at least US \$10 billion annually as a result of losses resulting from land degradation. This was equivalent to two per cent of the region's Gross Domestic Product, or seven per cent of the value of its agricultural output.

This high enough figure is still a gross underestimate, because it

measures only the on-site effects (for instance, reduced agricultural production) whilst leaving out off-site effects (such as river silting, floods, landslides and road collapses).

The 1994 study report, "Land degradation in South Asia", defined land degradation as "the temporary or permanent lowering of the productive capacity of land."

The types of degradation it assessed were:

\*\* Soil erosion caused by water. This was the most widespread, affecting 83 million hectares, or 25 per cent of all agricultural land in the region. In many areas of sloping land, for example in Nepal, it is severe, causing permanent loss of the land's productive capacity.

\*\* Soil loss caused by wind, affecting 59 million hectares, or 40 per cent of agricultural land in the region's dry zone.

\*\* Soil fertility decline, due to lowering of soil organic matter and loss of nutrients, is substantial and widespread in the region. This is due primarily to the increased and incorrect use of fertilisers.

\*\* Waterlogging, or the lowering in land productivity through the rise in groundwater close to or above the soil surface. This is caused by incorrect irrigation management.

\*\* Salinisation, or soil degradation caused by increase of salt in the soil, is caused by incorrect irrigation management or intrusion of sea water into coastal soils arising from over-abstraction of groundwater. It is severe on irrigated lands of the dry zone. It reduces crop yield and in severe cases causes complete abandonment of agriculture.

\*\* Lowering of the groundwater table, caused by over-extraction of groundwater.

The study found that altogether 140 million hectares, or 43 per cent of the region's total agricultural land, suffered from one form of degradation or more. Of this, 31 million hectares were strongly degraded and 63 million hectares moderately degraded.

The worst country affected was Iran, with 94 per cent of agricultural land degraded, followed by Bangladesh (75 per cent), Pakistan (61 per cent), Sri Lanka (44 per cent), Afghanistan (33 per cent) Nepal (26 per cent), India (25 per cent) and Bhutan (10 per cent).

The most original and interesting part of the study is its

assessment of the economic costs of land degradation. Total on-site annual losses were estimated at US\$9.8 to 11 billion a year, or at least US\$ 10 billion.

The breakdown according to types of land degradation was: water erosion US\$5.4 billion (RM 13.5 billion); wind erosion US\$1.8 billion (RM 4.5 billion); fertility decline \$0.6 - 1.2 billion (RM 12.8 - 3 billion); waterlogging \$0.5 billion (RM 1.3 billion) and salinisation \$1.5 billion (RM 3.8 billion).

These economic losses were calculated through estimating either the loss of agricultural productivity or output; the cost of replacing soil nutrients (through additional fertiliser); or the costs of land reclamation and restoration.

The study says the losses are not only suffered by the present generation but future generations. Since soils have been a resource for the past 2,000 and more years, there is no reason to doubt that people will still depend on it for at least 2,000 years ahead.

The value of today's soil resources to future generations could be estimated to be at least today's user values multiplied by 2,000.

Although the study does not attempt to measure the long-term losses of the present land degradation it has assessed, a simplified calculation (without discounting to obtain net present values) would be that these losses, if permanent and not repaired, would add up to at least US\$20,000 billion over the next 2,000 years!

The estimates of annual loss are understated because off-site costs (such as losses caused by river silting, floods, landslides and so on) have not been counted. Moreover, there are other forms of degradation, such as deforestation, forest degradation and rangeland degradation, acid sulphate formation, soil pollution, soil destruction through mining and quarrying, urban encroachment onto agricultural land and effects of war.

The economic costs of these are not assessed in the study. If they were, the losses would have been much higher.

**It would be useful to conduct country-specific studies on land degradation and try to attach economic cost estimates to the problem, and use these to advocate for better environmental management and a rethinking of development plans.**

For example, in Malaysia, a paper by Dr Lim Jit Sai of the Agriculture Department revealed that there are 18.9 million

hectares of potentially degradable land, making up 57 per cent of total land areas. The main activities causing soil degradation in Malaysia are mining, agriculture, logging and urban development.

The adverse effects of soil erosion are a loss of topsoil, decline in soil fertility, siltation of water reservoirs and waterways, increasing frequency of flash floods, degradation of water quality, loss of hydropower, damage to properties and loss of lives.

It would be most useful if estimates could be of the economic losses from soil erosion and land degradation in Malaysia, similar or even broader in scope than the study carried out for South Asia.

Such economic cost estimates might make it more easy to convince policy makers of the economic folly of degrading the land and eroding the soil, upon which future development (and civilisation too) rests.

#### **(b) Costs and benefits of toxic-causing substances or industries**

Cost-benefit analysis of products and industries that cause toxicity and adverse health effects are also extremely important, in arguing the case for environmentally-sound development policies.

Probably the best studied case is that of tobacco. The World Health Organisation and other health institutions have conducted studies on the adverse health and social impacts of tobacco, and converted these impacts to economic costs, such as the cost of medical care and hospital services, income losses due to premature death, and lower work productivity due to health impairment resulting from tobacco use. Against that, they measured the economic benefits of growing tobacco and manufacturing and selling cigarettes. The result was that the costs far outweighed the benefits. Moreover the benefits are overstated because the land used for cultivating tobacco could be converted to other crops whilst capital and labour resources in cigarette manufacturing and sales could be diverted to other non-harmful activity. The economic case is thus made for phasing out tobacco as an industry.

In Malaysia the best known case of a community fighting against a toxic industry is that of Bukit Merah in Perak, located in the vicinity of the Asian Rare Earth plant. The company is a joint venture in which the Japanese firm Mitsubishi has a 35% share. ARE processes monazite to produce yttrium, a rare earth used in the electronics industry. In the process, a radioactive waste substance, thorium hydroxide, is also produced; it has a half

life of 10 billion years. In a court case taken up by the residents attempting to close the plant, it was revealed that some of the waste had previously been dumped in ponds that flowed into a river, and some had even been used as fertiliser by unsuspecting residents. It was also revealed that companies in Japan had previously undertaken the process of extracting the rare earth but stopped doing so in the early 1970s because the radioactive wastes from monazite processing would pose a health hazard. Subsequently, ARE started operating in Malaysia.

Medical tests and health surveys conducted in Bukit Merah revealed that in June 1987 four out of 60 children tested had toxic levels of lead in their blood. (According to a world-renowned expert on low-level radiation, lead is used in tests as a marker for radiation absorption because lead and thorium exist in about the same proportions in the ARE waste; by testing for lead we can also get indications on the amount of thorium taken in). Tests a year later in March-June 1988 showed that every one of the 44 children tested had toxic levels of lead in their blood. Studies also showed an abnormally high number of leukaemia cases in Bukit Merah. A Canadian radiation expert Dr Rosalie Bertell found the incidence of childhood leukaemia in Bukit Merah to be 42 times higher than the average rate for Peninsular Malaysia. There has also been an abnormally high number of unexplained miscarriages among childbearing women, and cases of babies dying soon after birth. These figures indicate a correlation between the presence of toxic substances from industrial activity and serious health ailments in a community in the vicinity.

The court also had to consider the economic arguments of the case. It heard testimony that the firm created a few hundred jobs and used the tailings of the tin industry, but up to then had made accumulated losses, and thus the local partners of the joint venture had not benefitted. On the other side, there were the costs of treating health ailments, loss of income from premature death, costs of building an expensive waste disposal dump which also took up land that could have been used for other activity. Since the waste had a half life of 10 billion years, the potential problems would remain indefinitely whilst the benefits would be temporary. On balance there would be a net negative economic impact.

The Ipoh High Court ordered the plant to be closed. However, this decision was later overturned at the Supreme Court.

### **(c) Cost-benefit analysis of a development project**

Another case where economic arguments were used in considering the environmental and social aspects was that of the proposed Penang Hill project in Penang, Malaysia. The Friends of Penang

Hill group argued that the project would result in tree felling within watershed areas, and thus silt rivers, reduce water supplies and cause flooding in the city of Penang. It estimated the costs of extra flood prevention and drainage schemes to mitigate the floods and the costs of obtaining alternative water supplies, whilst also noting that other important adverse effects (such as loss of biodiversity and the unique ambiance of the hill) could not be so easily translated into economic costs. It also raised the issue of who benefitted from the project, and who had to bear the costs, and concluded that although there was private gain (especially since in the proposal the extensive project land in the hill would be provided at very nominal cost by the State) the more substantial costs would be borne by the public at large.

These economic arguments were used as part of a study presented to a committee reviewing the Environmental Impact Assessment (EIA) of the project. Partly due to these arguments, the Environment Department eventually rejected the EIA report of the company and the project was shelved.

#### **(d) General Conclusion**

Economic studies on the economic impacts of environmental degradation are still in the early stage, at least where NGOs and researchers in Asia are concerned. The few case studies made on a project level show that the issue is both crucial and interesting, and that economic tools of analysis and estimation can contribute greatly but must also be much further developed. Analysis and estimation at the level of policies as a whole, or of industries, sectors, and products are more complex and eventually even more important.

Usually, environmental concerns are posed as being anti-development or against economic interests. But as the environment is the

physical underpinning of economic activity, its preservation is crucial to future economic activity, let alone growth.

**Economic and social instruments should be developed to facilitate the transition to sustainable development. Among them could be:**

**(a) An improvement in cost benefit analyses in project evaluation. The economic costs of environmental (and social) effects should be better listed and quantified as far as possible so that a more accurate picture is obtained. At present the cost benefit aspect of assessments (for example, in EIAs) is relatively weak.**

(b) Environment assessments have so far been made only at the project level, for example EIAs of a hotel project. Methodologies should be worked out to extend such assessments to policies (for example, trade liberalisation), as is now being attempted by the OECD secretariat as well as some Northern countries. Such assessments can also be made for industries as a whole (and not just individual projects) as well as for products. This would be useful when policy guidelines are needed for industrial policy and development planning.

(c) The tax mechanism can be used to improve the environment. Studies can be done on how other countries have been using taxes as prohibitive purposes (eg a tax on energy) or as incentives for better environmental behaviour.

Although the use of economic instruments is obviously important, there is an even more urgent need for the environment to figure prominently into the process of development planning itself. The EIA procedure is an important start, but as argued above, it is time to move beyond project level EIAs and towards sectoral and policy EIAs. This will of course be a major step, yet a start can be made in studying how this could be done.

Guidelines derived from a detailed consideration of environmental and social aspects should be drawn up for the prioritisation of what kinds of investments to encourage and discourage, and what kinds of technology to adopt or reject in various sectors. This also requires an understanding of the environmental and safety analysis and assessments made in Northern countries on specific industries, products and substances. Those substances, products, industries and projects being phased out in Northern countries should not be transferred to developing countries. Government should strengthen its capacity for safety and environmental assessment of technologies, investments, industries, substances and projects.

Assessments should also be made on the trade and the finance aspects. For example, in trade, is it worthwhile from a national point of view to export raw logs when the environmental and social costs of unsustainable logging are so high and the benefits are short term and moreover most parts of the country are short of wood? On the finance side, how can banks be more environmentally responsible for the environmental impacts of their loans?

On a sector by sector basis, there should be plans and policies for "greening" the economic activities in each sector, for example agriculture, tourism, construction, the different industries, etc. The EIA mechanism should be strengthened and extended. But EIAs are aimed mainly at screening out new bad projects and at mitigating what would otherwise be worse environmental effects of projects that "pass." There should be

more pro-active measures to reform the already existing activities in each sector. In these reforms, economic instruments such as taxation have an important role.

The integration of environment with economics, and in a socially equitable manner, is perhaps the most important challenge for Asia in the next few decades. So far there has been a recognition that something should be done but the real work has only now to begin.

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