

# IS GLOBALISATION UNDERMINING THE PROSPECTS FOR SUSTAINABLE DEVELOPMENT?

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## 1. INTRODUCTION: A TALE OF TWO CRISES

Two events concurrently taking place at present in the Southeast Asian region demonstrate outstandingly the predicament that humanity and our home, Earth, are facing as we reach the end of the 20th Century.

The first event is the burning of large tracts of forests in Indonesia (in Sumatra island, and in Kalimantan, the Indonesian part of Borneo Island). Estimates of the total area of forests damaged by the fires vary from the official figure of 750,000 hectares to the estimate of 1.7 million hectares made by the Indonesian environmental group WALHI. (1) The forest fires, which have been going on for at least two months, have created an enormous "haze", which persisted for those two months, affecting several countries in the region. For several weeks, the sun was not visible, being blocked by the heavy shroud comprising deposits from the fires as well as trapped pollutants from industry and vehicles. In neighbouring Malaysia, a state of emergency was declared in the state of Sarawak for a week when the air pollution index crossed the 800 level. A level of 200-299 is considered very unhealthy, and a level of 300-500 is considered hazardous. The people who devised the index had probably not considered that the index would breach the upper level of 500. In most other parts of Malaysia, the index has indicated unhealthy, very unhealthy or hazardous pollution levels. Throughout the affected region, there has been significantly increased incidence of asthma and other respiratory ailments. The fires and the haze have also caused huge economic losses. WALHI estimated the fires having caused losses of 6.2 trillion rupiah (over US\$1.6 billion) due to medical treatment costs, flight cancellations, timber destruction and so on. Three ship collisions have taken place recently in the narrow Straits of Malacca, an aeroplane crashed in Medan during the peak of the haze condition (killing over 200 people), agricultural production and fisheries are predicted to be adversely affected, and tourism in the region has sharply declined. An objective analysis of the causes of the forest fires would have to conclude that timber and plantation companies were mainly responsible: to prepare the land for plantation crops, they burned the trees instead of clearing them because it was cheaper to do so. The role of the traditional slash-and-burn farmers was minor. This allocation of blame was made by the Indonesian environment Minister himself. And so, once again, we are witnessing how the powerful and shortsighted drive for the short-term profit has overcome the real need for conserving nature for longterm social benefit.

This environmental crisis was accompanied at precisely the same time by an unprecedented financial turmoil affecting Thailand, Indonesia, Malaysia and the Philippines. It was triggered off by a devaluation of the Thai currency, after a brief period of financial weaknesses in Thailand. But the situation in Thailand created a general feeling of uncertainty about the economies of the region as a whole. These countries had followed the general advice of the international financial agencies

to liberalise their capital markets. Large inflows of foreign funds into the stock markets of Southeast Asia had made them susceptible to sudden shifts in "investor confidence." It was a situation which was ripe for international currency and financial speculators to make a quick profit, and thus also a situation which made these countries open to great financial instability. The currencies of these four countries fell by 25-35 per cent in a few months; the level of their stock markets also fell sharply. The shift in fortunes was frighteningly swift. Only a few months ago these Southeast Asian countries were held up as the models of economic success which other developing countries should follow. Suddenly the same institutions, analysts and investors that had lauded the Southeast Asian "tiger miracle economies" could come up with instant analyses why these same economies were now so weak and flawed. Surely "economic fundamentals" could not have changed so suddenly.

As it is, the Southeast Asian countries have now incredulously found themselves mired in an economic crisis following what has been now described as a "financial meltdown." There will be cuts in government budgets, affecting social and environmental allocations; companies that face higher import prices or heftier loan repayment charges may retrench workers; inflation will rise; and the nations concerned find they have to gather 20 to 30 percent more funds (in local currency) to service their external debts.

A large part of the explanation of what is happening is to be found in the uncontrolled, unregulated international financial system, which has in-built tendencies towards instability, fluctuations and volatility. The rapid liberalisation and the explosive growth of the global financial market have been the most significant aspect of economic globalisation in the past two decades. The financial system in fact now exerts great influence (and negative effects) on the real economy of trade, investment and production.

The collapse of the global fixed exchange rate system in 1972 and the floating of currencies, the increasing use of computer technology for electronic financial transactions, the removal of financial controls in most countries were factors that set the stage for the explosive expansion of international financial speculative activities. The doors are open to financial speculators wanting to make fast profits through betting on changes in currency rates, commodity prices and share prices. An overwhelming part of financial flows are now speculative in nature.

In 1977, the annual value of world exports was US\$1.3 trillion whilst annual global foreign exchange transactions were US\$4.6 trillion. Exports were 29 percent of forex volume. By 1995, world exports were US\$4.8 trillion but annual forex volume had jumped to US\$325 trillion. Export value formed only 1.5 percent of forex transactions. In other words, only 1.5 of every 100 dollars of foreign exchange movements were used to finance trade in real goods and services, whereas 98.5 dollars were used for investment and speculative purposes.

It is now difficult or even impossible for central banks individually, or even in unison, to fight a concerted attempt by powerful speculators to influence the level of particular currencies. And thus the ability of countries to manage their economies, to have stability or even sovereignty over their economic policies or conditions, has now very much narrowed. This is the lesson coming out of the Southeast Asian experience. The Asian countries had taken the plunge into the globalisation

process and reaped some benefits through integration in the world trading and financial markets. Now these same countries are also experiencing the downside of globalisation. Having opened themselves to the vagaries of the market, their economies are now suffering due to the sudden change of heart and mind of those controlling the financial markets.

## 2. THE ENVIRONMENTAL CRISIS AND THE GLOBALISATION PROCESS

These two dramatic developments form the backdrop to our discussion, on two of the great issues and trends of our times: the environment crisis and the process of globalisation. The ecological crises that threaten the survival of Earth are continuing to unfold at breakneck speed under the influence of commercial interests, now driven even further by the competitive pressures of globalisation. And at the same time, the globalisation process has pitted company against company, country against country and individuals against one another. Under the vicious fight for market shares and for profits to survive and thrive, globalisation and liberalisation have replaced every environmental and social item on the high-priority agenda list. And moreover because of its unequal nature, globalisation may be benefitting a small number (of countries, of people) but is alienating, marginalising and even impoverishing large numbers of countries and peoples.

Only some years ago, at the Earth Summit of 1992, hopes had been high that the world's political leaders had at last recognised the environmental crisis and would take steps to forge a new North-South partnership to tackle both environmental and development problems together in a package and through a comprehensive plan.

Five years later these hopes seem to have vanished. The Rio Plus Five Summit at the United Nations in New York (officially called the UNGASS or UN General Assembly Special Session to review UNCED) concluded in June 1997 without a political statement because the divide between North and South countries was too wide to bridge.

The scientific papers at this Special Session brought out conclusively that the world's environment had continued to deteriorate. For example, forests continue to disappear or be degraded at a rate of 14 million hectares a year; Greenhouse Gases are still increasingly pumped in the atmosphere and it is uncertain if there will be an accord in the Climate Change Convention to have clear targets for their reduction; and there is a looming crisis of water shortages around the world.

What has happened is that in the five years after the Rio Summit, the environment has dropped many notches down the global and the national agendas. Moreover, "development" (by which we mean the solidarity or partnership shown towards people in developing countries to help them eradicate poverty and social ills), is also fast vanishing as a principle and an agenda item, in the countries of the North and thus in the international agenda.

The major reason is that in the five years after Rio, the process of globalisation linked to liberalisation has gained so much force that it has undermined and is undermining the sustainable development agenda. Commerce and the perceived need to remain competitive in a globalising market, and to pamper and cater to the demands of companies and the rich, have become the top

priority of governments in the North and some in the South. The environment, welfare of the poor, global partnership, have all been dislodged and sacrificed in this wave of free-market mania.

The most glaring weakness at Rio was the failure to include the regulation of business, financial institutions and TNCs in Agenda 21 and the other decisions. These institutions, that are responsible for most of the world's resource extraction, production, pollution and generation of consumer culture.

UNCED and the Commission on Sustainable Development, the UN system as a whole and governments have collectively failed to create international mechanisms to monitor and regulate these companies. Instead their power and outreach have spread much more. In particular, the Uruguay Round agreements and the establishment of the WTO have institutionalised globalisation. Through its strong enforcement system the WTO and its legally-binding rules threatens to over-ride all other declarations, action plans and paradigms, whether they be Rio, Copenhagen or Beijing.

The globalisation process, enforced especially through the rules of WTO, rewards the strong and ruthless and punishes the weak and poor. In fact it defines the criteria for success and failure, for survival and collapse. Its paradigm places profits and greed above all else, and its unregulated operation will continue to downgrade development, social and environmental concerns at both national and international levels.

### 3. THE BASIC UNCED UNDERSTANDING AND THE SPIRIT OF RIO

The United Nations Conference on Environment and Development (UNCED) was a historic watershed that raised hopes of people around the world of the emergence of a new global partnership. This new partnership, arising from the "Spirit of Rio", would change the present course of international relations, tackle the growing global environment crisis and simultaneously strive for more equitable international economic relations that would be the basis for promoting sustainable development globally and in each country.

The unique and important achievement of UNCED was that through its long preparatory and Summit processes, the world's diplomats and highest political leaders recognised not only the environment crisis in its many facets, but how this was embedded in economic and social systems, and that a realistic and long-term solution lay in dealing with both the environment and the development crises simultaneously and in an integrated fashion.

UNCED also involved thousands of non-governmental organisations, which were able not only to champion their particular issues, but through intense interaction among groups from North and South and from the environmental, development and social spheres, were able to develop a much more integrated approach to global and local problems. UNCED was an important landmark for catalysing the development of a "global citizen movement."

It also provided an opportunity for citizen groups and governments to engage in dialogue on the most pressing global problems confronting humanity and the Earth, an interaction that was

beneficial to both sides. It generated an international community, of governmental, non-governmental, and inter-governmental officials, agencies and individuals, that shared an understanding (however tentative) of the integrated nature of environment and development, and a recognition that in the next few years there was the crucial need and the unique window of opportunity to change the course of history, in order to save Humanity and Earth from environmental catastrophe and social disorder.

The "compact" or core political agreement at the Earth Summit, was the recognition that the global ecological crisis had to be solved in an equitable way, through partnership. This was captured in the principle of "common but differentiated responsibility" in the Rio Declaration. This principle acknowledged that the North has historically and at present been more responsible for the despoilation of the global environment, has more resources due to the uneven nature of the world economy, and has a proportionately greater responsibility in resolving environmental problems. The South is being hampered in meeting the basic needs of its people by its unfavourable position in the world economy, and its national resources are being drained through falling commodity prices, heavy debt burdens and other outflows. Development goals, poverty eradication and provision for basic needs are (or should be) their top priorities. Environmental concerns should be integrated with (and not detract from) these development objectives.

In concrete terms, the North-South agreement, and implementation of the principle of "common but differentiated responsibility" would require that:

(a) The North would change its production and consumption patterns (and its economic/social model). It would take the lead in improving environmental standards, reduce pollution and the use of toxic materials, and cut down the use and waste in natural resources, including through changing lifestyles. By "putting its own house in order", the North would show an example to the rest of the world that there is a need for a change in economic and social behaviour in order to solve the environment crisis;

(b) The North would help the South with financial aid and technology transfer, and through partnership in bringing about a more favourable international economic environment (for example, through more equitable terms of trade and a resolution of the debt crisis). This would enable the South to have greater resources and a larger "development space" that would in turn facilitate a change in development model that would be more environmentally sustainable;

(c) The South, having more financial and technological resources, would manage its economy better, give priority to policies that meet people's needs, improve pollution standards and reduce depletion of resources such as forests.

(d) International agencies and structures would help further this process; for example, by reducing the debt problem of developing countries and reviewing the content of structural adjustment policies, by ensuring that the trade system brings about more favourable results for developing poor countries, by helping to mobilise financial resources and providing technical aid in improving environmental standards.

(e) Issues requiring an integration of economic and environmental concerns (such as the interaction of trade and environment; and the relation between intellectual property rights and environmental technology and indigenous knowledge) should be resolved through North-South partnership in which the development needs of the South would be adequately recognised.

If the above principles are to be followed, then the concept of sustainable development would have at least two major components, each balancing the other: environmental protection and meeting the basic and human needs of present and future generations. Thus, sustainable development would not only involve ecological practices that enable meeting the needs of future generations, but a change in production and consumption patterns in an equitable manner whereby resources which are currently being wasted are saved and rechannelled to meeting the needs of everyone today as well as the needs of future generations. In this concept, equity among and within countries in the control and use of resources in ecologically prudent ways is a critical (or even the most critical) factor.

#### 4. SOME BASIC WEAKNESSES OF UNCED

Despite the achievements of the UNCED process, there were, however, basic weaknesses and failures. Among these were:

- The refusal or inability of Northern governments to commit themselves to a reform of international economic relations or structures, or to initiate a new North-South economic dialogue. This meant that there was no commitment to resolve structural economic problems that weigh heavily on a majority of developing countries (particularly the poorer ones).
- As a result of the inability of the UNCED process to place these basic items prominently in Agenda 21, the items that dominated North-South negotiations became the pledge for "new and additional financial resources" (with Northern countries pledging to strive to meet the earlier commitments for aid to reach 0.7 percent of their GNP) and the pledge for implementing "technology transfer" (at least for environmentally-sound technologies). These two items are a poor substitute for more basic reforms to international economic relations. Given the situation, they however became the "proxies" or symbols of the North's commitment to help the South in a new global environment-development partnership.
- Even though "technology transfer" was prominently discussed during the UNCED process and is given high profile in Agenda 21, in reality the Northern governments made it clear that the protection of the intellectual property rights of their corporations would not be compromised. This would effectively render technology transfer (even if only of environmentally sound technology) on favourable terms by and large inoperable. Nevertheless, on the insistence of the South, Agenda 21 does have some reference to the need for technology transfer, and for intellectual property rights not to hinder the process. A similar principle is established in the Convention on Biological Diversity. The language and references in both cases are however guarded and ambiguous and relatively weak, although the acceptance of the principle provides grounds for fuller development in the follow-up of UNCED.

- The downgrading of the need for regulating transnational corporations and big commercial interests. As pointed out prominently by the NGO community, the big corporations are the main actors in generating environmental problems such as pollution, resource depletion and unsustainable production and consumption patterns. The UNCED process sidelined this role, and did not give action proposals for regulating or disciplining the behaviour of big corporations. Thus, the most important action required for sustainable development was omitted, and an opportunity for making the main economic actors more responsible and accountable was missed. This rendered many of the Agenda 21 proposals "toothless" or much less susceptible to implementation.
- The refusal by Northern governments, particularly the United States (whose delegation notably declared "Our lifestyles are not up for negotiations"), to effectively commit themselves to changes in lifestyles as part of the move towards sustainable consumption patterns. Thus a crucial element in the reduction of waste of natural resources was sidelined.
- Despite the many action proposals on environmental problems, there was relatively weak real commitment by both North and South to resolving many of the problems. As a result of not wanting to have constraints put on their growth or development opportunities, Southern governments were not forthcoming in agreeing to disciplines on resource depletion, in particular on deforestation. There was resistance by Northern governments to place effective environmental safeguards on the development of genetic engineering, or to develop better international regulations on the transfer of hazardous products, projects and activities to the South. The commitment by Northern governments (especially the United States) to reduce emission of Greenhouse Gases was inadequate to the task of dealing with climatic change.
- Given these weaknesses, the concept of sustainable development remained controversial. Whilst there was general agreement that progress on the environment had to be accompanied by development, the place and role of equity, the need for reforms towards more equitable international relations and institutions as well as equitable ways of combining environment and economy nationally, were not agreed upon.

Despite these and other weaknesses, UNCED, its products (Agenda 21, the Rio Declaration, the Forest Principles, the Conventions on Biodiversity and Climate Change and an agreement to institute a Desertification Convention) and its processes (governmental, non- governmental and the interaction between the two), produced an intangible but nevertheless valuable "spirit" of partnership that could be built upon.

## 5. THE FAILURES OF THE POST-UNCED FOLLOW-UP

Five years after Rio, it is clear that the "Spirit of Rio" was not converted into practical action. Instead, it seems to have faltered, and whittled down, if not away. The main features of this development are as follows.

(a) A DROP IN AID VOLUME.

Despite the pledges of aid increase at UNCED, the OECD countries' aid fell from US\$61 billion in 1992 to \$56 billion in 1993, and 14 of 21 donors decreased the share of aid as a ratio of GNP. Since then, the situation has further worsened, with continuing aid cuts in Sweden, the United States, and Canada, among others. In particular, the new Republican-controlled Congress is pressurising for a much reduced role for aid and the withholding of funds (to which it is legally committed to provide) to the United Nations. The aid decline is inevitably seen as a lack of commitment and sincerity of Northern governments to implement the Rio agreements, and has robbed the UNCED follow-up processes and institutions of their status and legitimacy.

(b) NO PROGRESS IN TECHNOLOGY TRANSFER.

There has been no tangible progress in transfer of technology to the South, either in general or in environmentally-sound technology. Instead, since Rio, there has been much greater emphasis on increasing the rights of holders of intellectual property (mainly corporations of the North) and a corresponding downgrading of the rights of the public (and developing countries) in technology transfer and diffusion. This is mainly the result of the Uruguay Round's TRIPS (Trade-related intellectual property rights) Agreement which will require member states of the World Trade Organisation to tighten their national IPR regimes in favour of IPR holders, with detrimental effects on technology transfer or local development of technology. There is already evidence of how such patent regimes hinder transfer of environmental technology to the South. There is also a danger that the emerging IPR regime (whose rules favour commercial companies) will also marginalise the interests and rights of communities that developed biodiversity-based knowledge (in farming, medicinal plants, etc) whilst enabling the patenting of this knowledge by commercial companies. The stress on IPR protection at the expense of technology transfer has, like the decline in aid, robbed the post-UNCED process of its legitimacy, since technology transfer was the second plank of what was seen as the North's commitment to facilitating sustainable development.

(c) DOWNGRADING OF ENVIRONMENT CONCERNS IN THE NORTH.

There have been no significant moves in the North for basic changes to production and consumption patterns or lifestyles. Despite some efforts on the energy front for reducing emission of Greenhouse Gases (which are generally believed to be still inadequate to arrest adverse effects on climatic change), there has been in many Northern countries a reversal of environmental policies (such as logging of natural forests in the US and attempts to weaken standards) or the lack of progress in critical areas requiring attention (such as the inadequate regulatory response to rapid development of genetic engineering). Generally, there has been a downgrading of environmental concerns in the national agendas, as commercial interests and the need to retain "national economic competitiveness" take precedence.

(d) LITTLE IMPROVEMENT ON ENVIRONMENT IN THE SOUTH.

In most Southern countries, environmental concerns have also not received the kind of special attention that UNCED had promised. The poorer countries remain enmeshed in problems of external debt and low commodity prices and face additional problems caused by aid

decline. They are also bypassed by foreign investment flows. As a result, the lack of financial resources continue to hamper progress towards sustainable development. In the industrialising Southern countries, the pressures of urbanisation, industrialisation and high growth have put additional pressures on the environment, concerns for which have remained low compared to the imperatives of growth. Generally, in the South, there is a lack of progress towards sustainable agriculture or in phasing out the use of toxic substances (although the North-to-South export of toxic wastes may be reduced by the extension of the Basel Convention).

#### (e) EROSION OF CONCERN FOR DEVELOPMENT.

As serious as the downgrading of the environment agenda is the erosion of concern for development as a principle or as a right in the international agenda. This erosion is mainly due to a wave of economic conservatism in many Northern countries and reduced concern in their political establishment for problems of developing countries. More seriously, in the North, the more aggressive commerce-oriented and trade-oriented approach of viewing developing countries as markets (that need opening up) and as potential rivals (whose advantages should be curbed) has replaced the other approach of viewing developing countries as disadvantaged global partners requiring and deserving assistance. As a result, the "development principle" and the "development dimension" which hitherto had been recognised as the cornerstones in North-South relations, have been challenged and eroded, not only through the decline in aid, but also in the much greater reluctance to accord special treatment or advantages to developing countries in UN negotiations.

Of particular importance, the development principle has been eroded in North-South trade relations, especially at the WTO. The "special and differential treatment" for developing countries has been eroded through the Uruguay Round. In the current on-going WTO negotiations, including on new issues, developed countries have sidelined recognition of the development needs and objectives of developing countries and insisted instead on equal treatment for both the weak and strong: for example, "a level playing field" and "national treatment" for their firms. This contrasts with the reaffirmation by political leaders of the world of the appreciation of the development rights and needs of the South, through the Social Development Summit of 1995, and other UN conferences and resolutions. These declarations and processes, which represent the spirit of international cooperation, are being undermined by the more legally-binding and enforceable rules of the trade system. Therefore, instead of allowing the South to have greater development space to facilitate their transition to having a better environment (which was the UNCED understanding), there has been a significant narrowing of that space in the past few years.

#### f) PERSISTANCE OF DEVELOPMENT PROBLEMS IN THE SOUTH

A major aspect of UNCED was to heighten priority in resolving the pressing development problems in the South. These problems had to be tackled at two levels: improving the negative international economic environment; and improving domestic policies. Although a small minority of developing countries, mainly in East Asia, were able to take advantage of external factors to experience high growth, a majority of developing countries continued to suffer from poverty and social problems, and in some countries the situation worsened. The external environment faced by many developing remained negative. The terms of trade for many developing countries continued to deteriorate, with the prices and demand for commodity exports weakening. The debt crisis

persisted. Aid volumes declined. This continued to exert a large external drain of resources from developing countries. Resources for the state continued to dwindle in many countries, reducing their capacity to face the development challenges.

Globalisation in trade and investments had uneven results, with few benefits (and probably net losses) accruing to many of the poorer developing countries. Development policy options were further narrowed through the WTO Agreements and structural adjustment. The negative effects on the external environment have weighed heavily on many developing countries in the past five years. Many of them were unable to gather sufficient resources and strength to overcome their pressing social problems. As a result, there was low or inappropriate growth, reduced social development expenditures, persistent or worsening poverty, higher unemployment and greater inequities.

## 6. THE EFFECTS OF LIBERALISATION AND GLOBALISATION AND THE CLASH OF PARADIGMS

(a) Undermining of Sustainable Development Paradigm by the Free- Market Approach  
Perhaps the most basic factor causing the failure to realise the UNCED objectives was the countervailing trend of liberalisation and its brand of globalisation that has swept the world in recent years.

The UNCED approach represents one paradigm for international relations: that of consensus-seeking, incorporating the needs of all countries (big or small), partnership in which the strong would help the weak, integration of environment and development concerns, the intervention of the state and the international community on behalf of public interest to control market forces so as to attain greater social equity and bring about more sustainable patterns of production and consumption.

The liberalisation "free market" approach represents a very different paradigm. It advocates the reduction or cancellation of state regulations on the market, letting "free market forces" reign, and a high degree of rights and "freedoms" to the large corporations that dominate the market. The state should intervene only minimally, even in social services. On the environment, instead of intervening in or imposing environmental controls, the market should be left free on the assumption that this would foster growth and the increased resources can be used for environmental protection. This approach also sidelines concerns of equity, or the negative results of market forces, such as poverty and non- fulfilment of basic needs. It assumes the market will solve all problems. Extended to the international level, the paradigm advocates liberalisation of international markets, breaking down national economic barriers, rights to corporations to sell and invest in any country of their choice without restraints or conditions. Governments should not interfere with the free play of the market, and social or development concerns (for instance, obtaining grants from developed countries to aid developing countries) should be downgraded. The approach advocates a Social Darwinian philosophy of "each man for himself, each firm for itself, each country for itself." In this law of the social jungle, it is the right of individuals and companies to demand freedom to seek advantage and profit and to have access to the markets and resources of other countries anywhere in the globe, to implement their right to profit. The advocates of this approach want a free-market system where the strong and "efficient" are rewarded, and the weak or

inefficient may suffer losses but in any case should fend for themselves. The paradigm advocates competition, with prizes for the winners and without the supply of a cushion to compensate the losers for their loss. Aid and special treatment for developing countries should be downgraded.

In the past five years after Rio, there has been a dramatic clash of these paradigms in international affairs. The paradigm of partnership and cooperation was represented by the United Nations series of world conferences, in which global problems relating to the environment, women, social development, habitat, and food were sought to be discussed and resolved in a framework of consensus-seeking. It was recognised that the market left to itself could not solve the problems and would indeed be a hindrance, and that thus there were critical roles for governments, the inter-governmental community as well as for NGOs and citizen groups, to temper the market with social and environmental priorities and programmes. The need to build the capacity of the weak and poor was accorded priority, and the role of aid and differential treatment for them was recognised.

In contrast, the free-market paradigm was represented by the Bretton Woods institutions, which persisted in promoting structural adjustment programmes based on market liberalisation, and by the GATT/WTO which was dominated by the Northern governments advocating the opening up markets (especially of developing countries) for the exports and investments of corporations and financial institutions. The conclusion of the Uruguay Round in December 1993 heralded a new era where multilateral trade agreements and negotiations would subject countries much greater to the objectives of Northern governments advocating greater and wider "market access" for their corporations. The Uruguay Round agreements of 1993 and the paradigm they represented turned out to be more powerful than the UNCED agreements and products of 1992 and the partnership approach which they promised. Indeed, in the past five years, the liberalisation free-market paradigm, that gained prominence and pre-eminence, has undermined the sustainable development partnership paradigm, which has been sidelined in terms of importance. The market paradigm had strong means of implementation: in the Bretton Woods institutions, structural adjustment can be enforced as conditions for much-needed loans; in the WTO system, the Agreements and rules are enforceable through a powerful dispute settlement system which includes trade penalties and retaliation. In contrast, the partnership paradigm has been deprived of its main means of implementation, which are financial resources and technology transfer.

The main factor for the triumph of the market paradigm is the strong support and aggressive advocacy for it by the powerful countries, and their deliberate marginalisation of the partnership paradigm. Within these countries, the Commerce and Finance departments of government enjoy far greater influence than the Environment or Overseas Aid departments. This has contributed to the far higher priority given in these countries to national and private commercial interests vis-a-vis environment and development concerns.

(b) Depletion of UN's Role and The Expanding Powers of the WTO and Bretton Woods Institutions  
In recent years, the Northern countries have also successfully organised the downgrading of the role, resources and influence of the United Nations in social and economic affairs and policies, and simultaneously enormously increased the powers and influence of the Bretton Woods institutions and especially the WTO in determining international economic and social policies. This shift in institutional location of authority is due to the fact that the Bretton Woods/WTO institutions

represent the paradigm advocated by the North, and also due to control the North asserts in these institutions in contrast to the UN system where the South is better represented, due to the differences in decision-making in the different organisations.

With the higher status of the market paradigm, sustainable development concerns have been given lower priority. Governments of strong countries have become obsessed with competitiveness of their firms and countries; this has reduced the commitment to improve the environment and change production and consumption patterns. Deregulation has included the weakening of environmental policies (or their enforcement) in many countries. Interest in implementing the development components of UNCED (and of other Conferences such as the Social Summit) has diminished. The means of implementation of the many action proposals have not materialised.

(c) Failure to regulate big corporations and the move to widen their rights A major reason why the UNCED objectives have not been realised is the fact that the behaviour and practices of the main economic players (that determine production and consumption patterns) have not been brought under any kind of effective framework of accountability and disciplines. UNCED was itself partly responsible for this, as it did not propose any measures for regulating big corporations. In the past few years, the power of big corporations has increased: they control even more of the world's resources and account for a greater share of production activities, distribution, finance and marketing. There has been no noticeable change in their production patterns. The "business as usual" practice has resulted in continuation or even intensification of environmental pollution and resource depletion. Through globalisation of media, their advertising and sales promotions of consumer products and tastes have had an even much greater impact in spreading the kinds of lifestyles and consumption patterns that are environmentally unsustainable.

The regulatory situation relating to TNCs and business in general has worsened greatly in the past five years. The efforts to finalise a Code of Conduct on TNCs were formally killed in 1993, and the agency in charge of the Code, the UN Centre on Transnational Corporations, was closed down. Thus, the main international initiative and institution for establishing guidelines (non-binding at that) for the behaviour of TNCs, and that would lay down a code of obligations and rights of TNCs and states, have disappeared, and many years of work and negotiations have come to nought. Initiatives in other institutions, such as the Code of Conduct on Technology Transfer and the Set of Principles and Rules on Restrictive Business Practices, both at UNCTAD, marginalised due to the reluctance of the developed countries for their coming into effect.

Instead, there has been a strong opposite trend, which is now dominant, to reduce and remove more and more regulations that governments have over corporations, to grant them increased rights and powers, whilst removing the authority of states to impose controls over their behaviour and operations. The Uruguay Round has already granted far higher standards of intellectual property rights protection to the TNCs, thus facilitating further their monopolisation of technology and ability to earn huge rents through higher prices. There are strong pressures from Northern governments at the WTO to grant foreign companies the right of entry, establishment and national treatment to all WTO member states. Other proposals on competition policy and government procurement would give them further rights of access to business in developing countries. The ability of governments to regulate the operations and effects of TNCs and companies in general is being severely curtailed. Since it is most unlikely that businesses will voluntarily curb their own

practices so as to be in line with sustainable development, especially since there is now an intensification of competition, the removal of the rights of states to regulate business, especially TNCs, is a major and perhaps fatal flaw in the international community's attempt to arrest environmental deterioration and promote sustainable development.

(d) The failure of political leadership The recent years have also seen the weakening of political leaders in almost all countries in their attempts or ability to address environment, social and development issues. In the North, the political leadership has followed the rationale of the need to maintain competitiveness in a globalising world to place environmental and social concerns much lower on the list of priorities. Instead, these governments are meeting the demands of their corporations to promote liberalisation and to champion their interests domestically and internationally. Thus, at international negotiations, whether at the WTO or at the UN, Northern governments promote proposals that widen the rights of TNCs, whilst blocking or diluting principles and points that are made on behalf of development.

In the international arena, Southern governments are individually and as a group generally inadequately prepared for negotiations, compared to the Northern governments. Despite the dramatic expansion of the importance of international organisations and processes in determining national policies, the political leadership and bureaucracy in most developing countries have not put adequate human and financial resources in preparations for international negotiations. As a result, they often find themselves at a very weak end of the negotiations. This can sometimes lead to their being unable to effectively promote their points, and to having to agree to other points that are detrimental to their interests. Such a situation is particularly dangerous when the negotiations involve legally-binding agreements, as in the WTO.

Many political leaders and bureaucrats may privately agree that the present state of affairs on environment and development is negative and requires drastic reforms. However they go along with the big tide of liberalisation and of catering to the demands and interests of the business elite. Many have declared that they are unable to change the situation, and that the forces of liberalisation and globalisation are too strong to counter. The political capability and will to fight for environment, development and a cooperative model of international relations seem to be lacking all over the world. This of course leads to the question of who, if not the political leaders, are going to take effective action to promote sustainable development.

## 7. PUBLIC RESPONSES AND THE POTENTIAL FOR REASSERTING SUSTAINABLE DEVELOPMENT PRIORITIES.

Despite the rather bleak picture, there are also positive developments in recent years that keep the hopes for sustainable development, and the spirit of Rio, still alive.

These developments include:

- The still influential role and substantial resources of the United Nations system, despite its budgetary crisis and the attempts to blemish its image. The UN enjoys popular support, mainly because of its socially and environmentally positive positions, and its efforts to promote

international cooperation. The partnership paradigm represented by the UN is thus still very much alive where the public are concerned.

- The series of World Conferences organised by the UN and its agencies in recent years has had a positive public impact in highlighting a wide range of global problems, and provided opportunities for a focusing on the existence of the problems, their causes and proposals for action. This has had significant influence on the public, on citizen groups and the media, on the thinking and policies of national governments and on the staff of international organisations. They were also opportunities to advocate or reassert approaches and views that are counter to the dominant liberalisation/globalisation thinking. Thus they have built a useful foundation which can contribute greatly to future work and activities.
- The past few years have seen continued and in some cases strengthened activities of citizen groups that represent alternative approaches and paradigms to promote social and environmental causes. Particularly positive has been the increased networking and collaboration among the groups in North and South, and a cross-fertilisation of interests in different issues, including environment, development, human rights, women's rights, culture and social problems. The emergence of global civil society, advocating alternative viewpoints at international fora and to international institutions, is an important development that can monitor and help shape the globalisation process. This remains a significant hope for the promotion of sustainable development.
- The weaknesses, inequities and limitations of the globalisation model based on free-market interests are rapidly becoming evident. This has led to growing criticisms of the paradigm by influential members of the political, business, journalistic and academic establishment. The leaders and opinion makers of the system are themselves increasingly questioning and criticising the dominant policies and their effects. As the "consensus" on the orthodox approach breaks, the need to reform the globalisation and liberalisation process will become clearer.
- Most encouraging and inspiring of all, there are the thousands of grass-roots movements and groups that have taken their own initiative to fight for their survival, livelihoods or the larger public cause. These are the groups and the "heroes and heroines of sustainable development" that the Third World Network, as a representative of NGOs, saluted during an address to the UN General Assembly at the Rio Plus Five Summit in June 1997. They include:
  - The indigenous peoples of the rainforests, who are desperately guarding, sometimes with their very lives, the remainder of the world's rainforests.
  - The local communities and environmental activists of the North who too are fighting to save the remnants of their old growth forests from the logger's axe, and who are bravely battling the toxic dumps and hazardous industries located in their neighbourhood.
  - The communities in every region that have had to bravely defend their lands, homes and resources from the encroachment of commercial interests and big billion-dollar projects that all too often turn out to be economically unviable and ecologically destructive and that create millions of environmental refugees.

- The thousands of farmers around the world who, having suffered from the ill effects of chemical-based agriculture, have switched to organic farming on their own, and are re-building the land, despite the lack of support of the agriculture establishment.

- The consumers and consumer movements that are fighting against unhealthy products and unsustainable consumption patterns, who campaign for breastfeeding instead of baby foods, who raise the alarm over hazardous pesticides and pharmaceutical drugs dumped onto the Third World, and who have taken the tobacco industry to court and forced it, in the United States at least, to admit its liability, to pay billions of dollars in compensation, and to agree to request that government regulate their behaviour.

- The individuals, the campaigners and the scientists who are exposing the dark side of genetic engineering in the midst of the industry's media hype, and who are waging a campaign against the patenting of life and the cloning of nature's creation.

- The women, who are all too often in the forefront of the communities' fight for survival, hugging the trees to prevent their being chopped, standing with the men in facing the bulldozer, fighting against toxic industries and dumps to prevent the poisoning of the children.

These brave, ordinary, people, often the poorest and most humble of their societies, are the true practitioners and the real heroes of the sustainable development that the rest of us only talk about. They are in the forefront of the battle to defend their rights and to save not only their world but our world, and on our behalf, always with hardship and bravery, and sometimes paying with their very lives.

These hundreds and thousands of local community leaders and the millions of ordinary people around the world, who have provided us the hope that something is being done to save the Earth.

They need the support of everyone, because each one of us needs to join in the battle to save the Earth, and to bring hope of a better life for humanity. When more people join in, there will be a paradigm shift.

The time is indeed right ripe for such a "paradigm shift" away from a model based on competitiveness, greed and market expansion (without care for social development or the environment) to the sustainable development approach, premised on cooperation and international partnership, stresses the rights of people, and balances economic activities with social and environmental goals.

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