



## Conference “EU Trade on Trial”

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### Yes to Global Trade – But Protect our Planet

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#### Our main points of critique to the EU trade policy

##### 1. Contradiction in speech and acts?

The EU External Trade Commissioner Peter Mandelson recently praised the UK Stern report on the costs of climate change and the need to invest in climate protection measures. He mentioned the possibility to allow “*lower tariffs for products produced in a climate friendly way*”, he talked about “*environmentally-friendly goods and services*” and mentioned that public procurement policies could be made more ‘*climate friendly*’. At the Global Europe conference in Brussels on 13 November, Mr. Mandelson reassured free trade sceptics by stating that he did not only want to “*export our goods, but also our values*”, adding that “*free trade should not drive a loss in standards*”. In the new ‘Global Europe’ Communication, the EU Commission emphasises the need to consider environmental implications of future free trade agreements (FTAs). This is all very well, but during a meeting with civil society at the Commission today, Mr. Mandelson did not answer our questions on how he intends to translate his environmental-friendly statements into concrete actions.

In the ‘Global Europe’ Communication, Mr. Mandelson’s priorities are clear: opening up markets in other countries by bringing down all so-called ‘*regulatory barriers*’ and ‘*competition distortions*’ that hamper the business of foreign companies and by abolishing ‘*trade restrictions on access to resources*’ for European corporations. Again, the Commission considers the environment and natural resources as ‘*economic goods*’ that should be economically exploited – and not as a ‘*common goods*’ that should be protected.

Mr. Mandelson refused to clarify a contradiction between his public statements and the ‘Global Europe’ Communication, a paper that is ambiguous in parts because it leaves the door open to all options. The Commissioner did not clarify how he intends to combat climate change and environmental degradation when at the same time his plans would reduce the scope for developing countries to implement strong environmental governance strategies (for instance by requesting ‘*better access*’ to raw materials and by challenging export restrictions altogether) and encourage companies to continue externalising their environmental impact.

## 2. European collective preferences and trade

The issue of 'collective preferences', or 'social values', needs to be put back on the EU trade agenda, because trade is definitely much more than the exchange of goods and services. Trade has an impact on every area of social life. Therefore, trade policy should not be negotiated in isolation.

Take Genetically Modified Organisms (GMOs): We condemned the decision on 21 November by the EU not to contest a controversial ruling by the World Trade Organisation (WTO) in the transatlantic trade war over genetically modified (GM) foods and warned that accepting the ruling, which ignored international environmental agreements, sets a dangerous precedent for future environmental disputes.

It seems as if Commissioner Mandelson is happy for the WTO to trample over environmental laws. We do not believe that the WTO should decide what we eat or how we protect our environment. Whatever the WTO says, Europeans will continue to reject GM products.

The UN's Biosafety Protocol was totally ignored by the WTO. The Protocol is the only international safety agreement for GM products and allows nations to use a precautionary approach, giving them the right to ban GM products if there are concerns about their impacts on health and the environment. The WTO totally ignored the Protocol because the complainants – the United States, Canada and Argentina – were not signatories, even though the EU is and is therefore obliged to follow its rules.

We Europeans have our own priorities. And many times, these values are not about market access, profit-making and buying cheap. They are about living in dignity, having a good job, enjoying a healthy environment and a protected planet. And Europeans want to protect these values, not abandon them because they allegedly '*distort trade*'.

## 3. Governance and trade policy

Trade liberalisation policies aim at reducing or eliminating all '*barriers*' to trade. '*Free trade agreements*' therefore introduce new rules to enforce trade liberalisation commitments, and the notion of '*trade barriers*' has expanded over the years. As an effect, trade liberalisation disciplines and provisions have often contributed to water down or prevent regulatory measures in the environmental and social fields. By restricting '*policy space*', trade policy has ultimately a negative impact on world governance and democracy.

This trend should definitely be reversed. The European Union should recognise the right of governments to set their own economic priorities and strategies. This means that if states want to re-introduce some levels of state intervention and protection, they should be allowed to do so.

## 4. Corporate power and the EU trade policy

Trade liberalisation is often presented as a win-win situation whose main beneficiaries are citizens and consumers. Experience shows, however, that trade liberalisation mainly tends to benefit a small number of multinational corporations, at the expense of smaller companies, weaker social groups and the environment. Worldwide, the losers of a one-sided trade liberalisation are suffering.

Take the Euro-Mediterranean example. The EuroMed Partnership between the powerful EU and the rather divided Southern and Eastern rim nations of the Mediterranean Basin aims to set up a free trade area by 2010, barring nothing. The plans to liberalise trade between the EU and its Arab partners could have ruinous results for the people and environment of the Arab region.

While the EU claims that such an agreement could relieve tensions in the region and bring wealth and stability, we believe the deal could spur social and environmental mayhem in the south. What we need is a just and sustainable trading system in the Mediterranean – not free trade at the expense of the weak and the environment.

Take market access for agricultural products and services and the planned liberalisation of these sensitive sectors. The fact is that a high percentage of the poorest Arab people lives in rural areas and depends on agriculture for part or all of their income. If agriculture trade is fully liberalised, there will be an inevitable move from small to larger-scale farming. This will require much more irrigation in an area where water is already a scarce resource, exacerbating the problem of desertification. Moving toward monocropping and large-scale tilling of the land will also have a negative impact on soil quality.

Regarding trade liberalisation and privatisation in services, experience around the world gives reason for Arab citizens to be seriously worried. Friends of the Earth Europe believes that trade liberalisation negotiations for services must exclude those services that are vital to human development, such as water, energy, education and health.

Our demands are supported by the preliminary findings of a Sustainability Impact Assessment (SIA) of the Euro-Mediterranean Free Trade Area. The study, commissioned by the European Commission's DG Trade, predicts widespread adverse social and environmental impact for Southern and Eastern Mediterranean countries.

The study identifies the following potential social impacts: a significant rise in unemployment, particularly following liberalisation of trade in industrial products and agriculture; a fall in wage rates associated with increased unemployment; a significant loss in government revenues, with consequent social impact through reduced expenditure on health, education and social support programs; greater vulnerability of poor households to fluctuations in world market prices for basic foods; adverse effects on the status, living standards and health of rural women.

The main adverse environmental impacts that have been identified are: significant local impact on water resources, soil fertility and biodiversity in areas of high existing stress (industrial farming, industry, etc.); poorer living conditions in cities, resulting from declining rural employment and accelerated rural-urban migration; higher air pollution and coastal water pollution from greater transport activity; and higher waste generation from greater use of packaging materials.

A wealthy European country could perhaps take certain measures to avoid these predicted adverse effects. But the non-EU countries in the Mediterranean Basin do not have the necessary expertise or budgets. In addition, in those Southern and Eastern Mediterranean states that are not democracies, there are no independent public institutions that are professional enough to steer decision-makers on a safe path towards fair trade.

Under these circumstances, one must call into question the claim by European and Arab leaders that trade liberalisation will deliver the goals of peace, stability and prosperity. Also, it must not be forgotten that even the supporters of the free trade area expect only a modest welfare gain under the current plan.

EU and Arab officials should reconsider the 2010 target date for establishing the Euro-Mediterranean Free Trade Area and trade negotiations should be suspended until the ongoing SIA on the Free Trade Area's potential social and environmental impacts is completed. The EU and its Arab partners should then fully incorporate the Sustainability Impact Assessment recommendations into their trade negotiations.

At the same time, the EU should insist that Arab states develop fair and sustainable economies promoting education, employment, health and social welfare for everyone. Public participation must be guaranteed, meaning that intensifying trade must go hand in hand with developing democracy in the region.

## 5. Common goods and trade expansion

Europe is the world's largest single market with 450 million consumers. Does it make sense to import organic apples from New Zealand and cars from Japan to Europe? We do have enough apples and cars producers here. Have our officials really thought about the impact of senseless trade on climate change? Of course, some countries need to import and export goods to survive, keep or raise their standard of living. This is legitimate. But we do NOT think that everything has to be tradable and exportable to every corner of the world. This is unsustainable.

We do not believe that every material, plant, natural resource, service, idea, person on this planet is *per se* tradable. Therefore, there should be social and environmental limits to trade. This means that intelligent protectionism, i.e. the protection of sensitive sectors like the environment, is from our point of view legitimate. Intelligent regulation, too.

We do not reject a market-oriented approach *per se*. We evaluate each proposal on its own merits, and we are critical of actions that are likely to harm the environment and local communities. The rights of people and long-term sustainability must always come before the interests of companies. We would oppose a privatisation scheme if, for example, social and environmental standards were breached and the principle of environmental justice were violated.

Friends of the Earth Europe opposes a solely profit-oriented and therefore ruthless free trade. To the hyped slogans of '*competitiveness*' and '*competition*' we suggest that Mr. Mandelson tries practicing not free but fair trade with a spirit of cooperation. And our definition of '*better regulation*' is '*intelligent regulation*' that seriously takes social and environmental aspects into consideration. '*Better regulation*' cannot mean '*no regulation*'.

### More Info:

- FoEE's Trade campaign, <http://www.foeeurope.org/trade>
- FoEE's Mednet campaign on the EMFTA SIA, <http://www.foeeurope.org/mednet/sia/index.htm>
- On GMOs, the EU and the WTO, <http://www.foeeurope.org/GMOs/Index.htm>
- Seattle to Brussels Network, <http://www.s2bnetwork.org>

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