Theme 7 – The Implications of the Global Economy

Presentation: Trade and the Environment

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Everywhere our forests are overlogged, our agricultural lands overcropped, our grasslands overgrazed, our wetlands overdrained, our groundwaters overtapped, our seas overfished, and just about the whole terrestrial and marine environment overpolluted with chemical and radioactive poisons. Worse still, our atmospheric environment is becoming ever less capable of absorbing either the ozone depleting gases or the greenhouse gases generated by our economic activities without creating new climatic conditions to which man cannot indefinitely adapt.

In such conditions, there can only be one way of maintaining the habitability of our planet and that is to methodically reduce the impact of our economic activities. Unfortunately, it is the overriding goal of just about every government in the world to maximise world trade and create a global economy. Economic development, by its very nature, must necessarily further increase the impact of our economic activities on our environment. This could not be better illustrated than by the terrible environmental destruction that has occurred in Taiwan which in the last decades has achieved the most stunning rates of economic growth.1

Forests have been cleared to accommodate industrial and residential developments and fast-growing conifers; the virgin broadleaf forests that once covered the entire eastern coast have now been almost completely destroyed and the vast network of roads built to open up the forests to logging, agriculture and development have caused serious soil erosion. Efforts to maximise agricultural production in export-oriented plantations have led to the tripling of fertiliser use between 1952 and 1980, and this has led to soil acidification, zinc losses and declines in soil fertility, with water pollution and fertiliser runoff contaminating ground water - the main source of drinking water for many Taiwanese. Pesticides are subject to no effective government control and are now a major source of contamination of Taiwan's surface waters and ground waters.

A substantial number of Taiwan's 90,000 factories have been located in the countryside, on rice fields along waterways and near private residences. To maximise competitiveness, their owners have disregarded what waste-disposal regulations there are and much of the waste is simply dumped into the nearest waterway. The government itself says that 20% of farmland is now polluted by industrial wastewater. In addition, agricultural and industrial poisons and human waste have severely polluted the lower reaches of just about every one of Taiwan's major rivers. In Hou Jin, a small town near the city of Kaohsiung, 40 years of pollution by the Taiwan Petroleum Company has not only made the water unfit to drink but actually combustible. Air pollution has also increased massively. Sulphur dioxide and nitrous oxide pollution in Taiwan are now intolerable, with levels regularly reaching double those judged harmful in the United States.

It could be argued that once Taiwan has achieved a certain level of Gross National Product, it will be able to install the technological equipment required for mitigating the destructiveness of the development process. Yet why should it, when much of the legislation that has been forced on recalcitrant governments by environmental groups in rich industrial countries is now being systematically repealed.

Production for export

A considerable proportion of world production of the most basic commodities is produced for export: 33% in the case of plywood, 84% of coffee, 38% of fish, 47% of bauxite and alumina, 40% of iron ore, 46% for crude oil.2

In Malaysia, more than half the trees that are felled for timber are exported. This brings in one and a half billion dollars a year in foreign exchange, but at a terrible environmental cost. Peninsula Malaysia was 70% to 80% forested 50 years ago. Today it has been largely deforested. The result has been escalating soil erosion, the fall of the water table in many areas, an increase in droughts and floods and the destruction of the culture and life-style of the local tribal people. As country after country is logged out, the loggers simply move elsewhere.

In Somalia, the export of sheep, goats and cattle has grown at least ten-fold and that of camel has increased twenty-fold since 1955 and by 1989 the export of livestock accounted for 42% of the country's foreign exchange earnings. The breakdown of the traditional nomadic system of rearing livestock has lead to overgrazing, soil erosion, and the degradation of range lands, limiting the ability of the land to provide sustenance for the Somali people.3

In mid-west America, the intensive cultivation of maize and soya beans, largely for export, is leading to such terrible soil erosion that what was once the most fertile agricultural area in the world will, at current trends, be almost entirely deprived of its topsoil within the next 50 years.4 Tobacco accounts for 1.5% of total agricultural export and in the case of Malawi, represents 55% of that country's foreign exchange earnings. Damage is caused by the depletion of soil nutrients but the heaviest environmental cost of tobacco production lies in the sheer volume of wood needed to fuel tobacco curing barns. Every year the trees from an estimated 12,000 square kilometres are cut down, with 55 cubic

metres of cut wood being burnt for every tonne of tobacco cured. The production of coffee also causes serious environmental degradation, as do groundnut plantations in French West Africa.
The fishing industry, itself dependent on exports, is having a similar effect upon the seas. Today, nine of the world's 17 major fishing grounds are in decline and four are already 'fished out' commercially.5 In 1992, the great cod fisheries of the Grand Banks off Newfoundland in Canada were closed indefinitely and in Europe, mackerel stocks in the North Sea have decreased by 50 times since the 1960s. As fish stocks are depleted in the North, it is in the South that the fleets are now congregating, but the volume of fish exported from developing nations has already increased by nearly four times in the last 20 years and southern fisheries are already under stress.6 The predictable result is the depletion of Third World fisheries, with drastic consequences for local fishing communities.
So far we have considered some of the local effects of extractive export industries. The produce of such industries, as well as that of mining minerals, oil, coal, natural gas and mass-produced manufactured goods must be transported to the countries that import them.
In 1991, four billion tons of freight were exported by ship world-wide, requiring 8.1 exajoules of energy, which is as much as was used by the entire economies of Brazil and Turkey combined. That year, 70 billion tons of freight were sent by plane, which used 0.6 exajoules, equal to the total annual energy use of the Philippines.7
A European task force has calculated that the creation of the single market in Europe in 1993 will increase cross-border traffic with a consequent increase in air pollution and noise of 30% to 50%. With the increase in trade between North America and Mexico, cross-border trucking has doubled in the last five years and this is before trade barriers were reduced between the two countries. The United States government predicted that after the signature of the North American Free Trade Agreement, cross-border trucking would increase by nearly seven times. The ratification of the GATT Uruguay Round Agreement can only further increase the world-wide transport of goods, and to accommodate it a vast number of new highways, airports, harbours and warehouses must be built, also causing serious environmental destruction. Extra combustion of fossil fuels for transport purposes will contribute to additional pollution and the risk of accidental spills of oil and dangerous chemicals during transportation will increase.
Indeed, if the environmental costs of increased transport were properly taken into account and 'internalised', it is likely that much of world trade would be seen to be totally uneconomic.

The environmental effects of increased competition

A recent European Commission report has seriously questioned the effectiveness of current environmental regulations noting that there has already been a 13% increase in the generation of municipal wastes between 1986 and 1991, a 35% increase in the EC's water withdrawal rate between 1970 and 1985, and a 63% increase in fertiliser use between 1986 and 1991. It predicts that if current growth rates continue, carbon dioxide emissions must increase by 20% by the year 2010, making nonsense of the European Union countries' commitment to stabilise them by the year 2000.
However, in the free-for-all of the global economy no country can strengthen environmental regulations that increase corporate costs without putting itself at a 'comparative disadvantage' with its competitors. For example, the European Union and Japan both proposed adopting an international tax on fossil fuels as a first step in a campaign to reduce carbon dioxide emissions. The United States refused, saying that imposing such a tax on Americans would be 'electorally impossible'. Not wanting to impose costs on themselves alone and thus render themselves less competitive, the European Union and Japan dropped the idea. Fossil fuel use and carbon dioxide emissions thereby remain almost entirely out of control.

Competition and environmental disaster

In order to increase competitivity, corporations increasingly undertake cost-cutting measures. The Exxon Valdez disaster would probably not have occurred if Exxon had not eliminated 80,000 jobs, reducing the crews of its supertankers by a third.8. Normally the supertanker would have navigated in a safe but slow shipping lane; in order to cut costs, it was moved to a much faster, more dangerous lane which meant navigating through ice flows from the Columbia glacier.

Deregulation

Corporations are limited in their efforts to cut costs by regulations that protect the interests of labour, the unemployed, the poor, the old and the sick, and, of course, the environment. To the businessman, these regulations are so much bureaucratic red tape which increases costs and reduces competitivity. As a result, pressure has mounted everywhere to get rid of these regulations.
The likely effects of deregulation at a world level can be gauged from the experience of 'free trade zones' or 'export processing zones', of which there are now some 200 in the Third World, usually situated near key communication centres.9 Foreign industries are enticed to establish themselves in these zones by the simple expedient of eliminating

any effective regulations to protect the interests of labour or the environment. Wherever free trade zones have been established, there has been environmental devastation on a horrific scale.

Cross deregulation

More effective than deregulation carried out by national governments within their own country is that which is imposed on them by their trading partners under the GATT Uruguay Round Agreement. In the European Union's Report on US Barriers to Trade and Investment, April 1994, it is suggested that the commissioners should seek to overturn a large number of Californian and US Federal environmental laws which it is felt could successfully be classified as GATT-illegal trade barriers. These include California's Safe Drinking Water and Toxic Enforcement act (proposition 65) which requires the sticking of warning labels on products containing known carcinogenic substances, and the Nuclear Non-Proliferation act, a number of laws designed to protect fish stocks by limiting the use of large scale drift nets and other devices that lead to over-exploitation of fish stocks. It has been estimated that 80% of America's environmental legislation could be challenged thus. The United States and other countries can conveniently challenge European Union environmental laws in the same way.

The environmental effects of Structural Adjustment Programmes

The experience of those Third World countries that in the last ten years have been subject to International Monetary Fund and World Bank Structural Adjustment Programmes provides another eloquent illustration of the environmental consequences of increased competitivity and deregulation among export-oriented industries.
Costa Rica was subjected to no fewer than nine IMF and World Bank structural adjustment programmes between 1980 and 1989. Greatly increased exports were made possible by the massive expansion of the banana industry and of cattle ranching. The latter was heavily subsidised, a third of state agricultural credit going to the cattle ranchers. Expansion took place at the cost of the country's forest cover which dropped from 50% in 1970 to 37% in 1987 and has dropped still further ever since. To increase banana production, huge amounts of chemical fertilisers and pesticides have been used, which are then washed into the rivers and end up in the sea. In some areas 90% of coral reefs have been annihilated as a result.
Structural adjustment programmes have led to the same sort of environmental destruction in Ghana and in the Philippines, one of the most structurally adjusted countries in the world. In signing the GATT Uruguay Round Agreement we are in effect committed to subjecting the entire world to one vast structural adjustment programme.

Harmonising standards

Free trade has been institutionalised by a series of free trade agreements designed and promoted by associations of businessmen for whom environmental regulations are no more than costs that must be reduced to the minimum. Where possible the environmental issue has been avoided altogether. The word 'environment' appears nowhere in the mandate of the GATT nor is it mentioned in the constitution of the World Trade Organisation save in a cursory manner in the preamble.
Public pressure has forced the bureaucrats to take some notice of environmental issues and there is even some talk of 'greening the GATT'. Whatever the rhetoric, when it comes to adopting environmental standards that will increase costs to industry, they are invariably rejected. In 1971 the GATT secretariat stated that it was inadmissible to raise tariffs to take into account pollution abatement costs. In 1972 it refused to accept the 'polluter pays' principle.
Of course measures should be taken to ban or at least limit activities which are particularly destructive and channel economic development into those areas that are less so. But this is no longer possible. The global economy is controlled by increasingly stateless, unaccountable and ungovernable transnational corporations, which have set up, via the World Trade Organisation, a new international legal system that is designed to make it virtually impossible to adopt environmental controls that could increase their costs and thereby reduce their competitivity.

Creating consumers

Making a case for exporting the socially and environmentally devastating and utterly non-sustainable western lifestyle to the five billion or so people who have not yet entirely adopted it is impossible. It is mainly the appetite for this lifestyle that can be exported. The lifestyle itself only an insignificant minority will ever enjoy, and even then for but a brief period of time. It has been calculated that to bring all Third World countries to the consumption level of the USA by the year 2060 would require 4% economic growth a year. The annual world output, however, and the annual impact of our economic activities on the environment, would be 16 times what it is today, rendering the biosphere even less capable of sustaining the impact.
There is no evidence that trade or economic development are of any great value to humanity. World trade has increased by 11 times since 1950 and economic growth by five times, yet during this period there has been an unprecedented

increase in poverty, unemployment, social disintegration and environmental destruction. The environment on the other hand is our greatest wealth. To kill it is an act of unparalleled criminality. It is also an act of unparalleled short-sightedness. There can be no international trade and no economic development on a dead planet.

Notes

1. Bello, W., Rosenfield, S. (1990) Dragons in Distress, Institute for Food and Development, San Francisco.
2. French, H. (1993) Costly Tradeoffs, Reconciling Trade and the Environment, Worldwatch Institute, Washington DC.
3. French, H., Worldwatch Institute.
4. Krohe, H. (1984) Illinois - The US Breadbasket. Where has all the soil gone? The Ecologist, Vol. 14 No5/6.
5. The editors of The Ecologist, Vol.25, Nos.2-3, 1995, p.42.
6. French, H., op. cit.
7. French, H., op. cit.
8. Hawken, (1993) The Ecology of Commerce, San Francisco, 1993.
9. Goldsmith, A. (1996) Free Trade Zones, Sierra Club Books, San Francisco.