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Corporate Power over EU Trade Policy: Good for business, bad for the World.



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List of acronyms and abbreviations

BDI	Federation of German Industries
BP	British Petroleum
CAP	Common Agricultural Policy
Cefic	European Chemical Industry Council
CEO	Chief Executive Officer
CEPI	Confederation of European Paper Industries
CIAA	The Confederation of Food and Drink Industry of the European Union
CPME	Standing Committee of European Doctors
CTHA	Chemical Tariff Harmonisation Agreement
DDA	Doha Development Agenda
EFPI	European Federation of the Plywood Industry
EP	European Parliament
EPA	Economic Partnerships Agreements
ERRT	European Retail Round Table
ERT	European Roundtable of Industrialists
EACB	European Association of Cooperative Bank
ESF	European Services Forum
EU	European Union
FLG	Financial Leaders Group
FBE	Fédération Bancaire de l'Union Européenne
FFIF	Finnish Forest Industry Federation
FTA	Foreign Trade Association
GATS	General Agreement in Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
ICCA	International Council of Chemical Association
ICESCR	International Covenant on Economic, Social and Cultural Rights
IFSL	International Financial Services, London
LDC	Least-Developed Country
LOTIS	Liberalisation of Trade in Services Committee
NAMA	Non Agricultural Market Access
NTB	Non-Tariff Barriers
OECD	Organisation of Economic Cooperation and Development
REACH	Registration, Evaluation and Authorisation of Chemicals
SEA	Single European Act
SIA	Sustainability Impact Assessment
SME	Small Medium Enterprise
TABD	Trans-Atlantic Business Dialogue
TNC	Trans-National Corporations
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNICE	Confederation of European Industrialists
US	United States of America
WHO	World Health Organisation
WTO	World trade Organisation

Executive Summary

“The unprecedented split between growth and living standards is the defining economic agenda”¹

Jared Bernstein, Economic Policy Institute

As the Doha Development round of trade negotiations is at a stale mate at the World Trade Organisation (WTO) this report assesses the role the European Union (EU) has played at the WTO by placing the external aspects of its overarching competitiveness agenda – the Lisbon agenda – at the heart of its position at the WTO. In particular, the study exposes the influence of business-lobbying on setting the EU’s agenda on competitiveness and trade. The study reveals that by ensuring the external competitiveness of its industry, the EU’s corporate agenda in the WTO has undermined the “Doha Development Round” supposedly placing the interest of developing countries at the heart of the negotiations. Moreover, the study also finds that this corporate bias will be the cause for Europe to fail to reach the objectives of job creation, social cohesion and environmental protections as stated in both the Lisbon Agenda and the WTO negotiations.

Chapter 1 illustrates how the Lisbon strategy has become a business-first agenda by serving primarily the interests of large European corporations and reducing the objective of full employment, social cohesion and environmental sustainability to a cost-reduction and neo-liberal tool-box for business with minimum standards.

The chapter explains how this business bias can be traced directly to the aggressive lobby strategies practices by Europe’s largest corporations and their business associations through the employment of lobby channels they dispose of – meetings between Europe’s most powerful CEOs and the highest ranking politicians and EU officials; close communication between business lobbyists and Commission staff responsible for developing and implementing EU policy; use of law-firms and consultancies to represent business expertise in decision-making process; and the practice of revolving doors. This corporate lobby that allows business to control EU decision making has lead to opaque and undemocratic choices about trade-offs between business and societal interests, resulting in negative social and environmental impacts in the EU and abroad.

In search of competitiveness, large corporations are looking today at ways to expand their market-share through economies of scale, whilst reducing supply-costs to the minimum. Market access, as sought through the current WTO negotiations, would indeed allow corporations not only to benefit from cheaper inputs and increased overall sales, but also to control the market from conception to consumer through the creation of value-chains. By focusing on the most value added activities, the “top of the chain” has got increasingly concentrated. As the bottom of the chain (e.g. low skilled

work) has remained fragmented power, large corporations are able to dictate the terms for trading with their suppliers who, in turn, are left with little bargaining power. This is how a number of European transnational corporations (TNCs) have become some of the biggest and most competitive companies in Europe and abroad. The business’s overwhelming lobbying dedication steams from its need to ensure that the EU will promote the creation of an international trading system that is supportive of these profit-making and cost-cutting strategies.

Chapter 2 draws from the three key areas of the WTO negotiations – Agriculture, Services and Industrial Goods & Natural Resources – to assess the negotiating position of the EU vis-à-vis the lobby positions of Europe’s most influential corporations and business associations. Key companies’ profiles allow the chapter to make a direct link between corporate interest and the negotiating position of the EU, revealing the corporate trade agenda of the European Union and its negative consequences for people and the environment worldwide, especially in developing countries. The strong corporate bias in the EU’s trade stance has jeopardized the WTO talks as they were clearly against the interests of developing countries.

Negotiations on agriculture

This sub-section of the chapter illustrates how the EU has used the negotiations on agriculture to protect and foster the competitiveness of its processed food and drink industry – for in Europe this sector represents the most competitive industry in the international trade of agricultural goods.

The European processing industry mainly aims at improving its international competitiveness by accessing cheaper agricultural inputs (inside and outside of Europe) and by penetrating new markets whilst, at the same time, maintaining protectionist measures in Europe to shed itself from foreign competitors and guarantee fresh inputs from within Europe. The EU’s aggressive stance on market opening in developing countries, and its insistence on parallel concessions in all the areas of the agricultural negotiations, are clearly in defence of the positions of the Confederation of the Food and Drink Industries in the EU (CIAA) – which is heavily lobbying for some of Europe’s largest processing food companies – with Unilever being one of its most active members. A successful example of this lobby has been the decision to postpone the clarification of safeguard measures for developing countries at the Hong Kong ministerial. However, the EU’s corporate agenda will result in the inability of developing countries to protect their markets from the continued dumping of European agricultural imports. This in turn will jeopardise the livelihoods of millions of small farmers who cannot, and will not be able to, compete on internal or external markets, whilst fostering environmentally unsustainable and socially irresponsible agricultural practices.

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¹ See: <http://news.bbc.co.uk/2/hi/business/5303590.stm>

Negotiations on Services

As Europe's services industry has become competitive on the world market, the European Union sees the General Agreement on Trade in Services (GATS) as an instrument to protect and further foster the competitiveness of its services industry.

Key in setting the EU's agenda on service has been Europe's largest association of European services industries: the European Services Forum (ESF). Through privileged access to documents, negotiators and policy-makers at the highest level, the ESF has successfully lobbied the EU to adopt the most aggressive of positions despite the opposition of developing countries to the negotiations. Examples of successful lobby examples are the retail and the financial services sectors.

In order to ensure its competitiveness, the retail sector has a strong interest to enter several profitable markets, especially India and China, on a permanent basis and with fewer obstacles for its investment. Eurocommerce, the Foreign Trade Association, the ESF and the European Retail Round Table – Europe's largest business associations representing European retailers – have successfully lobbied the EU to negotiate for instance against a country's right to assess the desirability of new retail establishments, including by foreign retailers, into their markets ("economic needs test"): the elimination of this right was included as an objective in the 2005 Hong Kong Ministerial text. The result will be the deregulation of already fragile developing countries' markets with a consequential undermining of their capacity to manage possible negative impacts by foreign investments. Indeed, the strategies of the internationally operating retailers, which these lobby organisations represent, such as for instance Carrefour's, have already lead to downward-income, job-cuts and poor working conditions at supermarkets and their suppliers and the marginalisation of small farmers and producers both in Europe and in other countries in which they operate.

Similarly for the **financial services** sector, the GATS negotiations play an important role in the fierce global competition among the big players to increase their profits, access more markets – especially in countries with more affluent clients – and ensure that governmental measures and regulations do not prevent them in their profit making strategies. As in the past, the Financial Leaders Group and the International Financial Services, London (IFSL), with its active LOTIS Committee (Liberalisation of Trade in Services Committee), have been in close contact with privileged access to EU decision-makers and negotiators at the time when the EU was developing its position and liberalisation demands ("requests") on financial services during the GATS negotiations. The influence was such that in the written EU requests to developing countries references of the kind: "the EU industry raises this issue", could be found.

In full accordance with the financial business requests, the EU has been asking many developing countries to rapidly open-up their markets and remove many regulations. Mean-

while the EU has been brushing aside concerns that rapid liberalisation, when not accompanied with sound regulation, can lead to financial instability and negative economic and social impacts – such as denied credit-access to poorer clients and local business. Many international banks such as ING, and their lobby organisations, will be allowed to continue to be involved in financing activities often in breach of social, environmental and economic rights, whilst also failing to foster job-creation.

Negotiations on Industrial goods and Natural Resources

As the world's largest exporter in industrial goods, the European industry wants all kind of tariff and other trade regulations to be removed throughout its value chains in order to increase its exports from Europe and among its subsidiaries whilst accessing cheaper raw-materials. UNICE, Europe's oldest and most influential business association has been an influential and vocal advocate of these interests. UNICE has been particularly successful in lobbying the EU in negotiating large tariff-cuts to developing countries in the WTO negotiations on Non-Agricultural Market Access (NAMA), despite developing countries' clear opposition, given the negative impacts that such tariff-cuts would have on their industry and employment.

An example of the EU's agenda on NAMA comes from the European **chemical sector**, whose companies are the largest producers, as well as the leading exporters and importers of chemicals worldwide. Given the increasing production of chemicals and chemical components outside of the EU, the European Chemical Industry Council (Cefic) – which employs more lobbyists than all the Brussels-based environmental organisations together – has lobbied the EU to push for the most drastic tariff-cuts in NAMA in an attempt to secure its international competitiveness whilst also accessing cheap raw materials.

The EU has championed these requests despite there being evidence that such an approach to the liberalisation of the chemical sector could cripple the development of a domestic chemical industry in developing countries, while the existing European multinationals would benefit most. Again, the EU is defending the interest of an industry who, in Europe alone, has been responsible for major job-losses and the weakening of European environmental and health legislation.

Also active lobbying in the NAMA negotiations has been the **forest, pulp and paper industry**, which is in high need of cheap supplies, through access to foreign markets', and market access to profitable emerging markets – such as China. The Confederation of European Paper Industries (CEPI), who represents the sector's interests, has successfully lobbied the EU by ensuring that, despite NGO opposition, the forest sector would not be exempted from the NAMA negotiations, nor from tariff-cuts that would be applied to it. CEPI has also been advocating in favour of the elimination of non-tariff barriers (including environmental regulation) and export-taxes



S2B campaigners protesting against the excessive influence of the corporate lobby on EU trade policy (Brussels, November 2005)

considered responsible for the high-costs of trading natural resources within the industry's value chain.

As the study reveals, the inclusion of the forest sector in the WTO negotiations could lead to the loss of access to, and destruction of, the natural resources upon which many people traditionally depend for their livelihoods. Loss of bio-diversity and the increase of illegal logging are also foreseeable consequences of the European negotiating strategy, especially in those (many) countries where forest governance is already weak.

In pursuing a corporate dictated agenda in the WTO, the EU is therefore failing its commitment to the Doha Development Agenda, to its sustainable development and environmental protection obligations, and the social and sustainability objectives of its Lisbon strategy. It is particularly worrying that the EU chose to ignore the findings and recommendations of its very own studies (Sustainability Impact Assessments) which gave evidence that the EU adopted policy-stance had negative effects on people and the environment, while benefiting its own industry.

Drawing on these findings, Chapter 3 puts forward a number of **key recommendations** to the 25 EU Trade Ministers.

In primis, the study recommends that the EU reconsiders its current position on transparency of lobbying with a view to effectively address and curb the corporate power controlling its policy agenda. The European Commission should not settle for a voluntary but an obligatory transparency system that secures meaningful levels of registration and reporting by lobbyists, including about their financial resources.

Secondly, the study recommends the EU to completely overhaul the current EU trade policy and the negotiating mandates of the European Commission, based on the following criteria:

- ➔ Protect and fulfil the EU's obligations towards social, economic, cultural and human rights as well as the environment and livelihoods in its negotiating position;
- ➔ Ensure the necessary policy space and regulatory capacity building for governments, especially in developing countries, to define their own sustainable development policies;
- ➔ Regarding agriculture, ensure people's food sovereignty;
- ➔ Regarding services: strengthen and universalise services, especially essential services;
- ➔ Regarding NAMA: Protection and promotion of employment, social welfare, health and the environment.

Given the current state of stalemate in the WTO negotiations, the EU should:

- ➔ Use the opportunity of the suspended talks to review and reconsider the multilateral trading system as a whole, and start a new approach in its trade policies as proposed above;
- ➔ Ensure that the negotiations are not resumed until all impacts are thoroughly assessed for each negotiating area;
- ➔ Ensure that sustainability impact assessments (SIAs) with due stakeholder involvement become integral elements of EU trade policy-making;
- ➔ Ensure that the imbalances of the WTO agreements are addressed before any new negotiations start.

Chapter 1 – *The EU's corporate trade agenda in the context of the Lisbon Strategy: moving up a gear towards Europe Inc.*

The aim of this chapter is to illustrate how the Lisbon Agenda, adopted by the European Union as its overarching policy framework, has placed the competitiveness of European industry at the heart of EU-policy making. By looking at how the Lisbon strategy aims at ensuring the competitiveness of the European industry vis-à-vis foreign competitors operating in the EU, as well as its competitiveness in markets abroad, the chapter illustrates the strong ties that link the Lisbon Agenda to the European Union's foreign trade policy, and particularly its negotiating position at the World Trade Organisation (WTO).

Despite President of the European Commission, Manuel Barroso, stating that *"the Lisbon strategy is not only a business agenda,"*² the conservative Financial Times depicted the March 2000 summit in Lisbon as being *"closer in style to a board meeting than [the heads of governments'] previous summits,"*³ for the summit made it clear that those who intended curbing the *"ruthless pursuit of profit at the expense of working men and women [...] should no longer interfere with the business of business"*, reported the Financial Times.

Indeed, as this chapter reveals, the Lisbon strategy is above all a business-first agenda serving the interests of a small elite of large European corporations at the expense, and in breach, of European Treaties' fundamental objectives of sustainable development, environmental protection, social cohesion and democracy. The chapter reveals that the bias towards the interests of big business in the EU's internal and external policies cannot be explained without the strong lobby instruments which have allowed business to take control of the power *"in Brussels"*.

1.1. The Lisbon Strategy: the ultimate cornerstone of corporate-driven integration

In March 2000, during the European Summit in Lisbon, European Heads of State and Governments agreed upon a very ambitious strategy for Europe: the Lisbon Agenda.

At a time when the bubble on international financial markets was fuelling Europe's economic boom to such an extent that even out-competing the US appeared possible, the agenda in Lisbon was to ensure that Europe would turn within a decade into *"the most competitive and dynamic knowledge-based region in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion."*⁴ However, to achieve this, the EU resorted to the same neoliberal business-oriented toolbox it had used previously and unsuccessfully, including the structural-reforms of labour markets, and social security systems, and the completion of the

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² Barroso, J. M. (2004) *The Lisbon Commission, Speech delivered at the UNICE Competitiveness Day, 9 December 2004.*

³ *Financial Times* (2000) *A corporate plan for Europe Inc.*, 20 March 2000.

⁴ *European Council 2000, p.2.*

internal market via further liberalisation and privatisation of public services – such as energy and telecommunications. This strategy was being built on the foundations laid by the Single European Act (SEA) of 1985, or rather, the creation of a corporate-driven internal market. Peter Sutherland – former chief of the WTO, and now Chairman of **BP** and **Goldman Sachs**⁵ – believes that it was merit of the **European Round Table of Industrialists (ERT)** set-up by Europe's largest transnational corporations (TNCs), and not of Governments, that the internal-market project in Europe was initiated, for the idea behind this *"largest deregulation project in economic history"*⁶ was to create a business-friendly-environment enhancing *"European global competitiveness"* vis-à-vis their US and Japanese counterparts. By opting for a *"mutual recognition"* of Member States' different national business rules, as opposed to their harmonization, *"the scene was set for a much more demanding single-market regime: the business rules of European countries would be forced to compete for survival across open frontiers, with only certain essential standards being enforced by common consent from the centre."*⁶ The ultimate reference point became therefore the open market and the maximisation of business profit, with societal concerns being adapted to the rules of business, and not vice versa.

Far from representing Governments' own initiatives, these strategies have been the fruitful result of business' steady and powerful lobby machine in Brussels and in capitals. As Baron Daniel Janssen stated, CEO of **Solvay** and chairman of the Competitiveness Working Group of the ERT, *"the European Round Table of Industrialists and our Competitiveness Working Group were very much involved in the preparation of the [Lisbon] Summit."*⁷

1.2. Competitiveness – The Lisbon Leitmotiv

With the adoption of the Lisbon Agenda, competitiveness had become the EU's overall policy aim since, according to the EU, the *"European Union [was] confronted with a quantum shift resulting from globalisation"* requiring *"a radical transformation of the European economy"* if it wished not to lose the race with the US.⁸ However, the term *"competitiveness"*, originally defined by the OECD as a nation's ability to increase real-wages while remaining competitive on international markets, received a new, if not contrary meaning in Lisbon as it became synonymous for the reduction of wages as an instrument to preserve the competitiveness and high-prof-

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⁵ Wolf, W. (2004) *Das geheime ZK der EU-Konzerne, Jungle World, 17 August 2004, Berlin.*

⁶ Huffschnid, J. (1989) *Das Binnenmarktprojekt '92 – Hintergründe und Stoßrichtung, in: Deppe, F. et al.(1992) Projekt Europa. Politik und Ökonomie in der Europäischen Gemeinschaft. Statement by dr. Karl-Heinz Narjes, former Vice President of the European Commission.*

⁷ ERT, 1985, p. 18.

⁸ Quoted from Nicholas Colchester (*The Economist*) and David Buchan (*Financial Times*) described it in their internal-market chronicle: Buchan/Colchester 1990, p. 81.

⁹ Janssen, D. (2000) *The Pace of Economic Change in Europe. Speech delivered at annual meeting of the Trilateral Commission in Tokyo, www.trilateral.org/annmtgs/trialog/trlgtxts/t54/jan.htm*

¹⁰ *European Council, 2000, p.1.*

itability of European business.¹¹ The EU fell victim of its “competitiveness mania” when European leaders met in spring 2004 to decide that European legislation would be assessed, from then on, against its impacts on business’ competitiveness, be it environmental, social or development legislation – a policy decision strongly advocated by the ERT.¹²

As the growth rates of the late 1990s and the bubble on financial markets vanished into thin air at the beginning of the new millennium, it became official in November 2004 that the far-reaching goals set in Lisbon had been missed by large.¹³ This did not bring into question the validity of the underlying neo-liberal strategy of the EU, but resulted, on the contrary, in President Barroso and his Commissioners downsizing the overloaded Lisbon agenda in March 2005 to a “growth & jobs” strategy that reads like a cost-reduction programme for industry. Social and environmental goals which had been, on paper at least, part of the Lisbon agenda were dropped on the premise that such a strategy would boost European economy and subsequently deliver on the other policy objectives.¹⁴ However, this strategy also responded to the complaints by business against the impacts that social and environmental legislation was causing to their profit-making strategies. The ERT, for instance, had raised objections in relation to the Kyoto-Protocol for having been “initiated and adopted with little thought of the consequences of industry”.¹⁵

On the basis of this, a number of key policies were put in place to foster the competitiveness of European business within Europe. These include the “Directive on services in the internal market”, also known as the Bolkenstein directive, and the so called “better regulation” initiative which, in line with the idea of assessing European legislation vis-à-vis its impacts on business’ competitiveness, aimed at creating a more business-friendly regulatory environment in Europe. The negotiating position of the EU in the multilateral trade talks at World Trade Organisation (WTO) would have served, instead, the purpose of fostering the competitiveness of European business internationally.

1.3. The costs of Lisbon in Europe

The Lisbon strategy’s subtitle – a strategy for the economic, social and environmental renewal of Europe – suggested that the three policy areas were given equal attention. However, the inherent trade-offs between better jobs vs. flexibilisation of labour markets, and higher social inclusion vs. cuts in social security systems¹⁶ were never intended to be nego-

tiated in a – democratic – political arena.¹⁷ The lobby pressure of big business has resulted in continued preferential treatment of European TNCs and their neoliberal approaches. This has resulted, in turn, in EU Member States moving further away from the core European principle of democracy, and failing to adhere to the International Covenant on Civil and Political Rights (ICCPR) which states (Article 25) that State parties have an obligation to ensure participation of citizens in the conduct of public affairs in “all aspects of public administration, and the formulation and implementation of policy at international, national, regional and local levels.”¹⁸

The privileged access of big business (as explained further in this report) defies this right to public participation in decision-making and has consequences for many citizens in Europe and elsewhere. This lack of democracy has been one of the reasons for the “no” to the constitution, which would have institutionalized the competitive agenda and is endangering European integration.

The powerful idea of a peaceful, social, gender just and environmentally sustainable European integration has been foiled by the promotion of warfare-like competition of business inside and outside of Europe. The way the Lisbon strategy is being implemented is often contrary to the EU Member States obligations to progressively achieve the full realization of citizens’ rights incorporated in the International Covenant on Economic, Social and Cultural Rights (ICESCR), not only in their own countries but also internationally. For instance, privatising and liberalising public services, and pushing some of this through the WTO negotiations in services, can undermine universal access to water, health services and health insurance, energy and other basic services which Governments have the obligation to guarantee as basic human rights. Some measures to make labour markets more flexible (e.g. outsourcing without guarantees of social rights) also go against some of the ICESCR labour rights.

The Lisbon strategy is also going against a growing trend to hold business directly accountable and responsible for their social and environmental impact. While the UN¹⁹ is working out “Norms on responsibilities of transnational corporations and other business enterprises with regards to Human Rights” (based on international human rights obligations to address the adverse effects of TNCs on economic, social and cultural rights and sustainable development) the European commission has issued a communication on “corporate social responsibility” in March 2006 which has discarded demands for binding rules and ignored inputs from many stakeholders (except those from business), in the name of maintaining business’ competitiveness and freedom to operate.²⁰

The following two sub-sections explore the lobby practices

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11 Reinert, E. (2005) *European Integration, innovations and uneven economic growth: challenges and problems of EU 2005*, Working Papers in Technology Governance and Economic Dynamics no. 5, Tallinn University of Technology, Tallinn. p.6.

12 Wesselius E. (2004) *Competing Ourselves to Death?*, Corporate Europe Observer, April 2004, Amsterdam.

13 Kok W. et al. (2004) *Facing the challenge. The Lisbon strategy for growth and employment*, November 2004.

14 European Council, 2005.

15 Wesselius E. (2000) *ERT Moves to Next Phase in Europe’s, Double Revolution*, Corporate Europe Observer - Issue 7, October 2000, Amsterdam.

16 Other example: reducing energy consumption vs. 3% economic growth rates.

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17 Dräger, K. (2005) *Alternativen zur Lissabon-Strategie der EU - Europa braucht eine integrierte nachhaltigkeitsstrategie*, in: *Widerspruch, Europa sozial*, Heft 48.

18 See: http://www.unhchr.ch/html/menu3/b/a_ccpr.htm

19 UN Commission on Human Rights, 2005. *Norms on responsibilities of transnational corporations and other business enterprises with regards to Human Rights*. Geneva.

20 UNICE, letter to its Social Clauses Working Group, (Ref: 2006/109.14/CI 13 03 06), 13 March 2006.

of European business in Brussels which are able to sideline the societal aspects of the Lisbon agenda, and the economic motives behind business' interest in pushing for a competitive agenda.

1.4. The Brussels lobby-complex

Lobbying in Brussels has become a key instrument for business to integrate its interests in the European power structure, and has resulted in what the European Parliament called "the institutionalisation of big-business in the EU policy progress"²¹; while the European institutions are suffering a 'democratic deficit' with Europe's population.

In the absence of a comprehensive and effective system of disclosure, the current number of business lobbyists in Brussels is unknown. By 1997, the number of lobbyists was estimated to equal the number of Commission officials.²² Nowadays, the number of lobbyists in Brussels might total about 15,000, over 70% of which working directly or indirectly for corporate interests, and only around 10% representing non-governmental organisations – including trade unions, public health organisations and environmental groups.²³ Despite the European Commission hindering any mechanism for compulsory disclosure with reference to lobby practices in Brussels,²⁴ a number of public interest groups, such as the "Seattle to Brussels Network" and "Corporate Europe Observatory", have monitored and analysed the Brussels *lobbycracies*, describing the major lobby groups and their manoeuvres.²⁵ The way lobbying in Brussels has become a sophisticated and multi-faceted activity can be summarized as follows.

Corporations deploy different lobbying strategies according to their business-objectives. Business/branch/trade associations, whether European or national, allow corporations to pursue general objectives in unison with other businesses. A key player in Brussels, representing the interests of major European corporations, is the Union of Industrial and Employers Confederations of Europe, **UNICE**. However, corporations may also resort to their own "in-house" lobbyists for specific issues that might require immediate action and for which their associations' long-winded decision-making processes might prove too cumbersome. Such lobbyists are typically direct representatives of companies or exclusive groups of top-businesses, such as the European Roundtable of Industrialists (ERT), the **European Retail Round Table**, the **European Information Technology Industry Round Table** and the **European Financial Round Table**, the CEO's of which, often sit eye-to-eye with Commissioners and Ministers. Business representatives also sit in the 1,800 specialised committees who are at the core in advising and

assisting the EU civil servants in their work. Of the 80,000 experts participating in such committees, half are government representatives and half from private associations (2/3 profit and 1/3 non-profit).²⁶ Lobbying can also take place through third party agents, such as consultancy firms acting on behalf of individual companies, which has indeed become a new trend in Brussels' corporate lobby scene, with law-firms representing corporations in the nitty gritty legal process of the Brussels machinery. Examples of such law firms are **Hammonds, White&Case, Wilmer Cutler Pickering Hale and Dorr** – with former trade commissioner Leon Brittan as a member of its board, a perfect example of how "revolving doors" connect EU officials to business building political support for corporate interests. In the words of a senior lobbyist, "[t]here is a broad political consensus. We [business and EU officials] share a common interest".²⁷ It should come by no surprise therefore that with such privileged access to decision-makers, business has been able to set the political agenda in Europe, one that would help it gain competitiveness in the new transnational economy.

1.5. The new transnational economy: concentrated at the top, fragmented at the bottom

The policy of structural changes promoted by the Lisbon Agenda and the related trade policies are the governmental support without which European business cannot implement its various management strategies in order to remain competitive, not only among European corporations but not least against US and other big businesses that were taking market shares in Europe and elsewhere in the world. In order to exploit economies of scale in procurement, production and consumer markets, business turned to mergers and acquisitions in Europe to consolidate their business. For this, deregulation, liberalisation of the Single Market and the introduction of the Euro had been necessary and open-markets at world-wide-level are required. The permanent quest to increase shareholder value and profits lead to the reduction of labour costs by making labour more flexible in Europe, by outsourcing production (inside and outside Europe) and through access to developing countries without costly tariffs. Low tariffs were also necessary to cut the price of raw materials and other inputs sourced from low-cost countries. The European Single Market had helped to increase access to more consumers, but as the European market became saturated for big European businesses in many sectors, more access to other markets around the world was necessary to increase profits and compete internationally. Constant improvements in technology or other features of their products allowed big business, through research and development (R&D), to keep ahead of their rivals and move-up the value chain. At the same time, innovations in information and communication technology technically enabled outsourcing around the globe and increasing the

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²¹ European Parliament (2003) *Lobbying in the European Union: Current Rules and Practices*, Working Paper. AFCD 104 EN. Brussels, p. 12.

²² Deckwirth, C., 2005, p.8.

²³ CEO, 2005.

²⁴ See: the Commissions Green Paper on "the European Transparency Initiative". http://ec.europa.eu/commission_barroso/kallas/transparency_en.htm#1

²⁵ See: Deckwirth, C., 2005; CEO, 2005.

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²⁶ Deckwirth, C., 2005, p. 1.

²⁷ *Ibid*, p. 12.

automation of more and more business functions, thus cutting on job and labour costs.

1.5.1. The rise of global value chains

A particular feature of these corporate strategies has been to focus on their core competence. Hence, many TNCs have identified their strengths and most value-added activities, concentrating on these and outsourcing or selling other less profitable operations. These business structures are in general referred to as “global value chains”. In these value chains, TNCs dispose of key competences, mostly intangible in nature, like managerial & organizational capacities, R&D, design and branding, related copy rights or marketing, which are hard to imitate or develop, resulting in low-competition and high-returns. As a consequence, the number of players at the top of the global value chain decreases, resulting in an “unprecedented concentration of business power in large corporations headquartered in high-income countries”.²⁸ In contrast, the bottom of the value chain experiences fragmentation, resulting in fierce competition and low returns.²⁹ This is typically the case for low-skill and low-tech industries and sectors such as agriculture and raw materials, and for suppliers and workers locked in activities which are plentiful or easy to copy, particularly in developing countries. The “lead firms” at the top of the chains are controlling all the internationally dispersed operations that are required to bring a product or service from its conception to the final consumer and force the suppliers at the bottom of the chain to compete against one another for the lowest price, and transfer the risks of production over to them. With such integration within value chains trade relations have changed accordingly since two thirds of trade is now within or between parts of TNCs. Contrary to the free-trade assumptions of a level-playing field, today’s trade regime is highly concentrated in parallel trade channels, and characterized by uneven bargaining power within the global value chains and amongst the suppliers or workers at the bottom of the chains. The harsh competition among the lead TNCs for more profits is felt throughout the value chains, and is reflected in their lobby positions.

1.5.2. The role of European Champions: European TNCs at the forefront of global value chains

Among the largest 100 non-financial TNCs, the EU alone accounts for half of the entries in the top 100 list, whilst just 4 of these are from a developing country.³⁰ The EU has increased its share in the last decade³¹ amongst others because of its policy to privatise formerly state-owned monopolies such as telecommunications, electricity, water and postal services. A

large new group of TNCs such as **Suez, RWE, E-On, Vodafone** or **Deutsche Telekom** was built and they now make-up almost 20% of the top 100 companies.³² As for the largest financial TNCs, deregulation of financial markets and services, alongside with technical innovation has contributed to the creation of large financial conglomerates. While in 1989 none of the financial service companies figured among the top 50 corporations by revenue, by 2005 the EU companies are again at the forefront accounting for 29 out of 50 of the largest financial TNC’s, including **HSBC, ING, BNP Parisbas, Banco Santander, Allianz** or **AXA**.³³ Other key sectors where EU’s holds a leading position are: construction, with the world top 3 being **Bouygues, VINCI** and **Skanska AB**; the automotive industry, with **Volkswagen, BMW, DaimlerChrysler, Fiat, Renault** or **Volvo**; and the chemical/pharmaceutical sector, with **BASF, Bayer, Sanofi-Aventis** or **GlaxoSmithKline**. Not to forget the oil and gas sector where **BP, Shell, Total, Eni** or **Repsol** figure among the top companies.³⁴ In the area of retail, besides Wal-Mart (US) the top supermarkets operating around the globe are mainly European, with **Carrefour, Metro, Tesco, Ahold** and **Delhaize** in the lead. In some sectors, European companies such as **Unilever** and **Danone** have many non-European rivals operating in Europe, including Procter & Gamble (US), Altria (US) and Nestlé (Switzerland).

1.6. Lisbon and the WTO: EU trade policy at the service of TNCs

Drawing from the analysis above, it becomes clear how better market access is key for business to remain globally competitive and move-up the value chain. A *sine qua non* for European business is that market access around the world for cheap inputs, cheap production and profitable consumer markets, is provided on an equal footing as for its rivals. In this context, the EU trade policy “lies at the heart of the external aspects of competitiveness.”³⁵ The European Commission, who leads trade policy in Europe (see Box 1) acknowledges that “European business needs open global markets. The Union will press hard for completion and implementation of the Doha Development Round [in the WTO], as well as progress on other bilateral and regional economic relationships.”³⁶ In line with this statement, the European Commission has drafted, in June 2006, a new paper on the external aspects of the Lisbon strategy,³⁷ re-orientating dramatically trade policy towards greater support for European businesses and their strategies, and further away from the interests of developing countries.³⁸

In the Commission’s view “a successful completion of a far reaching DDA is an essential deliverable of the Lisbon strategy itself,” for the multilateral level represents the most efficient

28 Nolan, P. (2003) *Industrial Policy in the early 21st Century: The Challenge of the Global Business Revolution*, in: Chang, H.J.(2003) *Rethinking Development Economics*, London.

29 Kaplinsky R. (2005) *Globalization, Poverty and Inequality – Between a Rock and a Hard Place*, Cambridge.

30 UNCTAD 2005a, p.17.

31 UNCTAD 1995, p. 69.

32 UNCTAD 2005, p.15.

33 *ibid* 2005, p. 19.

34 *ibid* 2005, p. 267.

35 European Commission 2005b, p.8.

36 *ibid*.

37 European Commission, 2006.

38 *ibid*, p. 5-6.

way of achieving its competitiveness objective by engaging with over 150 countries in a single negotiating forum and agreeing to a uniform set of conditions for its companies' trade and investments along the value chain. As a parallel strategy however, the EU has also been negotiating some bilateral and regional trade agreements widening the room of manoeuvre "to move things beyond WTO standards" since, by definition, "a bilateral trade agreement is WTO plus."³⁹

Given the stalemate in the WTO negotiations in July 2006, the bilateral approach and focus on key profitable countries has experienced a crescendo. This has also been confirmed by the June 2006 draft paper on an External Competitiveness Strategy by the European Commission whereby the focus has shifted towards a more bilateral approach in an attempt to move beyond the WTO agenda and press open the rich markets⁴⁰ in "other developed countries and the big new markets of Asia, India and Brazil."⁴¹ According to this paper these bilateral agreements will be more ambitious than before, especially with regard to NTBs⁴² and the regulatory framework, introducing new instruments like "avoidance mechanisms" and "private access to dispute settlement".⁴³

The Commission's multilateral and bilateral trade policy includes "ambitious positions regarding tariffs, NTBs, services, geographical indications and rules (especially anti-dumping disciplines)". In line with the internal Lisbon strategy of deregulation, further trade liberalisation has a significant focus removing non tariff barriers (NTBs) such as regulations.⁴⁴ "Regulatory barriers to trade" are considered to "raise production costs for EU industry"⁴⁵ namely for intermediary goods and raw materials that supply Europe's corporate value chains, and for the European services companies.⁴⁶ In its June 2006 draft paper, the Commission also includes some attention for improving labour rights along the globe, in order not to out-compete European workers and loose purchasing power for consumers of European businesses in Europe and in developing countries.⁴⁷ How this will be implemented has so far not yet been clear from the current trade agenda the EU has been implementing in the WTO, as explained in Chapter 2.

Peter Mandelson himself, current Trade Commissioner of the EU, has clearly stated that European manufacturers would certainly benefit from new market-opening in "other developed countries and the big new markets of Asia, India and Brazil."⁴⁸

Box 1: EU Trade policy making in a nutshell

The EU has a common trade policy ("Common Commercial Policy"), meaning that in matters related to trade, including the WTO, the EU functions as a single actor. The European Commission negotiates trade agreements and represents the European interests on behalf of the Union's 25 Member States. The legal basis for the EU's trade policy is Article 133 of the European Community Treaty. The European Commission negotiates on the basis of a mandate from the Member States and regularly consults a special advisory committee consisting of officials from the Ministries of member states, the "Article 133 Committee". While the European Commission and the advice from the Committee forms the core of EU decision making on trade, the Commission tries to keep a wide room of manoeuvre in the negotiations and makes the proposals of positions in the negotiations. At the end, the Council of Ministers confirms the conclusions of the negotiations. The European Community Treaty grants a very limited role to the European Parliament (EP) in terms of trade policy. According to the current treaty, the "assent" of the EP may be required for major treaty ratifications covering more than trade and issues covered by the Single Market. Essentially, this means that the Parliament has no formal say in the current trade negotiations. However, the EU consults and informs the Parliament through the Committee on International Trade. For these reasons TNCs have concentrated their lobbying efforts on the European Commission.

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39 Fuchs, P., Schilder, K. (2004) *Watch out beyond the WTO: The EU's aggressive multi-level trade agenda*, Berlin/Brussels.

40 See: note 36

41 Mandelson, P. (2006) *Global trade is dominated by manufacturing: the Doha Round must reflect that*, *Industry Europe Magazine*, April-May 2006.

42 Non-Tariff Barriers.

43 See: note 36

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44 European Commission, 2006.p. 12-13

45 European Commission, 2005b.p. 11

46 European Commission, 2006.p. 6.

47 *ibid.*

48 See: note 43

Chapter 2 – How European corporations are shaping the EU's trade agenda at the expense of people, the environment and the economy

Chapter 1 has illustrated how European transnational corporations (TNCs) are trying to control the value chains and dominate their markets, and how, through an overwhelming presence in Brussels and privileged access to decision making in Europe, they are influencing EU policy in their favour.

Building on the discourse and examples provided in Chapter 1, Chapter 2 provides an analysis of the influence of European TNCs on the EU's trade policy in the three major negotiating areas in the World Trade Organisation (WTO), namely: Agriculture, Services and Industrial Goods & Natural Resources (NAMA). For each negotiating area the chapter provides a brief description of the links with the Lisbon agenda on competitiveness, the key transnational corporate players in that sector and their interests, their lobbying strategies, and the success they have had in influencing the EU's negotiating position at the WTO. The chapter also looks at specific companies to build case studies providing concrete examples, not only of the corporate interests, business strategies and lobby practices of such companies, but also their socio-economic and environmental impacts. The aim is not only to expose the business lobby machine behind the EU's external policies of the Lisbon strategy, but also to challenge the EU rhetoric of market access and deregulation. This shows how, on the one hand, the proclaimed benefits of job creation and economic growth will fail to materialize, whilst, at the same time, increased poverty, environmental degradation and social inequity, will be the ultimate outcome of this corporate-biased trade agenda both in Europe and elsewhere.



WTO under the influence of corporates

2.1. How the commitments in Lisbon have broken the promises of Doha

“We say the Round should correct the structural flaws and distortions in the system, and there should be fair trade, not only free trade. They say ‘we want market access and only if we get it the way we want it can we correct the structural flaws.’ There is no equity in that argument.”⁴⁹

Kamal Nath, Indian Commerce Minister

When in 2001 Ministers decided in Doha to launch a round of negotiations at the World Trade Organisation (WTO), they committed WTO members to “take fully into account the special needs and interests of developing and least developed country participants.”⁵⁰ The round was also called the Doha Development Agenda (DDA) because its aims were supposed to prioritise the alleviation of poverty, protection of the environment, promotion of sustainable development and the recognition of the importance of labour standards (articles 2, 6 and 8 of the Doha Declaration). The development argument of the Doha round has been championed rhetorically by the European Union, but the corporate-bias intrinsic to the negotiating position of OECD countries, including the European Union, became apparent from the very beginning of their engagement in the negotiations. The co-chair of the Transatlantic Business Dialogue (TABD)⁵¹ – a meeting forum composed of 30 major European and US industries, including **BASF, British Airways, Deutsche Bank, Eni, Ericsson, Siemens and Unilever**, and created to advise leading EU and US decision-makers on trade and regulations – noted that “without this support by EU and US business for a new trade round, it would have not been possible for US Trade Representative Bob Zoellick and EU Trade Commissioner Pascal Lamy to reach the EU and US understanding that was necessary for a successful Doha meeting.”⁵²

In line with the focus of EU policy on the competitiveness strategy of the Lisbon Agenda, and the influence of the business lobby, the EU position in the WTO negotiations has developed in close cooperation with business. As Pascal Lamy, former EU Trade Commissioner put it, “the Commission will only be effective in negotiating the best possible trade policy if the businessmen of Europe tell the Commission what they want.”⁵³ Not only the business community deploys different lobby means (see Chapter 1) but it is regularly invited to lobby directly the European Commission through initiatives such as DG Trade’s “Market Access Symposium” organized on a bi-annual basis.⁵⁴ More recently, the European Com-

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⁴⁹ Kohr, M. (2006).

⁵⁰ WTO, 2001.

⁵¹ See: the TransAtlantic Business Dialogue (TABD) homepage at www.tabd.com

⁵² CEO (2001) TABD Back on Track?, Corporate Europe Observer - Issue 10, December 2001, Amsterdam.

⁵³ Lamy, P. (2002) From Doha to Cancún. Speech at the 25th anniversary of the Foreign Trade Association (FTA), 5 June 2002, Brussels, http://www.delous.cec.eu.int/what-snew/2002/SPEECH_lamy.htm.

⁵⁴ The latest took place in September 2005 (<http://mkaccdb.eu.int/madb2/symposi->

mission set-up the High Level Working Group on Textiles,⁵⁵ an advisory board composed of three Commissioners, five Member State representatives, two members of the European parliament, sixteen business representatives, just two trade unionists⁵⁶ and no development organisations – despite the impact of the EU’s textile policy being particularly and widely felt in the developing world.

Exemplary of how determined the business community has been to push forward a corporate interest in the WTO, and use its privileged access to political leaders, is UNICE’s letter to Peter Mandelson following the WTO Ministerial Conference in Hong Kong in December 2005: “UNICE urges the EU to adopt a more offensive agenda in the WTO negotiations in all market access issues – including industry, services and agriculture – in close cooperation with the business community. UNICE will take action at the national level to ensure that you [Peter Mandelson] are provided with the adequate mandate to pursue just such a strategy.”⁵⁷ Indeed, the BBC reported in Hong Kong how transnational corporations were “worried that a failure of the trade round would damage the whole multinational trading system, with its rules and procedures, which international business depends on”.⁵⁸ As the European Services Forum (ESF) – the Brussels based association representing Europe’s services industry – put it itself: “The opportunity to engage 150 countries in one agreement is the main advantage of the WTO.”⁵⁹ This explains why, following the collapse of the WTO negotiations in July 2006, the Transatlantic Business Dialogue (TABD) wrote a letter to the President of the Euro-

pean Commission and its US counterpart pressing them to ensure that trade talks in the WTO would resume, despite the recognition that developing countries would not be the primary beneficiaries of the negotiations.⁶⁰

It is therefore important to note that, the replacement of the development focus of the Doha round, with an agenda concerned with business interests, has also contributed to the breakdown of the WTO negotiations in July 2006. The use of the development rhetoric as a Trojan horse for OECD countries to penetrate markets in the developing world, caused the latter to mount increasing resistance to the idea, given the displacement this would have caused to millions of their small farmers and their infant industries, and given that no further access to OECD agricultural markets was being offered to them in exchange.⁶¹ Even the EU’s attempts to negotiate a special and differential treatment for the “Least Developed Countries” (LDCs), and their exemption from tariff reductions,⁶² did not fool African countries, for they were well aware that the EU is attempting to gain even further access to their markets through the Economic Partnership Agreements (EPAs) currently negotiated at regional level. This corporate agenda intrinsic to the EU’s trade policy will therefore undermine any future delivery of the Doha Development Agenda.

WTO under the influence of corporates: Protest of S2B members outside the WTO building in Geneva, July 2006



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um2005/index.htm).

55 European Commission, Directorate General for Enterprise and Industry, http://ec.europa.eu/enterprise/textile/high_level_group.htm (2 June 2006).

56 *ibid.*

57 UNICE (2006), letter to Peter Mandelson, 24th January 2006.

58 Schifferes, S., (2005) A tale of two meetings, BBC News Economics. Hong Kong, 14 December 2005.

59 ESF, 2006.

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60 Kirchgassner, S., (2006). Business chiefs call on Bush to spur Doha talks. *Financial Times*, 21 August 2006.

61 Kohr, M., 2006.

62 The European Commission, 2005c.

2.2. Agriculture

2.2.1. Lisbon, the WTO and agriculture: corporate players and corporate interests

“If this Development Round does not have [a recognition for livelihood security], then which Round will have it? If a country sees this as an impediment to market access, then it is challenging the Hong Kong Declaration.”⁶³

Kamal Nath, Indian Trade Minister

The Lisbon Agenda covers all economic areas within the EU and therefore also applies to agriculture. The central features includes a market-orientated Common Agricultural Policy (CAP) and a growth-orientated policy for agricultural development with the aim to enhance the international competitiveness in the agricultural and food processing sector. The reason for focussing on this specific sector is due to the fact that US multinationals predominate the international trade of agricultural raw materials and bulk fruit, such as **Cargill**, **ADM**, **Bunge** and **Dole**, **Del Monte**, **Chiquita** respectively; whereas European multinationals have developed their competitiveness in the international trade of processed food and drinks' industry. Given the offensive interest of the EU in the area of the agricultural negotiations, this chapter will focus its analysis on the negotiating position of the EU related to trade of processed food and drinks.⁶⁴

In Europe, the food and drinks industry represents the largest processing sector, ahead of the automobile and chemicals industries, representing 14.3% of all companies in the EU-15, and with a turnover of approximately €800 billion and approximately 4 million employees. This has allowed Europe to become a net exporter of processed food, with food companies generating a large portion of their turnover outside the EU.⁶⁵ Some of the largest and most influential TNCs on the world markets are indeed European, with **Unilever** and **Danone** in the lead. Some large non-EU food companies also operate and produce within the EU, such as **Nestlé** and **Master Foods**. Retailers and supermarkets also play a leading role with regards to the international marketing of food products with **Carrefour** (French), **Metro** (German) and **Tesco** (British) amongst the world leaders in this sector – though these will be discussed in detail in the services sub-section of this chapter.

Given this competitive advantage of European multinationals in the international trade of food and drinks industry, the EU has an offensive interest to strive towards a further market-opening overseas.⁶⁶ Lisbon and Doha represent therefore two sides of the same coin: the liberalisation of agricultural markets in the EU and worldwide.

In a nutshell, the interests of the food and drink industry in the WTO negotiations are (a) to secure and improve international competitiveness by accessing foreign markets for their products, (b) to source cheap inputs and raw materials, whilst (c) maintain the same protective measures in Europe as long as possible to keep foreign competitors out of the European market and maintain supplies from Europe.

To elucidate further, the limited growth rates and saturated consumer markets in the EU make growth in the sector dependent on expanding into foreign markets. Cutting high agricultural tariffs in those sectors that prohibit market access is fundamental to secure competitiveness of European food exports. Enhanced global market access for the products of the food and drinks industry's also means to aim for the removal of mechanisms and measures that can protect domestic production, in particular tariffs, as is the case for developing countries, but also domestic support, export subsidies or standards, as in the case of developed countries. At the same time, in order to be able to sell its products on markets outside the EU, the EU food and drinks industry's requires that Europe's direct or indirect export subsidies are maintained as long as possible. Only with their support is it able to sell its products at “competitive” (but dumped) prices on the world markets. Better market access also involves removing measures that the European food and drink industry see as a hindrance to compete on a level-playing field with other exporters in foreign countries: such as export credits; state trading enterprises; as well as trade-distorting domestic support measures. The food and drink industry sees in the WTO negotiations a way of establishing rules to remove or limit such measures internationally. This explains the repeated emphasis placed on parallelism in export competition, (i.e. the parallel removal of all countries export support measures to the same extent, in particular the US).⁶⁷ The speed with which export subsidies and the associated conditions are eliminated become decisive factors in terms of guaranteeing the competitiveness of the food industry in Europe.⁶⁸

Of course, **access to cheap raw materials** is also fundamental for the European food and drink processing industry, if it wishes to remain competitive both within and outside of Europe.⁶⁹ Apart from using its purchasing power and risk-diversion strategies in the value-chain to press prices down, the European food processing industry is pushing reforms in the EU agricultural policy (CAP) since it still obtains 70% of its agricultural raw materials from its internal European market. The latest CAP reform attempts to lower the price for agricultural commodities produced within Europe and compensate farmers for the difference between market-price and production-costs via decoupled payments. This is being increasingly recognised as a trade distorting subsidy in aid of the exporting food processing industry. However, in

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⁶³ Khor, M., 2006.

⁶⁴ Wiggerthale, M., 2005.

⁶⁵ *ibid.*

⁶⁶ *ibid.*

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⁶⁷ *ibid.*

⁶⁸ Agra-Europe (2005). CIAA - Abschaffung der Exporterstattungen erfordert weitere EU-Agrarreform. 11 July 2005.

⁶⁹ CIAA (2005). Statement: Preliminary position on trade and competitiveness. 25 December 2005. Brussels.

Box 2: *The case of Unilever*

Unilever belongs to the top food producing and selling companies in the world, together with Nestlé and Kraft. It is number one worldwide in tea, ice cream and some culinary products. In addition, it is the world's number one in deodorants and laundry detergents, and number two in hair and skin care products.

Table 1: *Some key figures for Unilever*

	2005	2004
Turnover	€ 39.67 bn	€ 38.567 bn
Net profit	€ 3.97 bn	€ 2.94 bn
Taxes paid	€ 1.23 bn	€ 1.625 bn
Advertisements costs	€ 5 bn	n/a
Employees at end of year	206,000	223,000
Raw materials based on agriculture	65%	n/a

Source: Unilever (2005). *Environmental and Social Report*; and Unilever Annual Report and Accounts.²

Unilever's strategy and interests, and their relation with the WTO negotiations³

Since Unilever was founded in 1929, it owned factories and trading subsidiaries in Asia, Africa and Latin America and expanded further to acquire basic raw materials such as vegetable oils for its margarine. Unilever's food sector has remained predominantly a Western European company. Since 1983 however, its acquisitions and expansion focused on a few core-product groups or brands in priority regions, namely large and emerging market countries in North America, Asia, Eastern Europe and Latin America with the aim of increased profitability and diminishing its dependency on Europe for its sales and profits. Between 1999 and 2004, this strategy was used to target high annual-growth figures and concentrate the production of its major brands and products in 150 key-factories world-wide for "world class manufacturing", resulting in factory closures and disposals with many jobs being lost.⁴

Between 2005-2010, Unilever is hoping to push a somewhat more conservative profit-making and cost-cutting strategy including: (a) outsourcing production from 15% to 25% – and higher in some countries such as India; (b) reducing and concentrating production locations in any region (intra regional sourcing) – in some cases production has already shifted from Australia and the Philippines to Indonesia; (c) selective cross-regional sourcing – which, for specific products, could make Unilever Europe source in Asia, or vice versa.

In lobby terms, Unilever is interested in ensuring the free trade of its raw materials and processed goods between exporting countries (ie.: its production sites) and importing countries (ie. where it wants to be one of the market leaders), including between developing countries. This would support its strategy to reduce the overall number of production sites, get cheap inputs and get easy access to profit making consumer markets.

¹ See: www.unilever.com/Images/Environmental_and_social_report_bkms_tcm13-39279.pdf

² See: www.unilever.com/Images/2005_Annual_Report_English%20amended_tcm13-35722.pdf

³ Elshof, P. (2005). *Company Monitor: Unilever - Corporate Profile*, FNV Monitor. Brazil.

⁴ *ibid.*

⁵ *Asian Food Worker, Unilever in India and the Race to the Bottom*, 18 July 2003. www.asianfoodworker.net/india/unilever.htm

Box 3: Lobbying through different channels: the case of Unilever

"We need a good deal in Hong Kong in December"

Jean Martin (Unilever), CIAA President, in a meeting with the EU Agricultural Commissioner Fischer Boel

Unilever appears to be carrying out its lobbying activities in an particularly strategic and systematic manner. Representatives of the company occupy leading positions within **UNICE**, **CIAA** and the **TABD**.² Depending on the case, Unilever may team-up with other TNCs in a variety of coalitions and associations.³ *"We know where to find each other"* stated a Unilever representative.⁴ However, on WTO issues, Unilever claims to take the lead within the associations it is a member of, both at national and European level. Unilever chairs the Dutch trade policy committee of the Dutch employers federation, but is also President of the CIAA, member of the CIAA Trade and Competitiveness Committee and "rapporteur" on agriculture for UNICE. As a rapporteur for UNICE, Unilever meets in private meetings with the European Commission.⁵ Similarly, the European Commission also participates in some of UNICE's working groups.⁶ Peter Carl, former Director General of DG Trade, had a standing invitation to such working groups – meetings were indeed organised according to Mr. Carl's agenda and, in the opinion of the Unilever representative, it was thanks to the massive business lobbying at all levels of governance, following the failure of Cancun, that brought the negotiations back on track. Unilever participates in many political and public debates and has strong connections with many high ranking politicians, which extends to its non-executive director, Lord Brittan of Spennithorne, former EU Trade Commissioner.

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1 See: note 71

2 Deckwirth, C., 2005.

3 See: <http://www.gaff.org.uk/?lid=259>

4 Anonymous business source.

5 *ibid.*

6 *ibid.*

the WTO negotiations, the European food industry is trying to safeguard these domestic support subsidies, as well as external protection at the EU borders for its products, as long as it sees necessary preserving the supply of raw materials from Europe. At the same time, this industry wants high-tariff cuts for processed food in other countries where it also demands that tariffs are cut for those raw materials supplying its subsidiaries and value chains in those countries.⁷⁰

Indeed, the European processing food industry is lobbying to keep the high tariff barriers in Europe to **protect itself from competition of foreign products entering the European market**: "[T]he less [market opening] the better" stated the German food industry association, **BVE**.⁷¹

To better illustrate the influence and the lobbying tactics of this sector on the positions the EU held during the agricultural negotiations in the WTO, we take the case of **Unilever**, one of Europe's largest processing companies, as a representative example of TNC in this sector (Boxes 3 and 4).

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⁷⁰ In order to ensure the preservation of European raw materials of it is important for the European food industry that external protection at the EU borders is only reduced as much as internal prices are brought in line with world market prices. This is why the food industry demands flexibility in the tariff bands, support for sensitive products and the maintenance of the special safeguard clauses for certain products.

⁷¹ Wiggerthale, M., 2005.

2.2.2. The EU's corporate agenda

The EU's position in the WTO's agricultural trade negotiations is influenced by farmer organisations and exporters of basic agricultural products, as well as the competitiveness and growth interests of its food and drink industry.

The food and drink industry is represented at European level through many sector specific (lobby) associations which are regrouped through the **CIAA**, the confederation of the food and drink industries in the EU. The CIAA incorporates 32 sector associations, 25 national associations and a Liaison Committee of major food and drink companies. Some large companies such as Unilever are represented through the Liaison committee as well as indirectly through the associations. Twelve of the twenty-two members of the Liaison Committee have their headquarters in the US, although they operate in Europe – including **ADM**, **Bunge**, **Cargill**, **Kraft Foods**, **Master Foods** and **Procter & Gamble** – which raises the question of how much US business interests are already incorporated in the EU positions. Unilever in particular is very active in the CIAA and other lobby channels, including the CIAA's Trade and Competitiveness Committee and the presence of its professional lobbyist around major political WTO meetings (see Box 3).

Table 2: What the CIAA and the EU say about agriculture in the WTO

What the CIAA says	What the EU says
<p>With regards to the elimination of export support, CIAA advocates that <i>“commitments must be based only on values rather than quantities”</i>^a</p>	<p>The Special EU Council of Ministers in Hong Kong in December noted [the European Commission’s] view that the final Hong Kong <i>“text does not interfere with the EU’s preference that export subsidy elimination should be expressed in value terms.”</i>^b</p>
<p><i>“The set end-date for the phasing out of export refunds [by 2013], due to the firmness of EU negotiators, now provides for a time span to work on the implementation of the refund elimination within a somewhat longer period than originally requested by other partners”</i>^c</p>	<p>Commissioner Fischer Boel pointed out that <i>“what matters is that we will define later what the word ‘substantial’ means, in terms of how much we have to reduce export subsidies before 2013.”</i>^d</p>
<p><i>“Ultimately, it must be possible to keep specific duties for agricultural and processed products”</i>^e</p>	<p><i>“I’m afraid that a call for “fair trade” is not a call for better access to European markets for farmers and other producers from the world’s poorest countries”</i> according to Peter Mandelson, EU Trade Commissioner.^f</p>

a See: note 74 / b European Council, 2005b. / c See: note 73 / d Statement by Commissioner Mariann Fischer Boel: „EU move on export subsidies takes Doha forward“ (Hong Kong, 18/12/2005). http://ec.europa.eu/trade/issues/newround/doha_da/pr181205_en.htm / e See: note 73 / f Mandelson, P., (2005). A Modern Social Agenda for Europe. Speech at the Reuters Newsmakers Event. London, 23 June 2005. http://trade.ec.europa.eu/doclib/docs/2005/june/tradoc_123863.pdf

In the agricultural **market access** negotiations, the CIAA lobbied to have the offensive interests of the food industry taken into account and stated that *“the chosen tariff reduction must create real improvements in market access opportunities for EU food and drink industry products”*⁷² and that *“no tariff lines should be exempted from reduction commitments, but flexibility has to be provided”*.⁷³ This request is reflected in the formula for cutting tariffs, chosen by the negotiators, which has been modelled on the proposal of the EU, and which would apply to all tariffs, as opposed to specific products, as some developing countries requested. The formula would apply the biggest cuts in the highest tariffs and reduce tariff-peaks and tariff-escalation which, in turn, would be particularly effective in reducing tariffs on processed food. Indeed, processed foods benefit from the highest tariffs and, once the formula will be applied, developing countries will see its processed food industry left exposed to foreign competitors. With reference to developing countries, the CIAA states that it *“would be concerned if emerging economies were able to escape cuts of high agricultural tariffs”*⁷⁴ and wants flexibilities for developing countries, such as “special products” and

“special safeguard measures,” to be limited in order to ensure its steady expansion in developing country markets:⁷⁵ a position that has now become the official line of the EU.⁷⁶ The Hong Kong Ministerial text in December 2005 agreed that developing countries would be able to use special products and special safeguard measures but failed to meet developing countries’ demands on how to use them. This appears to reflect a statement by a Unilever representative that *“developing countries will certainly have a safeguard and we will have to formulate the boundaries of the safeguard”*.⁷⁷ However, the CIAA has not been too keen to **dismantle its own protected markets** in the EU, for the CIAA states clearly that *“ultimately, it must be possible to keep specific duties for agricultural and processed products.”*⁷⁸ The issue of **parallelism** has also been a central request of the CIAA, for its wish that concessions would only be made if the other parties agreed to equal concessions, addresses the need of the CIAA to ensure that its competitiveness is not undermined vis-à-vis unequal foreign competition. As the CIAA stated following the Honk Kong ministerial conference, *“all elements of the agreement must progress in parallel. Other pillars of the agriculture agreement need to catch up with the export competition pillar, which needs also to be completed*

72 CIAA (2006), WTO negotiations following the Hong Kong Ministerial Conference: restoring balance in the agriculture agreement, position paper, Brussels, 28 February 2006 (See www.ciaa.be).

73 CIAA (2005), Press Release: European Food and Drink Industry favours clearer trade rules and a balanced agriculture agreement at the WTO Hong Kong Ministerial Meeting to be held from 13-18 December 2005, Brussels, 14 October 2005.

74 CIAA (2005). Press release: CIAA concerned about lack of progress in negotiations. Brussels. Brussels, 8 September 2005.

75 CIAA (2005). Press release: Outcome of Hong Kong WTO Negotiations, The Hong Kong Declaration moves the Doha Agenda slowly forward. Brussels, 19 December 2005.

76 European Commission, 2005e.

77 Wiggerthale, M., 2005.

78 See: note 74

in view of reaching an overall balanced agreement. Equivalent commitments on disciplines for other instruments of export support are still required from other trade partners to make this deal acceptable.⁷⁹ The CIAA acknowledged the leverage its lobbying tactics had had on influencing the negotiating position of the EU in relation to export subsidies; for “efforts have been made [by the negotiators] to address our requests for **parallelism** within the different forms of export subsidization” (emphasis added).⁸⁰ While the EU offered in Hong Kong to end its export subsidies by 2013, as already agreed internally in the EU’s 2003 CAP reform, the EU would effectively still be able to trade-off its commitment to end export subsidies with all other export support areas under negotiation (e.g. export credit, food aid), since the Hong Kong text ensures “the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect” and that “the date [...] for the elimination of all forms of export subsidies, together with the agreed progressivity and **parallelism**, will be confirmed only upon the completion of modalities” (emphasis added).⁸¹

It has been exactly this type of resilience on behalf of the EU to make any attempts to move in the direction of developing countries’ interests to access European markets that stiffened the negotiations before and during the WTO general council meeting in July 2006 while the US was even less willing to move.

With reference to **access to raw materials** the CIAA states that “it must also be recalled that industry needs access to competitive raw material, otherwise the situation will become critical to the competitiveness of the EU food and drink industry exporters.”⁸² Besides tariff-cuts and elimination of export-taxes, this statement also relates to the new concepts in the Hong Kong text of “sensitive products”, inserted by Europe and Japan, and “special products” for developing countries.

The EU had not yet defined which products would be sensitive in line with CIAA’s warning that sensitive products should not lead to higher prices for its inputs in Europe, while “special products” could lead to higher prices for agricultural inputs for its food processing subsidiaries in developing countries.⁸³

2.2.3. The impacts of trade liberalisation in the agricultural sector

The way the agricultural negotiations have been heading until July 2006, point towards an international trade regime concerned with opening further local markets, dismantling or limiting protective and safeguard measures, continued dumping practices, whilst failing to address the original development objective of the round.

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79 *ibid.*

80 See: note 75

81 WTO, 2005a.

82 See: note 73

83 *ibid.*

Even the World Bank,⁸⁴ and the Carnegie Endowment study,⁸⁵ found that most developing countries and their people will not benefit from any further agricultural liberalisation.

As the following section will illustrate, small producers, rural communities as well as the environment, both in developed and developing countries, will loose out from the current WTO negotiations on agriculture.

Impacts on local economies, livelihoods and societies

→ **Promoting agribusiness and the food industry:** The European Commission’s assessment of the impacts of the agricultural negotiations in the WTO, also known as “Sustainability Impact Assessment” (SIA), found that the European Union will “gain economically from agricultural liberalisation”⁸⁶ In particular, the SIA, as well as the Carnegie study, predicts that exports of “relatively processed commodities (as inputs are cheaper)” will increase and that mainly developed countries such as The Netherlands will gain from increased production of processed foods (note that the lobby-influential Unilever is a Dutch/British-based company). The domestic support system of decoupled payments that the EU defends in the DDA for the remaining farmers can be considered as subsidizing agricultural inputs for large food companies. The SIA warns that the net-gain will only be 0.1% of GDP due to the fact that “the EU will face the cost of adjusting to a less protected agricultural sector.” This will result in farmers (in particular small-scale and family farmers) going out of business as the European market is swamped by cheaper imports at the advantage of the processed food industry’s supply chain. Unilever expects to save €1.6 billion per year by switching its suppliers, from local or national level, to globally. The agricultural imports will mainly come from middle income net-exporting developing countries, such as Argentina, Brazil and Uruguay. The SIA sees these countries as the “unambiguous economic beneficiaries from liberalisation” but does not mention that ADM, Bunge and Cargill are major producers and exporters in these countries and that they, in turn, will be the primary beneficiaries.

→ **Deepening the crisis of low commodity prices for farmers:** Trade liberalisation, as negotiated under the DDA and the sourcing practices of the agro-food business, will increase competition among farmers that produce agricultural raw materials and lead to further price decreases, worsening the already low farm gate prices in many countries. As food processors continue to concentrate their produc-

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84 Anderson, K., Martin, W., et. al (2005). *Agricultural Trade Reform and the Doha Development Agenda*. Report, Nov.1.

85 Polaski, S., (2006). *Winners and Losers: Impact of the Doha Round on Developing Countries*. Carnegie Endowment for International Peace, Washington DC.

86 Where not otherwise stated, the quotes are taken from: European Commission (2005f). *Sustainability Impact Assessment of Proposed WTO Negotiations, Final Report for the Agriculture Sector Study*. Prepared by Overseas Development Institute, London, UK, the International Institute for Environment and Development (IIED), London, UK, and the Impact Assessment Research Centre Institute for Development Policy and Management, University of Manchester, UK.

tion mechanisms by switching to fewer suppliers worldwide and urging them to deliver higher volumes at lower costs. In general, lower farm gate prices also cause farmers to produce more in an attempt to compensate for the loss of income due to the lower prices, aggravating the situation given the rather inflexible demand. This also causes the marginalisation of small family farmers, and farmers practicing sustainable agriculture, who are unable to produce the required high volumes at such low prices.

In turn, this promotes the use of large intensive farming practices. In order to remain competitive, the income and working conditions of the workers on the farm (predominantly women) are decreased enormously since the risks and negative socio-economic impacts are transferred to the lowest parts of the value chain (see Chapter 1.4.). In many cases consumers do not benefit from lower farm gate prices as the food processing industry does not translate these to the final food product. Moreover, increased competition in agricultural trade has already resulted in the relocation of production by business in order to cheaply source raw materials. Unilever's restructuring in its tea sector offers an example. After tea prices dropped as a result of oversupply and low prices from Chinese tea, Unilever decided to sell 14 of its large tea estates in India – where their workers were protected by a number of social laws. Instead, it decided to purchase directly from small producers who, unprotected by any social law whatsoever, now find themselves competing against each other in fierce tea auctions with Unilever exerting bargaining power over price-setting. Unilever takes no responsibility for the many workers who are left in the remote areas with no alternative incomes, nor housing, schooling and health care facilities.⁸⁷

The European Commission's SIA warns that "Some countries will lose because they are dependent on exports of a specific commodity the price of which falls" or the trade preferences of that commodity are negotiated away, so that they cannot compete any more against lower prices on its traditional markets.⁸⁸

→ **Enhancing food insecurity:** The negotiations on progressive tariff reductions, restrictions on safeguard measures, and slow progress in stopping the dumping of agricultural products will increase cheap food imports in many developing countries. Hence, millions of small farmers in developing countries, with the majority of them being women, will be driven out of business because they will not be able to compete on their local markets. For instance, in Gambia, cheap imports of chicken, eggs, milk and rice have flooded the market, depressing prices and putting many local producers out of business.⁸⁹ By losing access to their own domestic markets, and with a lack of other opportunities to earn an income, these farmers are driven into poverty, whilst local food security and access to culturally appropriate food is being reduced. This is contrary

to the right of every individual to a decent living, and the right to be free from hunger "by taking into account the problems of both food-importing and food-exporting countries" as stated in the International Covenant for Economic, Social and Cultural Rights (Art. 11).⁹⁰ Given the existing world-wide competition for low priced exports, it is very questionable whether food prices will increase, and dumping stopped, when subsidies will be phased out, as many negotiators claim.

→ **Little new opportunities for young processing industries:** The interest of the WTO agricultural negotiations to target high tariffs on the processed food in developing countries, would lead most likely to developing country-markets being swamped by cheap imports of processed products from northern products or by one of their subsidiaries. This would deprive developing countries the right to build their processing industry and compensate losses in the farming sectors. In addition, the continued subsidisation of agricultural products will continue to allow EU food processors to exploit cheap input prices and economies of scale, creating unfair competition with value-added food processing in the domestic markets of developing countries. This is particularly the case for products like pasta, where the raw-material content constitutes an important part of the final cost, and where agriculture-based developing countries could quite easily begin to develop their own production.

Impacts on employment, income, working conditions and social rights

As explained above, many jobs and incomes are being lost due to farmers being driven out of business, production being relocated and young food processing industries closing down or being merged. At the same time, competitive producers are hard pressed to deliver at low prices, which is often translated in low-income, denial of labour rights and unhealthy worker conditions for farmers and plantation workers.



Korean farmers at the WTO Ministerial in Hong Kong, December 2005

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87 Actionaid, (2005a). *Tea break – a crisis brewing in India*. Actionaid. UK.

88 European Commission, 2005f.

89 Action Aid (2005b). *Trade Invaders: the WTO and Developing Countries' Right to Protect*. Actionaid, UK.

.....
90 See: http://www.unhchr.ch/html/menu3/b/a_ceschr.htm

Overall, to date, approximately 3 billion people depend on farming, most of them living in developing countries. Trade rules that enhance unfair import competition and hence force many of these farmers in the South out of their production, will lead to a massive increase in poverty and migration, due to the lack of any other possibility for the large part of these people to find an alternative source of income. However, also in developed countries the consequences of increased competition can already be felt on the work-force. While workers in European processing industries often enjoy better working conditions, their jobs are constantly being cut, due either to relocation or outsourcing to workers with less social rights and lower salaries. Unilever, again, offers an example, for Unilever has progressively reduced its global workforce in order to remain competitive. Total employment declined between 1995 and 2000 from 308,000 to 295,000 worldwide. Between 2001 and 2005 global employment at Unilever declined from 265,000 to 206,000. One way of cutting jobs has been to close production plants in different countries, sometimes without previous notice and in breach of the OECD guidelines.⁹¹ This job-reduction trend contradicts the arguments used by supporters of trade liberalisation that increased employment will be a direct result of liberalised markets.

Impacts on the environment

The European Commission's Sustainability Impact Assessment on the liberalisation of the agricultural sector states that the "overall environmental impact is likely to be negative, increasing stress on natural resources and posing challenges for sustainable environmental development."⁹² These conclusion are also shared by other assessments⁹³ and can be summarised as follows:

➔ **Increased transport pollution:** Removal of trade barriers and lower prices through more competition will increase trade, including within the value chains themselves. The SIA estimates that "the net increase in volumes traded implies increased transport, suggesting a net increase in the emission of pollutants that will only partly be offset by increases in efficiency."⁹⁴ This is consistent with the example of Unilever's strategy to concentrate the production of a particular product per region, meaning that a product produced in Chile, for instance, has to be transported to the Mexican market and vice versa.⁹⁵ Increased food transport will involve long distance road, marine and air transport⁹⁶ – the latter becoming the fastest growing mode of food transportation despite its large CO₂ emissions.⁹⁷

91 See: http://www.labourstart.org/cgi-bin/solidarityforever/show_campaign.cgi?c=92

92 European Commission, 2005f.

93 DEFRA (2005). *The Validity of Food Miles as an Indicator of Sustainable Development*, <http://statistics.defra.gov.uk/esg/reports/foodmiles/final.pdf>

94 European Commission, 2005f.

95 See note 74

96 Vander Stichele, M., van der Wal, S., Oldenziel, J. 2005. p. 37-40.

97 See note 94

➔ **Increased wastage:** Agricultural production and food processing leads to waste and pollution which has not been regulated and contained sufficiently to avoid environmental damage. Increasing hazardous and urban waste comes from intermediary products such as containers for holding pesticides and from packaging of highly processed and packaged foods. Food-related packaging accounts to up to 70% of household waste in industrialised countries.⁹⁸

➔ **Unsustainable agricultural production methods:** The increased competition and search for the lowest prices in agricultural products and inputs is leading to the increased use of intensive farming practices with a record of high pesticide pollution of land and water, soil erosion, loss of biodiversity and use of genetically modified organisms. Although a number of companies as Unilever have introduced environmental guidelines for their suppliers, the monitoring mechanism does not guarantee their implementation.⁹⁹

2.2.4. Preliminary conclusions

The position of the EU, and of the US for that matter, on the WTO agricultural negotiations would not have contributed to solve the problems at the core of the agricultural trade negotiations, for the dumping of European products – that is, the selling of products below the cost of production – or the increasing power imbalance between farm workers and purchasers, traders and processors of agricultural commodities would have been exacerbated. The elimination of EU export subsidies should have been agreed long ago, without ever using it as a bargaining chip with developing countries on issues of "parallelism". Regrettably, the draft negotiating text agreed in Hong Kong is seeking to establish the framework for realising further liberalisation of agricultural regimes in both developing and developed countries despite the serious threat this poses to rural communities in developed and developing countries, its social and economic impacts, as well as its environmental risks. The obsession of market access, so fiercely advocated by the European food and drink industry, and championed by the European Union in the WTO, has prevailed over the development concerns supposedly at the heart of the Doha round of trade negotiations.

98 See: UNEP's homepage for Agri-food and the Environment at. <http://www.unepie.org/pc/agri-food/issues.htm>.

99 See note 74

2.3. Services

The WTO's General Agreement in Trade in Services (GATS) covers business services, such as legal services and computer services, as well as other commercial services with strong social impacts, including financial, distribution and transport services. Privatized public services such as health, education, telecom, postal and water services can also be further liberalized under the GATS negotiations.

2.3.1. Lisbon, the WTO and Services

The EU is the world's largest exporter of services, accounting for nearly a quarter of the world's total services exports.

Services constitute "the single most dynamic economic activity" accounting for at least two thirds of the GDP and employment, according to the European Commission.¹⁰⁰ Seen from the perspective of the Lisbon strategy, this EU services sector is very competitive and, as such, wishes to compete and expand internationally in order to maintain its leading position in the market. Competitive services sectors in Europe include telecommunications, electricity, water and postal services as well as financial services, construction services and transport services. The commission underlines that the EU accounts for "the 3 largest firms in construction services worldwide, 6 out of the top 10 companies in telecommunications services, and similarly in distribution, finance, insurance, transport and environmental services including water supply."¹⁰¹

The GATS negotiations, so strongly supported by the EU, are being used therefore to improve international market access for European services companies by committing WTO members to open-up their services sectors. At the same time, the EU is using the GATS negotiations to create an international trading system that will promote processes already underway in the EU, or make them permanent. The much contested internal services liberalisation agenda, known as the Bolkestein Directive, is an example of both.

Once a sector is liberalised under GATS rules, foreign service providers are allowed to enter the country and invest on the same terms as national services companies. This "national treatment" will avoid that national regulations prevent, what business sees as being, unfair competition and the loss of competitiveness vis-à-vis domestic or other foreign operators. GATS rules also remove some governmental measures and regulations deemed by the industry as "barriers to trade", which could mean that, avoiding trade restrictions might get priority over the economic, social, security and environmental goals. Furthermore, GATS rules are practically irreversible once adopted, giving industry the guarantee of a "stable" and "predictable" investment environment. Consumers, however, have no guarantee, through GATS, that the quality and prices offered by the foreign service providers will be to their benefit. Nor are workers guaranteed that more qualitative jobs will be created. These are issues that

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¹⁰⁰ See: the European Commission's special reporting on the Hong Kong Ministerial conferences at http://ec.europa.eu/comm/trade/issues/newround/hk/services_en.htm

¹⁰¹ European Commission, 2005b, p. 22.

failed to be addressed by the EU's "external aspects" of the Lisbon Agenda (ie.: the EU's WTO negotiating position).

2.3.2. The failed Doha Development Agenda

The GATS is supposed to be a "bottom-up" agreement, in which WTO-members retain the right to choose their own level of services liberalisation according to their needs and level of development. Many developing countries do not have a well-developed commercial services sector, nor large services exports. Therefore, the Doha Development Agenda (DDA) was originally calling for their interests to be taken into account by respecting the bottom-up approach of the negotiations.

The EU, however, has adopted a very aggressive approach in the GATS negotiations by pursuing the interests of its services industry and pressing developing countries to open-up their markets. The constant lobby of the European services industry has played an important role in setting the European Commission negotiating positions in the GATS.

The main lobby organization of the services industry in the EU is the **European Services Forum (ESF)** with members from various services sectors covering European and national sectoral federations as well as individual European services multinationals. The ESF has been actively lobbying¹⁰² all along the GATS negotiations with the message that "to succeed, the Round should provide real new liberalisation and new business opportunities in the services sectors."¹⁰³

The ESF has been closely monitoring the negotiations, and issuing statements and press releases, demanding that negotiators go for broad liberalisation and push for progress in the services negotiations despite the lack of progress in other areas of the negotiations.

These arguments have been followed by the European Commission who has insisted that services liberalisation should be as much part of the Doha Round as agriculture and NAMA. In detailed position-papers, submitted to the European Commission, the ESF has aimed at removing, what it sees as trade barriers and unequal competition, whilst promoting strict disciplines on domestic regulations – in a number of their position papers the ESF has strongly argued against an "emergency safeguard clause" for developing countries.¹⁰⁴

The result has been the European Commission raising many objections to the inclusion of an emergency safeguard clause, despite the arguments of developing countries and civil society organisations that such a clause could represent the last resort for developing countries to deal with the negative impacts of the GATS. The ESF regularly makes alliances

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¹⁰² See: the ESF website for all the details: www.esf.be

¹⁰³ ESF (2005). Press Release: European Services Industry Leaders insist that substantial services liberalisation is essential to a successful Doha Round, 31st May 2005.

¹⁰⁴ ESF, (2005). Second ESF position paper on domestic regulation, 16 March 2005: GATS should provide "guidance to regulators to assist them in their domestic regulatory function" so that domestic regulations are not more burdensome than necessary (necessity test) to trade and profit making strategies of companies.



S2B campaigners offering „Secret deal“ or „Fair Trade“ Cocktails to EU trade officials arriving for a closed-doors meeting with the European Services Forum

with other services lobby organisations from other countries, such as US, Japan, Australia and Canada. For instance, the ESF made a collective press release during the Hong Kong ministerial conference in reaction to the “Group of 90” (G-90) developing countries opposing the EU position on setting guidelines for future negotiations in the GATS (the infamous “Annex C”). The EU position was perceived by the G-90 as undermined any bottom-up approach originally intended for the negotiations. The collective lobby might have contributed to the adoption of Annex C, although substantially watered-down.¹⁰⁵

The ESF owns much of its lobby success to the **privileged access** it benefits from meeting with high level decision makers of the European Commission and EU member states to discuss its positions in a separate forum from the European Commission’s official dialogue with civil and corporate society (which the ESF also attends). As a result of this privileged access, the “requests” for market opening that the EU has submitted to 109 countries, read like a corporate wish-list, at times so blunt to even mention that *“the EU industry raises this issue.”*¹⁰⁶

At the end of May 2005, a high level delegation of leaders of European services companies, coordinated by the ESF, travelled to Brussels to meet Peter Mandelson and make their case heard: *“the major problem remains the very poor quality of the initial offers. ESF wants countries which have made initial offers to submit revised offers.”*¹⁰⁷ They also claimed that the GATS negotiations were in crisis, a statement soon after echoed by the European Commission in Geneva during the revision of the GATS offers in June 2005. In line with ESF demands,

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105 Global services industries supports ambitious services text - Broad coalition opposes weakening existing text, Hong Kong, 16 December 2006 (<http://www.esf.be>).

106 One example is the EU request to Thailand on financial services, regarding banking and other financial services: - Modes 1 and 2: NT – Requirement applied to foreign banks lending domestically to pay withholding tax on funds brought in from outside the country. EC Request: “None” has been scheduled, but EU industry raises this issue. Please explain.: this shows how the EU got very detailed requests from the EU industry that were incorporated in the EU requests.

107 ESF, (2005). Press Release: European Services Industry Leaders insist that substantial services liberalisation is essential to a successful Doha Round, 31st May 2005.

the European Commission has continuously introduced new negotiation methods to improve the market offers made by the other WTO members. After June 2005, it made proposals such as “benchmarks” and “plurilateral” negotiations, despite these being in breach of the GATS bottom-up approach. The ESF demand made to the EU to pressure those emerging markets most profitable to European business to *“participate actively to the negotiations [...] China, India, Brazil and South Africa.”*¹⁰⁸ These are all countries that have been targeted by the EU’s plurilateral requests at the beginning of 2006.

The ESF is also able to produce a detailed lobbying position due to the access it has to most of the **secret negotiation documents**, including the requests and offers by the EU and other WTO members. In contrast, NGOs from the different WTO member countries have hardly any access whatsoever to these documents. When European NGOs leaked a draft EU request they exceptionally got hold of in 2002, a European Commission official accused an NGO of illegally possessing a leaked document. In contrast, ESF representatives meet informally with the trade officials of EU member states (Article 133 Committee members, see Box 1: EU Trade policy making in a nutshell) during cocktail parties organised by the ESF and whose invitations are handed out together with the agenda for the Article 133 Committee meetings on services.¹⁰⁹ Needless to say, the ESF also meets with the top officials of the WTO secretariat in Geneva.¹¹⁰

The rest of this subsection will provide concrete examples of the lobby tactics on the EU negotiating position in the GATS by looking at the case of distribution services and financial services. The socio-economic and environmental impacts will also be highlighted.

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108 ESF, (2006). Press Release, ESF input to Commission Issues Paper on trade and competitiveness”, Brussels, March 2006.

109 See for instance the invitation to the ESF meeting and cocktail on 23 May 2006 in Brussels (ESF letter „ESFo6-13“ dated 2 May 2006 and Note to the attention of the members of the ad hoc Article 133 Committee (Services) by the General Secretariat of the Council (DG E II/2) dated 4 May 2006 and classified „MD: 82/06“).

110 This is reflected in the letters sent to P. Mandelson and P. Lamy: See www.esf.be

Box 4: *The case of Carrefour*

Carrefour is the number one supermarket chain in Western Europe and number two in the world. It is leader in hypermarkets worldwide and third in hard-discount stores.² It is presented in 29 countries and belongs to the top 10 grocery retailers in Asia, Latin America and Africa.³ Its 7003 stores worldwide carry different names and have different formats but Carrefour claims to serve more than 2 billion customers all over the world.⁴

Table 3: *Some key figures for Carrefour*

Some key figures	2005	Other related indicators
Net sales excl. VAT	€ 74.5 bn	58.8% comes from hypermarkets
Netprofit	€ 1.4 bn	€ 1.7 bn in 2004
Tax rate	29.4%	
Net debt	€ 6.8 bn	
Number of employees	130,000 in France 430,000 all over the world	45,000 in Brazil in 2003

Sources: <http://www.carrefour.com/english/infosfinancieres/>

Strategies: which are supported by the EU negotiation position

Profit growth is the key strategy of Carrefour, as its profit had somewhat decreased in 2005. The dependence of Carrefour on its activities in France for around half of its profits has been considered risky by its analysts. This means Carrefour is being pushed to open up new shops elsewhere, not only in other European countries, but internationally, in order to balance its investment risks. Carrefour is therefore focussing on the most profitable markets, such as Brazil and China⁵ where it wants to double, or triple even, its number of hypermarkets compared to 2003-2004. The European position in the GATS negotiations is in support of such strategies by making requests in distribution services to 60 WTO member countries, including emerging markets, and taking the lead in plurilateral negotiations on distribution services with a strong focus on emerging economies.

Carrefour's strategy has also seen some of its stores being sold/divested when failing to prove profitable enough, as has been the case in Mexico in 2005 and South Korea in 2006, indicating the huge competition among the big players.⁶ Carrefour wants to be able to gain big market shares as much as possible and defeat local competition. To do this, it must not be hampered by rules and regulations by the hosting country. Carrefour also wants to easily move around its management team in order to set-up new stores abroad.

Such strategies are reflected in the bilateral and plurilateral requests made by the EU to remove governmental measures, such as the "economic needs tests" - which can prevent Carrefour's expansion by placing it in a non-competitive position with domestic retailers - and the EU's request for "particular access for business visitors and intra-corporate transferees".⁸

In its profit growth strategy Carrefour's "top priority remains price competitiveness" in order to attract more clients. This means reducing costs as much as possible from suppliers, staff, etc., and selling a variety of products shipped from all over the world to Carrefour outlets in three continents. This is supported by the EU's position in the WTO to cut tariffs in agriculture and industrial goods in developing countries and to allow only very limited governmental restrictions on what foreign retailers are allowed to sell.

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¹ Where not otherwise stated, the information comes from the website of Carrefour: <http://www.carrefour.com/english/>

² Vander Stichele, M., et al., (2006). *Who reaps the fruit?* p. 51. p. 53-68.

³ Vander Stichele, M., et al., (2006). *Who reaps the fruit?* p. 51. p. 50-64.

⁴ See: <http://uk.finance.yahoo.com/q/pr?s=CA.PA>

⁵ See: www.carrefour.com

⁶ *Planet Retail Daily News*, 22 June 2006.

⁷ *Carrefour Talk by Planet Retail*, 22 March 2006.

⁸ *Collective request on Distribution Services, negotiation document submitted by the European Commission as part of the plurilateral requests, March 2006.*

2.3.3. GATS and the liberalisation of retail services

Distribution services cover wholesale trade services, retail services, franchising and commission agent's services. Retail services include supermarkets, hypermarkets and discounters, which play an important role in the sales of food and other products. The trade and retail sectors are also important employers world-wide.

2.3.3.1 Retail services: corporate players and corporate interests

Some large European supermarket-chains are finding it difficult to expand any further in Europe due mainly to their already large share of the market. Additionally, pressure on profit margins resulting from discounters' success, has made supermarket chains seek profits abroad. Unsurprisingly, the GATS negotiations are pushing for permanent country-entry, and with fewer obstacles, for services investment in profitable markets such as India and China.¹¹¹

In Europe, the leading supermarket chains are **Carrefour** (France), followed by **Metro** (Germany) and **Tesco** (UK).¹¹² All three of them belong to the small elite of supermarket-chains expanding rapidly internationally and entering many developing countries – despite having to still compete with the US Wal-Mart, the world's number one retailer. Between 1980 and 2001, each of the five largest supermarkets in the world increased their geographical presence by at least 270%, and in 2005 each belonged to the top-10 grocery retailers with leading market share in at least one continent of the developing world.¹¹³

With Carrefour as the European champion in the retail sector, it is taken in this report as an example of the trends and strategies of European supermarkets in the context of the GATS negotiations.

2.3.3.2. The EU's corporate agenda

In order to have their interests heard by the EU negotiators in the WTO, supermarkets are organised at European level within **Eurocommerce** who, representing wholesale and international trade businesses, "aims, as a representative of a major economic sector, to ensure that trade and services in the European policy formulation process are duly taken into account."¹¹⁴ Eurocommerce's membership includes national commerce federations in 28 European countries, European branch associations and individual companies, totalling more than 100 full and affiliated members. Affiliated members include, among others, **Carrefour, Metro, Tesco, Ahold, Casino, Asda/Wal-Mart** and **IKEA**, whilst branch associations include the **Union of Groups of Independent Retailers of Europe** (UGAL). The **Foreign Trade Association** (FTA) lobbies for large retail

111 Barker, K., (2005). *International retailers eye new opportunities*, 14 August 2005.

112 Vander Stichele, M., et.al., (2006). *Who reaps the fruit?* p. 51.

113 FAO (2004). *The state of food insecurity in the world*. Rome.

114 Wiggerthale, M., (2005).

associations and companies, especially related to imports of clothing, but also includes **Carrefour**.

The European Retail Round Table (ERRT), shaped similarly in structure and lobbying in the same way as the ERT (see Chapter 1), is made up of some of the largest European retailers' CEOs – including **Carrefour, Tesco Metro, Ahold, Asda/Wal-Mart, Delhaize** and **IKEA**. Eurocommerce and the ERRT are also a member of the **European Services Forum** (ESF) and **Metro** and **Ahold** are also direct members of the ESF. Position papers¹¹⁵ by Eurocommerce, the FTA, the ERRT and ESF are all strongly advocating improved real market access for European distributors and retailers. This is reflected in the EU requests to 60 WTO countries for more market access in distribution services, out of the 109 EU requests made in 2002. Also, the EU has taken the lead in submitting a plurilateral request for liberalisation of distribution services under GATS in the beginning of March 2006. The FTA¹¹⁶ considered that "[t]he protection for investment provided by the GATS now is too weak", referring to "commercial presence" (mode 3) and different rules in the GATS agreement. This includes the removal of restrictions on foreign ownership, which the EU successfully included in the GATS negotiation guidelines approved at the WTO Hong Kong Ministerial Conference.¹¹⁷

Eurocommerce also strongly advocates improved access to foreign markets in profitable countries where European retailers cannot yet operate freely, particularly in China, India, Japan, USA, Malaysia, Mexico, Brazil and Australia.¹¹⁸ Most of these countries were targeted by the EU during the plurilateral negotiations. Eurocommerce¹¹⁹ also wants to ensure that committed market access is not reversed, and has successfully advocated, alongside ESF, against the emergency safeguard clause demanded by developing countries (see 2.3.2.). Given supermarkets' interests to quickly gain large market-shares in host countries, their lobby has focused on the removal of all kind of host governmental measures preventing them from swift investment operations. This is reflected in key demands on dismantling "barriers to trade" by Eurocommerce,¹²⁰ also shared by the FTA¹²¹ and ESF, and which have been incorporated in the EU's position in the GATS negotiations as summarized in the table below.

In order to increase cheap sourcing from developing countries and attract customers with low prices and meet increased competition from discounters, supermarkets have been lobbying in Europe for cutting import tariffs, removing

115 See websites of these organisations: www.eurocommerce.be, www.efta-eu.org, www.esf.be, www.ert.org.

116 FTA (2001), *Statement on GATS 2000 negotiations proposals on distribution services*, 10 December 2001.

117 WTO (2005a).

118 Eurocommerce, (2005). *True Liberalisation, More Development, Simpler Procedures & Better Rules*. Position Paper, 21 June 2005, Brussels.

119 See: Eurocommerce position on 13 December 2005, ESF position papers on emergency safeguard measures, April 1999, May 2000, September 2002.

120 Eurocommerce and National retail Federation, (2005). *Joint statement of the National Retail Federation and Eurocommerce on the 6th WTO ministerial conference*, December 13, 2005.

121 See: note 119

Table 4: What Eurocommerce and the EU say about distribution services in the GATS

<i>What Eurocommerce,^a FTA^b and ESF demand</i>	<i>What the EU^c does</i>
The same treatment of foreign and national distributors and retailers (“ national treatment ”).	The many EU bilateral requests ask for full market opening in all distribution services without exceptions on national treatment.
The removal of the economic needs test by authorities to assess the economic, social and environmental impacts of new establishments of retailers ^d .	The EU successfully negotiated to have the Ministers in Hong Kong (2005) to decide to aim at the “removal or substantial reduction of economic needs tests”.
The removal of restrictions on sales of certain products by foreign distributors, including alcohol and agricultural products.	The many EU bilateral requests demand the removal of restrictions on sales of certain products where they exist. The EU wants foreign distributors and retailers to be able to sell everything, including alcohol, apart from arms.
International free movement of temporary personnel between WTO member countries by getting rid of lengthy and difficult immigration procedures.	The plurilateral request on distribution services includes “ <i>ensuring in particular access for Business Visitors and Intra-Corporate Transferees</i> ”.

a See: note 118 / b See: note 119 / c Based on analysis of EU bilateral and plurilateral requests. / d Eurocommerce and National Retail Federation, (2005). Joint statement of the National Retail Federation and Eurocommerce on the 6th WTO ministerial conference, December 13, 2005.

all non-tariff barriers (including labelling) and official trading formalities on agricultural and industrial products. This wish for cutting import tariffs in all countries has been defended by the EU’s strong position on agriculture and NAMA and its interest in the negotiations on trade facilitation.

2.3.3.3. The impacts of trade liberalisation in the retail sector

Impact on local economies, livelihoods and societies

➔ **Squeezing out small shops:** In many European countries the retail market is increasingly dominated by a few supermarkets who become the major sales points for food and other goods. Large sized supermarkets such as hypermarkets and their strategies to attract clients have left many villages and town centres without shops, causing what have become known as “food deserts”. Large foreign supermarkets operating in developing countries made many small and informal shops disappear, e.g. in Thailand 14% of small retailers disappeared in just 4 years (1997-2001) after distribution services were unilaterally liberalised. In many developing countries, small shops are a way for the poor, and especially for many women, to earn an income for their families.

➔ **Marginalising small suppliers in Europe and developing countries:** Domination of food outlets²²² has enabled

supermarkets to set the terms and prices for suppliers: low prices; timely and all-year-round supplies; high quality and large volumes. Also, supermarkets like Carrefour in France have abused their dominance by requiring suppliers to pay for shelf place, advertisements, opening of new stores, and by delaying payments to the suppliers. In Indonesia, Carrefour was condemned by the Business Competition Supervisory Commission in August 2005 for abusing its dominant position and for causing bankruptcy to one of its suppliers.²²³ These practices have squeezed small producers, farmers and other suppliers out of the market as only large and ever merging companies can fulfil the supermarket demands and still keep some profit for themselves. In Indonesia, Carrefour is the largest hypermarket operator with 47% of the market share and only 20% of its products being produced by small and medium-size enterprises. In France, only 2000 large producers and multinationals can sell in Carrefour’s stores.²²⁴ These strategies result in concentration of business in the hands of a few, rather than distributing benefits widely in society. While consumers think they have the lowest prices, Carrefour keeps high profit margins to finance its expansion worldwide.

➔ **Removing pro-poor policies:** Malaysia’s potential impact of retail liberalization under GATS was assessed by the European Commission’s own Sustainability Impact Assessment (SIA) of distribution services which warned against the social problems that might arise from opening-up the Malaysian

.....
122 Vander Stichele, M., et.al., (2006). *Who reaps the fruit?* p. 43-52.

.....
123 Vander Stichele, M., et.al., (2006). *Who reaps the fruit?* p. 88-100.

124 Jacquiau, C., (2000). *Les coulisses de la grande distribution.* p. 31-38, 54-62.

market: "it would require the abolition of a number of measures designed to protect the position of poorer people and disadvantaged minorities."¹²⁵ The SIA recommendations for the liberalisation of the retail sector resemble Thailand's conclusions about its liberalisation, arguing that better regulation and measures, aimed at guaranteeing the protection of small domestic retailers and suppliers, ought to be put in place first (though these appear to have been ignored by the EU who has proceeded with its requests to Thailand none the less).¹²⁶

→ **Limiting social and environmental policies:** Aiming at the "removal or substantial reduction of economic needs tests" as agreed by Ministers in Hong Kong undermines authorities to stop novel retailers which are assessed to have negative socio-economic and environmental impacts on the domestic market. In the UK, public and political debates, as well as investigations by the authorities, show that such tests might be useful in tackling the negative impacts of large supermarket chains.

Impacts on employment and job quality

→ **Worsening conditions for suppliers:** The supermarket demands to suppliers for low prices with high quality and high volumes are being transferred to the lower and weaker links in the chain, including developing countries where they source. Examples are the Latin American plantation workers who get increasingly lower prices in the banana industry, or South African – mostly female – workers on farms producing fruit for Northern supermarkets whose working conditions are unhealthy and precarious with short term contracts.¹²⁷

→ **Job insecurity at supermarkets:** The cost cutting strategies of some European supermarkets operating in Europe and in developing countries has led to low payments, job cuts, short term contracts, part-time jobs, understaffing, unpaid overtime and far too flexible working hours for employees – many of whom are again women. Sometimes, trade union work is made difficult or impossible at the supermarket. One example of what impact globalizing supermarkets have on employment is Carrefour, notwithstanding its corporate social responsibility initiatives. Carrefour has been several times condemned between 2002 and 2006¹²⁸ by the court for making financial gains from illegal practices of workers in its stores. Carrefour paid lower wages and labour benefits than to its own employees to around 5000 workers because they were employed through contracts with suppliers. In 2005, Carrefour announced it would fire 1700 employees in the coming years despite making €1.4 bn profits, although, at the same time, €46 million were being allocated for the departure of its former Chief Executive Officer.¹²⁹ This is a clear

example of how such business practices are causing the gap to increase between the rich and poor in Europe alone.

Impacts on the environment

According to the European Commission's Sustainable Impact Assessment (SIA) of distribution services "environmental impacts will result from increases in consumption and the volume of products produced, both domestically and abroad. With this come associated issues such as the disposal of waste and the possible need for regulations to encourage the recycling of packaging. To the extent that improved distribution increases consumption and trade, this will also increase the need for road, rail, maritime and air transport. More road transport may increase urban air pollution, noise, traffic congestion and accidents."¹³⁰

Overall, the SIA advocates that a lot of regulations are needed to address adverse aspects of liberalisation of distribution services, but this is not acted upon during the GATS negotiations. The EU only mentions in the preamble of its requests that "liberalisation needs to be underpinned by domestic regulatory frameworks designed to ensure the achievement of public policy objectives".¹³¹

.....
125 European Commission (2005g).

126 Vander Stichele, M., et.al., (2006). *Who reaps the fruit?* p. 148-149.

127 *Ibid.*, p. 20-23, 55-58.

128 See: <http://fr.news.yahoo.com/15052006/202/carrefour-devant-les-juges-pour-des-formes-illucites-d-emploi.html>.

129 See: <http://www.nadir.org/nadir/initiativ/aggp/free/wto/hongkong2005/global/>

.....
1211zombie_action.htm

130 See: note 128

131 See: the leaked 2000 GATS request at: <http://www.gatswatch.org/>

Box 5: *The case of ING*

ING Group is a financial conglomerate that operates in over 50 countries providing a very wide range of banking, insurance and asset management services. ING Group is the world's 13th largest financial corporation based on its market value of € 71.9 bn and belongs to the top 10 financial companies in Europe. ING's clients range from individuals and small businesses to large multinationals, institutions and governments.

Table 5: *Some key figures for ING*

	2005	2004
Net profit (after tax payments)	€ 7.21 bn	€ 5.96 bn
Tax payments	€1.67 bn	€1.43 bn
Total Assets managed by ING	€ 547.4 bn	
Charitable donations	€ 14.3 million	€ 12.5 million
Total employment calculated in full time employees (FTEs)	115,300	113,000

Sources: ING Group, (2005). Annual report, 2005; ING Group, (2005). Corporate Responsibility Report 2005.

ING strategy² and comparison with EU position in the GATS negotiation

ING's has currently a strategic focus on growth in pension and retirement services, banking through internet, and life insurance in countries with developing markets. ING's strategy is one of growth and expansion of sales in profit-making products in countries where it has a market leader's position. In previous years, ING has sold (some parts of its) business and has left countries where return on investment compared insufficiently with the company's objectives. ING's strategy means that its focus is placed on market-opening of the emerging economies where most of the profit growth can be made.

The EU position is supportive of this strategy for, in the plurilateral request on financial services, it has targeted many so-called emerging economies and requested the right of foreign operators to acquire full ownership of the domestic financial industry.

ING also has a strong strategy of making profits by driving costs down, increase profit margins through sufficient return on investment and by adopting an "aggressive" approach to risk-management.³ This translates in ING not wanting to be hampered by governmental measures in limiting its choices for investment and, in countries where it does not make enough profit, ING wants to withdraw from the market without any obligation. Such interests are reflected in many bilateral requests of the EU requiring many domestic laws and regulations to be removed, including rules requiring banks to keep a certain amount of their liquid reserves in the hosting country - a rule seen by banks as not allowing for much return on investment.

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¹ See: http://www.ing.com/group/showdoc.jsp?docid=092825_EN&menopt=abo%7Cfct#P646_7174; at the end of 2005, ING's market value was Euro 65 bn.

² Summary and analysis based on: ING, (2005). Annual Report 2005; and research by SOMO.

³ ING, (2005). Annual Report 2005. p. 23.

2.3.4. GATS and the liberalisation of financial services

Liberalisation of financial services under GATS means much more than simple market opening for financial service providers (banks, insurance companies, pension fund management, mutual funds, etc.). It allows acquisitions and mergers of the domestic financial industry by foreign financial con-

glomerates trying to expand their operations in search for more profit. GATS rules also do away with policies that protect the domestic banking and insurance sectors, and allow foreign services to operate more profitably. For instance, GATS Art. XI provides for free repatriation of profit and new GATS rules will further discipline governmental measures in order to prioritise market-opening.

2.3.4.1. Financial services: corporate players and corporate interests

The economic interests of the global financial industry are considerable.¹³² The financial industry is well represented in the top 100 companies in the world, and is a profitable business for the top players earn billion of dollars a year. Citigroup is number one in the world with a net profit of US\$ 24.5 bn in 2005, up from US\$ 17.0 bn in 2004, and double the profit of Europe's number one HSBC. Total global assets managed by commercial banks are estimated at more than US\$ 48 trillion, of which less than one percent is being invested sustainably, according to figures and estimates.

There is fierce competition among the big players to increase their profits, which results in strategies of acquisitions, reselling parts of businesses in countries that are not providing enough profit, focussing on the richest clients, introducing new products, and cost-cutting strategies. Financial conglomerates do not want governmental measures preventing them from successful investment. They are especially interested in the most profitable markets of the developing countries because making more profit in Europe's mature markets has become increasingly difficult. Experts estimate that, in the future, only 15 large banks will be operating worldwide, as a result of the ongoing concentration, or "consolidation", in the sector.

Financial conglomerates, big banks and insurance companies from the US and the EU are currently dominating the largest shares of the world market. The biggest European players and competitors include **HSBC Group (UK), ING (NL), Royal Bank of Scotland (UK)** and **Banco Santander**.¹³³ In this subsection, the business strategies, lobby position and impacts of ING's investments are taken to exemplify the general trend in this sector.

2.3.4.2. The EU's corporate agenda

The financial industry has already a track record in corporate lobbying. The GATS agreement of 1995, and the GATS financial sector agreement of 1997, was shaped in very close cooperation with European and US corporations. A turning point in the financial industry lobby took place when financial services leaders in Europe and the United States established the **Financial Leaders Group (FLG)** in 1996. The FLG organized a closely coordinated effort, by providing detailed input about their "trade obstacles", to support their negotiators' efforts to obtain liberalisation of financial services in 20 key third-country markets. The FLG intervention has been taken as a model for other cooperative efforts, as stated by Sir Leon Brittan himself,¹³⁴ at the time EU Trade Commissioner. According to an ING representative, the EU Trade Commissioner phoned-up the business lobbyists from the nego-

tiating room to consult them directly on the negotiations.¹³⁵ Still today, the FLG is seen as a very high-level lobby group with some of the largest banks and insurance companies in the world as its members, including **Citigroup, ING, Commerzbank, UBS** and **Royal Bank of Scotland**.¹³⁶

Apart from statements and detailed proposals, the FLG has lobbied via two major "seminars" it held in the WTO itself on 10-11 October 2001 and on 10 February 2005, with representatives from its member groups as speakers, and the GATS negotiators from several (developing) countries as audience.¹³⁷

The influential lobby group **International Financial Services, London (IFSL)** is also a member of the FLG and has been very influential over the past 30 years in promoting the financial industry, both UK-based and operating in the UK. Members of IFSL include the world top banks such as **Citigroup, HSBC, ING, Goldman Sachs, Deutsche Bank, JP Morgan** and **Morgan Stanley**.¹³⁸ In 2004 it employed 15 members of staff and had an annual expenditure of £ 1.47 million.¹³⁹ It works closely with different bodies of government and representatives of the financial industry to promote its interest. The high level **LOTIS Committee (Liberalisation of Trade in Services Committee)** of the IFSL has been very active during the GATS negotiations through several position papers, lobby meetings and by monitoring very closely the negotiations. It has had informal meetings with high-level UK civil servant to discuss strategies of the GATS negotiations and even planned a campaign against NGO opposition when a civil servant admitted that the case of liberalisation through GATS negotiations was "*vulnerable when NGOs asked for proof of where the economic benefits of liberalization lay*".¹⁴⁰

The financial corporations are also strongly represented in Brussels through the **European Services Forum (ESF)** whose members include the **International Financial Services, London (IFSL)**, la **Fédération Bancaire de l'Union européenne (FBE)**, the **European Savings Banks Group (ESBG)** and the **European Association of Cooperative Banks (EACB)**. Direct financial industry members of ESF include **Barclays, Commerzbank, Deutsche Bank, Royal Bank of Scotland, Lloyd's of London, Prudential**, and **Goldman Sachs** (US based). As stated in the previous subchapter, the ESF has close links with the European Commission through meetings, informal discussions and position papers. During the meeting of the ESF with Commissioner Peter Mandelson, on 31 May 2005, the financial industry was, amongst others, represented by Mr. Karel Van Miert, Advisor of Goldman Sachs International and former EU Commissioner for competition policy, and Mr. Christopher Roberts, the

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¹³⁵ Anonymous business source.

¹³⁶ See: http://www.flwg.org/docs/FLG_Members.pdf

¹³⁷ See: <http://www.flwg.org/events.htm>

¹³⁸ *International Financial Services, London (IFSL), (2004). Annual Report and Financial Statements, 31 March 2004.*

¹³⁹ *Ibid*, p. 10,15.

¹⁴⁰ Wesselius, E., (2001) *Liberalisation of trade in services: corporate power at work*. CEO. Amsterdam.

.....
¹³² Except otherwise referred to, information is based on: Vander Stichele, M., (2005) *Critical issues in the financial industry, SOMO*.

¹³³ See: www.forbes.com/2006/03/29/06f2k_worlds-largest-public-companies_land.html

¹³⁴ See: <http://www.flwg.org/>

very influential and active chairman of the ESF Policy Committee and current Chairman of the IFSL LOTIS group.¹⁴¹ The Financial Leaders Group (FLG) has made several statements at critical moments on the importance of improving market access for financial services and made clear demands to support the financial industry's expansion and consolidation strategies, especially in emerging markets. Its success is amongst others summed-up in table 6 below.

The EU has incorporated the financial industry's current strategies in the EU's bilateral and plurilateral requests stating that *"for EU financial services companies, the fast-growing emerging economies will become a major source of activity that will help to offset slower growth in the more mature financial*

*services markets"*¹⁴² This is hardly a perspective in the interest of developing countries, but has pushed them to incorporate the demands from the financial industry in the Annex C of the Hong Kong Ministerial declaration.

Negotiating papers indicate that liberalisation of financial services has been on top of the EU's wish list in the GATS negotiations. The EU's bilateral financial services requests made in 2002 (to 94 countries) and in 2005, as well as its plurilateral request on financial services in 2006, have a high focus on swift and very broad market opening for foreign financial firms. The bilateral requests were so detailed for each country that they clearly reproduced all the listed barriers the financial industry had encountered to enter and operate freely in the most profitable way. Indeed, the FLG

Table 6: *What the FLG and the WTO Ministerial declaration say about financial services in GATS*

<i>The principle demands made by the FLG^a include:</i>	<i>Annex C of the Hong Kong Ministerial declaration (2005) which requires WTO members to negotiate aiming at:</i>
Freedom of establishment with no restrictions on full ownership of services providers (full foreign equity participation)	Mode 3: <i>"(i) enhanced levels of foreign equity participation"</i> <i>"(ii) removal of existing requirements of commercial presence"</i> <i>"(iii) flexibility on the types of legal entity permitted"</i>
As little discrimination as possible within GATS market access and national treatment rules	<i>"market access on a non-discriminatory basis across sectors of interest to Members"</i> (Mode 1, 2) <i>"We are determined to intensify the negotiations [...] with a view to expanding the sectoral and modal coverage of commitments and improving their quality"</i>
Free trade of cross border financial services	<i>"market access on a non-discriminatory basis across sectors of interest to Members"</i> (Mode 1, 2) <i>"removal of existing requirements of commercial presence"</i> (Mode 1)
Free movement of key personnel	<i>"new or improved commitments on the categories of Intra-corporate Transferees and Business Visitors"</i>
Removal of all kind of barriers, including the economic need test	<i>"Members shall develop disciplines on domestic regulation pursuant to the mandate under Article VI:4 of the GATS"</i> <i>"removal or substantial reduction of economic needs tests"</i> (Mode 3,4)
Transparency in governmental regulations	<i>"ensuring that scheduling of any remaining economic needs tests adheres to the Scheduling Guidelines pursuant to the Decision of the Council for Trade in Services adopted on 23 March 2001".</i> [other proposals on transparency in regulations which were already discussed were not integrated in the Hong Kong declaration]

^a See: <http://www.flwg.org>

.....
¹⁴¹ ESF, (2005). Press Release. European Services Industry Leaders insist that substantial services liberalisation is essential to a successful Doha Round. 31st May 2005.

.....
¹⁴² Summary of collective requests by the Commission: Collective requests in which the EU is participating under the DDA Trade in Services negotiations. Annex. Brussels, 28 February 2006.

developed detailed list of barriers in financial services for the insurance sector, banking, securities and other related financial services. The influence of the financial industry is unambiguous, since some EU requests in financial services (ie.: to Thailand) make reference to the fact that “*the EU industry raises this issue*”.¹⁴³

The EU requests target, among others, regulations in developing countries put in place to promote the stability of their financial system, and avoid the negative consequences of a new financial crisis. For instance, the EU requested the elimination of a prohibition in South Korea for insurance companies to invest more than 15% of their total assets in real estate, despite one of the causes of the Asian financial crisis being excessive and irrational investment in real estate operations.

The FLG has continued to prescribe its interests to the negotiators by presenting them in 2005 with an “Insurance Model Schedule”, or rather, a model on how countries should open-up their insurance companies based on the FLG’s own objectives. The IFSL has also successfully lobbied the European Commission along with other services lobby groups, on the removal of emergency safeguard clauses.

2.3.4.3. The impacts of trade liberalisation in the financial services sector

The argument used by the financial industry, and reiterated by the EU negotiators, is that liberalisation of financial services and the entry of foreign banks will increase the efficiency of the financial system to underpin the economic growth of a country. Also, that clients will benefit from more choice and service quality. Southern countries are told that binding their financial sector market opening under GATS will attract more foreign direct investment and financing.

While some efficiency and quality gains can be made by opening to the foreign financial industry, there are many aspects of liberalising financial services that can cause negative impacts, especially under GATS rules. These concerns have been repeatedly ignored by the EU. Some of these adverse impacts will be illustrated with reference to the operations of ING, member of the most important lobby groups FLG and the IFSL, and despite ING’s commitment to many corporate social responsibility initiatives and the Equator principles.¹⁴⁴

Impact on the local economy and societies¹⁴⁵

→ Potential domination of foreign financial services:

When developing countries commit themselves to fully liberalise financial services under GATS, this means that the foreign financial industry can fully take over the domestic private financial service providers without previously as-

.....
¹⁴³ See: the leaked 2000 GATS request at <http://www.gatswatch.org/>

¹⁴⁴ Some of the information comes from: *The ING group: CSR policy and practices – with a case study of Indonesia, SOMO, November 2004.*

¹⁴⁵ Vander Stichele, M., (2005). *Critical issues in the financial industry, SOMO, Amsterdam.*

sessing the potential impact. For instance, in Latin America the foreign financial industry increased its presence, mainly through acquisitions, by 364% in just four years (1996-2000). In Mexico, liberalisation has resulted in more than 90% of assets now being in the hands of foreign banks from just 19% in 1999.¹⁴⁶ In Central and Eastern European countries, the banking sector is mostly owned by foreign banks, with up to 97% of the market in the case of Estonia.¹⁴⁷ Because foreign financial services providers often behave differently than domestic ones, the impacts can be as described below. . .

→ **“Cherry picking” and no credit for small farmers:** Foreign banks focus on rich clients including transnational corporations, resulting in poor clients being ignored and small farmers being denied credit. Although ING provides retail banking to individuals at home and in some European countries, it offers no retail banking services in Latin America or other developing countries since these are not seen as being profitable. Also in Northern countries such as the UK or The Netherlands, where the financial industry is highly concentrated in the hands of internationally operating financial conglomerates, the quality of service to poor and average clients has diminished with bank branches closing in poor and remote areas. The fact that small-medium enterprises (SMEs) have to pay higher interest, than the so-called less risky big multinational clients, has often been criticized as unfair competition and the cause for stifling the development of the domestic industry.

→ **Increasing financial instability:** The domestic banks that are left with the poor clients might have quite some problems to compete and survive, and might take risky strategies that could lead them to failure and, in turn, undermine the financial stability of the country. However, also many new financial services provided by foreign financial firms can be risky for the stability of the domestic financial system, such as services that involve transferring money abroad. While the need for regulation is recognized by all, EU negotiators have refused to assess whether countries have sufficient regulations, or enough financial resources, to put in place the expensive regulatory framework needed. On the contrary, the EU has attempted to reduce the regulatory freedom of countries and targeted financial stability measures.

Impacts on the environment

Most international foreign banks not only scantily serve poor clients in the North and the South, but they also support multinationals which exploit people’s environment and livelihoods. By increasing their global reach through GATS rules and commitments, foreign banks can continue these practices and stimulate unsustainable societies, as has been the case of ING’s involvement in many destructive corporate projects:

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¹⁴⁶ It was estimated 95% in 2005 while in 2002 CEPAL estimated it at 90% (CEPAL, *La inversión en America Latina y el Caribe, 2002*)

¹⁴⁷ Domanski, D., (2005). *Foreign banks in emerging market economies: changing players, changing issues, in BIS Quarterly Review, December 2005, p. 72.*

- ING played an advisory and coordination role in financing the Finnish company Botnia in the construction of its controversial pulp mill in Uruguay (see below 2.4.). ING only ended this involvement once protests were mounted by civil society and the project became political contentious.

- ING has been providing loans to agribusinesses for very large soy bean production¹⁴⁸ in Brazil, namely to Archer Daniel Midlands (ADM, US), Bunge (US), and Grupo André Maggi. The large scale export production of soybeans in Latin America has been the cause of rapid deforestation and many related environmental problems.

- From 1995 until 2001, the ING Group was involved in financing of palm oil and paper & pulp businesses in Indonesia, which were gravely damaging tropical rainforests, biodiversity and human health.

- NG has been involved in the financing of the controversial oil pipeline that is connecting the Caspian sea coast to the Turkish Mediterranean coast (from Baku to Tbilisi and to Ceyhan). The oil pipeline has had negative environmental and human impacts originally given too little consideration.

Impacts on employment and job quality

In the worldwide competitiveness race, the banks operating internationally have introduced many cost-cutting strategies, including keeping their level of employees as low as possible. One of the consequences has been the outsourcing of work, not only from North to South, but also within the developed or developing countries in which the global financial industry operates. Jobs are outsourced to people not directly employed by the bank, as is for instance the case by ABN Amro in Brazil, with labour conditions and wages for outsourced jobs often being lower than those at the bank itself. When foreign banks enter the liberalised market through mergers of local banks, many jobs are lost due to less staff requirements. Jobs are also lost when foreign financial service providers leave because of low financial returns (as was the case for 650 workers at ING in Argentina).

2.3.4.4. Preliminary conclusions

In general, the EU position in the services negotiations has been supportive of the demands of its services industry, both for market expansion and the removal of government measures seen as “trade barriers” to its profit-making strategies. This has caused the EU to fail to ensure that foreign services in developing countries promote sustainable development and fulfil the needs of those needing the service most: the poor. On the contrary, as the European Commission’s impact assessments of the trade liberalization in the distribution services sector shows, there can be wide negative impacts on the poor and small producers.

Rather than supporting regulations needed to avert such

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¹⁴⁸ van Gelder, J. W., (2004). *Bank loans and credits to Grupo André Maggi – A research paper prepared for Fundação CEBRAC, June 2004.*

impacts, the EU has echoed its industry’s demands to curtail particular domestic regulations and undermine domestic sector development. It is likely that the EU will pursue this corporate agenda in its bilateral negotiations with emerging market countries, as the draft June 2006 paper on external competitiveness of the European Commission suggests.¹⁴⁹

2.4. Industrial goods and natural resources

In the WTO, the liberalisation of trade in industrial goods and natural resources, including forests and minerals are mainly discussed in the negotiations on Non-Agricultural Market Access (**NAMA**). The removal of all “trade barriers” include negotiations about binding and reducing, or eliminating even, tariffs, tariff peaks, high tariffs, tariff escalation and non-tariff barriers for NAMA products.¹⁵⁰

2.4.1. Lisbon, the WTO, industrial goods and natural resources

Europe is the world’s largest exporter in industrial goods, representing therefore an area in which the EU aims at increasing its competitiveness in line with the objectives of its Lisbon agenda¹⁵¹, although perhaps not to the same extent as the service industry.

The main sectors competing in the global markets are the chemical industry including pharmaceuticals (ie: **BASF, Bayer** and **GlaxoSmithKline**), the automotive industry (e.g. **DaimlerChrysler, Volkswagen, Peugeot, Fiat, Renault** and **BMW**), non-electrical machinery (e.g. **ThyssenKrupp** and **Siemens**) and paper products (e.g. **Stora Enso, Smurfit Kappa** and **Botnia**).¹⁵² The European industry wants all kind of trade barriers to be removed in its value chains, not only to increase its exports from Europe or among its subsidiaries that it has established around the world, but also in order to gain access to more consumer markets and cheap raw materials. Indeed, due to globalised manufacturing, intra-group trade is estimated to represent 40% of overall global trade. In its June 2006 draft paper on the external aspects of Lisbon¹⁵³, the EU stated that “*export restrictions of many countries do not allow EU producers to compete on international markets*” and identified better access to raw materials and resources for inputs as a current important problem for European business to better compete against international rivals.¹⁵⁴ Moreover, the European industry is afraid that the higher industrial tariffs, applied by emerging markets, are allowing the latter to build their own industries while denying the European industry the benefit from the new investment “opportunities.” UNICE has argued that “*the ability to*

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¹⁴⁹ European Commission, (2006).

¹⁵⁰ See: http://www.wto.org/English/tratop_e/markacc_e/markacc_negoti_e.htm

¹⁵¹ The European Commission (2005c).

¹⁵² Deckwirth, C., (2005). p. 21.

¹⁵³ European Commission, (2006).

¹⁵⁴ *ibid.*

Table 7: What UNICE and the EU say about NAMA

What UNICE says	What the EU says
<p>An “ambitious tariff liberalisation and elimination of non-tariff barriers (NTBs) will be one of the main criteria by which UNICE determines its overall support for the final deal.”^a</p>	<p>“Each Member’s overall contribution in the negotiations shall be evaluated on the basis of the effective market access granted through tariff reductions and the elimination of non-tariff barriers”.^b</p>
<p>”UNICE believes that the WTO could benefit from creating an NTB problem-solving or arbitration mechanism, including national contact points, to facilitate bilateral negotiations to remove NTBs. The aim should be to assist countries in removing NTBs banned under WTO agreements rather than listing them.”^c</p>	<p>“...the WTO system would benefit from the establishment of horizontal mechanism, in the form of a procedure for problem-solving in the area of NTBs, with short time-lines, as well as with the involvement of a facilitator that can assist countries in reaching mutually agreed solutions.”^d</p>

a See: note 157 / b See: note 154 / c See: note 157 / d European Communities, (2006a).

access the fast growing markets outside Europe were key for European competitiveness”.¹⁵⁵

The EU has explicitly identified the NAMA negotiations as one of the top two priorities, along with GATS, of its “offensive agenda” within the Doha Round of negotiations. Officials within EU member states have confirmed that they have come under pressure from European business groups to target the industrial markets of developing countries during the Round and that is being reflected in the EU’s position. UNICE has claimed that the “NAMA negotiations rank among UNICE’s highest priorities in the DDA”¹⁵⁶ and has been lobbying heavily on behalf of European businesses to ensure that all NAMA tariffs are reduced to a maximum of 15% of the value of the import by the end of the Doha Round. As a major success for UNICE, the EU has changed its negotiation target from the original maximum tariff of 25% to 15%,¹⁵⁷ with a view to bring NAMA tariffs “within a narrow common range as close to zero as possible”,¹⁵⁸ a position that has also been lobbied for by the distribution and retail sector (see the subsection 2.3.3. on retail services).

In addition, UNICE has been successful in convincing the Commission to propose new mechanisms to remove non-tariff barriers (NTBs) (see Table 7).

In line with business needs, the EU has been negotiating “to bring about a situation where all WTO Members other than the least developed countries have as close to 100 per cent bindings as possible.”¹⁵⁹ “Binding” meaning that countries have to set maximum ceilings for their tariffs and can in principle

not change them against import surges, a guarantee for business to avert unexpected rising costs. However, different developing countries have officially argued that they should not make a double concession of both binding and cutting tariffs.¹⁶⁰ The EU’s response has been that, if countries were required to bind rather than reduce tariffs, they would somehow be getting a “Round for Free”,¹⁶¹ despite the GATT (Article XXVIIIbis 2(a)) recognising the binding of tariffs “as a concession equivalent in value to the reduction of high duties”.¹⁶²

2.4.2. The failed Doha Development Agenda

During the NAMA negotiations, the EU has mostly taken a position bluntly ignoring what developing countries were asking for and supporting the business cause. The EU has made common cause with other developed countries to negotiate amongst a restricted group of countries through informal meetings. It has pressed to reduce tariffs as much as possible for all products, representing over 70% of developing country exports, through a general tariff-cutting formula, also known as a “Swiss” formula. Since the formula means that the cuts are proportional to the tariffs, hence higher the initial tariffs, higher the cuts applied to them, in practice developing countries are being requested to reduce tariffs more than developed countries (since the former have higher tariffs than the latter). This is being negotiated despite it contradicting the Doha Round mandate stating (a) that developing countries would not have to reduce their tariffs to the same extent than developed countries,¹⁶³ and (b) that the negotiations would reduce or

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155 Euractiv, UNICE Competitiveness Day focuses on benefits of globalization, 24 October 2005.

156 UNICE, (2005). Roadmap to Hong Kong, Revised UNICE Fiche: Non-Agricultural (Industrial) Market Access (NAMA) Negotiations. 18 August 2005.

157 Hilary, J., (2005). The Doha deindustrialisation agenda: The non-agricultural market access negotiations at the WTO, War on Want, April 2005, p.13; and ActionAid International, (2005). Bound and tied: The developmental impacts of industrial trade liberalization negotiations at the World Trade Organisation., London. p.6.

158 European Communities (2002).

159 See: note 154

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160 See: Communication submitted on 15 April 2005 by Argentina, Brazil and India (TN/MA/W/54); Thailand, the Philippines, and Malaysia have also maintained this stance.

161 Letter from Pascal Lamy – at the time EU Trade Commissioner – and Franz Fischler to other WTO members, May 2004.

162 The GATT (1947).

163 “less than full reciprocity in reduction commitments”

Box 6: *The case of Bayer*

The German Bayer group figures among the biggest corporations in the chemical sector. Its network encompasses 350 companies around the world and has a global reach leaving only few countries without Bayer representatives. After the Lipobay scandal – a Bayer medicine with lethal “side-effects” – in 2001, the Bayer Group was turned into a strategic management holding with legally independent subgroups. The main emphasis of its activities is in Europe, which accounts for 43% of the group’s total turnover, North America and the Asia-Pacific region.

Bayer CropScience is number one in agrochemicals such as pesticides or insecticides and has integrated seeds and biotechnology, dominating the three key segments of the agriculture input industry.² It is also among the world’s top three suppliers of plastics and non-prescription medicines.

Table 8: *Some key figures for Bayer*

	2005	2004
Net Sales	€ 27.38 bn	€ 23.28 bn
Income (after taxes)	€ 1.6 bn	€ 0.7 bn
Income taxes paid	€ 0.64 bn	€ 0.47 bn
Total dividend payment	€ 0.694bn	€ 0.40 bn
Employees at end of year	93.700 (37.600 in Germany)	91.700
Personnel expenses	€ 5.91 bn	€ 6.02 bn

Source: Bayer (2005), Annual Report 2005, Bayer (2006). Names, Figures, Facts 2006 – 2007.

Bayer’s strategy and interests compared to NAMA negotiations

Besides sales of profitable products, Bayer has been growing, and continues to grow, through mergers and acquisitions, taking over some important rivals (e.g. Aventis), and through strategic alliances. After having produced the whole palette of chemical industry, Bayer has spun-off some parts of its classical chemical activities and activities that do not yield enough profits. The three remaining focus groups - Bayer CropScience, HealthCare and MaterialScience (high-tech materials) - are striving for the leadership in their markets and, in the first half of 2006, Bayer became the number one in the pharmaceutical sector in Germany. Bayer is also focusing on the growth markets of Asia, especially in high-tech materials for which the markets in Europe and US are close to saturation. The relatively high-tariffs in emerging market countries are an obstacle to these export prospects and, if they allow large emerging countries to build-up their own industries, or increase sales of generics, this could impact negatively on Bayer’s market shares. Bayer’s interest related to NAMA negotiations are therefore to eliminate these barriers. Bayer has also been implementing far-reaching programmes to cut costs and increase efficiency, including cutting 23,200 jobs worldwide between 2001 and 2005. A key goal of Bayer is to minimize input costs and to control its supply of various raw materials (e.g. aromatics, propylene, energy). All of Bayer’s subgroups are sourcing globally in order to reduce the procurement risks such as price fluctuations or differences in quality and quantity of inputs. Therefore, reductions in tariff and non-tariff barriers such as expensive regulations will allow Bayer to source its raw material cheaper, while stable (or “bound”) and transparent tariffs and regulations will allow it to minimize unexpected changes in procurement conditions.

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¹ Die Welt (2004) Wurzelbehandlung, 17 November 2004, available at <http://www.welt.de/data/2004/11/17/361421.html>

² UNCTAD, 2006.

eliminate trade barriers on products of export-interest to developing countries.

As an UNCTAD study has shown from a sample of 40 countries, half of these experienced de-industrialisation in the aftermath of uniform and across-the-board tariff cuts (ie.:

liberalisation).¹⁶⁴ UNCTAD researchers also predict that the current NAMA proposals will lead to “greater proportional increases in imports” for developing countries and “substan-

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¹⁶⁴ UNCTAD, (2005).

tical losses in tariff revenues".¹⁶⁵ Development organisations from Europe and elsewhere have therefore strongly argued against the EU's position on NAMA given that, in their view, it allows little room for a successful combination of trade and industrial policy. However, in contrast to business, their calls have gone unheard by the European Commission and, as a result, the increasing opposition by developing countries to succumb to the EU's aggressive negotiating tactics has led to a stalemate in the current negotiations. The following sections look at cases of the liberalisation of industrial goods and natural resources, particularly in the chemical and forest sectors, indicating how the EU corporate agenda in these sectors is having negative consequences in societies, not only in developing countries, but also in Europe. These cases illustrate many problems similar to those in other NAMA sectors.

2.4.3. NAMA and the chemical sector

The chemical industry produces a range of products from base chemicals, such as petrochemicals and plastics, to specialty chemicals, such as pharmaceuticals and cosmetics. Production is highly globalised¹⁶⁶ and its share of world's merchandise exports accounts for more than 10%.¹⁶⁷

2.4.3.1. The chemical sector: corporate players and their interests

Almost all nations have their own chemicals industry but the bulk of chemicals are produced in OECD countries¹⁶⁸ with Europe being the largest producer of chemicals worldwide. The EU is also the world's leading exporter and importer of chemicals, accounting for more than half of global trade.¹⁶⁹ Despite the tens of thousands of small companies in the industry, a few but very large TNCs control almost entirely the global value chain in this sector. Sixteen of the thirty largest corporations are from the EU, such as **Akzo Nobel, Basell, BP, DSM, Shell Chemicals**, and **Solvay**, with German TNCs **BASF** and **Bayer** in the lead¹⁷⁰. Faced with mature and saturated domestic markets, TNCs have moved into developing country markets where the conditions for growth in sales, and reduction in production costs, are more favourable.

The EU share of global chemicals-output has been reduced from 32% to 28% in the last decade. Especially chemical production, in contrast to pharmaceuticals, is decreasing in Europe with a dramatic drop in employment.¹⁷¹ While shift-

ing (low-skill) production of basic high-volume chemicals to developing countries, production of chemicals in Europe and the US is becoming more sophisticated and knowledge-intensive, exploring new areas such as nano-technology.¹⁷² Increase in production by developing countries in global production does not necessarily mean that TNCs in the developed world will lose ground, or face stronger competition. These tendencies are likely to increase the concentration in the industry and foster the position of the already strong TNCs in the market (be it geographically or product-wise).

As commented by the Federation of German Industries (BDI), in order to grow through cheap global supplies and more exports of highly sophisticated products, "a reduction in tariffs is particularly important in large markets such as Brazil, India and China. Within the scope of the current global trade round, the international chemical industry is seeking to abolish all tariffs on chemical products."¹⁷³ "While tariffs for chemical products between industrialized countries were harmonized and substantially lowered by the Chemical Tariff Harmonization Agreement (CTHA) and even entirely abolished for pharmaceuticals and their active substances, the high tariffs in Asia and Latin America still represent a major problem."¹⁷⁴

In order to illustrate the general trends in the industry, this sub-section of the chapter makes references to Bayer as an example of TNC in this sector for it shows increasing concentration through integrated agriculture, biotechnology, pharmaceuticals, chemicals and outsourced technical services.

2.4.3.2. The EU's corporate agenda

The chemical industry is well placed to ensure that its strategic interests and positions are listened to by the EU's trade policy makers and NAMA negotiators. Besides UNICE, there are various sector-specific organisations continuously lobbying for liberalisation of chemical products in the NAMA negotiations. A particularly "effective" organisation is the **European Chemical Industry Council (Cefic)** which employs about 140 lobbyists – more than all environmental organisations put together.¹⁷⁵ Cefic is a complex cocktail of national federations, individual companies and issue-based lobby organisations of chemical industries and represents big corporations from the EU, such as **Akzo Nobel** or **Solvay** and those headquartered abroad e.g. **Novartis** (Swiss) or **Dupont** (US). Some of them are also members of other lobby groups. Members of the ERT also lobby with Cefic, for instance **Bayer, BP** and **Shell (Chemicals)**.¹⁷⁶ In addition, **BASF, Bayer, Dow** or **Dupont** have their own lobbyists in Brussels. Given the globalised nature of the industry, Cefic has during the last years often voiced its position through the **Inter-**

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165 UNCTAD, (2003), p. 32

166 CEFIC, (2005), p.3. It figures among the most international industries with estimated annual sales of € 1.776 bn.

167 WTO (2005b), p. 110.

168 Schörling (2004) REACH - The Only Planet Guide to the Secrets of Chemicals Policy in the EU. What Happened and Why?, April 2004, Brussels

169 See: <http://www.cefic.be/Templates/shwStory.asp?NID=472&HID=360>

170 CEFIC (2005) Facts & Figures, The European chemical industry in a worldwide perspective, European Chemical Industry Council, July 2005, Brussels. p.4.

171 See: <http://www.cefic.be/Templates/shwStory.asp?NID=472&HID=427>

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172 See: note 171 . p. 12

173 BDI, (2006). Position paper. Cut industrial tariffs! Why German Industry expects the Doha Round to lead to substantial improvements in market access. BDI. p. 10.

174 Ibid.

175 CEO, (2005).

176 See: <http://www.ert.be>

Table 9: What Cefic and the EU say about industrial goods in NAMA

What Cefic says	What the EU says
<p><i>"[T]he chemical industry needs fairer, more open conditions for international trade and investment through the reduction or elimination of tariff and non-tariff barriers."</i>^a</p>	<p><i>"The long term objective of both the Commission and the European chemical industry is to eliminate all barriers to trade."</i>^b</p>
<p><i>"[A]ny country, developed or developing, would benefit from the liberalisation of chemical tariffs because this would reduce the input costs of chemicals-using industries, like textiles, leather, electronics, automotive," [...] "Furthermore, chemical companies that needed tariffs for protection and were not exposed to foreign competition would not be viable in the long term anyway."</i>^c</p>	<p><i>"The EU market is generally very open with comparatively low tariffs and non-tariff barriers[...] for chemicals. By contrast, many developing countries, including the most advanced ones, continue to maintain prohibitively high tariff barriers, which often successfully shelter inefficient domestic industries but at the same time also impede broader macroeconomic development objectives of their economy."</i>^d</p>

a Cefic, (2004). Chemical Industry 2015: Roads to the Future. Brussels. / b See: <http://ec.europa.eu/comm/trade/issues/sectoral/industry/chem/chemicals.htm>
 c Van Sloten, René (2005). Cefic, speaking on behalf of UNICE and quoted in a report by the European Commission – Market Access Symposium, Workshop 1: Negotiations on Doha Development Agenda (DDA). Brussels, 19 September 2005, p. 4. / d See: <http://ec.europa.eu/comm/trade/issues/sectoral/industry/chem/chemicals.htm>

national Council of Chemical Associations (ICCA) whose members account for 80% of global chemical manufacturing and which has the WTO as one of its target organisations.¹⁷⁷ They have all lobbied for the elimination of all chemical tariffs, the dismantling of non-tariff barriers (NTB) and the prevention of formation of new NTBs in all countries with a "viable" chemical industry.¹⁷⁸ ICCA has argued that NTBs such as export taxes, import licensing, or different regulatory schemes, sometimes intended to protect people and the environment, pose considerable barriers to chemical exporters. Since the EU aims at "maintaining and developing a successful chemical industry in Europe" its position in the NAMA negotiations with strong demands to reduce especially high-tariffs, binding all product-tariffs and reduce non-tariff barriers (see Table 9) – which has been clearly in line with that of industry demands. EU Trade Commissioner Peter Mandelson has been advancing the interests of European chemical business by arguing that "there is a growing consensus in favour of a tariff reduction formula that will genuinely open up new business opportunities, including in the markets of faster growing, emerging nations".¹⁷⁹ Indeed, the proposed formula means a serious reduction in high chemical tariffs currently bound above 25% by emerging market countries such as India, Indonesia and Thailand, which have been identified by business.¹⁸⁰

While the EU's NAMA position might be shared by lobby groups of the chemical industry in Brussels, it is strongly opposed by developing countries and does not act in the interest of Europe's social and environmental objectives, as it is explained below.

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 177 See: <http://www.icca-chem.org>
 178 ICCA (2005) Making Hong Kong a Success: The View of the Chemical Industry, Position Paper, May 2005, Brussels
 179 Mandelson, P. (2005) Statement by Commissioner Peter Mandelson to the WTO on the state of DDA talks, 28 July 2005, Geneva.
 180 See: note 174

2.4.3.3. The impacts of trade liberalisation in the chemical sector

*"Increased international trade in chemicals will further Sustainable Development around the world by promoting economic, social and technological development in every WTO member country."*¹⁸¹
International Council of Chemical Associations (ICCA), 2005

Impact on local economies and societies

➔ **Loss of industrial policy:** The cutting and binding of tariffs has long been recognised as a significant and complex undertaking, because a country loses its sovereignty over future trade and industrial development policy. Many countries, including the UK, US and Asian Tigers, have traditionally kept individual tariff lines unbound precisely in order to guarantee full flexibility to deal with imports that threatened the existence of domestic producers. Tariffs were only reduced after the domestic industry had become competitive enough to do so. The EU and other developed countries are now denying developing countries this same approach they successfully used to develop their own industrial competitiveness.

➔ **Potential de-industrialisation:** With regards to the chemical sector, rapid trade liberalisation can result in bankruptcy of local businesses or even de-industrialisation. The Ivory Coast witnessed the collapse of its chemical sector after having cut its tariffs by 40% due to the structural adjustment programmes imposed by the IMF and the World Bank.¹⁸² The European Commission's own Sustainability Impact Assessment (SIA) of the DDA regarding the phar-

.....
 181 See: note 172
 182 War on Want, (2005). p. 4

maceutical sub-sector found that, for the large developing country producers, "increased competition from imports could lead to reduced production, in the short-and medium term".¹⁸³ While it is possible that import competition can stimulate innovation and raise efficiency of local producers, the situation in the global value chains make it more likely that these industries are either reduced to low price production, wiped out or taken over by TNCs from the EU and other developed countries. This scenario is what the European Commission's SIA highlights, or rather, that "the main beneficiaries are the multinational companies that produce brand products, located mostly in the EU and other developed countries".¹⁸⁴

➔ **Loss of state revenue:** Moreover, tariff cuts will deprive some countries from an important source of state revenue. This will reduce governments' ability to deliver on the UN Millennium Development Goals as the lost fiscal revenues will have a disproportionately adverse effect on poor citizens – the majority being women – and their access to public services.¹⁸⁵

Impacts on employment and quality of jobs

*"The chemical industry as a whole makes a massive contribution to welfare and employment around the globe." "Throughout the EU, about 1.3 million people are employed in some 27,000 chemical companies and the industry provides further employment in a broad range of downstream industries."*¹⁸⁶

Cefic

➔ **Job cuts:** While growth of production in the chemical sector has been high (2.6%), employment in the sector has decreased significantly for more than a decade in the EU as well as on a global level¹⁸⁷ and the case of Bayer illustrates this trend. Notwithstanding its constant expansion and its increasing profits, Bayer has reduced its employees worldwide from 165,000 in 1988 to 91,700 in 2004.¹⁸⁸ After 25,200 jobs were cut between 2001 and 2004, only in 2005 did the number of employees increase slightly due to acquisitions while profits more than doubled.

➔ **Health, safety and job security undermined:** The quality of work is suffering despite better safety measures. Health and safety of workers is being undermined through the use of flexible or atypical work practices and employment insecurity.¹⁸⁹ Bayer provides an example of this industry trend.

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183 European Commission (2003), p. 16

184 Ibid, p.16

185 WIDE (2006) *The EU's responsibility at the WTO: environment, gender and development, Report of a public hearing under the patronage of the European Parliament's Intergroup on Globalisation, November 2005, Brussels.* p. 55

186 See: <http://www.cefic.be/Templates/shwStory.asp?NID=472&HID=14>

187 See: note 172, p.26; ILO (2003).

188 Bayer (2005). *Annual Report 2005.*

189 ILO, (2003) p.9.

Since the mid 90s, Bayer has been pressuring trade unions and workers in Germany to accept "flexibilisation" of work relations. Trade and investment liberalisation gave Bayer more bargaining power to impose an agreement on trade unions that promised to keep business locations in Germany if workers accepted wage-cuts or longer working hours. As a result, workers experienced a higher intensity of labour caused by additional monitoring, job-rotation and higher competition among workers. It made the former chief of Bayer's company medical officers conclude that stress is now impacting more on workers health than the exposure to toxic materials.¹⁹⁰

These trends contradict the right to work and the right to enjoy favourable work conditions promoted in the International Covenant on Economic, Social and Cultural rights.¹⁹¹

Impacts on health and the environment

*"It has now been scientifically demonstrated that there is indeed a link between chemical products and the appearance of diseases, such as cancers, infertility, degenerative diseases of the central nervous system and allergies."*¹⁹²

CPME – Standing Committee of European Doctors 2005

➔ **Too little protection against harmful chemicals:** Chemicals pose significant risks to humans and the environment. Harmful chemicals end-up in human bodies and many of them are linked to cancer, allergies or fertility disorders. Environmental concerns are voiced because chemicals accumulate in soils, rivers, animals, plants – and in the food chain.¹⁹³ Pesticides in developing countries lead to 99% of the yearly three-million acute pesticide poisonings and 220,000 deaths.¹⁹⁴ This is due to weak or no legislation and TNCs exporting hazardous chemicals forbidden at home. For example, according to German official statistics, Bayer's CropScience is involved in exporting insecticides that are neurotoxin and very dangerous for farm-workers and their families. Bayer did not keep its promise made in its 1995 Annual Report to phase out within five years all pesticides classified as "extremely" or "highly" hazardous by the World Health Organisation (WHO), and still exports products containing these poisons.¹⁹⁵

➔ **Raising of protective standards undermined:** In contrast to what is needed, world wide trade and competition

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190 CBG (2005a) *Auslaufmodell "BAYER-Familie", Stichwort Bayer 03/2005, Coordination gegen Bayer-Gefahren (CBG), Düsseldorf.*

191 See: http://www.unhchr.ch/html/menu3/b/a_cescr.htm

192 CPME, (2005). *Health and Environment (REACH) statement.* CPME/AD/Brd/030905/100/EN. CPME, Brussels.

193 Greenpeace (2006) *Toxic lobby - How the chemicals industry is trying to kill REACH, May 2006, Amsterdam.*

194 PAN Germany (2005) *Vergiftungen durch Pestizide, Fact Sheet, Pestizid Aktions-Netzwerk, Hamburg.*

195 CBG (2005b) *Die Giftfracht made in Germany - Pestizid-Exportweltmeister Bayer, Stichwort Bayer 04/2005, Coordination gegen Bayer-Gefahren (CBG), Düsseldorf.*

by chemical companies is contributing to undermine (new) legislation, not only through attacking “NTBs” at the WTO but also through lobbying at home. One example is the comprehensive framework for better protection of people and the environment, entitled REACH (Registration, Evaluation and Authorisation of Chemicals) which the European Commission proposed because in the EU, where regulation is strong, most chemicals had never been officially assessed. The chemical industry developed a strong lobby to successfully undermine this legislation.¹⁹⁶ It considered that this would make the European chemical industry uncompetitive against its global rivals¹⁹⁷ and called in the “EU’s main trading partners” to state their opposition to this proposed non-tariff “barrier to trade”.¹⁹⁸ In addition, during the initial NTB negotiations a number of countries including Japan, Korea and Cuba have mentioned REACH. Interestingly, the European Parliament found that the large TNCs exporting a few bulk chemicals would mostly bear the costs.¹⁹⁹

→ **Little reduction in energy use:** Since the chemical industry uses a lot of energy, it is also one of the main producers of greenhouse-gases. Although the European industry has reduced its emissions in Europe, Cefic states that this is “due to globalisation of chemicals production and a build-up in overseas capacity”.²⁰⁰ In its reports, Bayer has been less clear that the reductions in direct emissions were only achieved via outsourcing.²⁰¹ This trend does not reduce the overall emissions balance sheet, and increased trade and transport will only worsen the situation except if other fuels and more efficiency are introduced.

2.4.4. NAMA negotiations in natural resources: the forestry sector

All natural resources are effectively on the table of the NAMA negotiations, for either partial or complete liberalisation, including fish and fish products, gems and minerals, as well as forest, wood and paper products. Given that the forest-based industry is amongst the EU’s large industries, the current section will focus its analysis on the forest-based sector in relation to the NAMA negotiations.

2.4.4.1. The forest sector: corporate players and corporate interests

The forest-based industry represents 6.5% of the European manufacturing industry’s turnover. The pulp and paper industry accounts for € 75 billion of the forest-based industry annual turnover of € 375 billion.²⁰² The German paper industry is the largest paper producer in the EU and Finland is Europe’s main wood pulp producer, accounting for 20% of Finland’s industrial production and 25% of its export earnings.²⁰³ Important European companies include **Myllykoski Corporation** (Finland), **Norske Skogindustrier** (Norway), **UPM** (Finland), **Stora Enso** (Finland/Sweden), and **Botnia** (Finland).

Europe is the largest paper exporting region in the world and exports around 15% of its production,²⁰⁴ with its exports having increased by 75% over the last 10 years. With wood and pulp demand on the increase, European wood resources are in too short supply and the forest industry is already importing increasing volumes of wood raw-material from abroad. Increased access to cheap foreign wood supplies is therefore becoming a necessity for the European forest-base industry and the removal of trade restrictions that hamper access to raw materials, or to consumer markets,²⁰⁵ is a focus of its lobby position. The paper and pulp industry is indeed looking at NAMA as a way to challenge export taxes and remove non-trade measures (potentially including labelling standards) known as non-tariff barriers (NTBs).

The European pulp and paper industry is seeking to benefit from the growth expected in the most dynamic areas of the world – namely Asia and South America. Some developing countries have heavily invested in world-class paper mills and have become major consumers and producers of paper. In order to have access to these new markets, and be able to compete on the same level playing-field with these new industries on their domestic markets, the European industry wants to eliminate and bind protective tariffs on wood and wood products in these countries. At the same time, the European industry needs to remain competitive as it has been experiencing increased competition from these countries’ imports on its own domestic markets.

In other to illustrate the interests and trends that are linked

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196 CEO (2004) *Bulldozing REACH - the industry offensive to crush EU chemicals regulation*, Corporate Europe Observatory, March 2005, Amsterdam; See: note 1v

197 See: note 175.

198 ICTSD (2006) *EU trading partners say chemicals legislation could have “grave consequences”*, Bridges Weekly, Vol. 10, Nr. 22, 21 June 2006, International Centre for Trade and Sustainable Development (ICTSD), Geneva.

199 WWF (2006) *WWF Response to “EU Trading Partners” statement*, 9 June 2006, Brussels

200 See: note 175, p. 8

201 Bayer (2005b) *Bayer Annual Report*, available at <http://www.bayer.com>

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202 CEPI, (2006). *Position paper: WTO negotiations The need for real market access and a more pragmatic approach from the EU*. Brussels.

203 See: <http://english.forestindustries.fi/figures/figures.html?lang=en&pic=massateu2>

204 See: note 203

205 See: <http://english.forestindustries.fi/figures/figures.html?lang=en&pic=momistus>

Box 7: The case of Botnia

Metsä-Botnia is the second largest pulp manufacturer in Europe. The company's production plants use mainly Finnish wood raw material delivered by Metsäliitto Cooperative, a parent company of Botnia.¹ Botnia manufactures bleached pulp grades used for the manufacture of printing papers, folding box boards and tissue which it trades in Western, Central and Eastern Europe. Botnia also directs sales in China and Southeast Asia through its Schangai offices. The main ports of Botnia Pulps are in: Dundee (Scotland); Chatman (UK); Brake (Germany); Szczecin (Poland); Vlissingen (Netherlands); Genoa (Italy) and Pasajes (Spain).²

Table 10: Some key figures for Botnia

	2005	2004
Sales/turn over	€ 946.5 million	€ 1066.0 million
Net Profits	€ 58.2 million	€ 108 million
Wood consumption	11.3 million cubic metres	12.7 million cubic metres
Number of employees	1,654	1,589 (1,901 in 2003)

Sources: Botnia, (2005). Annual report 2005/2004

Botnia's strategy and interests related to NAMA

Finland's wood resources are insufficient for the construction of new pulp production capacity. Strong economic growth in China and other emerging markets has greatly boosted demand for pulp. As China is already one of the world's biggest paper producers, Botnia wants to supply pulp to China and benefit from the high percentage growth. In order to expand its supplies and high-quality pulp production capacity, Botnia shifted its investments to South America and Asia, where short-fiber pulp production is based on fast-growing forest plantations.³ In spring 2003, Botnia acquired a majority interest in the Uruguayan forestry company FOSA with the purpose of constructing a large pulp mill for the production of eucalyptus fiber.⁴ Botnia's expansion plan was supported by the Uruguayan government who decided to grant the mill free-trade zone status without tariffs and taxation, despite the strong protests that took place against the huge expected environmental implications in the region. In addition, an investment protection agreement signed between Finland and Uruguay guaranteed Botnia favourable investor treatment in the long-term, including relating to regulations (through trade negotiations in the WTO, such trade barriers would be removed across the board without being dependent on decisions by national governments).

1 See: <http://www.metsaliitto.com/page.asp?path=1;2785;2803;3871>

2 See: <http://www.metsabotnia.com/>

3 Botnia (2004) Annual Report.

4 Ibid.

to the EU's trade policy in the forest sector, this report will make references to Botnia as an exemplary TNC operating in this sector.

2.4.4.2. The EU's corporate agenda

In order to have their interests incorporated in the NAMA negotiations, industry associations have held regular meetings with various representatives of the European Commission, mainly DG Trade, "concerning the special interests of European forest-based industries in the context of the WTO-negotiations (DDA)."²⁰⁶

In Europe, the pulp and paper industry is represented

206 personal communication with a Botnia representative.

through the **Confederation of European Paper Industries** (CEPI). CEPI represents some 830 pulp, paper and board-producing companies from 19 European countries (2 non-EU) and has a staff of 20. It has several working groups, amongst which a Trade Group, an informal group of association experts on trade that meet *ad hoc* on specific trade topics.²⁰⁷ CEPI's members include **Myllykoski** Corporation (Finland), **Norske Skogindustrier** (Norway), **UPM** (Finland), **Stora Enso** (Finland/Sweden), **Botnia** (Finland) as well as national forest industry federations. CEPI monitors and analyses initiatives and legislation taken at EU level, provides a forum for its members to define common positions and provide

207 See: www.CEPI.org

experts to lobby for their interests to EU institutions.²⁰⁸ CEPI established links and alliances with a number of organisations along the paper chain and from other relevant industries in order to effectively influence EU legislation. Based on the analysis of the challenges to competitiveness facing the industry (as explained above: see 2.4.4.1), CEPI states that “further tariff liberalisation is an important issue in opening up new markets for the European industry.”²⁰⁹ CEPI²¹⁰ wants to extend the sectoral agreement, that was signed under the Uruguay Round by only some major OECD countries,²¹¹ and eliminate all pulp and paper tariffs by 2004 in all countries. CEPI also wants emerging market countries to cut all their high tariffs to provide equal market access. In addition, CEPI has also been lobbying to reduce non-tariff barriers, subsidies and anti-dumping measures.

Botnia is represented in CEPI as a member of **Finnish Forest Industry Federation (FFIF)** through a representative of **UPM**, a parent company of Botnia, and through a company representative of **M-Real**, also a parent company of Botnia. Botnia, who has a tradition of influencing EU legislation,²¹² is of the opinion that “policy-makers have been open to dialogue and discussions with regard to the very complicated and difficult DDA negotiations” and that the paper industry federations “are doing outstanding work in representing industry.”²¹³ FFIF has also been meeting with representatives of the Finnish government regarding its interests in the DDA.²¹⁴ The FFIF is also member of the **European Federation of the Plywood Industry (EFPI)** and a member of the **UNICE**, who has also been lobbying for the rapid liberalisation of this sector (see above).

CEPI has been successful in its position that the tariff reduction negotiations should apply “for all manufactured goods with no product exclusions [...]”²¹⁵ The Doha Ministerial Declaration stresses that the product coverage for the negotiations should be “comprehensive and without a priori exclusions”, meaning the inclusion of all sectors, including forest products. This is a position strongly maintained by the European Commission, despite its own Sustainability Impact Assessments (SIAs) warning of the dangers of liberalising the forest sector (see below 2.4.4.3.).

The EU²¹⁶ has supported the industry’s position of **liberalisation by all countries but especially the large Asian and South American developing countries** through the argument that more advanced developing countries need to cut tariffs to improve South-South trade with least developed countries. However, given the most favoured nation principle of the WTO, such move would equally give access and

remove tariffs for trade the Northern forest-based industries are so desperately longing for. Such arguments would give pulp companies like Botnia (see Box 7 above), which is investing in production facilities in one developing country (in casu Uruguay), better competitiveness to sell to another developing country (in casu China). The European Commission’s insistence in 2006 on a tariff reduction formula that would substantially reduce the high tariffs in many developing countries, has been a reflection of what also CEPI has been pushing for: “the lack of ambition of the formula for tariff reductions - the so-called ‘Swiss Formula’ - as it currently stands [in March 2006] with higher coefficients and the flexibilities it would give is particularly worrying as it would not allow real market access in the developing countries and particularly the emerging countries.”²¹⁷

The European Commission has also supported the case of better access to raw materials for the forest-based industry by challenging together with Japan, for instance, **export taxes** on natural resources and agricultural products almost exclusively used by developing countries.²¹⁸ The Hong Kong ministerial text faithfully reflects the position advanced by developed countries and business groups alike, even though export taxes are not in the mandate of the NAMA negotiations, as reminded by some other WTO members.²¹⁹

As table 11 below shows, the European Commission has been at the forefront of the debate and the inclusion of **NTBs** within the NAMA negotiations. For example, the EU²²⁰ and the NAMA 11 group of countries (a group of NAMA-interested WTO parties) submitted very similar proposals to move the very slow NTB negotiations forward by establishing a fast-track mechanism for dealing with existing and emerging NTBs outside formal negotiations, relevant WTO-committees and the dispute settlement mechanism – in short, an intransparent, though voluntary, procedure involving trade experts only. These negotiations on NTBs are complementing the liberalisation of the forest sector as requested by many position papers of CEPI,²²¹ starting a deregulation which will affect or even obstruct forest governance. This EU position again ignores environmental groups’ demands and even the European Commission’s own Sustainability Impact Assessment (SIA) placing much focus on the importance of protecting NTBs designed to protect forests from over-exploitation. However, to the disappointment of CEPI,²²² the SIA contributed to the EU’s change in position in 2005 not to negotiate a sectoral agreement with more tariff cuts in the forest sector than would be achieved through the formula. Meanwhile, CEPI has been linking up with its counterparts in other countries to push forward the agreement²²³.

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208 Cepi, (2005). Annual Report 2005. p. 10.

209 Cepi, (2005). Sustainability Report, 2005, p. 8.

210 See: Cepi’s different position papers at www.cepi.org

211 Including major paper producing countries - US, Canada, Japan, EU, Korea, and New Zealand

212 Botnia, (2004). Environmental Balance Sheet, p 3. Botnia.

213 Personal communication with a Botnia representative.

214 Ibid.

215 CEPI, (2005). Position paper: WTO negotiations - The European paper industry reaffirms support for free trade and fair competition. Cepi.

216 European Communities, (2002b).

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217 See: note 203

218 Reichert, T. (2006). How the WTO is being used to challenge environmental protection: Examples from the EU. Publication by FoEE, to be published after September 2006.

219 WTO (2005a).

220 European Communities, (2006b).

221 See: www.cepi.org

222 See: note 203

223 “the European paper industry with the assistance of the Governments of Canada and New Zealand organised a roundtable discussion during the Hong Kong Ministerial Con-

Table 11: What CEPI and the EU say about natural resources in NAMA

What CEPI says	What the EU says
“CEPI cannot support an OECD-only [Doha] round that would not involve and commit major competing countries” ^a	“one of the objectives of the negotiations must be the achievement of effective market access between developing countries.” ^b
“Free trade is a prerequisite for a sound development of the global paper sector but ambitious negotiations on non-tariff barriers on a horizontal and sectoral basis are essential.” ^c	“negotiations to remove non-tariff barriers to trade in non-agricultural goods are a key element of the market access negotiation with a bearing on the overall balance. Only by creating disciplines that will remove such barriers can the full benefits of market access be obtained, rather than frustrated.” ^d
“Free access to raw material markets - wood, recovered paper, but also chemicals and starch - for European companies and the suppression of import and export restrictions would further contribute to the European pulp & paper industry development and prosperity.” ^e	“this would also require that [...] all export restrictions on raw materials are removed” ^f

a See: note 203. / b See: note 217 / c See: note 207. / d See: note 217 / e See: note 203. / f European Communities (2002a).

2.4.4.3. The impacts of trade liberalisation in the forest sector

“We are aiming at high capacity utilization rates and that our production targets exceed the record figures.”²²⁴

Botnia

Impacts on economies and livelihoods

While the EU has been pushing NAMA liberalisation because of economic and developmental benefits, developing countries and even the UK government²²⁵ have not been able to show such benefits.

➔ **Less benefits to developing countries:** The “Sustainability Impacts Assessment” (SIA), commissioned by the European Commission on forests and NAMA negotiations²²⁶ concluded that trade liberalisation would appear to provide more benefits to developed forest-export-oriented countries such as Finland, Sweden, Canada, the United States, and New Zealand, than to developing countries. This contradicts the supposed aim of the Doha round to place developing countries’ interests at the heart of the negotiations. Developing countries that have established forest industries protected by high-import tariffs, may incur, states the SIA, considerable environmental and social costs due to down-

sizing of the industrial capacity and closing some industries entirely.

➔ **Big companies benefit:** The SIA also explains that the benefits from trade liberalisation are likely to accrue to large companies whilst small and medium-sized enterprise would find it difficult to benefit from new trade opportunities.²²⁷ Indeed, the pulp and paper industry represented in 19 European countries has shown a continuous trend of concentration, leading to 19% of companies being lost between 1991 and 2005.²²⁸ In developing countries, as the case of Botnia investing in Uruguay shows (see Box 7 above) foreign big companies buy up local companies to reduce production-costs to half of those domestically (in casu Finland). Tariff reductions in developing countries will increase TNCs sales, competitiveness and thus their profits and dividends paid to foreign shareholders. Moreover, Botnia has been able to negotiate freedom from income tax, as well as import taxes, on machinery and equipment. The Uruguayan government support for the forest sector has already exceeded US\$500 million in tax exemptions and direct disbursements over the past 12 years, an amount representing almost 4% of the country’s annual GDP – an important loss for stimulating the economy.²²⁹

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ference, which gathered around 50 delegates from 12 countries, including six Ministers.”

224 Botnia, (2004). Annual Report. Botnia

225 Friends of the Earth Europe, (2005). Press release: Geneva Trade Talks Threaten the Environment. 27th July 2005.

226 European Commission (2005d).

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227 Ibid.

228 CEPI, (2005). Annual statistics 2005, p. 1.

229 Corpwatch (2006) Uruguay: Pulp Factions: Uruguay’s Environmentalists v. Big Paper. <http://www.corpwatch.org/article.php?id=13111>

→ **Loss of livelihoods of the poor:** In Uruguay, for instance, large-scale plantations of eucalyptus run by international corporations - such as Botnia - have taken over land that was used by small and medium-sized farmers to grow food crops and raise animals. These farmers have now been displaced, causing job and income loss. Botnia's plans to build a paper mill has faced strong protests because of its destructive impacts on livelihoods, in Uruguay as well as in down stream Argentina, including depletion of ground water levels, destruction of grazing meadows, air and water pollution with resulting health problems of the communities around the mill.²³⁰ Also in Finland, for example, industrial logging for export is jeopardising the survival of Finland's old-growth forests and the livelihoods of the indigenous Sámi people who depend on the forest for their livelihood. Governmental forestry enterprise Metsähallitus, a parent company of Botnia, has been discovered transporting logs from old-growth forests and reindeer forest areas destined to Botnia's pulp and paper mills. "Every new logging has meant re-organising of reindeer herding, increased working hours and fuel expenses, and additional feeding."²³¹

Impacts on the environment

→ **Loss of bio-diversity:** Reduction or elimination of tariff escalation in NAMA negotiations will encourage European companies, as Botnia has done, to relocate in forest-rich countries and regions where unsustainable or illegal logging is rife. The European Commission's SIA warns that "in biodiversity hotspot countries, such as Brazil, Indonesia, Congo Basin countries and Papua New Guinea, possible negative impacts on biodiversity can be irreversible."²³² This will lead to a loss of biodiversity, increased poverty and social problems. Existing forests are already diminishing fast and primary forests - 36% of total forest area with no visible signs of past or present human activities - are being lost or modified at a rate of 6 million hectares a year through deforestation or selective logging.²³³ In Uruguay, for example, the large-scale monoculture tree plantations of eucalyptus run by international corporations and the operations of Botnia have also undermined bio-diversity in forests and local farming.

→ **Increase in illegal logging:** The SIA on forests acknowledges that "totally free trade of logs in poor governance conditions is likely to have adverse environmental impacts and to promote illegal logging and trade, with negative effects in countries which have inadequate control systems and insufficient capacity to process value-added products."²³⁴ The SIA goes as far as to recommend "a ban on log export" in case of weak governance

in order to avoid further negative sustainability impacts.²³⁵ Illegal logging is likely to be exacerbated if a NAMA agreement is reached because of increases in traded volumes will make it easier to hide illegal timber, and liberalisation will magnify existing corruption and illegal practices unless new controls are put in place.

→ **Weakening regulatory framework:** The Commission's own SIA sees stronger regulations being necessary for the protection of natural resources and to avoid negative impacts of trade liberalisation "where forest governance is still weak."²³⁶ The inclusion in the talks of quickly removing NTBs and especially export taxes might, in many cases, lead to a rising exports of wood products resulting in increased deforestation. Under NAMA, WTO members have been "notifying" a range of various NTBs critical for the protection of forests. Although no specific European labelling or certification standards are named, the generic challenges listed so far could have a very serious negative impact in Europe, potentially undermining forest certification schemes and EU illegal logging legislation, which will soon require certificates of legal origin from certain importing countries. This attack on NTBs goes also against CEPI's own stated strategy to avoid a negative impact on industry's competitiveness. Rather than having to compete against countries with low standards and high CO₂ emissions, it advocates a concerted international effort to reduce climate change and raise standards worldwide.²³⁷

→ **Pollution:** The pulp and paper industry are using many toxic chemicals without strict monitoring laws for the dumping of compounds such as dioxin and furan which, if dumped in an improper way, can cause air and water pollution. The case of Botnia in Uruguay shows that it failed to incorporate a sound environmental management and it did not plan to use the best environmental technology available to prevent pollution.²³⁸

Impacts on employment and job quality

→ **Continuous job decline in all countries:** Job creation has often been used as the rationale for increasing harvest levels and export trade. Ironically however, due to increased mechanisation, there has been a general decline in the number of jobs generated, especially in the extractive forestry. In 19 European countries, employment in the pulp and paper industry, represented by CEPI, decreased by 31% between 1991 and 2005, down to 268,500 jobs, while the turnover increased by 85.5% in the same period.²³⁹ In Canada, the world's biggest

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230 See: www.cedha.org.ar

231 Reindeer herding co-operative of Hammastunturi, of Ivalo, of Muddusjärvi, of Muotkatunturi, of Paatsjoki, (2002). Letter to the Ministry of Forestry and Agriculture, Ministry of Justice and Ministry of Environment: About the impacts of state forestry towards our reindeer herding and proposals for correcting the situation. March 20-21, 2002. <http://www.inarinpaliskunnat.org/letter.html>

232 European Commission (2005d).

233 See: <http://www.fao.org/newsroom/en/news/2005/1000127/index.html>

234 European Commission (2005d).

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235 Ibid.

236 Letter by Peter Mandelson to Greenpeace, dated 13 February 2006; Sustainability Impact Assessment (SIA) of the proposed WTO negotiations into the Forest Sector (2005), Prepared by the Impact Assessment Research Centre at the University of Manchester (UK).

237 Cepi, (2005). Sustainability Report, 2005, p. 9.

238 See: www.cedha.org.ar

239 CEPI, (2005). Annual Statistics 2005, p. 1 (the employment trends between 2000 and 2005 are difficult to analyse as CEPI gives different figures for the same years in its different Annual Statistics reports between 2000 and 2005 (See: <http://www.cepi.org/content/>)

timber exporter, the number of jobs per volume harvested has fallen by 20% in the last 20 years, despite a substantial rise in harvest levels. Companies are also relocating their mills to low-cost countries as Botnia has done (see Box 7).²⁴⁰ However, in Uruguay, Botnia is seen as disrupting the local economy and causing loss of employment and income in the area around the planned paper mill.

→ **No guarantee for more and better jobs:** Uruguay's monoculture forestry program is exemplary. The programme was supposed to generate employment and boost exports, has now only seen tree farms being planted with fast-growing pulpwood species. Moreover, government inspectors discovered that workers on some of these plantations live in conditions of near slavery.²⁴¹

2.4.5. Preliminary conclusions

The WTO negotiations on non-agricultural market access (NAMA) are proceeding in a direction which clearly has no reference to the needs of developing countries. On the contrary, as shown in the draft Hong Kong ministerial text, the EU and other developed countries have been successfully lobbied to secure a NAMA framework which advances the offensive interests of their businesses at the expense of industrial development, employment opportunities and better regulations across the developing world. The proposed tariff-cuts would expose developing countries to a form of liberalisation that clearly risks deindustrialisation, revenue and job losses in all countries and increased poverty. The text is calling for accelerated negotiations on non-tariff barriers, ignoring the threats posed by such negotiations to essential public policy measures in both the South and the North. In the forest sector, measures are needed to protect people who depend upon these natural resources for their livelihoods because assessments predict destruction of their natural resources (and land), as well as for the environment itself, and loss of access to these natural resources, especially where governance is weak. Advancing the interests of the big companies in the chemical and forest sectors will support their profit-making strategies whilst having little positive effects on societies.

2.5. Chapter's conclusions

This chapter has highlighted the strong bias towards corporate interests in the EU's position at the WTO in the three sectors analysed. The privileged access to decision-making enjoyed by business explains, at least in part, the origin of this bias. However, the analysis of the various business sectors' interests and impacts has illustrated how market liberalisation, as pursued in the current WTO negotiations, will result in overall negative economic, social and environmental repercussions in Europe and in developing countries, with transnational corporations being the exclusive beneficiaries.

In pursuing a corporate dictated agenda in the WTO, the European Commission is undermining its commitment to the Doha Development Agenda, sustainable development and environmental protection. This appears particularly unreasonable in light of the findings of its very own studies. As explained earlier on, the European Commission has been at the forefront of assessing the impacts of the current trade negotiations through its "Sustainability Impact Assessments" (SIAs). These have provided very worrying findings supporting the concerns raised in this report, namely the economic, social and environmental un-sustainability of the current negotiations. The European Commission's final SIA states indeed that the "least developed countries tend to benefit least for all three sectors [agriculture, distribution services and industrial goods & natural resources]"²⁴² – an outcome clearly in contradiction with the very aim of Doha's focus on the needs of developing countries. The same study also warns that as the trade negotiations stand, the Doha round risks jeopardising the achievement of the Millennium Development Goals: "The overall impact on achieving environmental sustainability (Goal 7) is negative for all three studies [agriculture, distribution services and industrial goods & natural resources]."²⁴³ The study also urges negotiators to note "the potentially adverse effects in some areas on Millennium Development Goal 1 (extreme poverty and hunger)"²⁴⁴ – see the individual case studies in this chapter for a complete list of the impacts. "Women tend to be among the most vulnerable to adverse impacts, although opportunities also arise for higher skilled jobs and improved working conditions." Given the European Union's commitment "to pursuing policies which are successful not just in trade terms, but which also bring about the biggest gains in welfare" and given the purpose of SIAs "to integrate sustainability into trade policy by informing negotiators of the possible social, environmental and economic consequences of a trade agreement" it is legitimate to ask oneself the reasons as to why the European Commission has chosen to ignore the findings and recommendations of its very own studies and opt for a negotiating stance that will benefit its business at the expense of people and the environment.

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[showpublications.asp?levelo=550&levelh=644](#)

²⁴⁰ Botnia, (2006). *Financial Report January to March 2006*. Botnia

²⁴¹ See: note 230

Chapter 3 – *Final remarks and recommendations*

This report has dealt with the issue of the excessive influence that European corporations exert on the European Union's trade agenda, with a specific focus on the European Commission's negotiating position at the WTO.

As illustrated in Chapter 1, the lobby of European transnational corporations (TNCs) have increasingly infiltrated the Brussels decision-making to the point that a major political paradigm, the EU's agenda on competitiveness – the infamous "Lisbon Agenda" – has become a political objective tailored to the needs and interests of European transnational corporations. Social and environmental objectives for Europe have been discarded and workers, people, and especially women, the environment, as well as democracy, have borne the cost of the Lisbon agenda. Competitiveness for European TNCs must be seen in the era of global value chains in which TNCs control the world-wide production process from cradle to grave and dominate the most value added parts of the chain while leaving the bottom of the chain fragmented and with little income. TNCs therefore depend on further trade liberalization to expand their markets, get access to cheaper inputs and to remove measures that they see prohibiting their profit making strategies. How these external aspects of the Lisbon agenda have been translated in the EU's position taken in the WTO negotiations has been explained in chapter 2 with a particular focus on agriculture, services, industrial goods and natural resources.

Through an analysis of the corporate interests of European TNCs, their lobbying positions, instruments and tactics, this report reveals, with some concrete examples, how their privileged access has turned the EU's position in the WTO negotiations into a corporate trade agenda, one that reflects the interests of European big business and one that sees big business as the primary beneficiary of negotiations in the WTO. However, an analysis of the strategies and operations of these TNCs reveals that such an agenda will result in negative impacts on employment, the economy, livelihoods and rural communities, women, small producers, farmers, consumers and the environment both in developed and, particularly, in developing countries. The EU's negotiating position at the WTO is undermining any sustainable development pretences the Doha Round might have had. In return, the EU is pushing forward a corporate trade agenda, also beyond the WTO, which is anti-human rights, anti-environment, anti-development and furthers inequality. This EU's corporate trade agenda has contributed to the stalemate in the current negotiations in the Doha Round and needs to be completely overhauled to make trade policy contribute to sustainable development.

The EU's corporate trade agenda has completely discarded many demands made by European public interest groups. The Seattle to Brussels Network – an alliance of European

groups campaigning on trade issues – has already strongly rejected the EU's corporate trade agenda and, based on this report, renews its call to fundamentally change the EU's trade policies in order for them to be just, sustainable and democratically accountable. It also recalls its demands to curb excessive corporate influence and enhance transparency and democracy in EU trade policy decision-making.

In order for the latter to be achieved **the EU must reconsider its current position on transparency of lobbying** and on the Commission's "European Transparency Initiative", with a view to effectively address and curb the corporate power dictating its negotiating position. The Green Paper presented by the Commission in May 2006 with concrete proposals for how to overcome "the complete lack of mandatory regulation on reporting and registering of lobbying operations" states that "*When lobby groups seek to contribute to EU policy development, it must be clear to the general public [...] who they represent, what their mission is and how they are funded*". However, the Green Paper fails to match this important objective given that it only proposes a voluntary registration system with a very weak incentive: those who register will receive automatic email alerts about upcoming consultations. Such a voluntary system with no serious sanctions and no public watchdog is entirely insufficient to secure meaningful levels of registration and reporting. The Alliance for Lobbying Transparency and Ethics Regulation (ALTER-EU) which brings together over 140 civil society groups from around Europe - many of which are also S2B members - argues that registration and reporting about sources of income and the interests represented must become obligatory for all EU lobbyists (through a mix of incentives and sanctions).

The Green Paper has other weaknesses by not addressing problems revealed in this report such as the issue of privileged access granted to corporate lobbying groups resulting in undue influence, and the 'revolving doors' whereby Commission officials going through to industry lobby groups or lobbying firms. The Seattle to Brussels (S2B) Network calls upon the European Commission to move beyond the weak proposals in the Green Paper when it will decide on the final shape of European Transparency Initiative. This is a crucial opportunity that must not be missed.

Beyond transparency, the EU must promote enhanced transparency and democratic participation and accountability in EU trade policy-making by all stakeholders concerned. Member States should also undertake the review of the provisions for transparency and accountability at national level, to fully consult with other government departments at home, consult with national parliaments and public interest groups. Such consultations should proceed on the premise that trade policy is a means of enhancing other policy goals. This should reinforce a strong tie between supranational bodies, governments and citizens.

Regarding the EU's trade policy, EU Trade Ministers must completely overhaul the current EU trade policy and the negotiating mandates of the European Commission regarding the WTO and bilateral or regional trade negotiations. They should take into account the increasing studies such as from the World Bank and the Carnegie Endowment showing that the current trade liberalisation agenda is not working for the majority of people. Particularly those living in impoverished developing countries and especially women tend to be among the most vulnerable to adverse impacts. Principles and elements of a new approach to trade policies and multilateral trade rules should include:

→ **Fulfilment and protection of social, economic, cultural, human and women's rights, protection of livelihoods and the environment:** Women, men and nature must be the principal beneficiaries of any Trade Agreement. The practice in which multinational business interests are put before the needs of the population and the environment should be abandoned.

→ **Ensure the necessary policy space and regulatory capacity for governments, especially in developing countries:** In order to define their own sustainable development policies, the right of States, especially those with the smallest economies, must be recognized to protect their internal markets and to give incentives to national producers and productive system, including the services sector. Capacity building and trade agreements must strengthen the regulatory capacity and management of developing countries in all sectors under negotiation, and not trade or liberalize before the necessary regulations are in place to create sustainable societies and protect women, men and the environment. This should be accompanied by the EU's promotion of legally binding rules for corporate responsibility and accountability.

→ **Regarding agriculture, ensure people's food sovereignty:** Governments have the right and the obligation to guarantee food sovereignty and security to their population, ensuring that the collective good prevails over the interests of agribusiness as well as the food and drinks industry. The promotion of ecological agriculture must be a priority and trade rules need to ensure that domestic food production for domestic consumption is safeguarded and not jeopardized by international trade rules. Agriculture cannot be regarded, nor treated, simply as another economic activity given the billions of people whose livelihoods and income depend on it. In order for the EU to gain social and environmental legitimacy internationally the EU must (a) defend a ban of dumping and with it the export of any product below the cost of production to the world market, (b) defend the right for all countries to protect themselves from excessively cheap agricultural import, and (c) defend the right of all countries or unions to support agriculture when not being exported below production costs.

→ **Regarding services:** Strengthen and universalise services, especially essential services: Public services such as health, education, social security, water and basic sanitation should be strengthened through the promotion of associations and the transfer of knowledge of public service companies in the developed countries. Their liberalisation or privatisation should not be included in trade agreements. Nor should trade agreements promote liberalisation beyond what countries see as their interest to offer, or undermine any regulatory capacity that improves quality and access and protects people and the environment. Comprehensive national policy making processes should be set up, involving all affected constituencies domestically and the public at large. Also, a comprehensive assessment has to be conducted on the developmental, environmental, social and gender impacts of the liberalization of services before proceeding with trade negotiations. All information about past and current trade negotiations in services must be made fully public without delay.

→ **Regarding NAMA: protection and promotion of employment, social welfare, health and the environment:** Trade in industrial goods should contribute to the development of fair and sustainable economies, high levels of remunerative and healthy employment, the social well-being of men and women. The resource conservation and the sustainable management of natural resources should be promoted, including by stopping the further liberalisation of trade in natural resources such as forests, fish, oils, gas, metals and minerals. The EU's focus on „real market access“ for its exports and removing non-tariff barriers should be replaced by allowing developing countries (1) to choose whether or not to reduce tariffs, and on which products; (2) to choose the rate at which to reduce bound tariffs; (3) to choose whether or not to bind their unbound tariffs. In the WTO negotiations this means abandoning the Swiss formula and respecting the mandate of Doha Round where developing countries can reduce their tariffs less than developed countries.

Given the current state of stalemate in the WTO negotiations, the EU should:

→ Use the opportunity of the suspended talks to review and reconsider the multilateral trading system as a whole, and to start with a new approach to a global trading system as proposed above, in order to promote social justice, including women's empowerment, and environmental sustainability.

→ Ensure that the negotiations are not resumed until all impacts are thoroughly assessed for each negotiating area.

→ Ensure that sustainability impact assessments (SIAs) with due stakeholder involvement become integral elements of EU trade policy-making.

→ Ensure that the imbalances of the WTO agreements are addressed before any new negotiations start.

This will require aiming at changes both in terms of the substance and process of the WTO negotiations. Either will be dependent on the ability of the EU to increase the transparency of its trade policy making and curb the excessive corporate influence to its negotiating agenda.



Protests against the WTO „selling out the environment“ at the WTO General Council
July 2006

The Seattle to Brussels Network is a pan-European network campaigning to promote a sustainable, socially and democratically accountable system of trade. Our network includes development, environment, human rights, women’s and farmers organisations, trade unions, social movements as well as research institutes. The S2B network was formed in the aftermath of the WTO’s 1999 Seattle Ministerial to challenge the corporate-driven agenda of the European Union and other European governments for continued global trade and investment liberalisation. It has also developed as a response to the increasing need for European coordination among NGOs and in solidarity with Southern civil society groups.

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