



# Is Globalization Undermining the Prospects for Sustainable Development?



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#### **Introduction: a Tale of Two Crises**

Two events now taking place in Southeast Asia demonstrate the predicament that humanity and our home, Earth, face as we reach the end of the 20th century.

The first is the burning of large tracts of forests in Indonesia (in Sumatra and Kalimantan, the Indonesian part of Borneo). Estimates of the total area of forest damaged by the fires vary from the official figure of 750,000 hectares to the figure of 1.7 million hectares made by the Indonesian environmental group WALHI.<sup>1</sup> The forest fires, which have been going on for months, have created an enormous haze affecting several countries in the region. For weeks, the sun was invisible, blocked by the heavy shroud comprising deposits from the fires as well as trapped pollutants from industry and vehicles.

In neighbouring Malaysia, in the state of Sarawak, a state of emergency was declared for a week when the air pollution index passed 800. A level of 200 to 299 is considered very unhealthy; 300 to 500 is considered hazardous. The people who devised the index had probably not considered it would ever pass 500. In most other parts of Malaysia, the index has indicated unhealthy, very unhealthy or hazardous pollution levels.

Throughout the affected region, there has been a significantly increased incidence of asthma and other respiratory ailments. The fires and haze have also caused huge economic losses. WALHI estimates the fires caused losses of 6.2 trillion rupiah (over \$1.6 billion US), due to medical treatment costs, flight cancellations, timber destruction and so on.<sup>2</sup> Three ship collisions have taken place in the narrow Straits of Malacca; an airplane crashed in Medan during the peak of the haze, killing over 200 people; agricultural production and fisheries are predicted to be adversely affected; and tourism has declined sharply.

An objective analysis of the causes of the forest fires would have to conclude that the timber and plantation companies were mainly responsible. To prepare the land for plantation crops, they burned the trees because it was cheaper than clearing them. The role of the traditional slash-and-burn farmers was minor. This allocation of blame was made

by the Indonesian environment minister himself. As a result, we once again witness the powerful and shortsighted drive for short-term profit overpowering the real need for conservation of nature for long-term social benefit.

This environmental crisis was accompanied by an unprecedented financial turmoil affecting Thailand, Indonesia, Malaysia and the Philippines. It was triggered by a devaluation of the Thai currency after a brief period of financial weakness in Thailand. But the situation in Thailand created a general feeling of uncertainty about the economies of the region as a whole. These countries followed the general advice of the international financial agencies to liberalize their capital markets. Large inflows of foreign funds to the stock markets of Southeast Asia made them susceptible to sudden shifts in investor confidence.

It was a situation ripe for international currency and financial speculators to make a quick profit, a situation that left the countries open to great financial instability. The currencies of these four countries fell in value by 25 to 35 per cent in a few months; the level of their stock markets also fell sharply. The shift in fortunes was frighteningly swift. Only a few months ago these same countries were held up as the models of economic success other developing countries should follow. Suddenly the same institutions, analysts and investors that lauded the Southeast Asia countries as Atiger miracle economies@ came up with instant analyses why these same economies were so weak and

flawed. Surely economic fundamentals could not have changed so suddenly.

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

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

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

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

It is now difficult or even impossible for central banks individually, or in unison, to fight a concerted attempt by powerful speculators to influence the level of particular currencies. As a result, the ability of countries to manage their economies, to have stability or even sovereignty over their economic policies or conditions, is very much narrowed. This is the lesson coming out of the Southeast Asian experience. The Asian countries took the plunge into the globalization process and reaped some benefits through integration in the world trading and financial markets. Now these same countries are also experiencing the downside of globalization. Now open to the vagaries of the market, their economies are suffering due to the sudden change of heart and mind of those controlling the financial markets.

### **The Environmental Crisis and the Globalization Process**

These two dramatic developments form the backdrop to our discussion on two of the great issues and trends of our times: the environment crisis and the process of globalization. The ecological crises that threaten the survival of Earth continue to unfold at breakneck speed under the influence of commercial interests, driven even further by the competitive pressures of globalization. At the same time, the globalization process pits company against company, country against country and individuals against one another. Under the vicious fight for market shares and for profits to survive and thrive, globalization and liberalization replace every environmental and social item on the high-priority agenda list. And because of its unequal nature, globalization may benefit a small number of countries and people, but it alienates, marginalizes and impoverishes large numbers of countries and peoples.

At the Earth Summit of 1992, hopes were high that the world's political leaders at last recognized the environmental crisis and would take steps to forge a new North-South partnership to tackle environmental and development problems in a package and through a comprehensive plan.

Five years later these hopes seem to have vanished. The Rio Plus Five Summit at the United Nations in New York (officially called the UNGASS or UN General Assembly Special Session to review UNCED) concluded in June 1997 without a political statement because the divide between North and South was too wide to bridge. The scientific papers at this special session showed that the world's environment continues to deteriorate. Forests continue to disappear or be degraded at a rate of 14 million hectares a year; greenhouse gases are still increasingly pumped into the atmosphere and it is uncertain if there will be an accord in the Climate Change Convention on clear targets for their reduction. And there is a looming crisis of water shortages around the world.

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

The major reason is that in the five years after Rio, the process of globalization linked to liberalization has gained so much force that it has undermined and is undermining the sustainable development agenda. Commerce and the perceived need to remain competitive in a globalizing market and to pamper and cater to the demands of companies and the rich have become the top priorities of governments in the North and some in the South. The environment, welfare of the poor, and global partnership have all been dislodged and sacrificed in this wave of free-market mania.

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

The United Nations Conference on Environment and Development (UNCED), the Commission on Sustainable Development, the UN system as a whole and governments have collectively failed to create international mechanisms to monitor and regulate these companies. Instead, their power and outreach have continued to spread. In particular, the Uruguay Round agreements and the establishment of the World Trade Organization (WTO) have institutionalized globalization. Through its strong enforcement system and legally binding rules, the WTO threatens to over-ride all other declarations, action plans and paradigms such as Rio, Copenhagen or Beijing.

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

### **The Basic UNCED Understanding and the Spirit of Rio**

The United Nations Conference on Environment and Development was a historic watershed that raised hopes of people around the world for the emergence of a new global partnership. It was hoped that the "Spirit of Rio" would lead to changes in the course of international relations, a tackling of the growing global environment crisis and more equitable international economic relations that would be the basis for

promoting sustainable development at global and national levels.

Through its long preparatory and summit processes, UNCED demonstrated to the world's diplomats and political leaders the ways in which the environment crisis is embedded in economic and social systems. In this process, the leaders learned that a realistic and long-term solution must involve addressing the environment and development crises simultaneously and in an integrated fashion.

UNCED involved thousands of non-governmental organizations, which championed their particular issues, but also helped the conference develop a more integrated approach to global and local problems through intense interaction among groups from North and South, and from the environmental, development and social spheres. UNCED was an important landmark for catalyzing the development of a global citizen movement.

It also provided an opportunity for citizen groups and governments to engage in dialogue on the most pressing global problems confronting humanity and the Earth, an interaction that was beneficial to both sides. UNCED generated an international community of governmental, non-governmental, and inter-governmental officials, agencies and individuals that shared an understanding, however tentative, of the integrated nature of environment and development and a recognition that in the next few years there was the crucial need and the unique window of opportunity to change the course of history to save humanity and Earth from environmental catastrophe and social disorder.

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

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

- The North change its production and consumption patterns (and its economic/social model), take the lead in improving environmental standards, reduce pollution and the use of toxic materials, and cut down on the use and waste of natural resources. This would include changing lifestyles. By putting its own house in order, the North would show the rest of the world by example that there is a need for a change in economic and social behaviour to solve the environment crisis.
- The North help the South with financial aid, technology transfer, and partnership to create a more favourable international economic environment (for example, through more equitable terms of trade and a resolution of the debt crisis). This would enable the South to have greater resources and a larger development space to facilitate a change in development model that would be more environmentally sustainable.
- The South, which as a result of the above changes, would have more financial and technological resources would manage its economy better, give priority to policies that meet people's needs, improve pollution standards and reduce depletion of resources such as forests.

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

Issues that require an integration of economic and environmental concerns (such as the interaction of trade and environment and the relation between intellectual property rights and environmental technology and indigenous knowledge) should be resolved through North-South partnership that recognizes the development needs of the South.

If the above principles are followed, then the concept of sustainable development would have two balancing components: environmental protection and recognition of the basic and human needs of present and future generations. Sustainable development would not only involve ecological practices that enable meeting the needs of future generations; it would result in a change in production and consumption patterns. Resources that are currently wasted would be saved and rechannelled to meet the needs of everyone today and in future generations. In this concept, the ecologically prudent and equitable control and use of resources among and within countries is the most critical factor.

### **Some Basic Weaknesses of UNCED**

Despite the achievements of the UNCED process, there were basic weaknesses and failures:

The refusal or inability of northern governments to commit themselves to a reform of international economic relations or structures, or to initiate a new North-South economic dialogue meant that there was no commitment to resolve structural economic problems that weigh heavily on a majority of developing countries (particularly the poorer ones).

! As a result of the inability of the UNCED process to place these basic items prominently in Agenda 21, the items that dominated North-South negotiations became (OR WERE???) the pledge for "new and additional financial resources" (with northern countries pledging to strive to meet the earlier commitments for aid to reach 0.7 percent of their GNP) and the pledge for implementing "technology transfer" (at least for environmentally sound technologies). Even though these two items are a poor substitute for more basic reforms to international economic relations, they became the proxies or symbols of the North's commitment to help the South in a new global environment-development partnership.

! Even though technology transfer was prominently discussed during the UNCED process and is given high profile in Agenda 21, in reality the northern governments made it clear that the protection of the intellectual property rights of their corporations would not be compromised. This would effectively render technology transfer (even if only of environmentally sound technology) on favourable terms that are by and large inoperable. Nevertheless, on the insistence of the South, Agenda 21 does have some reference to the need for technology transfer and for intellectual property rights not to hinder the process. A similar principle is established in the Convention on Biological Diversity. In both cases, however, the language and references are guarded, ambiguous and relatively weak, although the acceptance of the principle provides grounds for fuller development in the follow-up of UNCED.

- The need for regulation of transnational corporations and big commercial interests continues to be downgraded. As the NGO community pointed out, the big corporations are the main actors in generating environmental problems such as pollution, resource depletion and unsustainable production and consumption patterns. The UNCED process sidelined this role, and did not give action proposals for regulating or disciplining the behaviour of big corporations. As a result, the most important action required for sustainable development was omitted, and an opportunity for making the main economic actors more responsible and accountable was missed. This rendered many of the Agenda 21 proposals toothless or much less susceptible to implementation.
- Northern governments, particularly the United States (whose delegation said: "Our lifestyles are not up for negotiations."), refuse to effectively commit themselves to changes in lifestyle as part of the move towards sustainable consumption patterns. A crucial element in the reduction of waste of natural resources was thus sidelined.
- Despite the many action proposals on environmental problems, there was relatively weak real commitment by North and South to resolve problems. As a result of not wanting constraints on their growth or development opportunities, southern governments did not agree to disciplines on resource depletion, in particular on deforestation. There was resistance by northern governments to effective environmental safeguards on the development of genetic engineering, to better international regulations on the transfer of hazardous products, projects and activities to the South. The commitment by northern governments (especially the United States) to reduce the emission of greenhouse gases was inadequate to the task of dealing with climatic change.

Given these weaknesses, the concept of sustainable development remained controversial. While there was general agreement that progress on the environment had to be accompanied by development, there was no agreement on the place and role of equity, the need for reforms towards more equitable international relations and institutions and equitable ways of combining environment and economy nationally.

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

### The Failures of the Post-UNCED Follow-Up

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

1. **A drop in aid volume.** Despite the pledges of aid increase at UNCED, the OECD countries' aid fell from \$61 billion US in 1992 to \$56 billion in 1993. Fourteen of 21 donors decreased the share of aid as a ratio of GNP. Since then, the situation has further worsened, with continuing aid cuts in Sweden, the United States, and Canada, among others. In particular, the new Republican-controlled US Congress is pressing for a much reduced role for aid and the withholding of funds (to which it is legally committed) to the United Nations. The aid decline is inevitably seen as a lack of commitment and sincerity of northern governments to implement the Rio agreements, and has robbed the UNCED follow-up processes and institutions of their status and legitimacy.
2. **No progress in North-South technology transfer in general or in environmentally sound technology.** Instead, since Rio, there has been much greater emphasis on increasing the rights of holders of intellectual property (mainly corporations of the North) and a corresponding downgrading of the rights of the public and developing countries in technology transfer and diffusion. This is mainly the result of the Uruguay Round's TRIPS (Trade-Related Intellectual Property Rights) Agreement that will require member states of the World Trade Organization to tighten their national Intellectual Property Rights (IPR) regimes in favour of IPR holders, with detrimental effects on technology transfer or local development of technology. There is already evidence of how such patent regimes hinder transfer of environmental technology to the South. There is also a danger that the emerging IPR regime, which favours commercial companies, will also marginalize the interests and rights of communities that have developed biodiversity-based knowledge in such areas as agriculture and medicinal plants while enabling the patenting of this knowledge by commercial companies. The emphasis on IPR protection at the expense of technology transfer has, like the decline in aid, robbed the post-UNCED process of its legitimacy; technology transfer was the second plank of what was seen as the North's commitment to facilitating sustainable development.
3. **The downgrading of environmental concerns in the North.** There have been no significant moves in the North for basic changes to production and consumption patterns or lifestyles. Despite some efforts on the energy front to reduce the emission of greenhouse gases (generally believed to be still inadequate to arrest adverse effects on climatic change), in many Northern countries there has been a reversal of environmental policies. These include the logging of natural forests in the US and attempts to weaken standards. There has also been a lack of progress in critical areas such as the inadequate regulatory response to rapid development of genetic engineering. Generally, there has been a downgrading of environmental concerns in national agendas as commercial interests and the need to retain national economic competitiveness take precedence.
4. **Little improvement on environment in the South.** In most southern countries, environmental concerns have not received the kind of special attention that UNCED promised. The poorer countries remain enmeshed in problems of external debt and low commodity prices and face additional problems caused by aid decline. They are also bypassed by foreign investment flows. As a result, the lack of financial resources continues to hamper progress towards sustainable development. In the industrializing southern countries, the pressures of urbanization, industrialization and high growth put additional pressures on the environment; concern for the environment remains low when compared to the imperatives of growth. There is a general lack of progress towards sustainable agriculture or phasing out the use of toxic substances (although the North-to-South export of toxic wastes may be reduced by the extension of the Basel Convention).
5. **Erosion of concern for development as a principle or a right in the international agenda.** This is mainly due to a wave of economic conservatism in many northern countries and reduced concern in their political establishment for problems of developing countries. More seriously, the aggressive commerce-oriented and trade-oriented approach of the North views developing countries as markets that need opening up and potential rivals whose advantages should be curbed. This outlook has replaced the approach of viewing developing countries as disadvantaged global partners requiring and deserving assistance. As a result, the development principle and the development dimension formerly recognized as the cornerstones in North-South relations have been challenged and eroded through the decline in aid and in the much greater reluctance to accord special treatment or advantages to developing countries in UN negotiations.
6. Of particular importance is the erosion of the development principle in North-South trade relations, especially at the World Trade Organization (WTO). The "special and differential treatment" for developing countries has been eroded through the Uruguay Round.<sup>3</sup>

In the current WTO negotiations, including new issues, developed countries have sidelined recognition of the development needs and objectives of developing countries, insisting on equal treatment for the weak and strong, demanding a level playing field and national treatment for their firms. This contrasts with the reaffirmation by political leaders of the world of the appreciation of the development rights and needs of the South, through the Social Development Summit of 1995, and other UN conferences and resolutions. These declarations and processes, which represent the spirit of international cooperation, are being undermined by the more legally binding and enforceable rules of the trade system. Instead of allowing the South to have greater development space to facilitate transition to a better environment (which was the UNCED understanding), there has been a significant narrowing of that space in the past few years.

- 7. Persistence of development problems in the South.** A major ambition of UNCED was to make the resolution of pressing development problems in the South a priority. These problems had to be tackled at two levels: improving the negative international economic environment; and improving domestic policies. Although a small minority of developing countries, mainly in East Asia, were able to take advantage of external factors to experience high growth, a majority of developing countries continue to suffer from poverty and social problems, and in some countries the situation has worsened. The external environment faced by many developing countries remains negative. The terms of trade for many continue to deteriorate, with prices and demand for commodity exports weakening. The debt crisis persists. Aid volumes decline. This continues to cause a large external drain of resources from developing countries. Resources for the state continue to dwindle in many countries, reducing their capacity to face development challenges.

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

### **The Effects of Liberalization and Globalization and the Clash of Paradigms**

#### **! Undermining the Sustainable Development Paradigm by the Free-Market Approach**

Perhaps the basic cause of the failure to realize the UNCED objectives is the countervailing trend of liberalization and the resulting brand of globalization that has swept the world in recent years.

The UNCED approach represents one paradigm for international relations: that of consensus-seeking. In this paradigm, the needs of all countries big and small are incorporated in a partnership in which the strong help the weak; environment and development concerns are integrated; the state and the international community intervene on behalf of public interest to control market forces to attain greater social equity and bring about more sustainable patterns of production and consumption.

The liberalization or free market approach represents a very different paradigm. It advocates the reduction or cancellation of state regulations on the market, letting free market forces reign; the large corporations that dominate the market have a high degree of rights and freedoms; the state intervenes only minimally, even in social services. On the environment, instead of intervening or imposing environmental controls, the market is left free on the assumption that this fosters growth and the increased resources can be used for environmental protection. This approach also sets aside concerns of equity, or negative results of market forces such as poverty and non-fulfilment of basic needs. It assumes the market will solve all problems. Extended to the international level, the paradigm advocates liberalization of international markets, breaking down national economic barriers, rights to corporations to sell and invest in any country without restraints or conditions. Governments do not interfere with the free play of the market, and social or development concerns (for instance, obtaining grants from developed countries to aid developing countries) are downgraded. The approach advocates a social Darwinian philosophy of each man for himself, each firm for itself, each country for itself. In this law of the social jungle, it is the right of individuals and companies to demand freedom to seek advantage and profit and to have access to the markets and resources of other countries anywhere in the globe to implement their right to profit. The advocates of this approach want a free-market system where the strong and efficient are rewarded. The weak or inefficient may suffer losses, but should fend for themselves. The paradigm advocates competition with prizes for the winners; there is no cushion to compensate the losers. Aid and special treatment for developing countries are downgraded in this paradigm.

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

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

The main reason for the triumph of the market paradigm is the strong support and aggressive advocacy it receives from powerful countries, and the deliberate marginalization of the partnership paradigm. Within these countries, government commerce and finance departments enjoy far greater influence than environment or overseas aid departments. This contributes to a far higher priority being given in these countries to national and private commercial interests than environment and development concerns.

#### **! Depletion of the UN Role and the Expanding Powers of the WTO and Bretton Woods Institutions**

In recent years, northern countries have successfully organized the downgrading of the role, resources and influence of the United Nations in social and economic affairs and policies. At the same time, the powers and influence of the Bretton Woods institutions, and especially the

WTO in determining international economic and social policies, have increased enormously. This shift in institutional location of authority is due to the fact that the Bretton Woods/WTO institutions represent the paradigm advocated by the North. Another factor is the control the North exerts in these institutions, in contrast to the UN system where the South is better represented.

With the higher status of the market paradigm, sustainable development concerns have lower priority. Governments of strong countries are obsessed with competitiveness. The result is a reduced commitment to improve the environment and change production and consumption patterns. Deregulation has resulted in the weakening of environmental policies (or their enforcement) in many countries. Interest in implementing the development components of UNCED (and other conferences such as the Social Summit) has diminished. The implementation of the many action proposals has not materialized.

! Failure to regulate big corporations and the move to widen their rights

A major reason why the UNCED objectives have not been realized is the fact that the behaviour and practices of the main economic players (those that determine production and consumption patterns) have not been brought under any kind of effective framework of accountability and discipline. UNCED is partly responsible for this as it did not propose any measures for regulating big corporations. In the past few years, the power of big corporations has increased. They control ever more of the world's resources and account for a greater share of production activities, distribution, finance and marketing. There has been no noticeable change in their production patterns. The >business as usual= practice has resulted in continuation or even intensification of environmental pollution and resource depletion. Through globalization of media, advertising and sales promotions

of consumer products and tastes have had an even greater impact in spreading the kinds of lifestyles and consumption patterns that are environmentally unsustainable.

The regulatory situation relating to Transnational Corporations (TNCs) and business in general has worsened greatly in the past five years. The efforts to finalize a Code of Conduct on TNCs were formally killed in 1993, and the agency in charge of the code, the UN Centre on Transnational Corporations, was closed. Thus, the main international initiative and institution for establishing guidelines for the behaviour of TNCs and a code of obligations and rights of TNCs and states disappeared. As a result, many years of work and negotiations came to nought. Initiatives in other institutions, such as the Code of Conduct on Technology Transfer and the Set of Principles and Rules on Restrictive Business Practices at UNCTAD, were marginalized due to the reluctance of the developed countries to implement them.

Instead, there has been a strong opposite trend B now dominant B to reduce and remove more and more regulations that governments have over corporations, to grant them increased rights and powers, while removing the authority of states to impose controls over their behaviour and operations. The Uruguay Round has already granted far higher standards of intellectual property rights protection to the TNCs, facilitating further their monopolization of technology and their ability to earn huge rents through higher prices. There are strong pressures from northern governments at the WTO to grant foreign companies the right of entry, establishment and national treatment to all WTO member states. Other proposals on competition policy and government procurement would give further rights of access to business in developing countries. The ability of governments to regulate the operations and effects of TNCs and companies in general is being severely curtailed. It is most unlikely that businesses will voluntarily curb practices to come in line with sustainable development, especially since there is now an intensification of competition. Hence the removal of the rights of states to regulate business, especially TNCs, is a major and perhaps fatal flaw in the international community's attempt to arrest environmental deterioration and promote sustainable development.

### **The failure of political leadership**

In recent years, political leaders in almost all countries have weakened in their attempts or ability to address environment, social and development issues. In the North, the political leadership has placed environmental and social concerns lower on the list of priorities in keeping with the desire to maintain competitive in a globalizing world. These governments meet the demands of their corporations to promote liberalization and to champion their interests domestically and internationally. At international negotiations, whether at the WTO or the UN, northern governments promote proposals that widen the rights of TNCs, while blocking or diluting principles and points that are made on behalf of development.

In the international arena, southern governments are individually and as a group generally inadequately prepared for negotiations, compared to northern governments. Despite the dramatic expansion of the importance of international organizations and processes in determining national policies, most developing countries have not put adequate human and financial resources into international negotiations. As a result, they often find themselves at a very weak end of the negotiations. This sometimes prevents them from effectively promoting their positions, and leads them to agree with points detrimental to their interests. Such a situation is particularly dangerous when the negotiations involve legally binding agreements, as in the WTO.

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

### **Public Responses and the Potential for Reasserting Sustainable Development Priorities**

Despite this rather bleak picture, there are positive developments that keep the hopes for sustainable development, and the spirit of Rio, alive. These include:

! The still influential role and substantial resources of the United Nations system, despite its budgetary crisis and the attempts to blemish its image. The UN enjoys popular support, mainly because of its socially and environmentally positive positions, and its efforts to promote international cooperation. The partnership paradigm represented by the UN is still very much alive where the public are concerned.

! The series of world conferences organized by the UN and its agencies in recent years has had a positive public impact in highlighting a wide range of global problems, and provided opportunities for a focusing on the existence of the problems, their causes and proposals for action. This has had significant influence on the public, on citizen groups and the media, on the thinking and policies of national governments and on the staff of international organizations. The conferences also provided opportunities to advocate or reassert approaches and views counter to the dominant liberalization/globalization thinking. They have built a useful foundation that can contribute greatly to future work and activities.

! In the past few years there have been continued and in some cases strengthened activities of citizen groups that represent alternative approaches to social and environmental causes. Particularly positive is the increased networking and collaboration among the groups in North and South, and a cross-fertilization of interests in different issues, including environment, development, human rights, women's rights, culture and social problems. The emergence of a global civil society (WHAT DOES THIS MEAN??, which advocates alternative viewpoints to international institutions and at international gatherings is an important development that can monitor and help shape the globalization process. This remains a significant hope for the promotion of sustainable development.

! The weaknesses, inequities and limitations of the globalization model based on free-market interests are rapidly becoming evident. This recognition leads to growing criticism of the paradigm by influential members of the political, business, journalistic and academic establishments. The leaders and opinion makers of the system are themselves increasingly questioning and criticizing the dominant policies and their effects. As the consensus on the orthodox approach breaks, the need to reform the globalization and liberalization processes will become clearer.

! Most encouraging and inspiring of all are the thousands of grass-roots movements and groups that have taken their own initiative to fight for their survival, livelihood or the larger public cause. These are the groups and the heroes and heroines of sustainable development that the Third World Network, as a representative of NGOs, saluted in an address to the UN General Assembly at the Rio Plus Five Summit in June 1997. They include:

The indigenous peoples of the rainforests, who are desperately guarding, sometimes with their lives, the remainder of the world's rainforests.

The local communities and environmental activists of the North fighting to save the remnants of their old growth forests from the loggers= axes and bravely battling the toxic dumps and hazardous industries located in their neighbourhoods.

The communities in every region that have had to bravely defend their lands, homes and resources from the encroachment of commercial interests and billion-dollar projects that often turn out to be economically unviable, ecologically destructive and responsible for the creation of millions of environmental refugees.

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

The consumers who fight unhealthy products and unsustainable consumption patterns, campaign for breast feeding instead of baby foods, raise the alarm over hazardous pesticides and pharmaceuticals dumped on the Third World. They have taken the tobacco industry to court and forced it, in the United States at least, to admit its liability, to pay billions of dollars in compensation, and agree to government regulation of their behaviour.

The individuals, the campaigners and the scientists who expose the dark side of genetic engineering in the midst of industry media hype, and wage a campaign against the patenting of life and the cloning of nature's creations.

The women who are often in the forefront of the community fight for survival, hugging the trees to prevent their destruction, facing the bulldozers with the men, fighting toxic industries and dumps to prevent the poisoning of children.

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

These hundreds and thousands of local community leaders and millions of ordinary people around the world provide the hope that something is being done to save the Earth. They need the support of us all.

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

Each one of us must join the battle to save our Earth. Only when more people join in, will there be hope to save humanity.