

From Seattle to Nice

Challenging the Free Trade Agenda at the Heart of Enlargement

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Bibliographical Note

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AN IGC FOR LOCALISATION, NOT GLOBALISATION

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INTRODUCTION

Moving From Seattle to Europe

The purpose of this report is to start a debate about what might be termed a post Seattle agenda for Europe - i.e. applying the same critique levelled against the neo-liberal model of the World Trade Organisation to the free trade project at the heart of the EU. There is a political opportunity to do this because this year is supposed to see the European Union's Treaty changed to allow for enlargement into parts of Eastern Europe. The process of the Intergovernmental Conference (IGC) provides an opportunity for activists to insist that Europe shape its own Post Seattle Alternative. This should emphasise the rebuilding of sustainable local economies, rather than the increased Europe-wide trade liberalisation envisaged in the IGC.

SECTION ONE

The IGC – a NAFTA for Europe

Perhaps a helpful way to look at the IGC's spread of trade liberalisation East is to see it as a parallel with the North American Free Trade Agreement (NAFTA), between the rich countries of Canada and the United States and one poor country Mexico. It too was promised prosperity. The reality has been that the livelihoods of Mexican small farmers have been ruined by cheap agricultural imports. In the US well paid jobs were relocated to the environmental hell of the border maquiladora region. This provided some Mexican jobs, but at the same time huge swathes of Mexico's existing 'inefficient' small and medium sized companies went to the wall.

Instead of this rocky road to free market enlargement, the answer for Eastern Europe, and for all the other regions of the world, is not globalisation's path of ever more ruthless international trade. Instead 'localisation' should be the watchword, stressing more local production, local competition and regional protection against imports.

The IGC- An Opportunity Too Good To Miss

Following the Maastricht and Amsterdam revisions to the Treaty of Rome it was agreed that there should be an Intergovernmental Conference (IGC) to amend the Treaty, particularly to deal with the accession of potentially thirteen new countries from Central and Eastern Europe (CEE), Cyprus and Malta into the EU. Given the collapse of the WTO talks and the rethinking this is engendering, there should be a demand that this IGC be a much broader one. It should re-evaluate the direction of the European Union in the light of the growing world opposition to the present direction of economic liberalisation.

Of course what is envisaged is a much narrower agenda dealing with the changes in the use of qualified majority voting in the EU's decision making Council of Ministers, the reweighting of members states votes in the Council and the size and composition of the European Commission. These 'Amsterdam leftovers' are meant to ease the entrance of new members. This narrow remit is because European Commission President, Romano Prodi and former UK Industry Minister Lord Simon (those charged with developing European Strategy) amongst others want to have the changes agreed by the Summit at the end of the French Presidency in December 2000 in Nice.

Other nations however are looking for a broader review agenda. Belgium, the Netherlands and Luxembourg want to consider whether the EU Treaty should be split into two to make it easier to understand, and with an operational part that would be easier to amend. The door is therefore open for civil society and progressive politicians to demand that the IGC's scope be expanded to consider more radical changes in the global Post Seattle era.

Turning Round the Stricken Enlargement Supertanker

Once the debate about new entrants begins to increase in Eastern and Western Europe, there will be a great opportunity to suggest that the changes to the European Union be radical ones that benefit the majority in all of Europe, plus its trading partners both North and South. It is easy to guess the concerns that will anyway be raised under the present open border and subsidised agricultural emphases of the EU. One of the utterly unresolved problems surrounding EU enlargement is Western European taxpayers reluctance to pay the huge cost of spreading the Common Agricultural Policy's (CAP) subsidies East.

Equally politically problematic will be the question of mobility of workers from the East to the West and potential of relocation of industry to cheaper labour sources to the East. The likely reaction of Western Europeans to this process has hardly begun to be considered. Of course the free trade nonsense being

served up to the hapless denizens of the EU's waiting room is the same as that promised for example to pre-unification Eastern Germany- improved economic conditions for all.

Of course it is not the principle of unification that was wrong, merely the free market emphasis of the way it was introduced. Thus despite all West Germany's wealth this dream has not materialised at anything like the level expected. Imports from West Germany resulted in the closure of much of East Germany's industry. It was unable to compete and no really effective transitional programme was envisaged. As a result resentment, insecurity and inequality have risen. Given that such a level of financial largesse was a one off, what are the adverse implications for Poland and the others waiting to join a far less generous EU?

Not everyone in the CEE supports the enlargement process as proposed. There is growing protest in Poland for example, against the dumping of EU food surpluses which is already causing small farmers to have to leave the land. Should the Common Agricultural Policy (CAP) be introduced with its present emphasis on 'efficient' farming, Poland is expected to lose up to 2 million agricultural jobs in the proposed intensification of its food system. Other problems already experienced by Eastern Europeans as a result of adopting the free market approach are likely to be accelerated by the process of enlargement. These include a dramatic collapse in social provision, rising inequality as well as foreign transnationals replacing domestic production and increasing the export of raw materials, often with adverse environmental effects.

This opposition is likely to grow as increased competitive pressure will speed up the numbers displaced from existing more labour intensive and hence 'inefficient' CEE manufacturing and service sectors. In addition as has been noted, the experience of Mexico has been repeated in parts of Eastern Europe. When companies relocate from the US or Canada they not only cause workers in these countries to lose their jobs, but they also take over sections of the domestic market, putting large numbers of Mexican firms out of business.

These trends are all likely to push down wage levels. Countries like Germany are likely to be concerned about the effects of this in terms of cheap labour in the CEE causing evermore companies to relocate East, as well as the potential for illegal migration to increase in the other direction. Such problems are inevitable with barriers to trade reducing and competitive pressures increasing. They will doubtless be used by the extreme right to increase their political base. It is therefore vital that a new direction for Europe as a whole is debated to help ensure increased cooperation between west and east, rather than the potential of increased hostility.

SECTION TWO

Transnationals and Capital - the Powers Behind the 'Freer Market' Globally
(This section is based on material from the Amsterdam Based Corporate Europe Observatory)

Few realise the extent to which the process of globalisation has been driven over the past three decades by the world's leading business and governmental elites. They meet regularly under the auspices of organisations such as the Council On Foreign Relations and the Trilateral Commission. In such gatherings they have agreed common approaches to the furthering of global economic integration, deregulation, and the economic philosophy of free trade and international competitiveness. They have lobbied for Free Trade agreements such as the GATT Uruguay Round (spearheaded by the International Chamber of Commerce), the North America Free Trade Agreement (NAFTA, promoted by the US Business Roundtable of TNCs and big banking and insurance interests, and Canada's equivalent, the Business Council on National Issues) and the European Single Market and Single Currency agreements (via the European Roundtable of Industrialists).

Europe's Corporate Rulers - the European Roundtable of Industrialists

The European Roundtable of Industrialists have been a major driving force behind centralising, 'free market' trends in Europe, as well as other dramatic changes in the way the European Union is structured and who decides its priorities. Founded in 1983, and made up of 45 highly influential captains of industry from large European transnational corporations, this little known organisation was behind the EEC's 'internal market' in the '80s, the 1991 Maastricht Treaty and the Single Currency. The latter's 'convergence criteria' (the economic conditions countries must achieve to qualify to join the Single Currency) have caused deflationary pressures resulting in higher unemployment in Europe than might otherwise have been the case, as well as cuts in social services expenditure.

The ERT was set up with the express intention of reviving European integration and shaping it to the preferences of European TNCs. The key to its success is the financial power of its members and hence its ready access to decision-makers, both at national and European level.

Together with UNICE (the Union of Industrial and Employers' Confederations of Europe), the ERT has lobbied extensively for the speedy enlargement of the EU towards the East. For Western corporations, the countries of Central and Eastern Europe offer an enormous market waiting to be conquered, as well as a reservoir of highly skilled and cheap labour. For the ERT, enlargement is essential: "It will bring great economic benefits. These countries will bring new people, a lot of skills, technology, education, know-how. They will bring material resources including land and energy, and they will bring markets for our products.

UNICE is in no doubt that it is this latter aspect which it finds attractive. Its former Director General Zygmunt Tyszkiewicz enthusiastically and unapologetically explains: "In the West we have mature markets. We are already consuming everything that we are able to consume. You cannot drive two cars at the same time. So we have a slow growth economy... To the East of us, we have around a hundred million people with sophisticated tastes who lack all the items we are already consuming. They need those items."

Both lobby groups insist, however, that CEE countries undergo stringent structural adjustment prior to accession. National economic policies must be harmonised with those set by the Union, and markets must be fully opened to Western goods, services, and investments. In short, governments are expected to give up control over their own economies – spelling destruction for local businesses.

And indeed these countries are now busy bringing their legislation into line with Single Market requirements, thus fulfilling the business groups' main objective: a harmonised market and liberalised investment regime for the whole of the European continent.

SECTION THREE

The Adverse Effects of Neoliberalism on Eastern Europe and Their Acceleration by EU Enlargement

The adverse effects of neo-liberal economics on social provision, equality and longevity rates in Eastern Europe and the former Soviet Union are well known. And while it is true that the de-industrialisation of large parts of this region have led to a drop in some forms of environmental problems such as air and industrial pollution, at the same time evidence is also beginning to emerge that the foreign direct investment by TNCs, supported by infrastructural loans by public bodies such as the European Investment Bank (EIB) and the World Bank is having adverse effects on the environment and protection of natural resources.

A few examples encapsulate this: in Slovakia Coca-cola controls almost a third of the mineral water and exports it. In Hungary, the sales of Coca-cola and Pepsi have destroyed the glass bottle recycling scheme that existed there. In Slovakia recycling corporations are being bought and closed down to increase the market for waste in landfills.

In the Czech Republic, the World Bank although not officially a supporter of nuclear power projects gave funds to the energy sector for the 'ecologicalization of energy'. In fact this money allowed for the continuation of a nuclear power plant project started by the previous communist government. Also the energy company will not have the money to repay this loan, so it will have to be met by the government. In Slovakia the World Bank recommended the cancellation of all export quotas on forestry products, which has since occurred.

Latvia joined the WTO in 1998. By May of that year, pork imports had increased about 5 fold. The farmers called for their livelihoods to be protected, a strategy which is permitted under WTO rules for a maximum of 200 days. As a result the industry started to recover. When the WTO however rejected an appeal for an extension beyond the 200 days, in June 2000 barriers were lifted – leading to the destruction of livelihoods of many thousands of domestic producers.

The Problems Already Thrown Up for the East By Enlargement, and the Problems to Come

Of course not all the policies that are on offer with the enlargement of the European Union are negative. The extension of EU environmental regulation should at least curb the more excessive impacts of unregulated 'wild east' capitalism. This was typified by the recent Tisza river transboundary pollution incident between Romania and Hungary caused by a Australian/Romanian joint venture mining company.

CAP and Eastern Europe

It is plain to most commentators that the Common Agricultural Policy (CAP) in its current form cannot be extended to the accession countries without bankrupting the EU. This fact is a further reason to accelerate the urgent need to re-think CAP from the bottom up. The 1999 reforms did little more than tinker, albeit in the right direction. Future reforms, should they involve strong environmental and rural development benefits, would be very helpful to the Eastern European agricultural sector, with its preponderance of small farmers using less intensive agricultural methods.

The continuation of anything resembling today's CAP with its emphasis on 'efficient' farming, would as has been noted mean that Poland for example could lose up to 2 million agricultural jobs in the inevitable intensification of its food system. What is required is a more sustainable modern rural development approach focuses on strategies that build upon rural diversity and work with local assets and skills. This could include the production of regional foods, timber or craft products for local marketing under particular local brands, or at a premium price. At farm level, these approaches can bring together more stages of the whole production chain, thus achieving a higher economic return than would be gained by selling the raw products to traders or processors.

Transport and Enlargement

The free market emphasis of enlargement has resulted in an emphasis on new long distance north-south and east-west road and rail routes across Europe. The roads in particular could adversely effect key transboundary wilderness areas that have seen little previous 'development'. This is because many were part of the military buffer zone of the 'iron curtain'.

In any case most of Eastern Europe has already experienced rapid increases in levels of road traffic and private vehicle ownership. In absolute terms the level of road freight traffic in remained much lower than that of the EU, but traffic growth is now very rapid. Car ownership levels in Poland, Hungary and the Czech Republic in particular are now rapidly approaching those typical of EU countries.

In contrast to road, rail use is stagnant or in decline in many areas. Rail freight traffic declined drastically in most countries from 1989, although it remains very much higher than in the EU. It has been far more difficult for rail freight than for road to adapt to a shift of trade away from the Soviet bloc and towards the EU. For public passenger transport, both rail and bus/tram, the decline since 1989 has been equally severe, and in most places shows few signs of recovery. The main causes are rapid fare increases during economic restructuring, coupled in some cases with increased competition from private car travel.

Further high levels of growth in transport use (and particularly road transport) are expected, which in turn are thought likely to lead to a doubling or tripling of emissions and declining urban air quality.

Weakening the Local Economy

What is seldom realised is that infrastructural developments such as long distance transportation routes cannot be assumed to bring benefits to local economies in Eastern Europe any more than they can within the EU – and perhaps even less so. Economic activity in Eastern Europe appears to be currently accompanied by a growing deficit in trade with the EU. It will clearly do nothing to promote local development, and is likely to bring about environmental damage with little corresponding economic benefit for the areas effected, or perhaps even for national economies.

Efforts have been made recently to shift infrastructure investment away from road and in favour of rail. However, in the EU at least, investment in rail infrastructure is still heavily weighted towards new high speed links as opposed to upgrading or refurbishment of conventional networks. It should be stressed that the former is not only highly capital-intensive, but also more likely to result in serious impacts on land use and biodiversity.

Transport funding should therefore be shifted from major infrastructural investment towards smaller projects that encourage local interactions, and hence economic and social diversity. Preference should be given to the repair of existing infrastructure, and modifications and upgrades, over new building. These activities will generally have a far smaller adverse impact on the environment, while stimulating local economies both directly and indirectly. Beyond this, broader policy alternatives for regional development should prioritise less

long-distance transport via the strengthening of regional networks between industries and regional marketing.

What's the Rush?

Entry for enlargement depends on satisfying three overall criteria in the European Commission's framework document Agenda 2000. Two of these relate to the aspirant member's state of readiness and include:

- the existence of a functioning and stable democracy and market economy, and respect for human rights;
- the adoption of all EU legal frameworks and directives (the *acquis communautaire*).

The third criterion, which is essentially political in character, is that:

- the EU must be satisfied of its own capacity to undertake enlargement.

This could be used as a reason to pause and rethink fundamentally the direction of EU enlargement away from free market priorities towards the protection and rebuilding of the continents local economies. This is NOT a strategy for postponing enlargement indefinitely, as some on the Right would wish. It is, rather, a strategy to ensure that the terms of the enlargement on offer are those that will genuinely benefit the people of Europe, both East and West.

SECTION FOUR

An IGC for Localisation, Not For Further Globalisation

At present the EU's Single Market and European Monetary Union (EMU) are evidence of the current economic priority of each country to organise its economy in terms of its efficiency at competing with every other country, both within the EU and worldwide. This process is driven by ever more open borders and an emphasis on being attractive to foreign investment. A very different approach is beginning to emerge from opponents of globalisation. This prioritises the protection and rebuilding of local communities and local economies in a way that encourages maximum social and environmental sustainability.

An Internationalist Approach to Localisation

Before proposing a new goal for European Union policy, it is crucial to understand why any such policy should be supportive of the needs of other regions in the world, and in particular, of the interests of the poorest people.

Any attempt to tackle poverty internationally must, as its starting point, reject globalisation and revive and update the concept of more self reliance, rather than more 'market reliance'. It should set its proposals within a framework which challenges the ideology that all countries have to be internationally competitive and that they can export their way to 'development'. Exports can contribute to development when they are used to rebuild local economies. Grass roots movements in developing countries are already active in these areas. In Mexico the Chiapas movement has, as a core demand, increased self reliance. In Asia the response to the economic crisis has been to call for investment to come far more from local savings, and for prioritising the meeting of domestic needs rather than relying on export-led growth to be the main basis of recovery.

Localisation- the Route to a Sustainable Global Society

Globalisation and free trade are under unprecedented attack as their adverse effects become ever clearer. It is therefore time for a comprehensive and radical alternative which must be based on a new direction for the global economic system. It must reduce inequality, improve the basic provision of needs, and adequately protect the environment. Its end goal must be to ensure, aid and increase the democratic control and involvement of citizens in the rebuilding of sustainable local economies.

This process is Localisation - a set of interrelated and self-reinforcing policies that actively discriminate in favour of the local. It provides a political and economic framework for people, community groups and businesses to re-diversify their own local economies. It has the potential to increase community cohesion, reduce poverty and inequality, improve livelihoods, social provision and environmental protection and provide the all-important sense of security.

Localisation is the very antithesis of globalisation, which emphasises a beggar-your-neighbour reduction of controls on trade and contorts all economies to make international competitiveness their major goal. Localisation involves a better-your-neighbour supportive internationalism where the flow of ideas, technologies, information, culture, money and goods has, as its end goal, the protection and rebuilding of local economies worldwide. Its emphasis is not on competition for the cheapest, but on cooperation for the best.

Among the policies that have been proposed as part of a long-term policy package to be phased in in order to reach localisation are localising money, such that the majority of it stays within its place of origin; a 'site here to sell here' policy for manufacturing and services domestically or regionally, the reintroduction of protective safeguards for domestic economies eg tariffs and quotas, increased democratic involvement both politically and economically to ensure the effectiveness and equity of the movement to more diverse local economies, and the reorientation of the end goals of aid and trade rules such that they contribute to the rebuilding of local economies and local control.

The policy mix will obviously vary in practice to some degree from country to country. Some countries are big enough to think in terms of increased self-reliance within their boundaries, smaller countries would look to a grouping with their neighbours

This approach holds the potential to make more possible all the local, through to international, efforts to protect community, livelihoods and the environment, improve the provision of basic needs for all, as well as the desire for increased equity, democracy and power-sharing.

This is not the case when the achievements of such end goals are attempted by putting minor social and environmental constraints on liberalisation. The paramount necessity to be internationally competitive in today's system inevitably sacrifices adequate social infrastructure, environmental protection and increases inequality.

What Localisation Would Mean for the European Union

The first step is for the reaction against the adverse effects of globalisation in Europe to lead to a questioning of this process and the realisation that alternatives are feasible. For this idea to gain wider credibility, it will require the politically active in areas as diverse as employment, social provision, poverty, small and medium sized business, environment and development to realise that their end goals can only be achieved by localisation, not efforts to make globalisation kinder and gentler.

Once this has been achieved then these lobbies must demand a change to the end goal of the European Union. This must move away from ruthless internal and external competition in order to gain market shares and hence increase unsustainable growth levels. In its place must be the end goal of re-diversifying local economies in a way that provides for societies basic needs in an environmentally positive manner. It must set the same end goal for its economic interaction with the CEE and the rest of the world. In short the Treaty of Rome will be replaced with an Internationalist Treaty of Home.

YES TO THE EUROPEAN ENLARGEMENT OF LOCALISATION NO TO THE EUROPEAN ENLARGEMENT OF THE FREE MARKET

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