



*The WTO's Hong Kong Declaration:  
An analysis of key impacts  
on the global environment and livelihoods  
February 2006*

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*by Friends of the Earth Europe<sup>1</sup>*

Although a face-saving deal was reached in Hong Kong on 18 December 2005, the WTO and the global trade system remain in crisis. The Hong Kong agreement contains proposals that will further threaten the global environment and the livelihoods of the world's poorest people.

The EU, the US administration and their allies ignored the demands of the thousands of men and women – peasant farmers, fisherfolk, students and environmentalists – protesting outside the WTO's 6th Ministerial Conference in Hong Kong. The Hong Kong agreement contains proposals to open markets in the farming and natural resource sectors, including forests, fisheries and minerals, will benefit the world's largest corporations but could have a devastating impact on millions of the world's poorest people, who rely on access to natural resources for their livelihoods, food and medicine.

The most worrying decisions taken at the Ministerial Conference include the following:

*Non-Agricultural Market Access (NAMA)*

The WTO's current trade negotiations on NAMA have been reaffirmed. Under pressure from the EU and its allies, governments have agreed to an extreme form of liberalisation by introducing a 'Swiss formula' for tariff reductions on all manufactured goods and natural resources.<sup>2</sup> Developing countries risk having to cut their tariffs drastically. This could result in massive job losses in developing countries, with local enterprises being driven out of business by Western transnational corporations. It could also lead to losses in governments' revenues including in specific sectors of critical importance to women, such as education and health.

The negotiations still include proposals from various countries to completely liberalise markets in forest products, fish and fish products, gems and precious metals, primary aluminium and oil, with no mention of the potential and possibly widespread environmental and social impacts that such liberalisation could have.

A specific reference to sectoral negotiations has been reinserted in the final Declaration, presumably by the US and Canada, who had previously objected to the fact that this text was missing. However, the text does direct governments to determine whether sectoral

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<sup>1</sup> This analysis has been prepared by Ronnie Hall and Alexandra Wandel.

<sup>2</sup> Paragraphs 13–14 of the Hong Kong Ministerial Declaration state: '(13) ...We welcome the progress made by the Negotiating Group on Market Access since 2004 and recorded therein. (14) We adopt a Swiss Formula with coefficients at levels which shall inter alia: Reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs and tariff escalation, in particular on products of export interest to developing countries; and take fully into account the special needs and interests of developing countries, including through less than full reciprocity in reduction commitments.'

negotiations have sufficient support to continue, thus opening a door for the removal of these natural resource sectors from the sectoral aspect of the NAMA negotiations (meaning that they would not have to be completely liberalised). The EU stated before Hong Kong that it would not support sector-by-sector negotiations on forestry, fisheries and minerals but that it was not actively opposing them. Its own Sustainability Impact Assessment (SIA) on forestry indicates negative impacts in that sector (see below).

Negotiations to 'reduce or eliminate' environmental and health standards (known as non-tariff barriers, NTBs, in the WTO) will also be intensified following a request for specific negotiating proposals to be tabled as soon as possible. Current notifications include a breathtaking array of challenges to labelling and certification requirements, national standards and restrictions, export restrictions, restrictions on foreign investment and measures to promote local economic development. The sectors covered include mineral products, automobiles, chemicals, electronics, environmental goods, fertilisers, fish and fish products, food, footwear, forest/wood products, mineral products and petroleum oils, shrimp, and textiles and leather goods.

Following Hong Kong there will be a period of intense negotiations at the WTO headquarters in Geneva to agree on the details of the negotiations. Governments have committed themselves to establishing modalities (the framework for negotiations) no later than 30 April 2006 and submitting comprehensive draft schedules based on these modalities no later than 31 July 2006.

### *Fisheries*

Fisheries remains a proposed sectoral negotiation under NAMA, supported by countries including New Zealand, Norway and Iceland. The fact that increased liberalisation in this sector could further damage already seriously depleted wild fish stocks is not taken into account. The world's supply of fish is nearly exhausted: over 60% of wild fish stocks have been fully exploited, overexploited, or depleted, and a further 10% are recovering.<sup>3</sup>

Nearly 40 million people rely on artisanal fishing for their food and livelihoods worldwide, but the potential impact on them of greater liberalisation in fisheries is also ignored by most countries. However, Japan and South Korea have opposed – and the EU now does not support – the fisheries sectoral, meaning that it could be removed from negotiations since it does not enjoy sufficient support.

However, the agreed intensification of negotiations on non-tariff barriers could also have a significant negative impact on measures taken to conserve fish stocks. A number of countries, including Norway, have already objected to requirements to provide information about the provenance of fish, for example. Similarly, the Philippines has challenged trade restrictions required by CITES, in relation to freshwater fish, saltwater fish and fish for aquaria. Additionally, Argentina has notified regulations establishing maximum contents of heavy metals in certain fish products.

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<sup>3</sup> Food and Agriculture Organization, Fisheries Department (2004), *The State of World Fisheries and Aquaculture*, Rome.

## *Forests and biodiversity*

Forestry also remains a proposed sectoral negotiation, supported by countries including the US, Canada and New Zealand. Yet the impacts on biodiversity and forest peoples have not been considered, even though the European Commission's recently published SIA for the forest sector says that 'in biodiversity hotspot countries, such as Brazil, Indonesia, Congo Basin countries, and Papua New Guinea, possible negative impacts on biodiversity can be irreversible'.<sup>4</sup>

Furthermore, in relation to the forest sector in developing countries protected by high tariffs, there could be 'considerable environmental and social costs due to downsizing of the industrial capacity and closing some industries entirely'.<sup>5</sup> According to the FAO, 'more than 350 million people living in or next to dense forests rely on them for subsistence or income'. Sixty million indigenous people are almost wholly dependent on forests. A further 13 million people are employed in the formal forestry sector.

Again, however, Japan opposes the forestry sectoral and the EU is not supporting it. It could therefore be removed from the negotiations in the near future.

Yet again, the agreed intensification of negotiations on NTBs means that challenges already notified by countries, relating to wood and wood products, could proceed. These are likely to be based on notifications already listed by Australia, Egypt, Japan, Malaysia, New Zealand, the Philippines and the US, covering testing, certification, standards and regulations, and labelling. In contrast to their position on tariff liberalisation in this sector, Japan and the EU have also challenged export restrictions that countries apply to their forest product exports, which may be in place to protect biodiversity or promote domestic economic development in the exporting countries.

Services negotiations also include the liberalisation of biodiversity management, with potentially severe impacts on forest-dwelling and other indigenous peoples who may be removed from their traditional lands and prevented from accessing and managing their natural resources by private companies who are increasingly tending to manage protected areas.

## *Biodiversity and TRIPS*

In addition, at Hong Kong, rich countries' governments rejected attempts by India, Bolivia, Colombia, Ecuador, Peru and other developing countries to begin to recognise the rights of local communities and indigenous peoples over their own traditional knowledge and genetic resources. The TRIPS agreement obliges the 149 WTO member countries to protect intellectual property rights (IPRs) relating to plant varieties and microbiological processes, using patents and similar IPR systems. The agreement undermines the rights of farmers, indigenous peoples and communities by allowing large biotechnology companies to 'buy' and patent the seeds, crops, medicines and traditional knowledge of indigenous peoples and local communities. TRIPS furthers biopiracy, the

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<sup>4</sup> Katila, M., and Simula, M. (2005), Sustainability Impact Assessment of proposed WTO negotiations: Final report for the forest sector study, Executive Summary, Helsinki, Savfor Indufor Oy in cooperation with the Impact Assessment Research Centre, the Institute for Development Policies and Management University of Manchester, UK.

<sup>5</sup> Katila and Simula, op. cit.

privatisation and unauthorised use of biological resources by entities such as corporations. Women are particularly affected, as they are often responsible for collecting food and medicinal resources for their families and play a major role in traditional seed-saving systems.

### *Agriculture*

The crux of the Hong Kong 'deal' is agriculture, with a date for eliminating export subsidies having been set at 2013 and developing countries gaining an exception for special products (which they may 'self-designate') and safeguard measures in case of import surges. But the date for the elimination of export subsidies is far in the future. Furthermore, the text of the Declaration does nothing to advance the setting of limits on the bulk of subsidies, domestic support subsidies that will allow the continued the dumping of EU and US products on developing countries. In addition, developing countries could be forced to open their agricultural markets as a result of the tariff cuts they will be required to make.

Intensive agricultural practices and liberalised international trade are leading to social disruption, environmental damage and even hunger, particularly in developing countries. Small-scale farmers are particularly vulnerable to market-opening pressures and are often forced from their land when it is converted to plantations or planted with crops for export.

### *Services: energy, water, waste, transport and tourism*

After huge controversy about whether services liberalisation should become mandatory or not, developing countries have finally accepted a deal which could still eventually force them into liberalising a range of environmentally-sensitive sectors. Strong text regarding plurilateral negotiations remains in place, including language that requires that countries 'shall consider' requests. This could mean that countries must at least agree to participate in negotiations in particular sectors even if they do not want to liberalise them. Therefore, the negotiations are predicted to proceed along sectoral lines. The text retains a reference to a Chair's Report that identifies specific sectors for negotiations, including energy services, 'environmental services' (water and waste disposal), transport services, and tourism.

'Energy services' includes the full range of energy and fossil fuel operations – exploration, development, extraction, production, generation, transportation, transmission, distribution and consumption. The environmental, social and gender impacts are wide-ranging and well-known. The local environmental impacts of oil exploration and extraction and pipeline construction and transport include deforestation, toxic contamination, and frequent impacts on gender and human rights and the rights of indigenous communities. At a broader level these operations make major contributions to climate change. The expansion of energy service operations will worsen these impacts, and GATS rules could make it increasingly difficult to adopt and enforce environmental and natural resource protection measures. For example, GATS disciplines could restrict governments' ability to place new quantitative restrictions on fossil fuel exploration and drilling. Negotiations on domestic regulations, which will intensify following Hong Kong, will also require governments to ensure that their

regulations for energy are 'no more burdensome than necessary' according to WTO panels.

'Environmental services', as currently defined in GATS, is essentially a misnomer used to describe sizeable industries involved in waste disposal and treatment. The current classification includes sewage services, refuse disposal services, sanitation and other services, and other environmental services. The core services in this sector are thus so-called 'end of pipe' disposal services, not environmental services directed towards prevention or remediation of environmental damage.

Water distribution and wastewater treatment fall under the 'environmental services' classification. Access to water is a fundamental human right. However, some WTO members insist on turning water into a commodity and an industrial 'service' sector, granting transnational corporations the right to manage water exploitation and distribution. Water liberalisation has been bad news in recent years for many people and communities, from Cochabamba, Bolivia, where water privatisation brought an immediate 68% price rise, to Manila, Philippines, where prices increased 500% over a six-year period.<sup>6</sup>

The EU already asked more than 50 countries in the run-up to Hong Kong to open up access to their water delivery services, a move which would promote European water corporations at the expense of the poor. New deadlines were set at Hong Kong including deadlines for making new requests; it remains to be seen if the EU will finally remove water from GATS, as demanded by many NGOs.

The deadlines agreed at Hong Kong are (1) revised requests by 28 February 2006; (2) first offers by 31 July; (3) revised offers by 31 October. This could mean that countries will rush into making commitments before having a full picture of their environmental, social, gender and employment implications.

### *'Environmental' negotiations*

The text of the Declaration moves forward problematic negotiations concerning the relationship of the WTO to multilateral environmental agreements (MEAs). Many environmental groups have opposed these negotiations. The current WTO negotiations have not only failed to provide any further institutional and legal clarification, but also threaten to set rules and criteria for the use of trade measures in both current and future MEAs. This could hamper the ability of governments to implement MEAs and regulate trade in favour of the environment. It is highly unlikely that the negotiations in the WTO's Committee on Trade and Environment will lead to a 'safety net' for MEAs.

The strengthened text on the negotiation concerning MEAs and their relationship to trade rules could make it even less likely that the negotiation might be moved to the UN, as demanded by Friends of the Earth and other environmental organisations.<sup>7</sup>

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<sup>6</sup> World Development Movement (2005), *Dirty Aid, Dirty Water*.

<sup>7</sup> Adelphi Consult, Friends of the Earth Europe and Greenpeace (2005), *Is the WTO the only way? Safeguarding Multilateral Agreements from international trade rules and settling trade and environment disputes outside the WTO*.

Following pressure by the EU, the text also includes references to intensified negotiations on 'environmental goods', although no specific deadline has been set. Many environmental NGOs are critical of these negotiations, since at present the definition of what an 'environmental good' is is very unclear. Lists produced by WTO members could, for example, include nuclear power plants and waste incinerators. In contrast, goods that could be defined as 'environmentally friendly' (such as recycled paper, refrigerators without CFCs) have not been very prominent in discussions so far. There are two main reasons for this. First, the WTO demands non-discrimination of so-called 'like products' (basically goods with the same end characteristics). Hence it would not be possible to discriminate between two similar products just because of their environmental 'friendliness'. Secondly, tariffs are usually defined on the basis of the 'harmonised system', an international system of customs classification, which was not designed to deal with environmental considerations. In short, the WTO is the wrong forum for defining a genuine list of 'environmental goods'.

Furthermore, environmental technology (e.g. solar panels and wind turbines) is mostly produced in industrialised countries. A tariff reduction could thus reduce developing countries' chances of developing their own environmental industries.

### *Development assistance*

Governments meeting in Hong Kong, supposedly to offer the poorest countries a 'development' deal, have repackaged old aid, disguising it as new money for developing countries. Furthermore, promises of loans for infrastructure projects will increase debt burdens and open developing countries to further corporate exploitation. It is ironic that some of the poorest countries in the world are still being put under extreme pressure to open up their markets in the name of development, even when they have protested that this could lead to deindustrialisation and increased poverty and unemployment. On 'duty-free quota-free' market access (that is completely free market access for the poorest countries), the US will be allowed to continue to protect 420 product tariff lines.<sup>8</sup>

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<sup>8</sup> See Annex F, para 36 (a) (ii).

## Member Groups

Austria	Global 2000
Belgium	Les Amis de la Terre
Belgium (Flanders)	Voor Moeder Aarde
Bulgaria	Ecoglasnost
Croatia	Zelena Akcija
Cyprus	Friends of the Earth
Czech Republic	Hnutí Duha
Denmark	NOAH
England/Wales	Friends of the Earth
Northern Ireland	Eesti Roheline Liikumine
Estonia	Maan Ystävät Ry
Finland	Les Amis de la Terre
France	Sakharvelos Mtsvaneta Modzraoba
Georgia	Bund für Umwelt und Naturschutz Deutschland
Germany	Magyar Természettudók Szövetsége
Hungary	Friends of the Earth
Ireland	Amici della Terra
Italy	Latvian - Vides Aizsardzibas Klubs
Latvia	Lietuvos Zaliuju Judėjimas
Lithuania	Mouvement Ecologique
Luxembourg	Dvizhenje na Ekologistite na Makedonija
Macedonia	Moviment ghall-Ambjent
Malta	Vereniging Milieudefensie
The Netherlands	Norges Naturvernforbund
Norway	Polski Klub Ekologiczny
Poland	Friends of the Earth Scotland
Scotland	Priatelja Zeme - Slovensko
Slovakia	Amigos de la Tierra
Spain	Miljöförbundet Jordens Vänner
Sweden	Pro Natura
Switzerland	Zelenyi Svit
Ukraine	

Friends of the Earth Europe campaigns for sustainable and just societies and for the protection of the environment, unites more than 30 national organisations with thousands of local groups and is part of the world's largest grassroots environmental network Friends of the Earth International.