



CREA

Center for Reflection, Education and Action, Inc. Hartford, CT

Spring 2002

Starting Points

ENRON AND THE GLOBAL ECONOMY: SIMILAR QUESTIONS RAISED

For those concerned about the effects of corporate behavior on the lives of poor people and poor communities in the global economy as well as in our own, the collapse of Enron highlights basic matters of considerable importance. Among these are

- ◇ the right of a society to protect the Common Good by establishing enforceable, reasonable regulation of the actions of corporations
- ◇ the absolute necessity of independent oversight of compliance
- ◇ the need to reduce the use of money to influence decision-makers.

These same issues have been raised by concerned world citizens about the World Trade Organization (WTO), the North America Free Trade Agreement (NAFTA) and other trade agreements fashioned by government officials who primarily represent global business interests. Representatives of labor and environment, who hold positions on advisory committees, are not a direct part of the decision-making in the negotiations of these agreements.

- ◇ The agreements have ceded to the WTO and NAFTA the power to rule that legislative or regulatory changes must be made by signatory governments if their laws or regulations are determined by WTO or NAFTA procedures to be "unfair barriers to trade." If governments do not comply with the ruling, they face punitive fines and/or trade sanctions. Final determinations are made by appointed panels or tribunals.
- ◇ NAFTA goes even further, allowing investors (corporations) to sue a national or sub-national government on the grounds that it has taken measures "tantamount" to nationalization or expropriation. (Article 1110.) Expropriation means the direct taking over of an investor's facility and goods by a government without fair compensation. "Tantamount to expropriation" is vague and open to interpretation such as loss of expected income, an interpretation already used in the case of Metalclad and Mexico, as mentioned on page two.
- ◇ The Free Trade Area of the Americas (FTAA), now under negotiation, would extend the WTO and the NAFTA by requiring signatory countries to declare what *services* would be open in 2005 to bidding by companies from other signatory countries.

The growing awareness of the U.S. public to the consequences of the trade agreements was reflected in the close House vote on the Bipartisan Trade Promotion Act. The legislation gives the U.S. president the power to enter into trade agreements with only consultative status remaining to Congress, and would require the "fast track" procedure of a yes or no vote without amendments for treaty ratification. This power would last until 2005, with extension to 2007, a time span allowing the final decision on the Free Trade Area of Americas to be made under fast track authority. It is expected to pass in the Senate. Readers are urged to study the legislation and express your concerns to your senators.

CORPORATE CODES OF CONDUCT: WHAT ARE THEY?

Anyone who has been in a position of responsibility for the welfare of others knows what codes of conduct are.

Parents set rules of behavior for children and medical facilities have ethical standards for personnel.

Similarly, corporations have codes of conduct for employees, vendors, and contract suppliers.

These codes of conduct, always important, have taken on new relevance in the global economy with its world-wide contract supplier system.

Corporations are being pressured by concerned investors and consumers to strengthen their codes of conduct, and to establish credible independent monitoring systems.

Investors and consumers do not want to profit by the suffering of low-wage workers in other countries.

QUESTIONS SYSTEMIC ANALYSIS RAISES

Systemic Analysis skills enable users to understand and to articulate more clearly the existing disparities of power and voice. Basic to our examination of the issues raised in Starting Points are these systemic analysis questions:

Who constitutes “society?” Who is our “we?”

Who has voice?

Who has access to the decision-making process, not just to advisory positions?

Who has the power to enforce decisions?

How available in the mainstream media is accurate and complete information about what is being decided? Why?

Starting Points lists websites that we at CREA have found helpful in building a knowledge base about issues. We encourage readers to keep the above questions in mind when studying and discussing the issues and the way they are presented.



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The lens through which CREA analyzes public policies is how these policies affect the majority of the world's population, that is, persons and communities who are poor and vulnerable.

INTERNATIONAL TRADE ORGANIZATIONS — THEY AFFECT ALL OF US

Most of us were probably not very aware of the various trade negotiations that occurred between 1986 and 1994. We may not have contacted our legislators to express our views when Congress was considering the WTO or the North America Free Trade Agreement (NAFTA). Yet these trade agreements will affect the environment, small businesses, labor, and health and safety of imported consumer goods long into the future. This is true for all countries ratifying the agreements.

In order to enter into NAFTA, Mexico had to change its constitution to permit the purchase of previously protected communal lands of indigenous communities.

Soon after WTO went into effect, a WTO Dispute Resolution Body decision required the U.S. to change regulations for imported oil because of a challenge by Venezuela.

Jamaican banana producers lost their former trade preference agreement with European countries as a result of a WTO dispute settlement. These small banana farmers now face competition with agribusinesses like Chiquita.

NAFTA dispute resolution procedures are similar to those of the WTO. The Mexican government was fined \$15 million to settle a NAFTA suit by U.S.-based Metalclad over the local government's refusal to allow them to reopen a toxic waste dump.

Canada-based Methanex is suing the state of California under NAFTA over its ban on the gasoline additive MBTE.

This ability of corporations to sue governments will be contained in the FTAA. If ratified by countries whose leaders have signed the agreement, the FTAA will include all 34 countries in North, Central and South America except Cuba.

Negotiations continue in the WTO to implement the General Agreement on Trade in Services and on Intellectual Property. When concluded, they will apply to all 144 member countries. The WTO has also agreed to negotiations on improvements and clarifications of the Dispute Settlement Understanding.

Various perspectives on the progress of the WTO and FTAA negotiations can be found on the following web-sites:

U. S. Trade Representative

www.ustr.gov

World Trade Organization

www.wto.org

Third World Network

www.twinside.org

Alliance for Responsible Trade

www.art-us.org

The development of these agreements will affect all our lives, and especially, they will affect the lives of persons who are poor and vulnerable. The playing field is not level.

“The WTO agenda is a diary of topics of greater consequence to the daily lives of ordinary people than that of most any other international assembly.”

***Robert B. Zoellick, U.S. Trade Representative,
in a speech to business associations in Kenya, 2.14.02***

THE DOHA MINISTERIAL MEETING OF THE WORLD TRADE ORGANIZATION

The 2001 WTO ministerial conference in Doha, Qatar began a new round of negotiations and established the Doha Work Program. The declaration and the program deserve close examination and comparison of the rhetoric of one paragraph with the details of another related paragraph. CREA will follow developments of the Work Program and future issues of *Starting Points* will include items that from the perspective of poor communities deserve close attention. The declaration can be found on

http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm

THE PRIVATIZATION OF WATER WORLDWIDE — WHO WILL CONTROL THIS VITAL RESOURCE?



Drawing water. Mombasa, Kenya. 2001

The Free Trade Area of the Americas (FTAA) and current negotiations of the General Agreement on Services (GATS) in the WTO have the potential to extend loss of public control over critical resources. Signatory governments will be bound to GATS and FTAA regulations over those services they open up as commodities of trade.

Of great concern to many communities is loss of control over water supply. Governments often believe that privatization will bring increased efficiency and extension of services. While recognizing the important contributions of the private sector to the supply of needed community services, it is crucial that contractual arrangements be closely examined so that public ownership and control is maintained.

Believing that private companies will extend water services to poor communities, the World Bank has provided funding and advice to corporations for management of local water and energy services in many countries. This is public money being made available to corporations.

SUSTAINABILITY VS. PROFITABILITY

Whether one is thinking about the Enron debacle and similar failures to verify corporation statements, or the ramifications of the multilateral trade agreements on the lives of one's family or of persons who are poor, or the general acceptance in places of economic power that almost everything is a commodity of trade and everything is subordinate to trade...two underlying realities are in opposition.

Sustainability: The ability to thrive and to survive into the future: families, communities, the ecological balance of all living things

Privatization has not always had beneficial consequences, as evident in the conflict in Cochabamba, Bolivia. There citizens joined in sustained protests because of the increase in water fees and the loss of control over their own well water. They demanded and got control back from Bechtel Corporation.

Major corporations involved in water supply and management include Suez Lyonnaise des Eaux, the world's largest water service corporation, Vivendi, and U.S.-based Bechtel. U. S. subsidiaries include U.S. Filter and United Water Services.

Also moving into the area of water supply is Monsanto Corporation, famous for its terminator seed. Vandana Shiva of New Delhi, director of the Research Foundation for Science, Technology and Ecology, quotes a Monsanto executive:

"Since water is as central to food production as seed is, and without water life is not possible, Monsanto is now trying to establish its control over water."

An International Freshwater Conference was held in December 2001 to develop strategies for sustainable and equitable management of water resources. The conference website and others provide helpful information about this significant issue.

Institute for Sustainable Development:
<http://www.IISD/Linkages/SD/Water>
International Forum on Globalization
www.ifg.org/ftaawater.html
Council of Canadians:
www.canadians.org/blueplanet

THE MEDIA AND PUBLIC CONVERSATION

When we relax in front of the TV, go to the movies, peruse a magazine, or "curl up with a good book", most of us don't stop to wonder who owns the particular form of media that we are enjoying.

Yet ownership of the media has consolidated in an unprecedented manner during the past two decades.

The owners of the media have the power to dominate public conversation and to influence public opinion.

They do this by choosing what events to cover or to omit, what information to provide or not provide, and whether to give it in straightforward fashion or to slant it.

They dominate public conversation by the language and the graphics in the media they control.

They do it by opinion pieces placed in the media they control.

We need to keep this in mind as we observe how the language or graphics are used in the media, or note what information is provided in one source and omitted in another.

These are the present owners of major news networks.

CNN	AOL Time Warner
CBS	VIACOM
FOX	News Corporation (Rupert Murdoch)
ABC	Disney
NBC	GE
CNBC	Dow Jones/ GE

A fuller listing is available on the website of the Columbia

Acting for Justice

The Bipartisan Trade Promotion Act of 2002

(Passed by the House in December 2001. Reported favorably out of the Senate Finance Committee with amendment on February 28, 2002.)

While the Senate revisions strengthen demands for transparency and openness in the trade negotiation process, and place further insistence upon regular consultations with Congress during the negotiations, they do not change the “fast track” nature of the Act. Trade treaties submitted by the president to Congress for ratification cannot be amended, but must be voted yes or no. Congress retains only consultative powers, and legislators will face enormous pressure to vote yes on the trade agreements.

The text of this act with the Senate revisions is available on this website:
<http://finance.senate.gov/sitepages/legislation.htm>

The Free Trade Area of the Americas (FTAA)

Negotiations continue on this proposed trade agreement that would include 34 countries in the Western Hemisphere. The agreement is scheduled to take effect in 2005. The first public draft of the agreement was made available in July 2001 on the official website, and in November 2001 the Trade Negotiating Committee extended an open and permanent invitation to civil society in participating countries to submit comments. Directions and format for comments can be found on the website. www.ftaa-alca.org

Participating countries must declare whether they wish to exclude particular services from FTAA requirements. The U.S. is exempting several areas, including healthcare and education. Information is available on the website of the U.S. Trade Representative: www.ustr.gov

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Believing that the earth is home to all, CREA facilitates analysis of human, social and economic policies from the perspective of their effects on human lives, beginning with the lives of those who are poor.”

CREA Mission Statement

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