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## Towards the 1997 Special Review Session on Environment & Development: Core Issues

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Preparations for the 1997 Special Session have begun under unfavorable conditions. Today, four years after Rio, international diplomacy is simply marking time in environmental and development matters. The sense of a "new dawn" that marked Rio has since been superseded by standstill and backsliding. Economic recession in many parts of the world has provided politicians a (welcome) excuse for postponing long-overdue ecological and social reforms. And even worse, the environmental and socio-political progress many countries were able to achieve in recent years is now being rolled back.

Against this backdrop, minimal environment policy advances made at global level - such as establishing the Intergovernmental Panel on Forests in 1995 or adopting the Washington Action Program to counter land-based marine pollution in November 1995 - are being hailed as major successes. Farther-reaching measures which would, for example, effect a fundamental change in unsustainable consumption and production patterns as targeted by participating governments in Agenda 21 have not been tackled at either national or international level. This situation reveals a structural dilemma in international conference-based diplomacy. When negotiating, most governments make every effort to avoid verifiable obligations. This stance has in turn generated verbose action programs in recent years in which even those sections containing progressive language are qualified by "could's" and "should's." The same applies to large parts of Agenda 21. This has accordingly eliminated the political leverage necessary to make governments actually discharge their duties. It is extremely difficult to monitor implementation of the "can" resolutions - a fact that is reflected in the CSD's structural weakness.

The growing gap between the rhetoric used in global action programs and the actual level of national implementation is also evident in the social and environmental policy area. During the World Summit for Social Development in Copenhagen, heads of state and government declared their desire to assign "highest priority" to social development and - just as in Rio - were of the opinion that allocating new and additional funds would be necessary (e.g. by reaching the "0.7 percent goal"). Since then however, there have been cuts in social expenditure in many countries, worldwide poverty reached an all-time high during the International Year for the Eradication of Poverty, and official development aid (ODA) comprised only 0.3 percent of the gross national products of the OECD nations in 1994 - the lowest level since 1973.

Rather than taking action on their own, governments are looking more and more to privatization and deregulation for managing global social and environmental crises. Instead of imposing environmental and employment regulations, governments are depending increasingly on voluntary corporate action and self-imposed restraint on the part of the trade unions. Instead of stepping up their political efforts to eradicate poverty, governments increasingly ask welfare and development organizations to take the initiative. The current boom that NGOs are experiencing at national and international level is both a logical consequence and an essential component of the privatization strategy pursued by many governments. The simultaneous strengthening of the private sector and of NGOs are just two sides of the same coin.

This trend does not necessarily mean that democracy is increasing in societies throughout the world. On the contrary, it is generating an ever-larger deficit in democratic control. Growing globalization and deregulation allow major banks and transnational corporations (TNCs) to elude national regulation to a large extent when conducting their (internal) cross-border business. Offshore markets which are off limits to national regulatory bodies are used with increasing frequency for conducting international financial transactions. Thanks in large part to advanced communication technologies, transnational corporations are able to shift production and, consequently, jobs at increasingly fast rates to different locations throughout the world and thus avoid union pressure and national (democratically legitimized) regulation in, inter alia, environmental matters.

To rationalize increased privatization, governments argue not only that privatization guarantees greater economic efficiency, but also that there is a shortage of public funds. In this case however, it is not so much the resources that are lacking, but rather the political will to change priorities. This is true in regard to both the allocation of budget resources (such as for military spending) and to government revenue (such as taxation of corporate profits). This touches upon the issue of equitable distribution between and within societies - a subject which has become a taboo in recent years.

The UNDP stated in its 1994 Human Development Report that "A major restructuring of the world's income distribution, production and consumption patterns may therefore be a necessary precondition for any viable strategy for sustainable human development." This topic should be the focus of the 1997 Special Session and the ongoing Rio follow-up process.

## **Agenda '97**

In conjunction with the 1997 Special Session, governments and NGOs should assign priority not only to institutional issues (which include the question of the CSD's future status), but - in light of the social and ecological impact of growing globalization and privatization, the current deficiencies in the global environmental and development policy fields and the experience gained to date in implementing the Rio resolutions - to the following topics as well:

### **1. Conditions for environmentally sound and socially equitable production and consumption patterns**

By signing the Rio Declaration, participating governments acknowledged that achieving sustainable development also necessitates a change in current consumption and production patterns. In the years since Rio, it has become clear that it is not enough to depend upon consumers and producers to change their behavior on a voluntary basis. Although measures to educate the public in environmental matters and efforts to increase general environmental awareness are necessary prerequisites, they are definitely not enough to effect a fundamental change simply because production and consumption patterns are shaped in great part by the respective country's regulatory framework (fiscal policy, subsidies, governing spending policy, statutory regulations, etc.). To this day, misguided government regulation fosters ongoing environmental degradation and growing social disparities in many countries. Rather than being part of the solution, such regulation is part of the problem. For this reason, steps to change government incentive systems must play a major role on the road to sustainable development taken by the Rio follow-up process. It is not a question of reducing or increasing regulation, but rather of improving it. Among the core issues are:

- Fiscal policy

The current tax system discriminates against "labor" as a production factor while favoring "natural resources." Consequently, the tax system must be reorganized on an ecological basis so that the consumption and use of resources are subject to higher taxes. In doing so, care must be taken to ensure that such a reform does not lead to inequitable redistribution. Concrete blueprints for a comprehensive ecological tax reform were drawn up years ago but have yet to

be put into effect. These plans involve, inter alia, an energy/CO<sub>2</sub> tax and a tax on non-renewable resources. At international level, plans include a tax on airplane fuel and charges on international marine transport. The 1997 Special Session must initiate binding institutional steps toward achieving these goals.

- Subsidies

Governments continue to encourage environmentally harmful and socially inequitable production and consumption patterns by granting a large number of concealed and open subsidies. These subsidies include a variety of instruments such as export subsidies for agricultural surpluses, state guaranteed export credits (e.g., for the construction of a dam or the export of armaments), longterm contracts to purchase products from the armaments industry, and waivers on petroleum tax for certain industries. These types of subsidies not only harm the environment, they also absorb financial resources which are urgently needed elsewhere such as in the social and development fields.

- Minimum environmental and social standards

In light of the fact that international trade and investment continue to grow, minimum, globally operative environmental and social standards must be made binding and subsequently implemented. A legal framework for such standards has long existed in the form of the human rights pacts and ILO conventions. However, no headway is being made in efforts to develop them further or to put them into concrete terms, particularly in the case of extended producer responsibility in the social and environmental areas. Companies must be held responsible for working conditions in their plants and for the welfare of their employees just as they must be held responsible for the impact their products and production methods have on the environment. Efforts on the part of trade and industry to obviate government regulation by assuming voluntary obligations such as the ISO standards - which concomitantly take the wind out of the sails of calls for tougher measures - should not be allowed to obscure the fact that legally binding global regulation is needed. The agenda for the Special Session must include one item in particular: Long-overdue negotiations on a code of conduct for transnational corporations, including the control instruments necessary to ensure compliance. This subject has been taboo on the intergovernmental level for years.

## **2. Redistribution of public and private funds for sustainable development**

Governments and parliaments have failed to allocate the funds necessary to implement Agenda 21 and the outcomes of the subsequent world conferences. The actual commitments undertaken in the action programs and declarations will

remain empty promises as long as financial commitments are not met. The opportunity provided by the 1997 Special Session must be used to put the debate on government funding for sustainable development back on track. At the same time, private investment - the latest "hope of the future" - and its environmental and social impact must be subjected to a critical analysis. Further, the discussion on innovative global financing mechanisms must finally move forward.

- Private investment - The deceptive hope

The sharp rise in the amount of direct and portfolio private investment in developing countries has misled many governments into hoping that private monies can compensate for a lack of government funding in the environmental and development fields. At the same time however, the fact that corporate board rooms still continue to focus on short and medium-term sales and profit results is studiously overlooked. When it is time to make decisions, environmental and social concerns play a secondary role at best. Goal-directed, coordinated action toward sustainable development cannot be expected from the private sector. On the contrary, low wage levels, a lack of labor regulations and low environmental standards continue to be important incentives for corporate investment. As long as the world's nations do not accept and implement internationally operative environmental and social standards, private foreign investment will continue to be a frequent factor in further environmental degradation, exploitation of labor and the crowding out of local industry.

- The "empty coffers" myth

When faced with calls to increase funding for sustainable development, the governments of industrialized nations usually reply that their coffers are empty. This statement is not true and repeating it constantly will not make it true. Sufficient funds are available. Strictly speaking, it would not even be necessary to allocate "new and additional resources" as the G7 repeatedly demands; simply reallocating existing public and private resources would suffice. Both the expenditure and revenue sides of government budgets offer starting points for reallocation. Looking at the expenditure side, enormous military budgets and environmentally harmful subsidies, for example, offer substantial opportunities for redistribution. On the revenue side, funds for social development and the eradication of poverty in the North and South could be obtained by implementing the previously mentioned ecology-based tax reform as well as a social tax reform which would, inter alia, raise taxes on corporate profits, assets, inheritances and highest incomes. NGOs and parliamentarians should take it upon themselves to identify corresponding possibilities prior to the 1997 Special Session of the General Assembly so that they can offer concrete political alternatives to counter the general talk of empty coffers.

- The debate on innovative financial mechanisms

In recent years, the idea of developing new financing sources - particularly by imposing global taxes - has become a favorite subject among NGOs and the academic community. Instruments such as an international airplane fuel tax or the Tobin tax could play a key role in financing sustainable development because they combine the mobilization of resources with the achievement of positive monetary, social and environmental effects. However, the world's governments have yet to conduct an intensive fundamental discussion on this point. The current debate is generally limited to declarations and to professions of belief - even on the part of NGOs. The 1997 Special Session could set the stage for deepening this discussion by establishing an Intergovernmental Panel on Finance for this purpose. This panel should - in close collaboration with independent experts - examine the technical feasibility of particular financing instruments and their anticipated impact on allocation and distribution, and subsequently submit specific proposals for implementing such instruments to governments by the year 2000 at the latest.

### **3. Monitoring and national reporting**

Ongoing monitoring of progress - and of regression - is a necessary part of the implementation of the commitments and action programs - headed by Agenda 21 - which were adopted by recent world conferences. Experience has shown that governments generally take action only when someone is constantly exerting pressure on them. In their current form, the national reports in which governments are supposed to report on efforts to implement Agenda 21 in their respective country are not a very suitable tool for this purpose:

- Governments and the UN Secretariat must invest a considerable amount of time and money in these reports; this in turn consumes resources which are lacking for implementation itself
- .The attempt to simplify the reporting procedure by using multiple choice questions concomitantly means a substantial reduction in the quality of information a report will contain.
- As a rule, the public has not been involved in the drafting of these reports to date. These reports are generally not published. Their purpose is not to inform the public whether and to what extent its government has fulfilled the political commitments stipulated in Agenda 21.
- National reports do not provide information from independent sources. They are generally written by government bodies and include a corresponding amount of window-dressing. Such reports contain no hint of self-criticism, much less any admission of error or failure.

A number of suggestions for improving the implementation process which could also be applied to the follow-up processes of other world conferences can be derived from these deficiencies.

- Reports should concentrate on only a few topics a year.
- The public should be allowed access to these reports.
- The amount of reporting done by the UN Secretariat should be increased to supplement the governments' (voluntary) obligation to submit reports. When drafting national reports, the UN Secretariat should not depend solely on information provided by the respective governments but also make use of independent sources - particularly the NGOs and scientific institutions.
- Past experience with the Human Development Report shows that many governments do not particularly welcome independent and critical reporting on the part of the UN. Monitoring from a critical standpoint therefore constitutes another growing task for NGOs to assume. The Social Watch project that is part of the follow-up to the World Summit for Social Development could play an important role in this regard.

#### **4. Rethinking participation**

The NGOs' options for participation and involvement at the international level have increased substantially since the Rio Conference. The 1997 Special Session will provide an opportunity to conduct a fundamental examination of the political efficacy of this participation:

- Sand-box games

In light of the meager results which the follow-up process has produced to date and both ECOSOC's and the CSD's weak positions, NGOs must discuss the fundamental question of whether their work in the UN process should be intensified with an eye to achieving better results or whether they are simply participating in marginal activity, while the important decisions are being taken by bodies beyond their influence (such as the G7, WTO or the Bretton Woods institutions).

- "Participation overkill"

For NGOs, having more opportunities to participate ties up a large portion of their resources and necessitates a considerable amount of additional work, such as drafting reports to the UN, participation in preparing national reports, attending sessions and intersessional meetings. As a result, non-governmental organizations run the risk of neglecting their real duties.

- An NGO agenda

By participating in world conference processes, NGOs have become extensively involved in an agenda that was drawn up by governments and the United Nations. They must now ask themselves whether working within this external framework has produced a shift in their own political priorities and whether their operational plans have degenerated into a pale reflection of the governmental agenda.

- Legitimation and accountability

The problematic of NGOs' accountability increases in proportion to their strengthened participatory role in the intergovernmental processes. Whoever wants to influence national and international discussion must also give thought to their own competence and democratic legitimation. Sometimes it is not clear which sectors of the population national NGOs are speaking for when they address issues at international level. In regard to representatives of international NGOs, the question of exactly whom they are representing also arises. This situation could give rise to a jet-set elite of alternative NGO diplomats who are not bound by sufficient accountability and have only inadequate linkage to their constituency at local or, at least, national level.

- The "major groups" concept

Agenda 21 established the corporatist concept of holding all societal groups equally accountable for sustainable development. The "major groups" concept is derived from societal power and the differing interests of the social groups. In the ongoing Rio follow-up, NGOs must ask themselves whether their concept of civil society is in fact compatible with the major groups concept.

If NGOs are to exert any influence on the processes following world conferences, they must develop and coordinate their own strategies. But first, they must discuss whether it is more effective to influence the processes from "the outside" or from "the inside". The NGO activities being conducted parallel to the 1997 Special Session could provide a testing ground for this question.