

OECD Relaunches Trade-Environment Debate

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THE HAGUE, Netherlands, February 5, 1999 (ENS) - Global investment and environmental policies can and should be made mutually reinforcing, Donald Johnston, head of the Organisation for Economic and Cultural Development (OECD), stressed last week, at a conference held in The Hague, Netherlands.

The Dutch government and the OECD, composed of 29 member industrialised nations, organised the meeting to continue discussions on investment-environment links following the collapse of negotiations for a multilateral agreement on investment (MAI) last year.

According to an OECD specialist, the conference was designed to move beyond the "polemic" surrounding the MAI and to focus on empirical evidence.

Environmental nongovernmental organizations and free marketers have clashed bitterly over whether growing flows of foreign direct investment (FDI) will harm or help the environment. But the evidence supports neither view, according to one paper delivered at the meeting.

Global foreign direct investment to developing countries quadrupled between 1990 and 1995 to US\$96 billion (euros 83bn).

Lubya Zarsky of the U.S. based Nautilus Institute for Security and Sustainable Development argued that both "pollution havens" and "pollution halos" can be found, but that there is no statistical evidence to suggest that either outcome is more likely in general.

Zarsky did note that there will be "macro" effects whether or not companies improve their environmental performance incrementally.

"The wealth of northern consumers might help make products marginally 'greener,' but it also creates a heavy burden on the earth. It is in this sense that the claim that FDI is 'bad' for the environment has credibility," Zarsky says.

At least two measures would be needed to ensure an overall positive relationship between investment and environment, according to Zarsky. First, is an overarching global framework to set investor environmental responsibilities. This should include both micro-level investor responsibilities and macro-level sustainability objectives.

The second, according to Zarsky, is a need for better corporate accountability mechanisms. She suggested pollutant release and transfer registers to make public emissions by individual companies as a "good starting point."

The author also stressed that any framework of regulations should target investment as a whole rather than just foreign investment.

No resumption of negotiations on the MAI is in sight, but the OECD expects the Hague discussions to feed into work it is beginning to revise a set of guidelines for multinational companies which includes an environmental chapter.

"Stronger, more focused expectations" of multinational corporations could be an "immediate benefit," of the meeting, one senior participant said.

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