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1. Disconnect at Doha: INVnet feature by Globalization and Governance Program Director Lyuba Zarsky
2. An Optimistic View of the WTO Ministerial?
3. The negative impact of foreign investment on children's health
4. Reforming the international financial architecture
5. Speaking out on investor dispute settlement

**Disconnect at Doha**
by Lyuba Zarsky

September 11 might have been a wake-up call for millions of Americans but trade negotiators have slept on. As the WTO ministerial gets underway in Doha, Qatar, the "Quad" countries-the US, Japan, the EU, Canada-are pressing a new trade round with a single-mindedness worthy of the Terminator. Back in the early 1990s, then US Trade Representative Carla Hills claimed she would open foreign markets to US commerce 'with a crowbar' if necessary. Carla has faded from the scene but the crowbar remains in use.

Never mind the mounting evidence that globalization, as currently structured, is driving a deep wedge between wired-in, urban elites and a disenfranchised rural poor in many developing countries--including South and Central Asia. Never mind the warnings that the fundamentalism found throughout the world is rooted in this soil of poverty, despair and global exclusion. And never mind the fact that two of our strategic allies in pursuing the 'war against terrorism', India and Pakistan, are among the most vociferous opponents of a new trade round. Indeed, the entire bloc of developing countries, by far the majority in the WTO, are opposed because, they fear, it will widen the gap between global rich and poor.

Given the extraordinarily high stakes involved should the war in Afghanistan escalate, as well as the debacle at the last WTO ministerial in Seattle, one might expect that the centerpiece of the Doha agenda would be institutional reform. The first lesson of Seattle was that the business-as usual approach at the WTO, essentially behind-the-scenes negotiations by the Quad countries, undermines a global trading regime.

The sad fact is that, rather than institutional reflection and reform in this time of economic recession and threats to security, the Doha agenda is largely more of the same. This time, the 'new issues' are investment, competition policy, and government procurement. Of these, investment has become a lightning rod not only for developing countries but for a broad array of human rights, environment, and development groups from both developed and developing worlds, including the US.

Many progressive constituencies reject any attempt to negotiate formal rules on investor rights, arguing that national governments must maintain the right to regulate for the public good. The current formulation of investor rights, such as NAFTA's Chapter 11, allows investor-to-state arbitration whenever a foreign corporation feels its "right to profit" is hindered by host country environmental and labor laws. For example, California's ban of the gasoline additive MTBE, a groundwater pollutant, has been challenged under Chapter 11 by the Canadian Corporation Methanex.

But a better approach would be to press for investment rules which balance private investor rights with social purpose-human rights, equity, economic development for the poor, environmental sustainability. Global capital flows, especially foreign direct investment, must be a key part of an overall strategy to enhance global security and sustainable development. Negotiating multifaceted investment rules which define investor obligations should be high on the global agenda.

The disconnect at Doha is thus multi-dimensional--between US commercial and security objectives, between free traders and proponents of 'ethical trade,' between Quad and developing countries, and between investor rights and investor obligations. In such a context, the launch of new round is likely to be a Pyrrhic victory.

**An Optimistic View of the WTO Ministerial?**
The Economist argued on November 1, that the draft agreement has real potential to become finalized. On the issue of investment, the draft contains an implicit commitment to future negotiations on multilateral rules though decisions on how to negotiate are postponed until 2003. Developing countries continued to express deep reservations about including investment on the agenda at the Doha Ministerial.

**The negative impact of foreign investment on children's health**
A study by the charity Save the Children found that provisions in the WTO General Agreement on Trade in Services (GATS) are damaging children's health in developing countries. Investments in developing countries by European and US health care companies were found to be undermining public health programs, notably their ability to subsidize the poor and conduct universal risk pooling. The report recommended that countries be able to revise their current commitments to protect public health without facing stiff penalties in the WTO. From the Financial Times, November 5

**Reforming the international financial architecture**
A group of former finance ministers from emerging market countries are calling for fundamental changes to the global financial system. The "emerging markets eminent persons group" reports that stronger supervision of financial institutions and improved transparency are not sufficient to provide an assurance of market stability. The group raised the possibility of an international version of the US Chapter 11 bankruptcy procedures to allow orderly restructuring of debt. The report also calls for more international action including controls and greater actions from the IMF and World Bank in boosting liquidity when required. Manuel Montes of the Ford Foundation stated: "All the FSF

reforms proposed so far were aimed at the emerging economies themselves. It should be clear that this is not enough." From the Financial Times, November 5

**Speaking out on investor dispute settlement**
The U.S. Council for International Business reaffirmed its support for the existing investment dispute settlement mechanism in a letter to US Senate Finance Committee Max Baucus. Among other issues, the letter expressed concern over proposed exceptions from equal treatment standards for environmental, health and safety laws.

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