

## Global Trade and the Rainforests: Corporate Growth vs Indigenous Prosperity in Tropical Countries

John W. Friede  
Director, Worldview, Ltd.

### ABSTRACT

Newly established instruments, such as the World Trade Organization and the Global Agreement on Tariffs and Trade, are serving to open international markets by dismantling barriers to free trade between nations. This will serve to facilitate the entrance, and hence the dominance, of multinational corporations in developing nations. Concerned only with their own profit, these corporations will inevitably deplete these nations' natural resources while maintaining their populations in a state of poverty. Domestic fiscal policies have been emasculated as social instruments by these arrangements, and, at present, tropical rainforests and their associated cultures are nearly defenseless.

### INTRODUCTION: A NEW ERA FOR GLOBAL TRADE

In December 1994 the United States joined 124 other countries in the newest expansion of the General Agreement on Tariffs and Trade (GATT). This expansion significantly reduces barriers to trade by lowering tariffs around the world by \$744 billion over the next decade, and creates the World Trade Organization (WTO) to police trade among nations (Sanger 1994). The treaty addresses diverse themes that affect tropical countries such as intellectual property rights and agricultural subsidies.

By liberalizing trade rules, the WTO further transfers authority from governments to corporate leaders whose activities are guided solely by the profit motive. Able to effectively "externalize" environmental and social costs, many of the corporations likely to prosper are bigger than sovereign nations. Ford, for example, has an economy larger than Saudi Arabia and Norway combined (Barnet and Cavanaugh 1994). The treaty ignores legitimate concerns for accountability and citizen participation since dispute resolution mechanisms remain shielded from public scrutiny. The toll in the tropics includes accelerating rainforest loss, cultural genocide, and species extinction. Several elements of the agreement subvert efforts to encourage sustainable development.

### THE DEBT CRISIS AND RAINFOREST DESTRUCTION

International lending agencies have loaned heavily to less industrial tropical countries because of their rich resource base and apparent potential for economic growth. As interest rates climbed in the late 1970s and early 1980s, tropical countries amassed huge foreign debts while the market value dropped dramatically for cash crops such as coffee and tea. The resultant debt crisis led to spending

cuts in public services such as health care and environmental protection, promoting the intense exploitation of the less industrial countries' natural resources (Adams 1991; Lambert 1991).

The debt crisis continues to be a major catalyst of tropical deforestation. It is no coincidence that the five countries with the largest rainforest areas are also among the world's most indebted (Revington 1992). International lending agencies committed to the "market economy" fail to recognize the role of global trade in the process of deforestation. As long as this trade results in foreign debt, opportunities to pursue sustainable development will be scarce (Myers 1992). Sustainable development is development that seeks to meet present needs, without compromising the capacity to meet the needs of future generations (Rural Advancement Foundation International [RAFI] 1994).

Membership in the WTO restricts rainforest countries' ability to conserve scarce natural resources by eliminating trade barriers such as government export controls. Trade policy removes limits on how much timber can be extracted from tropical forests, undermining efforts to develop markets for sustainably produced forest products. In addition, democratically established tropical timber boycotts are threatened. To keep them, nations may be required to pay the WTO a trade penalty.

*No country with valuable natural resources has pursued its long-term best interests by giving them away.*

#### TIMBER AND MINING ACTIVITIES: A GLOBAL VIEW

No country with valuable natural resources has pursued its long-term best interests by giving them away. Nevertheless, new WTO trade rules have made bans on whole log exports illegal, discouraging local processing of wood products and obliging tropical countries to make these and other resources available to the highest bidder.

These bidders include Japanese companies that dominate the tropical timber industry, valued at over \$8 billion annually (Rainforest Action Network 1989). These companies control the global chain of timber trade and can deprive tropical forest governments of tax revenue by allowing subsidiaries in tropical countries to run at a loss.

Traditional systems of forest property rights and management in Indonesia have been supplanted by timber concessions and development schemes — which grant rights to a few stakeholders at the expense of many others (Barber, Johnson, and Hafid 1993). The timber industry employs only 0.2% of Indonesia's total labor force. Recently, this industry bulldozed highly productive rattan and fruit gardens of the Dayak peoples of East Kalimantan under military

escort. They clearcut all standing timber leaving nothing but ruined gardens, angry Dayaks, and damaged, exposed topsoil (Anonymous 1994).

In Malaysia, huge timber concessions have been awarded, and the subsequent export of forest products from this region is responsible for 30 to 40% of deforestation. The export industry has already caused erosion, water contamination, species extinction and the annihilation of Indigenous cultures (Lambert 1991). In 1990, Sarawak's logging industry generated about \$2 billion in foreign exchange. However, environmental and human rights activists warn that the last remains of the ancient Borneo rainforest are being permanently extinguished at a rate three times faster than the Amazon rainforest (Human Rights Watch/Natural Resources Defense Council 1992).

In Thailand, commercial logging led to a decrease in forest cover from 29% to 19% of the land area between 1985 and 1988 (Lambert 1991). In 1988, unusually heavy rains hit Thailand's deforested slopes resulting in landslides that covered entire villages. Four hundred and sixty people died and thousands were left homeless (Miller and Tangley 1991). Under the WTO, reforestation programs are now a trade violation.

Increased participation by rainforest countries in agreements with international mining companies has historically hurt, and will continue to hurt, these countries and their Indigenous populations. In 1967, a subsidiary of US Steel called Meridional was responsible for the discovery of the immense Carajás iron ore deposit which may ultimately destroy 16% of the entire Amazon rainforest. The greatest destruction occurs when timber is gathered from Indigenous lands for the project's pig-iron smelting factories (Balée 1994). Throughout the Amazon rainforest, roughly a million gold miners are disrupting aquatic ecosystems with mercury pollution (Lovejoy 1994). As a result of their activities, the livelihood of the Yanomami and other Indigenous nations is threatened (Weiss and Weiss 1993).

In southern Mexico, 450 Lacandón Maya Indians are currently fighting logging interests who have carved roads into their rainforest home, the largest remaining tropical rainforest in North America (Nations 1988). Increased international trade has been described as a "death sentence" for their survival as a culture (Tyndall 1994). Their struggle to protect their timber and other natural resources — and the billions of dollars that investors have lost as a result of the agreement's inability to integrate Indigenous needs — brings to the forefront the downside of the free market throughout the tropics.

*[The Lacandón Maya] struggle to protect their timber and other natural resources ... brings to the forefront the downside of the free market throughout the tropics.*

### CORPORATE FARMS DISPLACE TRADITIONAL LAND-OWNERS

A basic premise of free trade wrongly assumes that competition and efficiency improve living standards for everyone. New global trade rules ban import controls, requiring tropical countries to open their borders to multinational corporations whose agricultural products are often produced below the cost of domestic production. Farmers are forced to intensify production to make up in volume what they lose from lower prices. Indigenous food production systems are replaced by monoculture export crops like tobacco, sugar, or cotton which require heavy chemical use, impoverish the soil, and displace small farmers. The displaced farmers either move further into tropical forests, slashing and burning for subsistence farming, or become part of the growing urban poor (Rainforest Action Network 1992; Ritchie 1992).

Multinational corporations are poised to take advantage of market participation by tropical countries; the 500 largest corporations control 70% of world trade. Strong international competition will keep unemployment high and salaries low in developing countries but, as Henry Ford once said, "If you cut wages, you just cut the number of your customers" (Barnet and Cavanaugh 1994). Common sense dictates that this global system cannot last long.

In the Philippines, millions of farmers of rice, corn and sugar may soon be displaced because of their government's decision to switch production to export high-value crops like flowers (Tyndall 1995). Farmers in Malaysia and Brazil will soon face a similar fate as their governments switch production to high-value crops for export. As traditional landowners are displaced, cultures are lost and billions of people lose their sense of self and community. The surplus of gifted, skilled, undervalued, and unwanted human beings constitutes the forgotten victims of an emerging global system which prizes the efficient production of goods for export revenue more than the dignity of human beings.

*The surplus of gifted, skilled, undervalued, and unwanted human beings constitutes the forgotten victims of an emerging global system which prizes the efficient production of goods for export revenue more than the dignity of human beings.*

### EMERGING ISSUES OF INTELLECTUAL PROPERTY

Under pressure from industrial countries, the Uruguay Round of the GATT formalized Trade-Related Intellectual Property Rights (TRIPS) on the grounds that the absence of patent protection in some countries could amount to non-tariff barriers. Multinational corporations gather information from the genetically rich tropical countries, manipulate it with rapidly evolving biotechnology expertise and then patent the new seeds, pharmaceuticals or other products. Indigenous peoples receive nothing in the bargain, because

under the new trade rules naturally occurring organisms are not patentable, though genetically altered ones are.

Recognizing the contributions of Indigenous people is crucial. Indigenous knowledge fuels multi-billion dollar industries, ranging from food and pharmaceuticals to chemicals, paper products, and energy. By consulting Indigenous peoples, specialist bio-prospectors can increase their success ratio from one out of 10,000 samples to one out of two. Had US researchers taken advantage of Indigenous advice when collecting plants in the 1950s and 1960s, their success rate could have doubled (RAFI 1994).

Giant pharmaceutical companies benefit the most in their agreements with tropical countries rich in biodiversity. In Merck Pharmaceutical's arrangement with Costa Rica, Merck receives 10,000 plant, animal or microbial samples for \$130 per sample. Since Merck invests an average of \$125 million on research for each drug, the discovery charge for one drug arising from the Costa Rica agreement is barely loose change for Merck. Merck's sales in 1991 alone were \$8.6 billion, while Costa Rica's entire Gross National Product was less than \$5.2 billion. For Merck, the Costa Rica contract is a bargain (RAFI 1994).

Merck's sales are indicative of the economic value of biodiversity. It has been estimated that each medicinal plant that goes extinct could cost drug firms more than \$200 million in sales. Just two drugs derived from Madagascar's rosy periwinkle earn pharmaceutical companies more than \$100 million annually as anti-cancer and childhood leukemia drugs. *Pau d'arco*, a medicinal plant from Latin America long used to combat malaria and cancers, has a current market value estimated at \$200 million (RAFI 1994).

As private companies move into Less Industrial Countries' seed markets, Indigenous farmers are finding themselves paying for the end product of their own genius. For example, amaranth varieties based on material originating in Latin America have been patented in the United States and are now being marketed in Mexico and Peru where farmers are being forced to pay royalties on their own inventions (RAFI 1994). Industry's interest in tropical products, such as natural oils, adhesives and latexes, will greatly accelerate the rate at which corporations make claims on Indigenous resources.

*As private companies move into Less Industrial Countries' seed markets, Indigenous farmers are finding themselves paying for the end product of their own genius.*

#### INDIGENOUS PEOPLES: ROOTED IN THE LAND

In the face of this global system, about 1,000 rainforest cultures still exist (Revington 1992). Nearly all are in conflict with the expanding industrial economy which has been insatiable in its demand for minerals, timber, energy and other material inputs. Globe-spanning production lines link consumers to tribal societies — to their

dispossession and to the rending of their ancient cultures.

The rapid loss of tropical biodiversity threatens the survival of Indigenous peoples. Approximately 100 species per day are becoming extinct. More species are lost per week now than were lost in total during the preceding three centuries (RAFI 1994). In 1990, the Colombian Government gave back half its rainforests to its rightful Indigenous owners, acknowledging that they were the best guardians of the forest. The role of tribal peoples as caretakers can be appreciated by studying how closely existing Indigenous territories overlap the area covered by the world's threatened rainforests. Where the rights of native peoples have been ignored, attempts to save rainforests have been uniformly unsuccessful (Revington 1992).

Central to the struggle of landless peoples is agrarian reform. In Brazil, just 2% of the landowners control 60% of the nation's arable land, and at least half of this land lies idle, since landowners often regard land more as a status symbol than a source of crop production (Bellamy 1992). Extractive reserves have been established as land use systems that have the potential to reconcile forest protection with the needs and rights of Indigenous peoples (Viana et al. 1994). Since their inception, rubber tappers have recognized that raw material production as an economic baseline for extractive reserves has been a losing proposition. They have pursued improved processing techniques and new product development as part of a larger package of alternatives (Schwartzman 1995).

According to nineteenth-century economist Henry Charles Carey, self-reliance is better achieved by the pursuit of commerce as opposed to trade — commerce being defined as short-distance exchange, while trade occurs over long distances. Commerce builds community by binding together its productive elements. Long distance trade undermines community by separating those who make fundamental decisions that affect our future from those who must live with the consequences of those decisions. Commerce nurtures local ownership, but trade spawns absentee ownership. Commerce encourages self-reliance; trade encourages dependence (Morris 1994). The abandonment of Indigenous groups' sovereignty was never subject to their approval, yet they are subject to the rules of world trade as administered by the WTO. In response, Indigenous communities should not move toward environmental entrepreneurship but toward collective self-reliance.

Recent initiatives by Indigenous groups reveal positive approaches to establish economic self-sufficiency. For example, a group of Kayapo Indians has set aside some of their forest as a reserve for tourism, and some for research that will aid sustainable use practices.

*Commerce builds community by binding together its productive elements. Long distance trade undermines community by separating those who make fundamental decisions that affect our future from those who must live with the consequences of those decisions. Commerce nurtures local ownership, but trade spawns absentee ownership.*

Those who participate in the new wave of colonialism, made possible by global markets, should take to heart the words of one of the most influential economists of the twentieth century, John Maynard Keynes:

I sympathize therefore, with those who would minimize, rather than those who would maximize, economic entanglements between nations. Ideas, knowledge, science, hospitality — these are the things that should by their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible and above all, let finance be primarily national (Daly 1994).

## CONCLUSION

For the last fifty years, international financial agreements have served as a political strategy of social transformation in tropical countries at two levels: global and domestic. On the global level, foreign debt was amassed, opening up national economies. On the domestic level, an economic assault on the living standards of the masses ensued. If industrial countries want to help tropical countries, they should consider forgiving foreign debt and substitute their hegemony for equitable exchange. Unfortunately, much of the impoverishment of tropical countries caused by international trade has been institutionalized by the WTO. The new trade rules are based on the unsound assumption espoused by multinational corporations: unlimited natural resources exist worldwide.

The WTO eclipses international lending agencies as the most significant threat to true sustainable development. The treaty concentrates decision-making power in the hands of unaccountable trade experts whose mission is to facilitate corporate access around the globe. As Greenpeace International said in their 1992 report *UNCED Undermined*, participation by tropical countries and Indigenous peoples in this agreement will promote their “increased subordination to market forces at the expense of local self-reliance, sovereignty, democracy, and the biological and cultural diversity necessary for ecologically sound and socially equitable development” (Rouht-Arriaza 1992).

To counter this, tropical countries need to develop domestic production for internal markets, and support Indigenous initiatives that further the process of self-empowerment, enabling all people, including the poorest, to secure their basic needs and rights while protecting the environment.

*Much of the impoverishment of tropical countries caused by international trade has been institutionalized by the WTO. The new trade rules are based on the unsound assumption espoused by multinational corporations: unlimited natural resources exist worldwide.*

### QUESTION & ANSWER SESSION

- Q:** What do you think we can do about this?
- JF:** Part of what we can do is give Indigenous peoples who have been caretakers of the forest for thousands of years at least a voice in how it's managed today. We need to give them some respect for their sovereignty and support efforts for self-reliance... and revoke the charters of a few big multinationals!
- Q:** We are applying old economic models to new problems — we need new models. I have found that there is a great deal of good intentions, but I don't think the tools we need to affect change are available. How can we do this?
- JF:** Worldview's philosophy is to work in your community — the power of your community is the power that is most accessible to you. You don't have to compromise there, because you know what you want. The key is to link up with like-minded folks in other communities. Horizontal connections will enable us to move forward together.

### REFERENCES

- Adams, Patricia. 1991. *Odious Debts: Loose Lending, Corruption, And the Third World's Environmental Legacy*. United Kingdom: Earthscan Publications Ltd.
- Anonymous. 1994. *Indonesian Government-Sponsored "Development" And Logging Destroys Indigenous Peoples Sustainable Agroforestry System: Bentian Case, East Kalimantan, Indonesia*.
- Balée, William. 1994. *The Destruction of Pre-Amazonia: Governmental Negligence Versus Indigenous Peoples in Eastern Brazilian Amazonia*. Prepared Statement before the Subcommittee on Western Hemisphere Affairs, US. House of Representatives. Washington, DC, 10 May.
- Barber, Charles Victor, Johnson, Nels C., and Emmy Hafid. 1993. *Breaking The Logjam: Obstacles to Forest Policy Reform in Indonesia and the United States*. Washington, DC: World Resources Institute.
- Barnet, Richard J. and John Cavanaugh. 1994. *Global Dreams: Imperial Corporations and the New World Order*. New York: Simon & Schuster.
- Bellamy, Rufus. 1992. Root Causes. *Green Magazine*, Vol. 3, No. 7 (April): 16-21.
- Daly, Herman E. 1994. Farewell Lecture to World Bank, 14 January.
- Human Rights Watch/Natural Resources Defense Council. 1992. *Defending The Earth: Abuses of Human Rights and the Environment*. New York.



- Lambert, Tim. 1991. *Seeing The Forest For The Trees*. Alberta, Canada. Calgary Rainforest Action Group.
- Lovejoy, Dr. Thomas E. 1994. Prepared Statement before the Subcommittee on Western Hemisphere Affairs, US. House of Representatives. Washington, DC, 10 May.
- Miller, Kenton and Laura Tanglely. 1991. *Trees of Life*. World Resources Institute. Boston: Beacon Press.
- Morris, David. 1994. Global Trade-offs. *Co-op America Quarterly*, No. 35 (Fall): 20-21.
- Myers, Norman. 1992. *The Primary Source: Tropical Forests & Our Future*. New York: W. W. Norton & Company, Inc.
- Nations, James D. 1988. The Lacandón Maya. In *People Of The Tropical Rainforest*. Julie Sloane Denslow and Christine Padoch (eds) Berkeley, Los Angeles, London: University of California Press.
- Rainforest Action Network. 1989. *Tropical Timber: How The Destruction Began, Fact Sheet 20a*. San Francisco.
- Rainforest Action Network. 1992. *GATT Action Packet*. San Francisco.
- Revington, John. 1992. Stopping Tropical Deforestation. *World Rainforest Report*, No. 22 (June): 31-33.
- Ritchie, Mark. 1992. *Agricultural Trade Liberalization: Implications for Sustainable Agriculture*. Minneapolis: Institute for Agriculture and Trade Policy.
- Rouht-Arriaza, Naomi. 1992. *UNCED Undermined: Why Free Trade Won't Save the Planet*. Greenpeace International.
- Rural Advancement Foundation International. 1994. *Conserving Indigenous Knowledge: Integrating Two Systems Of Innovation*. New York: United Nations Development Programme.
- Sanger, David E. 1994. Senate Approves Pact To Ease Trade Curbs; A Victory For Clinton. *The New York Times*, 2 December, Sec. A, p.1.
- Schwartzman, Dr. Stephan. 1995. Telephone interview. 19 January.
- Tyndall, George Raymond. 1995. Trade Accords Have Sown Violent Seeds. *The New York Times*, letter to the editor, 2 January. Sec. A, p.18.
- Viana, Virgílio M., et al. 1994. *Ecology And Management Of Brazil Nut Populations In Extractive Reserves In Xapuri, Acre*.
- Weiss, Zezé and Martin D. Weiss. 1993. *The Yanomami Massacres and the Role Of A Powerful Anti-Native Alliance*. New York: Amanaka's Amazon Network.

## 152 LOCAL HERITAGE IN THE CHANGING TROPICS

JOHN FRIEDE

Founder and director of Worldview, Ltd., based in New York City. Founded in 1990, Worldview works with educators to develop curricula that link social justice, economics and environmental issues. Worldview recognizes community-based organizations as the most effective vehicle for public education, and assists them to become forces of systemic change. Friede also serves as Vice-President of Amanaka'a Amazon Network. Amanaka'a educates the general public about efforts by the peoples of the Amazon Rainforest to live and work in harmony with their environment. In 1992, Friede co-founded Federal Land Action Group (FLAG) which works to protect all national forests and promote reform of the US Forest Service.

## John Friede Working Group

A broad range of topics was discussed, but few solutions were offered. Many big questions were left unanswered, including what can be done to address barriers to trade while ensuring that local communities are incorporated and treated fairly by international markets. The general theme centered on where to choose one's battles in the era of the GATT, and a need for an overhaul of the international economic system to remedy these problems.

### MAJOR TOPICS

#### THE STANDARDIZATION OF CONSUMERISM

Local peoples are buying into extra-local markets on all scales. Nevertheless, most of the economic resources are held by a minority. As communities move into increasing states of consumerism, if one is not economically secure one can not be in control of other aspects of personal life, including health care and education.

*Business opportunities could provide the opportunity to transfer management skills and power to local peoples, but what are the incentives to businesses to conduct appropriate practices?*

#### FACILITATION OF NETWORKS

Worldwide grassroots communities are drawing on political support and the facilitation of communication. One example is the Native Forest Network, an Australian and United States organization that empowers grassroots programs by sharing technical information and resources. Regional technology is allowing for increased communication and networking through faxes, phones, and GIS mapping. However, this technology is not always a positive force for natural resource conservation or management, as the same tools are often used to identify exploitable resources. In each situation, appropriate technology must be used.

#### THE ROLE OF BUSINESS

Business opportunities could provide the opportunity to transfer management skills and power to local peoples, but what are the incentives to businesses to conduct appropriate practices? It is important for the communities involved to have all of the information they need about the companies in question. Business involvement can undermine local control, nevertheless, there are many opportunities and benefits of community based and managed enterprises. Communities which become dependent on businesses become subject to the fallout of the market. If markets decline, the communities usually cannot subsist on the commodities they are producing, such as cut flowers or coffee. Some development projects are looking

at ways to mitigate the effects of business on communities through searching for niche markets, diversifying products, and adding value in the community.

#### THE ROLE OF NATIONS

Nations can be a positive force if they have an agenda that is not profit oriented. To ensure this, greater participation by local groups is needed in the national political arena. Nevertheless, the positive or negative effects of national governments on communities depend on who those communities are. For example, ethnic minorities that are not considered citizens may be targeted for exclusively negative influences by national governments.

The role of regional governments is often extremely important in natural resource management. For example, in South Africa, the States determine and implement environmental regulations. However, even though governments are instituting such regulations, NGOs are often closer to primary production and to communities than are national governments, and are thus often in a better position to understand the dynamics and to work for positive change.

*We, the industrialized world, must recognize our own consumptive patterns as causal agents in tropical exploitation.*

#### OUR CONSUMPTIVE BEHAVIOR

We, the industrialized world, must recognize our own consumptive patterns as causal agents in tropical exploitation. This awareness relies upon more effective education in consuming nations and a change in the way success is measured — it can't continue to be strictly monetary.