

Background

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How Western Environmental Policies Are Stunting Economic Growth in Developing Countries

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Abstract: *Governments and large agribusinesses are increasingly using the environmentalist movement and its policy arm of green nongovernmental organizations to justify imposing protectionist non-tariff barriers on developing countries. Wrong-headed environmental policies and “green” protectionism are contributing to a resurgence of malaria in some countries and endangering millions of jobs in developing countries. Even the World Bank’s mandate to foster economic development is being subverted to serve environmentalist and protectionist objectives. The EU and the U.S. need to eliminate protectionist policies and regulations that are masquerading as environmental safeguards and refocus the World Bank on promoting economic development to alleviate poverty.*

Decades ago, the use of DDT (dichlorodiphenyl-trichloroethane) was banned worldwide for what were generally seen as noble and unassailable environmental and public health reasons. Today, ample evidence shows that the ban on DDT spraying has been a tragic mistake. In developing countries, it is linked to millions of preventable deaths from malaria. Worse, some protectionist European business sectors and activist groups continue to exploit the fears of DDT in ways that increase the suffering of the poor around the world.

While the DDT ban continues to cause needless suffering, people in the developing world now must bear additional burdens imposed by a variety of U.S. and European Union (EU) environmental and trade

Talking Points

- The U.S., European Union, and World Bank environmental and trade policies are hurting developing countries, calling into question fundamental assumptions and motivations behind the traditional trade, development, and environmental protection policies of the West.
- Millions of deaths from malaria can be linked to the global ban on DDT.
- Green protectionism has endangered millions of private-sector jobs in developing countries.
- The EU has violated World Trade Organization rules by imposing protectionist barriers under the guise of environmental and biodiversity righteousness.
- The EU, U.S. Congress, and the Obama Administration should review, revise, or eliminate protectionist policies and regulations that are masquerading as environmental safeguards.
- Free market advocates in the 112th U.S. Congress should examine these issues and act to curb the excesses.

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policies. EU bans on forestry products and vegetable oils produced in the tropics have endangered millions of private-sector jobs in developing countries. The U.S. Lacey Act,¹ which outlaws trafficking in “illegal” wildlife, fish, and plants, is having a similar effect. Misleading campaigns against genetically modified organisms (GMO) by green nongovernmental organizations (NGOs) and European agricultural interest groups have put more millions at a higher risk of starvation to protect a few wealthy U.S. and European agribusinesses. Some of these efforts by green NGOs have been funded by the taxpayers through grants from the EU and the U.S. Agency for International Development (USAID).

These sad consequences starkly contrast with the fundamental assumptions and motives underlying the West’s traditional policies on trade, development assistance, and environmental protection. The pernicious effect of these policies and regulations on developing countries’ economic freedom and growth is evident from their impact (real and potential) on trade and investment flows, job creation, and changes in per capita income.

Western policymakers should end this dangerous and growing practice of imposing protectionist barriers behind the façade of environmental and biodiversity concerns. In particular, the 112th Congress needs to examine these issues and curb the excesses.

Non-Tariff Barriers in Environmentalist Camouflage

Governments and large agribusinesses are increasingly using the environmentalist movement and its policy arm of green NGOs to justify imposing protectionist non-tariff barriers (NTBs) on developing country producers while skirting World Trade Organization (WTO) rules. NTBs have become the primary vehicle for erecting trade barriers, which hinder economic freedom and growth.

This trend actually began innocently enough decades ago, when *Silent Spring*, a book by Rachel Carson, led to an almost complete ban on the pesti-

cide DDT. DDT is the most effective pesticide to kill malaria-carrying mosquitoes. Carson’s analysis claimed to find serious dangers from using DDT—claims later shown to be deeply flawed. Nevertheless, the book became a foundational document in the creation myth of modern environmentalism. Zealous environmentalists cajoled governments around the world first to ban DDT and then to ban a series of other products and practices that activists linked to environmental concerns.

This included imposing green NTBs. Environmental activists and monopoly-rent-seeking businesses have since become partners in lobbying governments for statutes and regulations that have erected de facto NTBs. Public relations campaigns have been used to demonize certain products or to insert discriminatory double standards into relevant EU and U.S. laws and regulations. For example, EU and U.S. regulations arbitrarily categorize certain agricultural production methods in developing countries as “illegal” or a “threat to biodiversity.” This paper reviews some of these campaigns.

The DDT Ban: A Tragic Policy Prototype

Compared to modern insecticides, producing DDT is relatively easy and inexpensive because it was never patented. It remains the most effective pesticide in killing malaria-carrying mosquitoes. DDT is one of the most studied chemical substances. It is a few times more toxic than table salt and less toxic than nicotine, and environmental exposure to DDT has caused no known human deaths or illnesses. Beginning in the 1940s, applying DDT to mosquito-breeding pools and to the walls of homes almost completely eradicated malaria in Europe and the United States by the 1960s.

However, things began to change in 1962, the year that Rachel Carson published *Silent Spring*, which made the sensational allegation (offering no proof) that DDT would lead to the extinction of birds.² Although Carson’s analysis was later shown to be deeply flawed,³ *Silent Spring* became a founda-

1. The Lacey Act, 16 U.S. Code §§ 3371–3378 (2010).

2. Rachel Carson, *Silent Spring* (New York: Houghton Mifflin Company, 1962), at <http://books.google.com/> (December 7, 2010).

3. For example, see Donald Roberts and Richard Tren, *The Excellent Powder* (Indianapolis, Ind.: Dog Ear Publishing, 2010).

tional document in the creation myth of modern environmentalism. Citing Carson's book, supporters of the DDT ban loudly warned media outlets that a ban was necessary in order to save the robin, bald eagle, and peregrine falcon populations. Scientists who spoke in support of DDT were denounced as corporate shills.

Indicative of the political pressure applied by these early environmentalists, the U.S. Environmental Protection Agency's first act was to ban most uses of DDT in 1972. USAID worked to spread the DDT ban internationally by threatening to stop foreign aid to any country using it. Environmental alarmists in the 1960s and 1970s, such as Paul Ehrlich, attacked DDT use in malaria-control programs as the "export of death control" from rich countries to poorer countries. Activists questioned the value of malaria eradication through DDT on the grounds that reducing deaths from malaria was contributing to the "world population explosion."⁴

In the late 1960s and early 1970s, USAID began shifting foreign aid funds away from malaria control and toward funding family planning programs, partially due to fears of overpopulation. All of the malaria eradication alternatives promoted by environmentalists—such as introducing fish to eat larval insects, water management, insecticide-treated nets, and "safer" insecticides—have proven less effective than DDT, more costly, and in some cases more damaging to the environment.

The DDT ban has had tragic consequences. According to the World Health Organization, there "were an estimated 247 million malaria cases among 3.3 billion people at risk in 2006, causing nearly a million deaths, mostly of children under 5 years."⁵ Since the decision to ban DDT was taken—first by the newly established Environmental Protection Agency in 1972, which "effectively ended the use of DDT in the United States and compro-

mised its use in the rest of the world"⁶—malaria has reappeared in many countries where it had previously been eradicated. For example, in Madagascar, DDT spraying reduced cases of malaria by 90 percent, but the number of cases proliferated after DDT spraying stopped. In 1964, Sri Lanka had almost completely eliminated the disease, but it returned after DDT use was ended.⁷

Things began to change in 1962, the year that Rachel Carson published *Silent Spring*, which made the sensational allegation (offering no proof) that DDT would lead to the extinction of birds.

Some of the first green NTBs grew from the DDT ban. Zimbabwe stopped using DDT in the 1990s because its tobacco industry feared that the international market would reject its products if they contained any traces of DDT. EU officials made veiled threats that the EU would reject the country's agricultural exports if the government used DDT to control malaria. This led Ugandan agricultural exporters to pressure the government to halt spraying.

Western corporations involved in the marketing of alternative insecticides have also contributed to the anti-DDT campaign. For example, a Bayer executive discouraged the use of DDT in Uganda, publicly citing a possible threat to the country's food exports while privately revealing that "DDT use is for us a commercial threat."⁸

While DDT is no panacea, it has a better record than any other malaria intervention. Successful opposition to its use condemns people to death from a preventable disease. The fear tactics of environmental groups and their supporters in the media have produced unwarranted belief that DDT is harmful, leading to scientifically unwarranted political actions, such as bans on DDT. Tragically, the

4. *Ibid.*, pp. ix–x.

5. World Health Organization, "World Malaria Report 2008," 2008, at http://whqlibdoc.who.int/publications/2008/9789241563697_eng.pdf (January 14, 2011).

6. Roberts and Tren, *The Excellent Powder*, p. 207.

7. *Ibid.*, p. 37.

8. *Ibid.*, p. 319.

Malaria Deaths Most Common in Africa

Worldwide, there were 863,000 deaths from malaria from 2006 to 2008, of which more than two-thirds occurred in Africa. The top 13 nations—all African—are shown in the list below.

World Rank	Nation	Deaths
1	Nigeria	225,424
2	Congo	96,113
3	Uganda	43,490
4	Ethiopia	40,963
5	Tanzania	38,730
6	Sudan	31,975
7	Niger	31,501
8	Kenya	27,049
9	Burkina Faso	25,625
10	Ghana	25,075
11	Mali	24,073
12	Cameroon	21,146
13	Angola	21,130

Nations with
20,000 or More
Deaths from
Malaria

Note: Figures shown are from most recent data available.

Source: Kaiser Family Foundation, U.S. Global Health Policy, Estimated Malaria Deaths 2006–2008, at <http://www.globalhealthfacts.org/topic.jsp?i=31&srt=2> (January 12, 2011).

Chart 1 • B 2509  heritage.org

environmentalists' war against DDT has become a war against the world's poor.

The DDT Ban's Progeny: Green Protectionists

As environmental groups grew and gained notoriety and influence in the U.S. and Europe from their much-publicized work on DDT, they began to take on new targets. One of the first was genetically modified organisms.

In the 1990s, radical green NGOs launched a broad-based campaign, mainly in Europe, to block food imports from developing countries that were produced using GMO seeds. They used scare tactics and junk science to question the safety of GMOs in the global food supply chain. The inefficient and heavily taxpayer-subsidized European agricultural sector also saw GMOs as an economic threat, which led to a marriage of convenience between the green NGOs and agribusiness protectionists.

Through advances in biotechnology, some food crops can be produced from GMO seeds that are more resistant to herbicides. In some cases, the plants themselves produce proteins that can kill predatory pests. Nobel Peace Prize winner and famed scientific pioneer Norman E. Borlaug wrote that GMOs could be a "salvation" for the world's poor countries, "freeing them from obsolete, low-yielding, and more costly production technology."⁹

Prompted by the green NGOs' scare campaign against "Frankenfoods," the EU virtually banned GMOs in 2004.¹⁰ However, many in the United States viewed the EU policy as just another non-tariff barrier. Monsanto and other U.S. agricultural companies have long complained about the lack of access to European markets and, in particular, about restrictions on cultivating crops.

In 2006, in "one of the most contentious recent cases in the history of trans-Atlantic trade policy," the WTO ruled against the EU restrictions on imports and cultivation of genetically modified crops.¹¹

In the past few years, the EU has begun to lift some of its GMO restrictions. Recently, the EU "quietly gave the green light to farmers to grow fields of genetically modified potatoes. It marks the first time

9. Norman Borlaug, "Ending World Hunger: The Promise of Biotechnology and the Threat of Antiscience Zealotry," *Plant Physiology*, Vol. 124, No. 2 (October 2000), pp. 487–490, at <http://www.plantphysiol.org/cgi/content/full/124/2/487> (November 19, 2010).
10. European Parliament, Regulation 1829/2003 on genetically modified food and feed, September 22, 2003, at http://ec.europa.eu/food/food/animalnutrition/labelling/Reg_1829_2003_en.pdf (January 7, 2011), and Regulation 1830/2003 on traceability and labeling of genetically modified organisms and the traceability of food and feed products produced from genetically modified organisms, September 22, 2003, at http://ec.europa.eu/food/food/animalnutrition/labelling/reg_1830-2003.pdf (January 7, 2011).
11. James Kanter, "E.U. Signals Big Shift on Genetically Modified Crops," *The New York Times*, May 9, 2010, at <http://www.nytimes.com/2010/05/10/business/energy-environment/10green.html> (November 19, 2010).

Benefits of Genetically Modified (GM) Crops

Country	Total GM Crop Farm Income Benefits, 1996–2008, in Millions of U.S. Dollars	Average Yield Increase of GM Crops	
		Corn	Cotton
United States	\$23,268.7	5%	9.6%
Argentina	\$9,227.3	7.8%	28.6%
China	\$7,599.0	n/a	9.5%
India	\$5,142.0	n/a	54.8%
Brazil	\$2,820.6	n/a	6.2%
Canada	\$2,070.5	5%	n/a
South Africa	\$506.9	15.3%	24.3%
Paraguay	\$503.2	n/a	n/a
Australia	\$224.1	n/a	n/a
Mexico	\$91.1	n/a	11.8%
Philippines	\$88.3	24.1%	n/a
Bolivia	\$83.4	n/a	n/a
Spain	\$77.0	7.4%	n/a
Uruguay	\$53.3	6.3%	n/a
Romania	\$44.9	n/a	n/a
Colombia	\$13.9	n/a	5.7%

Sources: PG Economics, "Focus on Yields," October 2009, at <http://www.pgeconomics.co.uk/pdf/focusonyieldeffects2009.pdf> (January 12, 2011).

Table I • B 2509  heritage.org

that Brussels has approved any GMO cultivation since a moratorium 12 years ago."¹²

New Fields for Green Protectionism

After their early successes against DDT and GMOs, green NGOs have expanded their efforts to take on entire sectors of the world economy. The newest targets include forest products and vegetable oils produced in developing countries for export to the developed world. In each case, unbalanced public relations campaigns by green NGOs have increased their membership through heightened public awareness and benefited competing producers in developed countries. The following sections

describe some of the green NGOs' campaigns in detail.

Tropical Forest Products. European policymakers and green NGOs have targeted imports of tropical forest products. For example, *The New York Times* featured unsubstantiated accusations by Greenpeace that the Indonesian pulp, paper, and palm oil conglomerate Sinar Mas has a secret plan to cut down "essential forests, including habitats for endangered tigers."¹³

Alleging serious ecological harm, Greenpeace along with the World Wildlife Fund (WWF), Friends of the Earth, and the Rainforest Action Network advocated trade restrictions on these products from Indonesia. Meanwhile, companies in Europe, North America, and Australia that produce competing agricultural commodities lobbied their governments to use the green protectionism smokescreen to impose trade restrictions against lower-

cost products from Asia.

Even more serious than these public relations smear campaigns are the ongoing efforts to enact statutes and regulations to block imports of forestry products. For example, the EU's Forest Law Enforcement Governance and Trade (FLEGT) Action Plan will do lasting damage to many countries around the globe if it is fully implemented.

The FLEGT Action Plan¹⁴ was introduced in 2003 as a draft treaty with developing countries that produce tropical timber. It lays out a series of provisions for voluntary partnership agreements between developing countries and the EU wherein both sides commit to government procurement policies

12. Leo Cendrowicz, "Is Europe Finally Ready for Genetically Modified Foods?" March 9, 2010, at <http://www.time.com/time/business/article/0,8599,1970471,00.html> (November 18, 2010).

13. Aubrey Belford, "Indonesian Firm Accused of Clearing Rain Forest," July 5, 2010, at <http://www.nytimes.com/2010/07/06/world/asia/06indo.html> (January 7, 2011).

14. Council of the European Union, Council Regulation (EC) 2173/2005 on the establishment of a FLEGT licensing scheme for imports of timber into the European Community, December 20, 2005, at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:347:0001:0006:EN:PDF> (November 18, 2010).

that purchase only “legally harvested” timber.

However, the voluntary FLEGT plan was insufficient for European protectionists. In 2008, they and their green NGO partners pushed through new EU regulations imposing additional “due diligence” regulatory burdens on European importers of pulp and paper products to ensure that EU officials would be the final arbiters of what constitutes “legal timber.”

The current global economic downturn has engendered additional protectionist pressures. In July 2010, the European Parliament voted to close EU markets to “illegal” timber. The new law covers “the whole timber supply chain from logging sites to European consumers [and] aims to guarantee legally sourced products access to EU markets while halting deforestation in third countries.”¹⁵ It bans imports of any product made from illegal timber. In addition, the law imposes harsh penalties on any developing world producer that, knowingly or not, has any illegal timber or timber product in its supply chain.

Exaggerated Claims of Illegal Logging? The reports of illegal logging that find their way into the media, often through the efforts of green NGOs, are not always reliable. In fact, the volume of illegal logging internationally has likely been exaggerated.

For example, Australia is considering a program similar to FLEGT to discourage and reduce illegal logging. It would likely have the same protectionist effects. In its deliberations, the Australian government might be influenced by groups such as WWF,

Simulated Effects of Fully Enforcing European Forestry Regulations

	Roundwood	Sawnwood	Panels
Change in World Prices	19%	37%	16%
Change in Production Levels			
EU-15	5%	5%	0%
Japan	13%	7%	2%
United States	1%	1%	2%
Malaysia	8%	-2%	1%
Brazil	-2%	-2%	-2%
China	-23%	-10%	-9%
Central and Western Africa	-23%	-28%	2%
Indonesia	-33%	-31%	-32%
Russia	-16%	-32%	5%
Change in Exports			
United States	0%	49%	35%
EU-15	4%	12%	5%
Brazil	0%	-1%	4%
Malaysia	48%	-1%	5%
Central and Western Africa	-39%	-51%	10%
Indonesia	-44%	-55%	-52%

Source: European Commission, “Impact Assessment: Report on Additional Options to Combat Illegal Logging,” October 23, 2008, at http://ec.europa.eu/environment/forests/pdf/impact_assessment.pdf (January 18, 2011).

Table 2 • B 2509  heritage.org

which estimates that illegal logging may account for more than 70 percent of timber production in Indonesia and Gabon and 25 percent of timber production in Russia.¹⁶

However, a report by the Centre for International Economics prepared in early 2010 found that illegal logging might account for 5 percent to 10 percent of world timber production.¹⁷ While any amount of illegal logging is unacceptable, the discrepancy between these two estimates is significant and begs the question of whether the data have been manipulated for some political purpose.

15. EurActiv, “Parliament Vote Seals Ban on Illegal Timber,” July 15, 2010, at <http://www.euractiv.com/en/climate-environment/parliament-vote-seals-ban-illegal-timber-news-496127> (December 7, 2010).

16. World Wildlife Fund, “Forest Illegal Logging,” at http://wwf.panda.org/about_our_earth/about_forests/deforestation/forestdegradation/forest_illegal_logging (December 6, 2010).

17. Centre for International Economics, *A Final Report to Inform a Regulation Impact Statement for the Proposed New Policy on Illegally Logged Timber*, January 29, 2010, p. 9, at http://www.theicie.com.au/content/news/Illegal_logging.pdf (December 6, 2010).

Burdening the Weakest. The FLEGT Action Plan is scheduled to come into full force in 2013, “obliging European operators to exercise due diligence and ascertain the legality of timber and timber products entering the EU market.” The due diligence requirement goes a step further by regulating “the whole supply chain, including the country where harvesting occurs.”¹⁸ This means that any country, such as Indonesia,¹⁹ that makes wood products using wood from other countries would be forced to investigate their supply chains to ensure compliance. This double burden risks alienating new growth markets, while at the same time protecting higher-cost Western producers from foreign competition. The new policies also require legal documentation and are tied to future biofuel importation.²⁰ FLEGT also designates the EU as the only legal entity that can permit the importation of timber or timber product into EU territory.

By adding the due diligence directive to its FLEGT plan, the European Parliament is effectively forcing producers in the developing world to prove that all of their products are in compliance. Thus, the burden of proof lies with the developing world, not with Western companies that import the timber and timber product goods.

In effect, FLEGT makes the EU the final arbiter, without appeal to the WTO, on whether a timber or timber product from the developing world is legal. Producers in developing countries, which depend on the exports for growth, jobs, and economic competition, must prove both that their own timber products are not illegally harvested and that all timber and timber products in their supply chains meet

the same rules. In the end, by imposing additional costs on the otherwise less expensive competition in the developing world, the onerous FLEGT rules give Western timber and timber product producers a competitive advantage that the free market would never have give them.²¹

The EU has defended FLEGT by insisting that the “regulation does not differentiate between [products] imported and domestically produced in Europe, so there is no discrimination.”²² That is a bold assertion considering how much more advanced European economies’ technology is over their competitors in the developing world.

Public Relations Wars

Greenpeace and other green NGOs emphasize “corporate social responsibility,” which they apparently define as the willingness of private companies, governments, and Western consumers to let the green agenda trump sound business practices and common sense. Of late, the green NGOs have taken to pressuring Western multinational companies to forswear buying paper and palm-based products from the Asian tropics.²³

Along with timber and paper, palm oil produced in the tropical belt is valued for its high quality and low cost. However, radical greens oppose any commercial development in the tropics, which they want to preserve as pristine wilderness. Therefore, they harass the multinationals, accusing them of razing the rainforest and destroying habitats for orangutans, tigers, and other endangered species.²⁴

This gambit has worked. Procter & Gamble, global food giant Nestlé, and Unilever recently sus-

18. *Ibid.*

19. European Commission, Indonesia FLEGT Support Project, “The Forest of Indonesia,” at http://www.eu-flegt.org/aboutus_detail.php?pkid=5 (November 18, 2010).

20. “Timber Traders Told to Gear Up for New EU Regulation,” *The Nation* (Thailand), September 17, 2010, at <http://www.nationmultimedia.com/home/2010/09/17/business/Timber-traders-told-to-gear-up-for-new-EU-regulati-30138148.html> (November 18, 2010).

21. EurActiv, “Parliament Vote Seals Ban on Illegal Timber,” July 15, 2010, at <http://www.euractiv.com/en/climate-environment/parliament-vote-seals-ban-illegal-timber-news-496127> (November 18, 2010).

22. Nareerat Wiriyapong, “New EU Logging Regulation May Hurt Thai Wood Exports,” *Bangkok Post*, September 17, 2010, at <http://www.bangkokpost.com/business/economics/196702/new-eu-logging-regulation-may-hurt-thai-wood-exports> (January 10, 2011).

23. Greenpeace Australia Pacific, “Victory: Nestlé Gives Orang-utans a Break,” May 17, 2010, at <http://www.greenpeace.org/australia/news-and-events/news/deforestation/nestle-170510> (January 13, 2011).

pending imports of palm oil from Asia. Retailers Wal-Mart and Carrefour are under fire for buying paper goods from the Asian region, and mega-bank HSBC is being pressured to halt economic development projects in Indonesia, Malaysia, and other developing countries.²⁵ Retailers have been converted from targets of the green NGOs to active participants in the green campaign to demonize multinational corporations' sourcing policies until they capitulate. Western retailers are helping to do the bidding of the green NGOs, such as Greenpeace, the Rainforest Action Network, and WWF, as the NGOs dictate environmentalist agendas worldwide.

Greenpeace and other green NGOs emphasize "corporate social responsibility," which they apparently define as the willingness of private companies, governments, and Western consumers to let the green agenda trump sound business practices and common sense.

For example, Unilever is spearheading a campaign to force palm oil growers to adopt environmentalist-influenced sustainability requirements, which would ban further conversion of forested land for development.²⁶ These sustainability standards would negatively affect smallholders in Africa and Asia and consequently stifle economic prosperity among the developing world's poor. Europe's producers of vegetable oils, which do not like competition from Asia, are the real driver behind the anti-development campaigns led by green NGOs.

European policymakers know that protectionism is illegal under WTO rules, but they are trying to

block imports on environmental and public relations grounds. EU member states support radical green groups, which then demonize trade in foreign goods. What European policymakers and companies cannot do legally in global trade courts, they are trying to accomplish in the court of public opinion.

The Renewable Energy Directive

The EU's regulatory Renewable Energy Directive (RED) is another example of the European Commission trying to impose its environmental policies outside its borders, limit agriculture expansion, and deny developing countries the ability to manage their resources.²⁷ Notwithstanding evidence supporting the sustainability of crops such as sugar cane and palm oil, the European Commission has sought to impose arbitrary sustainability criteria without a firm basis in science. These criteria limit the producers' ability to export to the EU. The vegetable oils sector is fiercely competitive; European growers of rapeseed cannot compete internationally.²⁸

The Renewable Energy Directive applies "default" values to the various biofuel sources, as a means of identifying which biofuels offer sufficient greenhouse gas (GHG) savings to achieve the minimum 35 percent GHG savings compared to the alternative fossil fuel used that is required by the directive. Palm oil, despite being given one of the highest GHG savings rates of any biofuel, does not qualify because the directive establishes a double standard and assigns palm oil a default GHG savings rate of just 19 percent. This contradicts other credible assessments of palm oil's sustainability and works to the advantage of European biofuel—a product of rapeseed.²⁹

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24. Rainforest Action Network, "General Mills Takes Bold Steps Away from Palm Oil Controversy," September 23, 2010, at <http://ran.org/content/general-mills-takes-bold-steps-away-palm-oil-controversy> (January 14, 2011).
25. Laura K., "What Happened After You Left That Comment on Nestlé's Facebook Page," Greenpeace International, August 9, 2010, at <http://www.greenpeace.org/international/en/news/Blogs/climate/what-happened-after-you-left-that-comment-on-/blog/26125> (January 13, 2011).
26. AllAboutFeed.net, "Unilever: New Planting Rule Improves Palm Industry Image," November 2010, at <http://www.allaboutfeed.net/news/unilever-new-planting-rule-improves-palm-industry-image-4963.html> (December 6, 2010).
27. Mongbay.com, "EU Mandates Biofuel Environmental Standards to Protect Forests, Wetlands," June 10, 2010, at http://news.mongabay.com/2010/0610-eu_renewable_energy.html (November 18, 2010).
28. Gernot Pehnelt and Christoph Vietze, "European Policy Towards Palm Oil—Sorting Out some Facts," *GlobEcon Research Paper* No. 01-2010, at <http://www.globecon.org/fileadmin/template/userfiles/Research/PalmOilGlobEcon.pdf> (November 18, 2010).

The European Commission has undertaken a consultation on indirect land use change as criteria for biofuels. Introducing these criteria could both prevent developing world countries from expanding their agriculture land, which is central to economic development, and apply a criterion that is not scientifically supported or reliably measurable. Efforts to limit land conversion also ignore future population growth and the inevitable need for more food, which will require agriculture expansion.

Limiting the ability of developing countries to develop and expand their agriculture production ignores how the West benefited from its own agriculture expansion. Agricultural development provided prosperity to the West that has benefited Europe and the United States. It can potentially provide the same benefit to developing countries.³⁰

However, RED is protectionist and violates WTO rules. The General Agreement on Tariffs and Trade (GATT) requires equal treatment of all “like” products.³¹ Because palm oil biodiesel is no different from rapeseed biodiesel, restricting palm oil’s access to the same market that allows rapeseed is a violation.

In addition, it has been argued that the sustainability criteria and default values are legitimate under the general exception in Article XX of the GATT.³² However, previous WTO rulings have required such exceptions to demonstrate a direct link to the behavior being discouraged or effect being avoided. This is not the case for palm oil, and hindering its development may in fact have detrimental environmental effects in developing countries.³³





As Europe and the U.S. grapple with the unpopularity of increasing the costs and regulations on

Exports for Developing Countries





Crops such as palm oil, soybeans, and sugar have helped developing nations improve their economies through international trade. They are an increasingly important revenue source for developing nations to boost prosperity and reduce poverty.

Percentage Increase in Revenue from Select Crop Exports, 2001 to 2009






PALM OIL

Indonesia	859%	
Colombia	429%	
Malaysia	297%	
Thailand	108%	

SOYBEANS AND SOYBEAN OIL

Brazil soybeans	319%	
Argentina soybean oil	209%	
Brazil soybean oil	144%	
Argentina soybeans	35%	

SUGAR

Argentina	728%	
Philippines	288%	
Brazil	268%	
Thailand	162%	
Colombia	76%	

Note: Figures are based on changes in export revenues in U.S. dollars.

Source: International Trade Centre, Trade Map, at <http://www.trademap.org> (January 19, 2011).

Chart 2 • B 2509  heritage.org

domestic industries imposed by environmental policies, they are seeking to export their policies to sovereign states that depend on international aid and

29. *Ibid.*

30. Jim Woodhill, “World Bank Group’s Framework for Engagement in the Palm Oil Sector,” International Finance Corporation, September 27, 2010, at [http://www.ifc.org/ifcext/agriconsultation.nsf/AttachmentsByTitle/Summary_Frankfurt/\\$FILE/Stakeholders+Consultations+Report+No9,+Frankfurt.pdf](http://www.ifc.org/ifcext/agriconsultation.nsf/AttachmentsByTitle/Summary_Frankfurt/$FILE/Stakeholders+Consultations+Report+No9,+Frankfurt.pdf) (November 18, 2010).

31. The General Agreement on Tariffs and Trade, 1947, art. 10, at http://www.wto.org/english/docs_e/legal_e/gatt47_01_e.htm (November 18, 2010), and Fredrik Erixon, “Green Protectionism in the European Union,” European Centre for International Political Economy Occasional Paper No. 1/2009, pp. 2–31, at <http://www.ecipe.org/publications/ecipe-occasional-papers/green-protectionism-in-the-european-union-how-europe2019s-biofuels-policy-and-the-renewable-energy-directive-violate-wto-commitments/PDF> (November 24, 2010). See also The General Agreement on Tariffs and Trade.

32. The General Agreement on Tariffs and Trade, Art. 20.

33. Fredrik Erixon, “Biofuels Policy as Industrial Policy,” European Centre for International Political Economy, December 3, 2009, at <http://www.ecipe.org/blog/biofuels-policy-as-industrial-policy> (November 18, 2010).

trade. This appeases the environmentalists in the developed world, but denies opportunities to developing countries.

Government Funding of Green NGOs

Among the most troubling phenomena associated with the rise of green protectionism is the growing links between the green NGOs and their allies in the governments of developed countries. A number of environmental groups and other NGOs have formed alliances with European Commission directorates, U.S. government agencies, and U.S. and European agribusinesses.

The European Commission and a number of EU member states provide substantial financial support to green NGOs. Between 1998 and 2009, the commission gave more than €66 million to environmental NGOs. In 2009, this funding accounted for more than 50 percent of Friends of the Earth Europe's annual funding and more than €600,000 to WWF Europe in 2009.³⁴

Predictably, the green NGOs that receive the most government aid are also the biggest opponents of plantation agriculture in the developing world. WWF is among the most antagonistic green NGOs toward palm oil and forestry products from the developing world. Their campaign, which does not directly support Europe's domestic industries, undoubtedly helps to shame their foreign competitors in the tropics.

For example, according to a TaxPayers' Alliance report,³⁵ the European Environmental Bureau, a European NGO that vocally opposed European bio-

Limiting the ability of developing countries to develop and expand their agriculture production ignores how the West benefited from its own agriculture expansion.

fuels made from imported tropical palm oil, received the most funding from the European Commission, receiving more than £800,000 in the past two years.³⁶ Meanwhile, in 2009–2010, the U.K. Foreign and Commonwealth Office paid £342,929 to the World Wildlife Fund of the U.K.—the largest U.K. payment of this type.³⁷

USAID has also given millions of dollars in grants to green NGOs. In fiscal year (FY) 2009, it provided \$12 million to the Nature Conservancy, \$10 million to WWF, and \$4.6 million to the Rainforest Alliance.³⁸

Such government funding of green NGOs is a grossly inappropriate use of taxpayer money.

A Double-Cross in the United Kingdom?

Caroline Spelman, U.K. Secretary of State at the Department for Environment, Food and Rural Affairs, announced in July 2010 that her department will review palm oil use in the U.K.³⁹ The review is intended to map private and public use of palm oil throughout the U.K. and how the use of palm oil in the U.K. contributes to deforestation in countries that produce palm oil.⁴⁰ In announcing the review, Spelman incorrectly stated that deforestation is due primarily to the palm oil industry and

34. Ooi Tee Ching, "Billion-Dollar Trade War Fuels Vegetable Oil Politics," *Business Times*, October 23, 2010, at http://www.btimes.com.my/Current_News/BTIMES/articles/jemut/Article (November 18, 2010).

35. Matthew Sinclair, "Taxpayer Funded Environmentalism," The TaxPayers' Alliance, December 2, 2010, at <http://www.taxpayersalliance.com/tfe.pdf> (December 7, 2010).

36. Press release, "Europe's Biofuels Plans Driving Social and Environmental Destruction," European Environmental Bureau, November 8, 2010, at <http://www.eeb.org/index.cfm/news-events/news/europee28099s-biofuels-plans-driving-social-and-environmental-destruction> (December 7, 2010).

37. Press release, "New Research on Taxpayer Funded Environmentalism," The TaxPayers' Alliance, December 2, 2010, at <http://www.mailingm.co.uk/15/display.php?List=6&N=51> (December 7, 2010).

38. Through the first quarter of FY 2010, USAID had given an additional \$3 million to the WWF and \$484,000 to the Rainforest Alliance. U.S. Agency for International Development, "Where Does USAID's Money Go?" March 31, 2010, at http://www.usaid.gov/policy/budget/money/WhereDoesUSAIDsMoneyGo_FY2010_0310.xls (December 7, 2010).

39. Caroline Spelman, "Responding to the Natural Resources Timebomb," speech at Waste and Resources Action Programme Annual Conference, November 9, 2010, at <http://www.wrap.org.uk/document.rm?id=10057> (January 13, 2011).

that the review would benefit producers and consumers alike. She never explained exactly how they will benefit.

Ironically, Spelman recently announced a decision to sell a majority of Britain's publicly owned forest land.⁴¹ This may be logical, but it is also hypocritical and a blatant illustration of green imperialism. As the U.K. is seeking to improve its finances, it recognizes the benefits of using its natural resources more efficiently, but it is seeking to deny that same right to developing nations.

The Forest Stewardship Council and FSC Certification

Established in 1993, the Forest Stewardship Council (FSC) is funded by EU country grants and by dozens of green NGOs, including WWF, Foundation for Ecological Research in the Northeast (FERN), Friends of the Earth, Greenpeace, and the National Wildlife Federation in the U.S.⁴² The FSC claims to be "an independent, nongovernmental, not-for-profit organization established to promote the responsible management of the world's forests...as a response to concerns over global deforestation."⁴³ Yet since the FSC's establishment, FSC certification has evolved into a scheme that disproportionately protects the interests of Western paper producers to the detriment of the developing world.

While some portion of the buying public will place their desire for sustainable goods above price and quality considerations, the lack of FSC certification

can impair the image of a company's products across the board. Because of smear campaigns launched by green NGOs to tarnish retailers that do not use FSC-certified goods, many Western companies now import only FSC-certified timber products.⁴⁴

Although purportedly established to address the problem of illegal logging in the developing world, FSC certification has created more onerous hurdles and hoops for the developing world's companies. For example, FSC certification requires producers to provide meticulously updated management plans and monitor forest conditions.⁴⁵

Thus, these NGOs are undermining efforts to strengthen the economies of developing countries by creating sustainable private-sector jobs. Furthermore, the public often forgets that the technologically advanced West faces far fewer hurdles in its own sustainability efforts than developing world producers, which are subjected to onerous FSC certification.⁴⁶

While FSC has come under scrutiny in this decade for "lax" standards in determining whether a product was acceptably sustainable, these are the same standards that permitted products from the developing world to gain a foothold in the much larger Western economies.⁴⁷

National Wildlife Federation Report: A "RED" Light for the USA?

A recent National Wildlife Federation report⁴⁸ was authored by several activists from WWF and

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40. BusinessGreen, "Government to Track UK Contribution to Palm Oil Deforestation," July 13, 2010, at <http://www.businessgreen.com/bg/news/1801792/government-track-uk-contribution-palm-oil-deforestation> (November 18, 2010).
41. BBC News, "Defra to Consult over Selling Forestry Land in England," October 29, 2010, at <http://www.bbc.co.uk/news/uk-11653679> (November 18, 2010).
42. Forest Stewardship Council, "FSC Membership List," August 6, 2009, at http://www.fsc.org/fileadmin/web-data/public/document_center/institutional_documents/FSC_Membership_List_-_ENG.pdf (December 9, 2010).
43. Forest Stewardship Council, "About FSC," at <http://www.fsc.org/about-fsc.html> (November 19, 2010).
44. Editors of *E/The Environmental Magazine*, "Which Wood Should We Buy?" *The Daily Green*, April 1, 2010, at <http://www.thedailygreen.com/environmental-news/latest/sustainable-wood-460410> (November 18, 2010).
45. Forest Stewardship Council, "FSC Principles and Criteria," at <http://www.fsc.org/pc.html> (November 18, 2010).
46. Press release, "Forest Stewardship Council Wins Award for Leading Role in Forest Management," Greenpeace International, December 15, 2004, at <http://www.greenpeace.org/international/press/releases/forest-stewardship-council-win> (November 18, 2010).
47. Tom Wright and Jim Carlton, "FSC's 'Green' Label for Wood Products Gets Growing Pains," *The Wall Street Journal*, October 30, 2007, at <http://online.wsj.com/article/SB119368082115675124.html> (November 18, 2010).

other environmentalist groups, who have long been opposed to palm oil cultivation.

Although the report⁴⁹ includes a listing of the many beneficial reasons for palm oil exports to the U.S.—e.g., higher rural employment in the developing world, higher crop yields, and the versatility of palm oil utility across many product groups—U.S. environmental activists could use the report to call for a U.S. ban on palm oil imports. If this occurs, green NGOs will have succeeded in persuading the U.S. to mimic the EU's protectionist Renewable Energy Directive. These American NGOs would thus find themselves in collusion with the same types of powerful protectionist forces in the U.S. agribusiness sector as are operating in Europe.

In fact, the references in the National Wildlife Federation (NWF) report to U.S.-produced soybean oil could indicate that this collusion has already begun. For example, the report notes that the “U.S. and Canada rely primarily on domestic production of soybean, corn, and canola oils for cooking oils,” but that palm oil “is an attractive substitute” for domestic vegetable oils for a number of reasons, including price.⁵⁰ With its numerous negative examples about palm oil in the report, the NWF report could be laying the groundwork for potential collusion between U.S. agribusinesses and U.S. environmentalist NGOs, perhaps in the form of a campaign to shame palm oil producers and to block its trade into North America.

Recent Amendments to the U.S. Lacey Act

Recent amendments to the 100-year-old Lacey Act empower the U.S. federal government to ban imports of illegal timber and timber products, ostensibly applying the same due diligence require-

ments that the EU recently enacted.⁵¹ In reality, these new regulations imposed in the name of environmental protection are simply more barriers to entry in U.S. markets. These new compliance requirements assert that the same economic

In the name of protecting the environment, Western governments pass new regulations that apply only to exporting countries, without requiring domestic producers to do the same.

advances in the Western world are the norm in the developing world, where most imports of timber product originate. Because homegrown U.S. wood products are not subject to these new requirements, the United States Congress has de facto subsidized domestic timber-related products.⁵²

This essentially upends the age-old economics of specialization. Instead of the country with the highest competitive advantage exporting timber products, the competitive advantage lies with producers in countries that are best positioned to influence U.S. and EU customs procedures.

Full compliance with the revised Lacey Act has added yet another regulatory burden to the forest products marketplace. The expensive due diligence requirements put developing-world competitors, which ordinarily have a competitive advantage because of cheaper labor and more widely available resources, at the distinct disadvantage.

This is green protectionism at its finest. In the name of protecting the environment, Western governments pass new regulations that apply only to exporting countries, without requiring domestic producers to do the same. When supply chains for timber prod-

48. National Wildlife Federation, “Food, Fuel, or Forests? Charting a Responsible U.S. Role in Global Palm Oil Expansion,” November 2010, at http://www.nwf.org/Global-Warming/Policy-Solutions/Forests-and-Farms/Tropical-Deforestation/-/media/PDFs/Global%20Warming/Policy-Solutions/NWF_Palm_Oil2.ashx (November 29, 2010).

49. *Ibid.*, p. 8.

50. *Ibid.*, pp. 8–9.

51. Forest Stewardship Council, “US Amendment to Lacey Act Bans Illegal Wood Imports,” *Forest Stewardship Council News and Views*, Summer 2008, at <http://www.fscus.org/news/?article=525> (November 18, 2010).

52. International Network for Environmental Compliance and Enforcement, “Recent Amendments to U.S. Lacey Act Should Help Protect Forests Worldwide,” October 23, 2008, at http://www.inece.org/climate/ClimateComplianceAlert_LaceyAct.pdf (November 18, 2010).

ucts require completion of a Western-influenced and crony-capitalist checklist before importing can begin, producers in the U.S. and EU will turn elsewhere for their manufacturing inputs.⁵³

One major problem with the Lacey Act has been its uneven implementation. While some producers in the developing world have sought to comply with the act, others fall outside of its scope. According to an Indonesian Ministry of Forestry spokesman:

Expecting or asking one country to combat illegal logging while at the same time receiving or importing illegal logs does not support efforts to combat these forest crimes. Tropical timber producer *and consumer countries* should share a significant responsibility in combating illegal logging and its associated timber trade.⁵⁴

In effect, only certain countries are affected by these new rules, while others skirt the rules. This is a de facto subsidy to both unregulated countries who export illegal logging products, such as China,⁵⁵ and domestic timber producers, which are not subject to the new amendments to the Lacey Act.

World Bank Policy: Putting the Environment Ahead of the Poor?

In September 2009, after allegations by environmental NGOs that Wilmar International, a Singapore-based conglomerate that operates oil palm

plantations, ignored social and environmental impact laws, the World Bank's International Finance Corporation froze all funding of palm oil-related development projects, denying \$132 million to existing projects.⁵⁶

Although Wilmar was found in breach of internal IFC rules, no evidence of a violation of national or international law was found. However, caving in to green NGO pressure, World Bank President Robert Zoellick's announcement suggests that his primary concern was to meet the NGOs' arbitrary sustainability criteria.⁵⁷ This clearly contradicts the World Bank's development mandate and subordinates poverty alleviation to environmentalism.

The World Bank was expected to announce its framework for palm oil funding at the end of November 2010, but this timeframe has been delayed repeatedly.⁵⁸ The revised framework was finally announced in early January 2011 along with a 30-day comment period for stakeholders and observers to respond to the framework.⁵⁹ Recent news coverage indicates that the World Bank is about to commit itself to imposing sustainability criteria on loans for oil palm development,⁶⁰ a clear break from the World Bank's stated mandate of poverty alleviation through economic development. The evidence does not support World Bank claims that these environmental criteria are for the benefit of developing countries.⁶¹ For example, in October

53. "Lacey Act Can Curb Illegal Logging: Dept.," *Daily Express* (Kota Kinabalu, Malaysia), July 30, 2010, at <http://www.dailyexpress.com.my/news.cfm?NewsID=73765> (November 18, 2010).

54. Andrea Johnson, "US Lacey Act: Respecting the Laws of Trade Partners," *The Jakarta Post*, May 3, 2009, at <http://www.thejakartapost.com/news/2009/03/05/us-lacey-act-respecting-laws-trade-partners.html> (November 18, 2010) (emphasis added).

55. Xinhua News Agency, "Chinese Newspaper Reports on the Trade of Illegally Sourced Wood Products into China," Chatham House, August 5, 2006, at http://www.illegal-logging.info/item_single.php?it_id=1435&it=news (January 10, 2011).

56. "IFC Suspends Investment in Palm Oil over Wilmar Case," *The Jakarta Post*, September 10, 2009, at <http://www.thejakartapost.com/news/2009/09/10/ifc-suspends-investment-palm-oil-over-wilmar-case.html> (November 18, 2010).

57. Mongabay.com, "World Bank's IFC Suspends Lending to Palm Oil Companies," September 9, 2009, at http://news.mongabay.com/2009/0909-palm_oil_ifc.html (January 13, 2011).

58. Marianna Keen, "World Bank Funding of Palm Oil Rousing Controversy," Climate Action, November 22, 2010, at http://www.climateactionprogramme.org/news/world_bank_funding_of_palm_oil_rousing_controversy (January 10, 2011).

59. International Finance Corporation, "World Bank Group Posts Revised Draft Palm Oil Framework for Final Comment," January 6, 2011, at <http://www.ifc.org/ifcext/agricultconsultation.nsf/Content/CEDA6444A128386C85257810005225A3> (January 18, 2011).

60. Niluksi Koswanage, "World Bank Arm Ready to Back Palm Oil if Ban Goes," Reuters, November 10, 2010, at <http://www.reuters.com/article/idUSTRE6A94EE20101110> (November 18, 2010).

2010, more than a year after the World Bank froze funding of palm oil projects, it reportedly suspended a \$123 million investment to support the palm oil sector in Nigeria and other African countries.⁶² The new framework is expected to be submitted to the World Bank Group's Management Board for its approval by March 2011.

At the Convention on Biological Diversity summit in Nagoya, Japan, in October 2010, Zoellick affirmed his commitment to imposing sustainability standards on the World Bank's loans and development programs,⁶³ prioritizing environmental goals over reducing poverty.

Writing in the *Guardian*, Zoellick reaffirmed his commitment to restrict forest conversion and this time to save the tiger, even while acknowledging that illegal poaching was to blame.⁶⁴ Zoellick's support for international trade controls to save endangered species is a controversial position for the president of the World Bank. In advocating them, he appears to be moving closer to supporting WWF's call for "green global governance" to save the environment.

These examples demonstrate a reversal in the World Bank's mandate. In essence, the green NGOs are trying to turn the World Bank into a global version of the U.S. Environmental Protection Agency.

The World Bank has already set a precedent of ceding development policy to NGOs. The World Bank/WWF Alliance for Forest Conservation & Sustainable Use was established in 1998, with the sole purpose of promoting conservation. Although the World Bank's mandate of economic development and poverty alleviation is mentioned on the alliance's Web site, its importance is clearly subordi-

nated to efforts to limit agriculture expansion and forestry.⁶⁵

Members of Congress have begun to criticize World Bank policy and its forays into environmental regulation. Several Members recently expressed concerns in a letter to Zoellick that "the World Bank's reconsideration of its pro-agriculture policies is worrisome given the proven economic success of this development model."⁶⁶

What the West Should Do

The West can take steps to reverse the damage caused by misguided environmental policies:

- The EU, the U.S. Congress, and the Obama Administration should review, revise, and eliminate protectionist policies and regulations that are masquerading as environmental safeguards.
- The U.S. Congress, U.K., and EU should end the improper use of taxpayer funds to support U.S. and foreign-based environmentalist NGOs.
- The U.S. Congress should investigate the potential trade violations and collusion between U.S. agribusiness and forestry interests with environmentalist NGOs to block the imports of agricultural and forestry goods from developing countries.
- The U.S. Congress should summon the World Bank's senior management to explain the World Bank's growing prioritization of environmentalist criteria over support for poverty alleviation through agricultural and economic development.
- The European Parliament and European Commission should stop implementing legislation that violates WTO agreements and blocks devel-

61. Woodhill, "World Bank Group's Framework for Engagement in the Palm Oil Sector."

62. Roseline Okere, "World Bank Suspends N19.8b Palm Oil Investment in Nigeria, Others," *The Guardian* (Nigeria), October 7, 2010.

63. Hilary Whiteman, "World Bank to Turn Nature into Numbers," CNN, October 28, 2010, at <http://edition.cnn.com/2010/BUSINESS/10/28/world.bank.green.accounts/index.html> (December 7, 2010).

64. Robert Zoellick, "If We Falter, We Will Lose the Wild Tiger," *Guardian*, November 21, 2010, at <http://www.guardian.co.uk/commentisfree/cif-green/2010/nov/21/wild-tiger-global-summit> (December 8, 2010).

65. World Wildlife Fund, "A Forest Vision for the 21st Century," at <http://www.worldwildlife.org/what/globalmarkets/forests/worldbankalliance.html> (November 18, 2010).

66. Ooi Tee Ching, "World Bank Straying from Core Purpose," *Business Times*, November 29, 2010, at <http://www.btimes.com.my/articles/wg15/Article> (January 10, 2011).

oping world exports from entering EU markets. As necessary, affected developing countries should challenge such legislation in the WTO.

Conclusion

Left unchecked, U.S., EU, and World Bank environmental and trade policies—as well as the opportunities for cronyism, corruption, and green protectionism that they provide—will inflict massive economic misery on some of the world's poorest nations. Tens of millions of Asian and African men and women rely on the jobs and economic growth provided by export industries.

The green NGOs' campaign to restrict production of forestry products, palm oil, GMOs, and other commodities in developing countries combined with U.S. and EU protectionist measures block future job creation, higher living standards,

and poverty reduction in the very countries the NGOs claim to be protecting.

The EU and the U.S. should stop green protectionism because it flouts decades of beneficial work in expanding free trade around the world. The West should uphold the core principle of economic freedom and poverty alleviation through free trade and investment to encourage economic growth. Green protectionism that undermines economic growth in developing countries is reprehensible. The WTO should define green protectionism as an illegitimate (and actionable) intervention by governments in the marketplace.

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