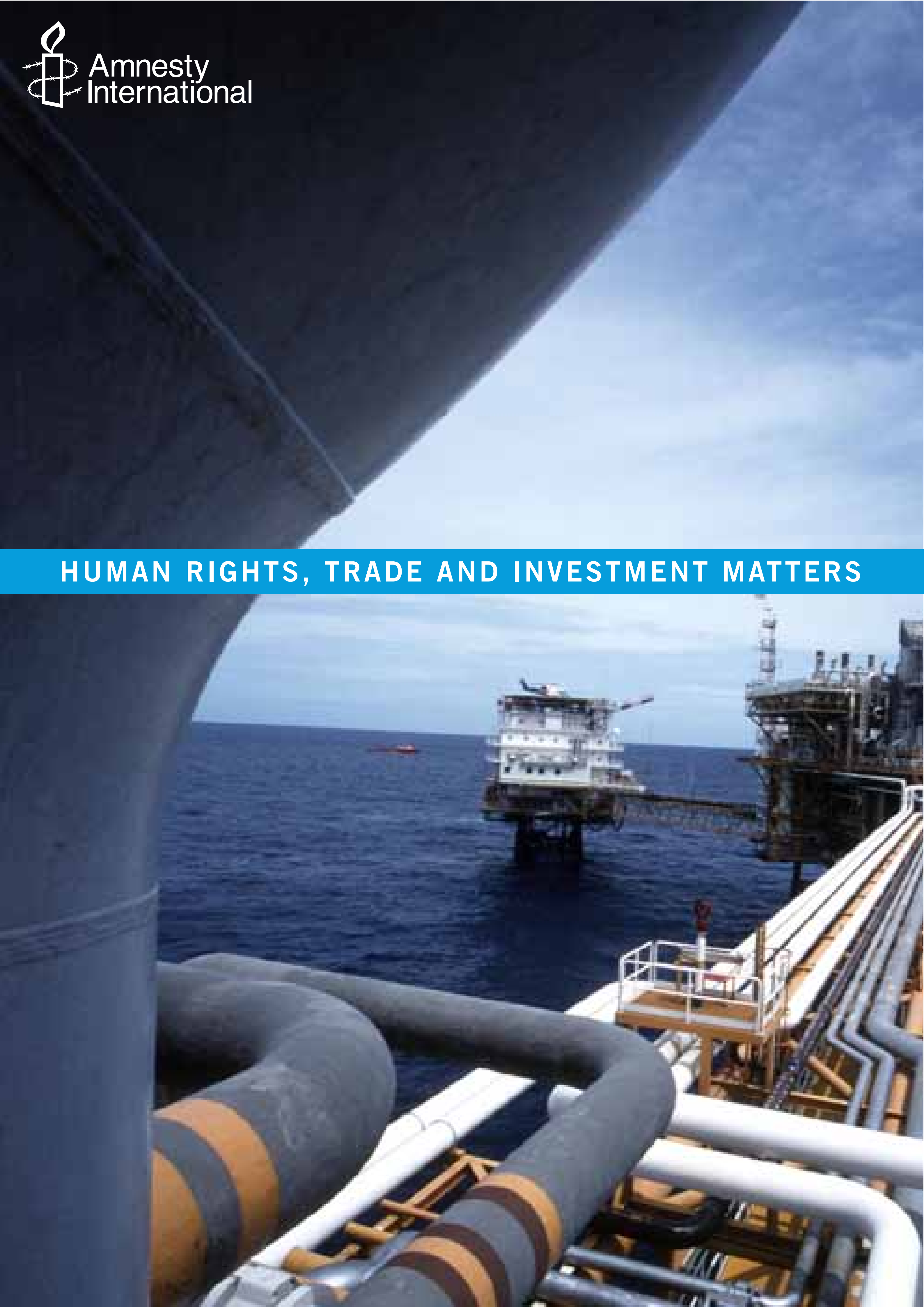
Amnesty International



HUMAN RIGHTS, TRADE AND INVESTMENT MATTERS

Acknowledgements: Amnesty International would like to thank all the authors for their contributions, and to acknowledge the assistance of Nicole Crum, Grant Rafter and Erica Razook.

May 2006

£6
Amnesty International UK
The Human Rights Action Centre
17-25 New Inn Yard
London EC2A 3EA
Tel. 44-(0)20-7033-1500

www.amnesty.org.uk

$10
Amnesty International USA
5 Penn Plaza
16th Floor
New York NY 10001
Tel. 212-242-6558

www.amnestyusa.org

ISBN 1 87332865 6
ISBN 978-1-873328-65-1

Export Credit Agencies: Not-so-Innocent Bystanders in Environmental and Human Rights Abuse

Korinna Horta of the international advocacy group Environmental Defense argues that fundamental reforms are needed to ensure that export credit agencies contribute to responsible investment.

In the far east of Russia, Shell's Sakhalin II oil and gas project is threatening the western gray whale with extinction and putting fisheries and livelihoods of local communities and indigenous peoples in jeopardy.[1] In south-eastern Brazil, Aracruz Celulose's new pulp mill and vast expansion of monoculture Eucalyptus plantations are displacing local and indigenous peoples, depleting water sources, and driving native plant and animal species into extinction.[2]

A little-known financial giant stands behind these and many other projects that are threatening plant and animal species and- the rights of local communities and of indigenous peoples- projects which are also contributing to global-scale problems such as climate change and biodiversity loss.

This giant is the collective financial power of the export credit agencies, commonly known as ECAs, of the world's industrialized countries.
ECAs are public agencies whose goal is to support domestic private corporations in their foreign business ventures. Collectively, ECAs represent the single largest source of public funding for projects in developing countries or emerging markets. ECAs provide around $50–70 billion of capital per year for medium and long-term transactions in support of corporate investment, in an array of loans, guarantees and insurance, all backed by taxpayers. A large portion of this $50–70 billion supports industrial and large-scale infrastructure projects in politically and commercially risky environments in which the private sector often would not venture on its own without the protective cushion of public money.

As I write this, ECAs from Japan, the United States and the United Kingdom are considering support for Shell's Sakhalin II project, which, as stated above, is posing threats to the environment and human rights. Likewise, Finnish and other Nordic ECAs have been most active in supporting highly polluting and socially disruptive pulp mills and plantation forestry on land traditionally occupied by smallholders, as well as on the land of the indigenous Tupinikim and Guarani peoples in Brazil.

The world is dotted with oil pipelines, large dams, chemical plants, forestry and plantation schemes that only exist as a result of ECA support. One of the more prominent examples of an ECA-supported project is China's Three Gorges Dam, a project that requires the forcible resettlement of 1.8 million people. Amid growing domestic opposition to the project, China's State Environmental Protection Administration (SEPA) has recently begun to use its limited powers to halt the destruction caused by the world's largest hydroelectric power project, threatening to take the project operators to court.

In Africa, US and French ECAs supported an international oil consortium led by Exxon-Mobil to build the Chad-Cameroon oil pipeline. This multi-billion dollar project has led to increased impoverishment and to serious public-health problems in the oil-producing region and along the pipeline route [see Brodnig article].

In addition to the political repression and human rights violations associated with many ECA-funded projects, ECAs also play a more direct role by supporting arms and military exports that often help to strengthen autocratic governments and fuel conflict.

When ECAs provide support for private-sector investment in developing countries, they usually require a counter guarantee from the government in the host country. As a result, support for a private investment turns into public debt in developing countries. ECA funding is now responsible for a considerable portion of the crushing debt burden afflicting many countries—about one quarter of total foreign debt of developing countries is owed to ECAs. Much of this debt should be considered illegitimate in so far as the investments it supports are tainted with environmental and human rights abuses as well as with corruption.

Corruption is a major problem. ECAs meeting regularly in the Working Group on Export Credits and Credit Guarantees (ECG) of the Organization for Economic Cooperation and Development (OECD) in Paris took a small step in 2000 in addressing corruption. They now require that companies sign a document stating that they will not pay bribes to foreign officials.[3] This is clearly insufficient. While western leaders are calling on African governments to tackle corruption, press reports indicate that they put little pressure on their own ECAs to clean up their act. For instance, the UK ECA, the Export Credits Guarantee Department, has done little to investigate allegations that its client, the British subsidiary of the US energy giant Halliburton, has paid more than $172 million in bribes during a large-scale Nigerian gas project. In response to greater public scrutiny, ECAs are now planning to discuss strengthened anti-corruption measures.

Starting in 1996, NGOs from the global South and North have joined forces to advocate transparency and rigorous social and environmental policies to be adopted by all ECAs.[4] These efforts have generated notable pressure for change. According to the 2004 Global Development Finance Report, the flagship publication of development finance, NGO scrutiny and demands for transparency as well as binding environmental and social standards have led ECAs to move towards positive reforms.[5]

Indeed, in December 2003, ECAs meeting at the OECD adopted a set of recommendations known as the Common Approaches. These recommendations represent a step in the right direction, since they require ECAs to benchmark their own policies against those of the World Bank Group and regional development banks. As a result, many ECAs have now hired in-house environmental expertise. But the Common Approaches still contain far too many loopholes. For example, ECAs are not obliged to adopt minimum standards of environmental performance, and there are no requirements for consultation with affected people, even when projects are likely to have severe impacts on their lives. In addition, many ECAs continue to operate in great secrecy, refusing even to publish the list of projects they support.

Public funding for ECA-supported activities all too often contributes to the destruction of local livelihoods and the environment. Greater public awareness of ECAs is critical to achieving the fundamental reforms required to ensure that ECA support is limited to socially beneficial and environmentally responsible investments.