

IISD STATEMENT ON TRADE & SUSTAINABLE DEVELOPMENT

■■■ INTRODUCTION

The Seattle Ministerial conference represented a standoff in the increasingly tense debate on the benefits or otherwise of trade liberalization. It is time now to move beyond the rhetoric to address the real issues underlying trade and sustainable development.

IISD would like to make its contribution by stating in clear, simple and unequivocal terms its position on trade and sustainable development. Although we expect some to dissent from our views or to take issue with one or other part of the statement, we hope that like-minded organizations will find a rallying point in this statement, and that those who hold views that differ from ours will be impelled to articulate them as a contribution to the debate. We welcome discussion of the statement and regard it as a continual *work in progress*.

The statement is aimed at those working on international trade policy, and especially those concerned with the issues that arise at the interface between trade, development and the environment. It makes no attempt to be comprehensive; instead, it communicates the messages which IISD feels are most important at this critical juncture in the development of the international trading system and which can be accommodated in a statement of four pages.

■■■ THE CURRENT SITUATION

IISD believes the following:

- Sustainable development cannot be achieved—especially in the developing countries—without substantial economic growth and changed patterns of investment.
- Trade and foreign investment are important drivers to achieve the economic growth that could make sustainable development possible. International trade also obliges countries to co-operate in other areas and links their interests, creating conditions for peace and stability. Lack of international trade can awaken latent tendencies toward nationalism and may undermine international co-operation.
- At the same time, not all economic growth supports sustainable development. Indeed, the apparent disregard of the trade policy community for the sometimes harmful effects of trade-generated growth is one of the sources of tension with the environmental and development communities.
- Trade liberalization and sustainable development are not unavoidably incompatible. Trade liberalization can advance sustainable development goals, just as it can retard their achievement. The difference depends on how policies in the respective areas are crafted, and how negotiations in the respective areas are linked. The lack of linkage—or even sustained dialogue—between the different policy arenas has led to trade policies that inadequately support—and sometimes undermine—sustainable development.
- The same can be said for foreign direct investment. Appropriate investment can spur sustainable development, but much investment in developing countries has been environmentally, socially and often economically questionable.
- The overwhelming imperative is to provide economic and livelihood opportunities, especially in the developing countries. Along with investment, expanding trade offers a way to create such opportunities by providing improved access to foreign markets, notwithstanding the often negative experience that developing countries have with both.
- The urgent desire for more investment and better trade opportunities is widely shared among developing countries, though their current focus lies with implementation issues rather than with a new Round.

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WTO & THE QUESTION OF A NEW ROUND

- The World Trade Organization is the forum that administers the rules-based multilateral system governing international trade. A rules-based system tends to be particularly important for the weaker participants, since the stronger ones can use their economic power to achieve their ends. This explains the strong support for the WTO—and especially for its core principles of non-discrimination, predictability, stability and transparency—among developing countries and economies in transition, and the urgency with which further developing countries continue to apply for membership.
 - The WTO is unique in combining a set of binding rules with a powerful mechanism for dispute settlement and the possibility of imposing economic sanctions to enforce compliance.
 - The WTO is also the principal forum at which existing multilateral rules are reviewed and new rules negotiated. The negotiation process works through trade-offs between and among countries and interests. Trade-offs can only convincingly be made in the context of negotiations. Substantial trade-offs are usually achieved only during broad negotiation rounds, which greatly increase the scope for such trade-offs.
 - In the context of trade negotiations, trade-offs do not necessarily lead to one side losing and the other winning; they can lead to solutions where both sides benefit. The newly found power of the developing countries may lead to a positive link between attention to addressing implementation issues and agreement on a new Round.
 - When no comprehensive round of multilateral trade negotiations is underway, the scope for negotiating changes in trade rules or new concessions in key areas of national interest can be greatly diminished. This can be disadvantageous to those for whom the existing rules are not working well or whose interests would be served by agreeing to rules in new areas.
 - Negotiations are successful only when the agenda is clear and well balanced. The proliferation of new themes taken on by the WTO is beginning to make the agenda extremely complex. An effort must be made to identify those issues (and the aspects of those issues) that must be on the WTO agenda because, for example, they are strongly linked to trade policy or because trade-related conflicts risk affecting them negatively.
 - Many core environmental issues essential to sustainable development must be on the WTO agenda because they have strong trade-related implications at the international level, such that recognizing national environmental preferences is not sufficient. A sophisticated and multifaceted international environmental regime already exists, and it is imperative that the synergy between it and the trade regime be optimized.
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REGIONAL INTEGRATION AGREEMENTS

- The WTO is not the only international trade forum. Regional integration agreements have pioneered new approaches to resolving social and environmental issues related to trade, to examining the sustainability and trade policy linkages innovatively, and to allowing openness and participation in the trade policy debate so far unknown in the WTO.
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DEVELOPING COUNTRY INTERESTS

- The states grouped under the title developing countries are considerably diverse, from major and sophisticated trading powers to others still heavily dependent on development assistance, and WTO membership does not break down easily along the classic North-South divide. Nevertheless, Seattle contributed to strengthening the sense of solidarity among developing countries.
 - The developing countries generally feel that the existing rules, including those agreed to during the Uruguay Round, do not treat them fairly. As well, developing countries have encountered serious implementation problems, either because some of the agreements have been applied in bad faith, or because issues have arisen that were not foreseen at the time of negotiation.
 - Addressing these issues is a precondition for building the confidence necessary eventually to launch a new Round. This process must take place within the WTO.
 - Thus, advancing the trade interests of the developing countries requires a functioning WTO (in addition to appropriate regional fora), one whose rules protect the interests of the weaker members.
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■■■ THE LEGACY OF SEATTLE

Seattle failed to agree to an agenda for a new round of talks. Perhaps worse, it damaged the basis of trust on which progress depends. It did so in many ways. The most significant, perhaps, was by reinforcing the feeling of exclusion experienced by many developing countries and by civil society. It also did so through the evident reluctance of the developed countries to address the implementation issues that are of central importance to the developing world.

IISD believes the following:

- Trade policy will make slow progress in the WTO context until trust can be rebuilt, especially with the developing countries. This will require putting development issues front and centre. It will also require addressing the issues on the organization and functioning of the WTO that have hampered the meaningful participation of developing countries in the work of the organization.
- This will need to include a serious effort at building the capacity in developing countries to identify, articulate and defend their interests in the WTO and more generally in the context of international trade so as to implement the agreements and take advantage of the opportunities that they afford.
- And it will require finding ways to incorporate the views of the broad range of stakeholders concerned that trade liberalization should not simply benefit commercial interests but also contribute to environmentally sustainable and socially equitable development for all.

■■■ THE SUSTAINABLE DEVELOPMENT AGENDA

- Addressing development priorities in the WTO will not, in itself, lead to sustainable development. Nor will a single-minded focus on the environmental issues that are encountered in the trade context.
- The single-mindedness with which environmental interests have pushed their agenda in the WTO, often to the exclusion of legitimate development concerns, resembles the single-mindedness with which free trade advocates pursue their cause. This lack of sensitivity to other agendas has created a backlash from developing countries.
- This backlash has been made worse by the environmental community insisting only rarely that legitimate environmental considerations in trade must, to the extent possible, be kept far from what is effectively green protectionism.
- The relationship of the environment with the trading system is entirely different from the relationship of labour with the trading system. The former requires extensive international co-operation, and a complex international environmental regime has been built in response to that requirement. The WTO must, at a minimum, deal with the issues that arise at the interface between the international environmental and trade regimes.
- Separating the environment and labour, while necessary in the trade context, will be difficult because labour rights, social justice and environmental protection are often a common cause in other areas of sustainable development concern.
- While they are to some extent inescapable, labour issues do not merit a central place in the WTO because they can largely be resolved by national measures and through co-operation in the ILO, where trade unions have a recognized position.
- The perception persists that the environmental agenda at the WTO is being pushed by Northern countries and that it is of secondary interest to most developing countries. A more balanced environmental agenda is needed because a range of legitimate and urgent environmental issues are of concern to the developing countries, but are not making their way far enough up the agenda.
- It is a mistake to regard developmental and environmental issues as separate and largely unrelated. The issue for the WTO is sustainable development. Environmental goals cannot be reached without equity for the developing countries, whereas developmental goals cannot be pursued in a way that further undermines the environment.

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SOME SUGGESTED ACTIONS

IISD recommends that:

- Those organizations that broadly share these views should work together to support constructive efforts at reforming the WTO and the multilateral trading system.
- That reform should focus on the following:
 - the WTO articulating—and accepting to be held to—the goal that the multilateral trading system must support and, if possible, advance sustainable development worldwide;
 - openly addressing—and giving priority to—the range of impacts which result from trade liberalization, whether on small producers, rural poor, economic growth or the environment;
 - making a concerted effort to look at ways in which the trade regime and the international environmental regimes can be made fully compatible and mutually supportive, including through conducting sustainability reviews of existing and new trade agreements;
 - finding ways for developing countries to participate more equitably in the work of the WTO;
 - greatly increasing capacity, especially that of both governments and civil society in developing countries, to promote trade policy and to argue for reforms in the WTO that support and advance sustainable development;
 - openly addressing and giving priority to the implementation issues which have bedevilled the Uruguay Round agreements, including the possibility that some agreements may require amendment; and
 - expanding opportunities for participation by civil society organizations in further developing trade policy at the national level, while promoting increased external transparency at the WTO.
- These reforms should be undertaken in a way that recognizes and reinforces the rules-based nature of the trading system, as well as the fact that public authorities have the ultimate authority to make rules. Nevertheless, there are significant international interests on which important functions are to be entrusted to actors outside the state. WTO rules by now impinge upon the interests of many constituencies, which may therefore be considered to have a legitimate voice on trade policy.
- The environmental community clearly and openly condemn blatant protectionism as bad for trade, bad for development and bad for the environment, and that they refocus their efforts on developing an environmental agenda in the WTO with which both developed and developing countries can identify.
- The environmental community support efforts to create a rules-based structure that minimizes conflicts between trade liberalization and the needs of environmental management. Although it is notoriously difficult to do so, it is only by agreeing to appropriate disciplines in this regard that it will be possible to deal with the real risk of green protection.
- It be recognized and accepted that the balance of power is changing in the WTO, with the developing countries taking their rightful place. Nothing can be done on the environment and sustainable development without their support.

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