

Striking a Balance for Trade and Sustainable Development

Nicola Borregaard *CIPMA, Chile* and Mark Halle *IISD, Switzerland*

We must try to put in place an international trading system that contributes to sustainable development. This will come about if trade policy at the international level is built from the bottom-up, through democratic processes at the national level that balance the interests of different stakeholders within a regulatory and institutional framework that safeguards social equity and environmental protection. It also requires an international system that guarantees adequate participation of all nations in defining the trading system, and an agreed code of conduct on how the rules should be applied.

Few issues have captured the public imagination in recent years as much as the dangers posed by rapid trade liberalisation – dangers to culture, tradition and ways of life, to the development prospects of poor countries, to genuine democracy and to the global environment. The image of rioters clashing with police in Seattle remains a potent symbol of the polarisation that surrounds trade liberalisation.

Until recently, trade liberalisation was uncontroversial. It appeared to stimulate economic growth and to consolidate co-operative relations among peoples, undermining closed-minded nationalism and fostering openness. Yet in the seven short years since the conclusion of the Uruguay Round and the establishment of the World Trade Organisation (WTO), trade policy has become increasingly vexed, and the number of people who hold a negative view of it is growing rapidly.

What went wrong with trade policy?

Whether justified or not, trade liberalisation carries much of the blame in the public eye for the dislocation and negative impacts of globalisation. Globalisation itself is associated with the increasingly discredited macroeconomic paradigm known as the *Washington consensus*. This 'consensus' –

that rapid opening of domestic markets to trade and capital flows would offer a sure road to prosperity – has not lived up to its promise.

It is now clear that any benefits derived from globalisation depend on a range of conditions being in place – access to investment, access to technology, existence of an adequate policy, regulatory and institutional infrastructure, and the human capacity to understand where the openings lie and how they may be exploited. In the absence of these, trade liberalisation increases the inequities among and within countries.

Following the Uruguay Round, trade policy has moved aggressively into areas – food safety, intellectual property rights, product standards – once the preserve of domestic decision-making. Backed by commercial interests, trade policy can often impose itself on other policy areas with weaker support. The sense of threat felt by people in the social and environment fields is very real.

Many of the benefits promised to developing countries in exchange for their acceptance of the Uruguay Round agreements have been undermined by the revelation that some of the agreements are flawed or imbalanced (eg. Trade Related Intellectual Property Rights), that others are being implemented in bad faith (eg. Textiles), or that their even-handed application is being blocked by a few powerful members (eg. Anti-Dumping).

KEY CHALLENGES:

- **Harness trade and economic growth so that they support the fundamental principles of sustainable development – greater social equity and the sustainable use of natural resources**
- **Ensure that the trade policy process is open to all legitimate stakeholders, not just narrow commercial interests**
- **Increase support to developing countries to enable them to take advantage of more open trade**
- **Develop initiatives such as the Sustainable Trade Centre which can demonstrate that sustainable development is a means to greater equity in world trade, not a barrier**
- **Use the Johannesburg Summit as an opportunity to advocate these changes, and insist that sustainable development represents the only legitimate goal for international trade policy**

However, it is too often forgotten that trade liberalisation can be extremely positive for development and for the environment. It can open countries to currents of democracy, good governance and respect for human rights – the foundation of modern development. It can lead to the replacement of inefficient, polluting technology with more modern equipment. It can generate the wealth needed to address development problems, and a rising standard of living will usually lead to a stronger demand for environmental quality.

Trade liberalisation: 7 steps towards sustainability

How, then, to find the balance? How can trade policy, and the institutions that govern trade relations among countries, recover their legitimacy?

The first step is to recognise that trade liberalisation is not an end in itself, but a vehicle that serves a greater purpose. The notion that pure economic growth, or aggregate statistics, can serve as the ultimate goal of trade liberalisation is no longer acceptable. Trade liberalisation must not only generate economic growth, it must contribute to increased equity among and within countries, and it must lead to the sustainable use of the environment and its resources. In short, to recover its legitimacy, trade liberalisation must dedicate itself to sustainable development. Trade liberalisation will not recover its legitimacy until it is embedded in a broader framework of social and environmental concern.

The second step is to develop agreed screens and tests that assess trade agreements and proposals against the agreed goals set for the trading system. Existing agreements should be amended or renegotiated if found to be incompatible with the broader goals. New agreements should be adopted only once they have been certified to have a neutral or positive impact on sustainable development.

The third step is to move beyond the 'one size fits all' approach to trade agreements, and into models that accept that trade disciplines may be tailored to the particular situation of individual countries or groups of countries, on the model of the General Agreement on Trade in Services or the expanded use of Special and Differential Treatment, basing differentiation not only on differences in Gross Domestic Product, but on criteria that relate to sustainable development.

The fourth step is to bring about a sharp increase in the support available to developing countries to enable them to take advantage of the opportunities that more open trade affords them, and to defend themselves against attempts to exploit their weaker status. A serious attempt to address the developing countries' implementation agenda – improving access to traditionally closed markets in developing countries, and balancing agreements that have proved to have an anti-development bias – is also urgent. The proposal that an independent Sustainable Trade Centre be established to focus European Union efforts in this area should be strongly supported.

The fifth step is to negotiate a general understanding between the trade regime and the regimes governing other areas of public policy, in particular those governing development and environment, such that trade liberalisation strengthens and supports them rather than posing a threat. An understanding between the WTO and the Multilateral Environment Agreements is well within reach, and should serve as a model for similar agreements on labour standards and human rights. It must, however, be accompanied by a strengthening of the multilateral regimes in these areas as well.

The sixth step is to seek considerably greater openness and participation in the trade policy process, at the national, regional and multilateral levels. The national trade policy process should be open to all legitimate stakeholders, and should seek a better balance among competing national interests. It is no longer acceptable for narrow commercial interests to speak for whole nations.

The seventh is to put a great deal more emphasis on the relationship between the multilateral, regional and bilateral trade agreements, so that what is conceded at the multilateral level is not taken back through regional or bilateral agreements.

The challenge for Johannesburg

The value of the Rio process was that it looked beyond competitive national and regional interests to the requirements of a world characterised by a healthy environment and a satisfactory standard of living for all. The idealism of Rio no doubt led it to fall short of its goal, but nothing that has happened in the past ten years has indicated that the goal was wrong or that it was foolish to try.

In the intervening ten years, we have lived through an era of unprecedented growth and prosperity, accompanied by an increase in poverty, marginalisation and inequality. We have lived through the Asia crisis and the collapse of the Washington consensus. We have witnessed the crises of the World Bank, the International Monetary Fund and the WTO. We have seen the massive backlash against globalisation and the questioning of our economic models. We have lost faith in the generosity of the richer countries, which matched unprecedented prosperity with dwindling support for development co-operation.

The outlines of the new paradigm are clear. We need economic growth, and we need the trade and investment that fuel it. Yet we need to ensure that the prosperity generated is harnessed to the broader goal that Rio sought to define, and which WSSD has embraced in its title – sustainable development. That goal is not beyond our reach. ●