



WTO and Sustainable Development

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The World Trade Organization (WTO) Ministerial Conference in Seattle will be a defining moment for the world's commitment to sustainable development. It will also be a defining moment for U.S. leadership on sustainable development.

The WTO is the international entity responsible for overseeing implementation of the Global Agreement on Tariffs and Trade. The WTO agreement explicitly states that trade should be conducted "in accordance with the objective of sustainable development." As the agreement recognizes, trade is a means of achieving sustainable development; it is not an end in itself. It is time to hold the WTO and its member states to that objective.

Sustainable development is not a buzzword or another way of talking about environmental protection. It is a framework for reconciling key international goals, and it applies to national actions as well.

Key Points

- The WTO should be judged against its explicit objective—sustainable development, a term that includes economic and social development and environmental protection.
- The U.S. has no commitment to sustainable development and uses international trade laws primarily for its own economic development.
- The U.S. needs to play a leadership role in the WTO to make trade, environmental protection, and social development mutually supportive.

Understanding sustainable development requires an understanding of development, a misused term that has a specific meaning in the international community. Development is intended to improve the quality of human life and generate opportunity by fostering peace and security, human rights (or social development), and economic development. But this cannot occur without a fourth component—supportive national gov-

ernance. An international consensus about these goals grew out of World War II and the Great Depression. This understanding of development is taken directly from a variety of international agreements, U.N. General Assembly Resolutions, and reports of the U.N. Development Program.

Since World War II, development has accomplished much good. People are living longer, more people are enjoying a higher standard of living, and we have not experienced a third world war. This is due in part to the 1947 Global Agreement on Tariffs and Trade.

But the post-World War II development model has two failings, according to *Our Common Future*, the 1987 report of the World Commission on Environment and Development. The number of people living in poverty is now greater than

ever, and widespread environmental degradation is occurring in every region of the world.

The Commission found that each of the four basic components of development—peace and security, social development, economic development, and supportive national governance—required protection, and even restoration, of the environment. Continued development is compromised and even prevented by inattention to the environment. People have fought over water and scarce resources. Environmental contamination and disease kill people or prevent them from living decent lives. People cannot earn a living from fishing when there are few fish to catch. Governments that do not protect their environment thus undermine their own development goals.

At the United Nations Conference on Environment and Development (or Earth Summit) in 1992, the nations of the world endorsed sustainable development as a response to these problems. Sustainable development adds another component to the traditional development model—environmental protection and restoration. More fundamentally, it redefines progress. Instead of seeing progress in terms of traditional development—and tolerating environmental degradation—sustainable development means that we must also simultaneously seek progress in overall environmental quality. The nations of the world adopted a statement of principles (the Rio Declaration) and a plan of action (Agenda 21) to realize sustainable development.

Concerning trade, the Rio Declaration urges states to "promote a supportive and international economic system that would lead to economic growth and sustainable development in all countries, to better address the problems of environmental degradation." Similarly, Agenda 21 states that the "international community should provide a supportive international climate for achieving environment and development goals" by, among other things, "[m]aking trade and environment mutually supportive." In 1994, when GATT was amended and the WTO created, sustainable development was incorporated into the WTO's goals.

At century's end, however, the world generally is moving away from sustainable development rather than toward it. Trade is not the only reason, but it is a major reason. Global GDP has risen by five times since 1950 and could be four or five times its present size by 2050. The world's natural systems, however, are being undermined by unsustainable use and exploitation as well as grave imbalances between those who benefit from that exploitation and those who are burdened by it. A recent U.N. Environmental Programme report concludes that environmental protection is "lagging behind economic and social development."

The U.S. made a formal commitment to sustainable development at the Earth Summit in 1992 when it agreed to Agenda 21 and the Rio Declaration. But despite the hoopla—and despite international agreement that “[h]umanity stands at a defining moment in history”—U.S. law and policy have changed very little.

The U.S. has no coherent overall commitment to sustainable development. It has not educated the general public about the need for sustainable development or its implications and has achieved relatively little concerning sustainable development since the Earth Summit. This is true of trade as well as other issues, including climate, resource consumption, and biodiversity. Both Congress and the administration share the blame for this failure.

The U.S. has stated that trade is simply a means to an end and that the end is sustainable development. But the United States has not taken specific and serious actions that are consistent with that conclusion.

In fairness, the U.S. has advocated greater transparency in WTO decisionmaking, particularly the dispute settlement mechanism, and is advocating trade actions that would be environmentally beneficial (e.g., elimination of trade barriers for environmental goods and services, and elimination of agricultural and fisheries subsidies that foster unsustainable development).

But these are tentative steps in the right direction, prompted largely by the urging of nongovernmental organizations. And although the U.S. has taken prominent positions on such issues, it has not done a particularly effective job of persuading other countries to support its position, nor has it worked constructively to resolve the concerns of other countries. The U.S. positions, in sum, are not the steps that would be urged by a nation that aspires to international leadership. If the United States had a strategic vision for sustainable development, it would work more

aggressively to make social and environmental matters equal in importance to trade. The essential ingredient is commitment, and that ingredient has been missing.

More basically, perhaps, the United States uses trade—both directly and indirectly—to foster unsustainable development. A core responsibility of the U.S. and other developed countries is to create workable models of sustainable development that are not merely functional but that are obviously more attractive than the development approach they are currently using. With 5% of the world’s population, the U.S. was responsible for 24% of the world’s energy consumption and nearly 30% of the world’s materials consumption in 1993. In addition, the U.S. ranks last among OECD countries in percentage of GDP that is provided for official development assistance—assistance that would help

developing countries protect health and the environment, and that would thus make trade more consistent with sustainable development. The U.S. has also used GATT rules to create markets for U.S. products in other countries in ways that hurt sustainable development in those countries.

These include, but are certainly not limited to, a case in which the U.S. Trade Representative sided with U.S. cigarette manufacturers to win a GATT ruling to force Thailand to open its markets to those manufacturers. When the U.S. raises such trade issues, it subordinates health and the environment to trade.

Key Problems

- The U.S. has no overall domestic or international commitment to sustainable development and no vision or strategy for attaining it.
 - The U.S. is not demonstrating leadership toward sustainable development in international trade.
 - The U.S. seems to be using trade to move away from sustainable development.
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Toward a New Foreign Policy

The U.S. should articulate a positive and compelling vision of what sustainable development would mean for the world’s nations and integrate that vision into its domestic and foreign policy, including its trade policy. The United States should exercise that leadership in the WTO and other forums.

U.S. Leadership in the WTO

The WTO needs to be part of the effort to achieve sustainable development, not part of the problem. The United States should exercise leadership in the WTO to achieve the following outcomes. Although many of the examples relate to environment, these recommendations also apply to labor, health, and other aspects of sustainable development.

Elimination of Subsidies That Contribute to Unsustainable Development. WTO parties should phase out subsidies for environmentally unsustainable activities, including subsidies that contribute to fisheries overcapacity. The elimination of such fishing subsidies has been proposed by New Zealand, Iceland, and the United States.

The parties should find other ways to apply the WTO’s legal authority concerning subsidies to support sustainable

development. For example, it is widely recognized that the use of fossil fuels is subsidized by governments in ways that often increase their use and that the use of fossil fuels contributes to global warming. The Kyoto Protocol specifically identifies elimination of national subsidies as one means of achieving greenhouse gas reductions. Subsidies for fossil fuels distort the prices charged for those fuels and create substantial economic distortions in the debate over the cost of Kyoto Protocol compliance.

Consideration of Sustainable Development in New Trade Agreements. No trade-related agreement should be negotiated or allowed to go into effect unless a sustainable development impact assessment is first prepared and subjected to public review. The assessment should describe the impact of the proposed agreement on the environment, on social development and human rights (including labor), on peace and security, and on national governance that is supportive of those goals. The assessment should also describe alternatives to the proposed agreement, including alternatives relating to the special situation of developing countries, and particularly the least developed countries.

Integration of Sustainable Development Goals into New Trade Agreements. No trade-related agreement should be allowed to go into effect unless the parties are satisfied, after public review, that the agreement would actually further not just economic development but also environmental protection, social development and human rights, peace and security, and supportive national governance. It is not enough to consider the effects on these goals. Trade agreements should actually further these goals, or at least not interfere with them. Procedural reforms to WTO's Committee on Trade and Environment will not achieve this result.

The parties should also find additional ways to make GATT and multilateral environmental agreements mutually supportive. When negotiations relating to a particular economic sector begin, for example, and there is no multilateral environmental agreement in place concerning that sector, there should be preliminary discussion on whether it would be appropriate to have multilateral environmental standards and procedures applicable to that sector. (These standards would include process and production methods.) Environmental ministries should participate directly in such discussions. If so, then those standards could be negotiated at the same time as, or perhaps even as part of, the trade discussions for that sector. Such negotiations should also include appropriate standards and financial or technical assistance for developing countries.

Key Recommendations

- The U.S. should exercise leadership to move the international trading system toward sustainable development.
- The WTO, with the support and leadership of the United States, should abolish subsidies that contribute to unsustainable development and integrate sustainable development into new and existing trade agreements.
- U.S. actions concerning trade should be part of a broader U.S. vision and strategy for sustainable development that is also applied in other forums.

The standards should include air pollution, water pollution, sanitation, and drinking water—environmental problems that developing countries experience more severely and immediately than most other environmental problems. These problems generally are also not directly covered by multilateral environmental agreements. The *quid pro quo* for increased trade, in short, should be progress in addressing such problems and assistance by developed countries in doing so.

Integration of Sustainable Development Goals into Existing Trade Agreements. Where trade agreements already exist (e.g., for products), the parties should facilitate the negotiation of international agreements concerning process and production

agreements relating to products. These agreements should include, but not necessarily be limited to, extended producer responsibility, ecolabeling, and the greening of public purchasing. These agreements also should apply to air pollution, water pollution, and similar problems experienced severely by developing countries, and should include appropriate assistance. The WTO agreements should also be amended, or interpreted by the parties, to provide a more balanced test for the availability of the Article XX(b) and XX(g) exemptions for measures to protect “human, animal or plant life or health” or conserve “exhaustible natural resources.” In addition, the WTO agreements should expressly protect domestic actions taken pursuant to multilateral agreements and allow unilateral actions where necessary to protect the national interest.

U.S. Leadership in Other Forums

Many of the changes required to make trade supportive of environmental and social goals cannot be achieved by WTO alone. Unless the United States exercises leadership for sustainable development in all relevant international and domestic forums, it will continue to miss many opportunities to improve the environmental and social effects of trade.

Greater Assistance to Developing Countries for Sustainable Development. The Earth Summit bargain between developed and developing countries was that developed countries would provide financial and technical assistance to developing countries to help developing countries achieve environmental and social goals. The developed countries have not kept that bargain. Developed countries (including the U.S.) need to increase official development assistance, to assist technical and governmental capacity building, and to provide access to environmental technology and know-how on preferential terms. Creative means of financing this assistance should also be seriously considered (e.g., debt for environmental and health protection swaps, or a small tax on global trade and capital flows).

Creation of International Institution for Sustainable Development Comparable to WTO. There is no organization equal in influence to the World Trade Organization concerning the environmental aspects of sustainable development. Such an institution should thus be created, probably by combining existing organizations (e.g., Commission on Sustainable Development, U.N. Environment Programme, secretariats of various multilateral environmental agreements). The consolidation of environmental organizations would be in addition to the integration of environment into existing WTO operations.

Domestic Efforts to Achieve Sustainable Development. The U.S. and other developed countries must demonstrate by their own domestic actions, including actions concerning trade, that sustainable development provides better quality of life for their citizens and for succeeding generations.

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World Wide Web

Trade and Environment Database
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International Centre for Trade and Sustainable Development
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