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**Overview Paper on
Issues and Future Perspectives in Trade and Sustainable Development in Asia
and the Pacific***

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Kenichi Imai
Research Fellow
Institute for Global Environmental Strategies

I. Introduction

The issue of trade and sustainable development is important particularly for Asia and the Pacific region because the continuation of the region's prosperity and dynamism depends heavily on the maintenance of open, liberal trade and investment regimes.¹ Economic development through trade liberalization in the region must be socially and environmentally sustainable by alleviating poverty while protecting the environment.

This paper aims to provide an overview of the issues and future perspectives in trade and sustainable development in Asia and the Pacific region with particular attention to the effects of trade liberalization on poverty and the environment.

In the next section the trends in trade and sustainable development since the United Nations Conference on Environment and Development (UNCED) in June 1992 will be assessed. The assessment will cover global and regional mechanisms for sustainable development through trade liberalization. In section III the paper will review the current debate on the main issues in trade and sustainable development including those raised at the meetings such as the East Asia and the Pacific Eminent Persons Regional Round Table held in Kuala Lumpur, Malaysia, in 9-11 July 2001, Central and South Asia Eminent Persons Regional Round Table in Bishkek, Kyrgyzstan, in 30 July-1 August 2001, High-level Regional Meeting for the World Summit on Sustainable Development in Phnom Penh, Cambodia, in 27-29 November 2001, and Ministerial Conference of the World Trade Organization in Doha, Qatar, in 9-14 November 2001. In section IV the paper will examine new initiatives launched by leading international organizations and explore future policy directions towards sustainable development through trade liberalization.

II. Trends in trade and sustainable development since the UNCED

1. Trend in trade

A great expansion of trade liberalization

Multilateral, regional and unilateral trade liberalization has been greatly expanded in the past. Particularly multilateral trade liberalization under the GATT and the WTO, which was established in 1995 as a successor to the GATT, has led to significant tariff reductions as well as stronger and more comprehensive trade rules.²

¹ *Priority Issues in Trade and Investment Liberalization: Implications for the Asia Pacific Region* (Singapore: Pacific Economic Cooperation Council, 1996), Ch. 12, p. 151.

² The United Nations Conference on Trade and Development & the Department of Economic and Social Affairs of the United Nations, "Finance and trade" (Report of the Secretary-General prepared for Commission on Sustainable Development acting as the preparatory committee for the World Summit on Sustainable

However, high tariffs have persisted in some sectors such as raw material-based products and processed products (including major agricultural staple foods products; fruit, vegetables, fish, etc.; textiles and clothing; footwear, leather and travel goods) that are of particular importance to exporters in developing countries, making it difficult for developing countries to enter into the market of such sectors.³ Despite multiple efforts at reform, many of least developed countries have not been able to reap the benefits from trade liberalization.⁴

An increase in trade volume

Table 2.1 indicates the extent of globalization since the UNCED. The share of total world merchandise trade (exports plus imports, by value) in nominal total world gross domestic product (GDP) increased from 32.5% (22.9% for industrial countries and 9.6% for developing countries) in 1992 to 38.8% (26.2% for industrial countries and 12.6% for developing countries) in 1999. There are three factors behind this growth.⁵ The first factor is the decline of barriers to international trade such as tariffs and quotas. The second factor is the substantial drop in the costs of transportation and communication. And the third factor is that intensifying international competition among firms has accelerated research & development expenditures for increasing product quality in the industrial countries and has increased technology-embodied capital goods imports in developing countries, particularly in Asia, as firms have competed in global markets by using borrowed technology to produce goods at lower cost.

Table 2.1 Total World Merchandise Trade (percent of world GDP)

	1992	1993	1994	1995	1996	1997	1998	1999
World	32.5	31.8	33.7	36.4	37.2	38.9	38.8	38.8
Industrial Cs	22.9	21.7	22.8	24.5	24.7	25.5	26.2	26.2
Developing Cs	9.6	10.1	10.9	11.9	12.5	13.4	12.6	12.6

Source: Asian Development Bank, *Asian Development Outlook 2001*, p.162.

Trend in increasing trade volumes can be seen in Asia and the Pacific. Table 2.2 and Table 2.3 indicate constant growth in merchandise imports and merchandise exports during the past six years except the year 1998 immediately after Asian financial crisis in 1997.

Development, Organizational session, 30 April- 2 May 2001), p. 5.
³ Ibid. p. 5.
⁴ Ibid. p. 5.
⁵ Asian Development Bank, *Asian Development Outlook 2001*, Ibid. p. 162.

Table 2.2 Growth Rates of Merchandise Imports in Asia and the Pacific

(percent per year)

	1995	1996	1997	1998	1999	2000*	2001*
NICs	22.9	5.2	3.1	-19.3	7.6	25.2	7.3
Central Asia	29.7	24.1	- 0.3	- 9.7	-14.6	-11.7	24.4
Southeast Asia	34.1	5.7	- 0.6	-26.4	8.1	22.9	16.1
South Asia	21.6	12.5	2.3	- 5.7	10.5	11.4	6.8
Pacific	10.2	13.1	0.0	-22.2	2.0	-16.3	8.7
Average	24.3	7.7	2.2	-17.2	9.0	25.0	11.4

Source: Asian Development Bank, *Asian Development Outlook 2001*, p.220.

*: Figures of years 2000 and 2001 are estimates

Table 2.3 Growth Rates of Merchandise Exports in Asia and the Pacific

(percent per year)

	1995	1996	1997	1998	1999	2000*	2001*
NICs	20.8	4.6	4.0	- 8.2	5.5	19.6	7.5
Central Asia	48.6	9.1	7.9	-16.1	0.4	25.4	- 0.3
Southeast Asia	23.8	6.1	7.3	- 4.7	11.5	17.8	8.6
South Asia	20.2	6.5	4.8	- 0.1	5.8	15.5	10.6
Pacific	13.0	1.6	-13.1	-17.7	13.4	0.2	- 3.4
Average	22.2	6.9	7.3	- 5.7	6.9	20.5	8.3

Source: Asian Development Bank, *Asian Development Outlook 2001*, p.220.

*: Figures of years 2000 and 2001 are estimates

Trade and its impacts on economic growth & poverty reduction

The increased flows of goods, services, and investment funds including FDI across national boundaries appear to be associated with rising world economic growth. Trade enables developing countries to import capital and other intermediate inputs that are critical to long-run growth and a more open trade regime encourages competition between local and foreign firms, thereby raising the productivity of domestic firms.⁶

The rapid economic growth of Asia in the last three decades, particularly of the newly industrialized economies (Hong Kong, China; Republic of Korea; Singapore; and Taipei, China) as well as the economies of Southeast Asia, has been widely documented. This rapid economic growth occurred through export-led growth accompanied by high savings and investment rates, competitive pricing, a supportive macroeconomic framework, inflows of new technology, and a

⁶ Asian Development Bank, *Asian Development Outlook 2001*, p. 162.

dynamic response to the changing pattern of overseas demand⁷. "This was a strategy that was eminently successful in much of Asia and one that other developing countries began to emulate."⁸

There are two characteristics to be mentioned relating to trend in trade in Asia and the Pacific. One characteristic is that Asian exporters have increased their market share in traditional manufactured exports through improved quality and competitive prices.⁹ Another characteristic is that trade among developing countries in Asia and the Pacific (NIEs, countries of Central Asia, Southeast Asia, South Asia and the Pacific) has been increasing.¹⁰ For example, exports among developing countries in Asia and the Pacific shared 25.3% of their total exports in 1985, and it increased to 33.3 % in 1999.¹¹

Economic theory and evidence support the proposition that an openness of economies would lead to high rates of economic growth and poverty reduction. A reduction of barriers to trade tends to increase the demand for relatively abundant factors of production. In the case of Asia, these have been initially unskilled and semiskilled laborers (those most likely to be poor).¹² There is a strong negative relationship between the rate of long-run economic growth and the incidence of poverty. The NIEs and Southeast Asian countries, where the development of outward-looking, export-oriented industries resulted in rapid income growth and a reduction in poverty during the 1980s and 1990s, exemplify this relationship. In these two groups of economies, incomes grew at an average rate of over 6 percent between 1987 and 1998 while the poverty rate (the rate percent of the population with an income below \$1 per day) declined from 23 percent to 9.6 percent over the same period. The implication is that openness of economies can promote poverty reduction if it is accompanied by appropriate domestic policies.

However, globalization, in particular the promotion of openness of economies, can increase economic volatility, too, to which the poor are more vulnerable.

2. Trend in trade and sustainable development

Chapter 2 of Agenda 21

Agenda 21, an extensive set of sustainable development issues, which was identified at the UNCED, requires international cooperation in the pursuit of sustainable development.¹³ Chapter

⁷ Ibid. p. 164.

⁸ Ibid. p. 164.

⁹ Ibid. p. 166.

¹⁰ Ibid. p. 168.

¹¹ Ibid p. 219.

¹² Ibid. p. 171.

¹³ *Priority Issues in Trade and Investment Liberalization: Implications for the Asia Pacific Region* (Singapore:

2 of Agenda 21 supports promoting sustainable development through trade liberalization and making trade and environment mutually supportive.¹⁴

A work program in Chapter 2 of Agenda 21 relating to trade and the environment has been pursued in a number of international frameworks, notably the GATT, OECD, UNCTAD and UNEP. In June 1993 efforts in the OECD culminated in an agreement on a set of procedural guidelines for trade and environment, designed to encourage OECD member governments to work towards making national trade and environmental policies more compatible and supportive of each other.¹⁵

To formulate future policy directions of sustainable development through trade liberalization, it is vital to assess the progress achieved in the implementation of the objectives in trade for sustainable development in Chapter 2 of Agenda 21, in order to learn what has been done in the past decade and what has yet to be done.

Uruguay Round

"The Uruguay Round that ended in December 1993 heralded a new era where multilateral trade agreements and negotiations would subject countries much more to the objectives of Northern governments advocating greater and wider market access for their corporations. These were more powerful than the UNCED agreements and products of 1992 and the partnership approach that the latter promised."¹⁶

However, at the conclusion of the Uruguay Round of multilateral trade negotiations at Marrakesh in April 1994, the GATT contracting parties agreed to establish the WTO, which would supercede the GATT in early 1995. Significantly, the Preamble to the agreement establishing the WTO refers to its objective as:¹⁷

expanding the production and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and enhance the means for doing so in a manner consistent with their respective needs and concerns at

Pacific Economic Cooperation Council, 1996). Ch. 12, p. 150.

¹⁴ *Agenda 21*, p. 19.

¹⁵ *Priority Issues in Trade and Investment Liberalization: Implications for the Asia Pacific Region* (Singapore: Pacific Economic Cooperation Council, 1996). Ch. 12, p. 150.

¹⁶ Martin Khor (Director, Third World Network), "Globalization and Sustainable Development and the Choices before Rio + 10".

¹⁷ *Priority Issues in Trade and Investment Liberalization: Implications for the Asia Pacific Region* (Singapore: Pacific Economic Cooperation Council, 1996). Ch. 12, p. 151.

different levels of economic development.

Integration of trade policies and environmental policies

Efforts to integrate trade policies and environmental policies, particularly within the context of the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD) have been made.¹⁸ “Following the UNCED in 1992, the GATT/WTO trade-environment agenda was expanded to include matters raised in Agenda 21 with a view to making trade and environmental policies mutually supportive. With the establishment of the WTO, the GATT Group on Environmental Measures and International Trade was upgraded to a WTO Committee on Trade and Environment to reflect the broadened scope of the WTO Agreements.”¹⁹

Multilateral Environmental Agreements (MEAs)

“Promoting synergies between the WTO and MEAs, and developing an institutionalized, predictable, and widely accepted approach to the use of trade measures for environmental purposes have become major issues.”²⁰

Whether imposing an import ban on the species extinct by reaching agreement of the treaty like CITES is effective as the use of trade measures for environmental protection is viewed differently by supporters of trade liberalization and supporters of environmental protection. Supporters of trade liberalization argues that such measures lead to protectionism using the treaty as an excuse of protectionism (“green protectionism”) while supporters of environmental protection argues that it is effective for environmental protection.²¹

The following are MEAs, which incorporate trade measures into their agreements for environmental protection.

¹⁸ The United Nations Conference on Trade and Development and the Department of Economic and Social Affairs of the United Nations, “Finance and trade”, Report of the Secretary-General prepared for Commission on Sustainable Development acting as the preparatory committee for the World Summit on Sustainable Development (Organizational session, 30 April- 2 May 2001), p.2

¹⁹ Ibid. p. 6.

²⁰ Ibid. p. 6.

²¹ *Priority Issues in Trade and Investment Liberalization: Implications for the Asia Pacific Region*, pp. 152-5.

Montreal Protocol on Substances that Deplete the Ozone Layer (the Montreal Protocol): An agreement first signed in 1987. Signatories agreed to reduce their production of ozone-damaging chlorofluorocarbons (CFCs).²²

Convention on International Trade in Endangered Species (CITES): The convention was initiated in 1973. CITES has been signed by over 100 countries and has been an important mechanism in (or at least restricting) the trade in endangered species and their parts, such as ivory.²³

Basel Convention on the Control of Transboundary Movement of Hazardous Wastes and their Disposal (the Basel Convention): A 1992 convention. Agreement to phase out the dumping or inappropriate disposal of hazardous wastes in developing countries.²⁴

Though MEAs like above mentioned examples could have reduced CFCs, extinction of species, or dumped hazardous wastes, there have been cases where those environmental trade restrictions have been perceived counterproductive, too²⁵.

Growing consumer preference for environmentally friendly products (EFPs)

“Increasingly, market forces have rewarded good environmental performance rather than cost savings at any price. ----- . Growing consumer preference for EFPs has offered new trading opportunities for developing countries. Indeed, a number of developing countries have expanded exports of EFPs.”²⁶

Increasing commitments to better environmental management by transnational corporations

“The main vehicles of trade – transnational corporations – have generally preferred reaping the economies of scale of standardization in environmental management systems in their foreign affiliates rather than exploiting weakness in local legislation. The largest transnational corporations have increasingly been committing themselves to voluntary principles and standards of corporate social responsibility -----.”²⁷

²² R. Quentin Grafton, Linwood H. Pendleton, and Harry W. Nelson, *A Dictionary of Environmental Economics, Science, and Policy* (Cheltenham, UK; Edward Elgar, 2001).

p. 180.

²³ Ibid.

²⁴ Ibid. p. 19.

²⁵ *Priority Issues in Trade and Investment Liberalization: Implications for the Asia Pacific Region*. pp. 153-5.

²⁶ The United Nations Conference on Trade and Development and the Department of Economic and Social Affairs of the United Nations, “Finance and trade”, Report of the Secretary-General prepared for Commission on Sustainable Development acting as the preparatory committee for the World Summit on Sustainable Development (Organizational session, 30 April- 2 May 2001), pp.4-5.

²⁷ Ibid. p.5.

III. Issues in trade and sustainable development

This section reviews main issues in trade and sustainable development, including those raised at such meetings conferences as the East Asia and the Pacific Eminent Persons Regional Round Table held in Kuala Lumpur, Malaysia, in 9-11 July 2001, Central and South Asia Eminent Persons Regional Round Table in Bishkek, Kyrgyzstan, in 30 July-1 August 2001, High-level Regional Meeting for the World Summit on Sustainable Development in Phnom Penh, Cambodia, in 27-29 November 2001, and Ministerial Conference of the World Trade Organization in Doha, Qatar, in 9-14 November 2001.

1. Fundamental Issues

Proponents of environmental protections vs. proponents of trade liberalization

“The starting point for the UNCED-related debate on trade and environment was a series of contentious trade disputes. The environmental communities in some countries viewed the GATT/WTO dispute settlement procedure as a threat to the use of trade measures to support environmental objectives. On the other hand, some proponents of trade liberalization were concerned that the use of trade measures for “extraterritorial” environmental objectives could undermine the multilateral trading system and its economic benefits.”²⁸ The crucial mission of WTO should be not to put trade liberalization over environment, but to expand trade liberalization so that it can facilitate sustainable development by reducing poverty and preventing environment degradation.

Proponents of environmental protection over trade liberalization view that trade liberalization might bring:

- a further disparity of the North and the South;
- more poverty;
- more environmental degradation.

Proponents of trade liberalization view that trade liberalization can bring:

- a further economic growth thus trade liberalization can reduce poverty;
- a more efficiency in resource use thus prevents further environment degradation.

Phnom Penh Regional Platform on Sustainable Development for Asia and the Pacific recognizes that globalization has both positive and negative impacts on sustainable development. Globalization has brought about positive impacts in increasing the volume of trade, foreign investment and local employment and integrating economy and environment by employing

²⁸ Ibid. p. 6.

market-based instruments while it has also brought about negative impacts in the trade-related loss of natural resources and abrupt investment shifts.²⁹

How to enhance trade liberalization while protecting the environment?

One of the fundamental concerns relating to trade and sustainable development by international community is whether trade liberalization could be promoted while protecting the environment. Particularly in Asia and the Pacific region, while environmental vulnerability due to the high population is one concern, economic growth propelled by exports, which might promote polluting activities and accelerate the depletion of non-renewable resources without appropriate measures, will definitely be another concern.³⁰

The evidence suggests that export-led growth has been associated with environmental degradation. However, this should not be taken to mean that trade liberalization or export-led growth per se is the source of environmental degradation. Even when growth induces environmental degradation in the short-run, it may eventually result in a better environment if income levels go up in the long run in the region.³¹

Could trade liberalization reduce poverty and income inequality?

Another fundamental concern relating to trade and sustainable development by international community, particularly developing countries, is whether trade liberalization could reduce the poverty and whether trade liberalization could narrow the income gap between the rich and poor within and between countries in the region.

As mentioned in Section II. 1, there is a strong implication that openness of economies can promote poverty reduction when accompanied by appropriate domestic policies, which is exemplified by the NIEs and Southeast Asian countries during the 1980s and 1990s when the development of outward-looking, export-oriented industries resulted in rapid income growth and a reduction in poverty. However, poverty is still a priority problem of development in Asia and the Pacific, especially in South Asia. Asia and the Pacific has about two thirds of the world's poor (almost one billion people).³² In the Central and South Asia region, where some countries are moving from centrally planned to market based economic systems, poverty and marginalization of the rural people because of a lack of capability to participate in national

²⁹ Phnom Penh Regional Platform on Sustainable Development for Asia and the Pacific (Phnom Penh, 27-29 November 2001). p. 3.

³⁰ Economic and Social Commission for Asia and the Pacific (ESCAP), *Interrelationship between Trade and Environment in Asia and the Pacific* (New York, 1999), p. 9.

³¹ *Ibid.* p.9.

³² Phnom Penh Regional Platform on Sustainable Development for Asia and the Pacific (Phnom Penh, 27-29 November 2001). p. 3.

economic development processes, compounded by not fully participating the globalization process, have led to severe hardships, protests and even armed conflicts.³³

Overall, throughout the region, unequal distribution of income and development opportunities has raised growth with inequity.³⁴ While absolute poverty has decreased in many countries of the East Asia and Pacific region, income inequality has increased.³⁵

2. Specific Issues

Biases in the trading system against developing countries

As a large share of trade flows has been intraregional and intra-firm, efforts by developing countries to participate fully in an increasingly interdependent global economy have been hindered by biases in the trading system.³⁶

It is necessary to assess the implications of existing WTO agreements and to address the imbalances and deficiencies that lead to unequal outcomes at the expense of developing countries.³⁷ “In particular, the WTO agriculture agreement has not taken into account the needs and interests of small farmers, especially the non-commercialized farmers in developing countries that form a large section of the population.”³⁸

High tariffs on processed products

“High tariffs have persisted in some sectors (agricultural staple foods products; fruit, vegetables, fish etc.; the food industry; textiles and clothing; footwear, leather and travel goods; and the automotive sector, as well as a few other transport and high technology goods such as consumer electronics and watches) of particular importance to exporters in developing countries. Higher tariffs on processed products than on raw materials have also remained an issue for a number of

³³ Report of Regional Roundtable for Central & South Asia (Bishkek, Kyrgyzstan , 30 July-1 August 2001). Available at <http://www.johannesburgsummit.org>.

³⁴ Emil Salim, Chairman of the Bureau of the Preparatory Committee of World Summit on Sustainable Development, "Building Partnership for Sustainable Development", Conference Paper for Regional Forum on Business Opportunities and Sustainable Development-Partnership Strategies (Jakarta, Indonesia, Sept. 3-5, 2001). p. 2.

³⁵ Report of Regional Roundtable for East Asia and the Pacific Region (Kuala Lumpur, Malaysia, 9-11 July 2001). Available at www.johannesburgsummit.org.

³⁶ The United Nations Conference on Trade and Development and the Department of Economic and Social Affairs of the United Nations, “Finance and trade”, Report of the Secretary-General prepared for Commission on Sustainable Development acting as the preparatory committee for the World Summit on Sustainable Development (Organizational session, 30 April- 2 May 2001), p. 5.

³⁷ Ibid. p. 5

³⁸ Martin Khor (Director, Third World Network), "Globalization and Sustainable Development and the Choices before Rio + 10".

raw material-based products, making it difficult for developing countries to enter into industrial exports. ----. The majority of least developed countries have failed to achieve economic growth and to integrate themselves in global markets.”³⁹

Deteriorating terms of trade

Deteriorating terms of trade (ratio of export prices to import prices) for the South's commodity exports in comparison with Northern manufactured exports is a major cause of the lack of foreign exchange and income in the South. To rectify the unfair terms of trade as well as to reduce depletion of resources, prices of raw materials should be significantly raised to reflect their real and ecological costs.⁴⁰ “This may require a new round of commodity agreements or other mechanisms, with an enlarged role given to a revitalized UNCTAD and other UN agencies to assist developing countries.”⁴¹

The continuing decline of commodity prices – and the deteriorating terms of trade – represented a major challenge, particularly to the least developed countries. The extreme price movements previously suffered by commodity producers have started to affect manufacturers as well.⁴²

Rising unemployment

A decline of local industry, a rising import of western goods and closure of many small and medium sized enterprises in the Central and South Asia resulted from globalization have brought about the problems of rising unemployment and poverty.⁴³ Providing new employment and livelihood opportunities as well as some form of protection from being unemployed is an increasing challenge in the Central and South Asia⁴⁴ More importantly, the establishment of a dynamic and competitive private sector is essential if land locked countries in Central Asia are to be part of globalization.⁴⁵

Transnational Corporations (TNCs)

“The removal of the rights of states to regulate business, especially TNCs, is a major and

³⁹ The United Nations Conference on Trade and Development and the Department of Economic and Social Affairs of the United Nations, “Finance and trade”, Report of the Secretary-General prepared for Commission on Sustainable Development acting as the preparatory committee for the World Summit on Sustainable Development (Organizational session, 30 April- 2 May 2001), p. 5.

⁴⁰ Martin Khor (Director, Third World Network), "Globalization and Sustainable Development and the Choices before Rio + 10".

⁴¹ Ibid.

⁴² The United Nations Conference on Trade and Development and the Department of Economic and Social Affairs of the United Nations, “Finance and trade”, Report of the Secretary-General prepared for Commission on Sustainable Development acting as the preparatory committee for the World Summit on Sustainable Development (Organizational session, 30 April- 2 May 2001), p. 5.

⁴³ Report of Regional Roundtable for Central & South Asia. p. 7.

⁴⁴ Ibid. p.7.

perhaps fatal flaw in the international community's attempt to arrest environmental deterioration and promote sustainable development."⁴⁶

Participants of the Roundtable at High-level Regional Meeting for the WSSD in Phnom Penh raised the concentration of wealth in and inordinate power of transnational corporations as well as the imbalance of the WTO as their strong concern on the globalization.⁴⁷

Policies on technology transfer, financial assistance and capacity-building

"Certain progress has been made in promoting environmental impact assessment procedures at the national level and in indirect policies such as land-use policies, taxes and other financial incentives, and government procurement. However, policies directly affecting trade and the environment, for example, those on technology transfer, financial assistance and capacity-building, have been lagging behind."⁴⁸

Addressing market failures

"Managing the interactions between trade and the environment has been one of the areas where Governments have tried to develop new forms of international cooperation to correct market failures and deal with other distortions arising from domestic policies."⁴⁹ Well-known examples of such distortions include subsidies for energy, agriculture, and fishing, which aggravate pollution and resource degradation.⁵⁰

Green protectionism

"Developing countries have expressed fears that environmental issues might be used to create new barriers to trade and thwart hard-won gains in market access."⁵¹ It is important to have safeguards so that countries do not use the environment as an excuse for banning imports, so-called green protectionism.

⁴⁵ Ibid. p. 8.

⁴⁶ Ibid.

⁴⁷ Chairman's Summary Report on High-level Regional Meeting for the WSSD: Asia-Pacific Round Table on Sustainable Development (Phnom Penh, 27 November 2001). p. 4.

⁴⁸ The United Nations Conference on Trade and Development and the Department of Economic and Social Affairs of the United Nations, "Finance and trade", Report of the Secretary-General prepared for Commission on Sustainable Development acting as the preparatory committee for the World Summit on Sustainable Development (Organizational session, 30 April- 2 May 2001), p. 5.

⁴⁹ Ibid.

⁵⁰ The United Nations Conference on Trade and Development and the Department of Economic and Social Affairs of the United Nations, "Finance and trade", Report of the Secretary-General prepared for Commission on Sustainable Development acting as the preparatory committee for the World Summit on Sustainable Development (Organizational session, 30 April- 2 May 2001), p. 8.

⁵¹ Ibid, p. 6.

Other issues

- Trade of freshwater.⁵²
- Intellectual property rights and technology transfer.⁵³
- The issue of eco-labeling is very important for Asia-Pacific economies.⁵⁴

IV. Future perspectives in sustainable development through trade liberalization

1. New institutional initiatives in sustainable development through trade liberalization

*Ministerial Conference of the World Trade Organization (WTO) in Doha*⁵⁵

Although negotiations on trade and the environment used to be a taboo subject in the GATT/WTO, *improving the environment, fighting poverty and pushing for sustainable development* have moved toward the center of the international trade debate after the Ministerial Conference of the WTO held November 2001 in Doha, Qatar, where for the first time trade ministers from more than 140 countries have firmly accepted that globalization of trade and the reduction of trade barriers must take into account environmental issues and development issues of some of the world's poorer countries.⁵⁶

Cooperation between the WTO and UNEP

The Ministerial Declaration of the WTO issued in Doha has shown that countries are now willing to address the complex relationship between the need of trade liberalization and the need of the protection of the world's forests, fisheries, wetlands, wildlife and other precious natural resources⁵⁷. It also agreed that the WTO would continue to cooperate with UNEP and other relevant inter-governmental environmental and developmental organizations especially towards the World Summit on Sustainable Development in Johannesburg in September 2002.⁵⁸

“The Ministerial Declaration recognizes the importance of helping the least developed countries achieve access to world markets so they can reach a fair share of world trade.”⁵⁹ “A country needs a level of prosperity to be able to tackle environmental threats and issues. Countries overwhelmed by poverty and debt often cannot invest in environmentally friendly activities or

⁵² *Asahi Shinbun*, Nov. 19, 2001.

⁵³ Martin Khor (Director, Third World Network), "Globalization and Sustainable Development and the Choices before Rio + 10".

⁵⁴ ESCAP 1999, p20.

⁵⁵ “The greening of the WTO”, *Asia Time*, November 22, 2001.

⁵⁶ *Ibid.*

⁵⁷ *Ibid.*

⁵⁸ *Ibid.*

technologies. If this new round of trade talks can raise the standards of living for these severely disadvantaged nations, then we can also make real progress on delivering clean air, clean water and clean land for their citizens”⁶⁰

Reducing "perverse subsidies"

At Ministerial Conference of the WTO in Doha participating ministers took some first, critical steps toward reducing or phasing out so-called “perverse subsidies” in areas such as fisheries.⁶¹

The Capacity Building Task Force on Trade, Environment and Development (CBTF)⁶²

UNEP together with the UN Conference on Trade and Development (UNCTAD) launched CBTF in March 2000 to help developing countries to develop the knowledge and institutions to make trade and environmental policies mutually supportive, particularly to enhance their abilities to assess the environmental effects of trade, and trade policies generally.

The Ministerial Declaration of the WTO in Doha recognizes the need to help countries develop the ability to assess the environmental impacts of trade and trade policies.

2. Policy directions for sustainable development through trade liberalization

“Trade liberalization can have both positive and negative effects on sustainable development. There is a continued need to support efforts by developing countries to integrate themselves into and derive benefits from the multilateral trading system. At the same time, attention also must be given to enhancing the contribution of the multilateral trading system to sustainable development.”⁶³

This section examines key areas, which should be taken into account in the design of trade policies and trade-related environment and development policies for moving towards sustainable development particularly relevant to Asia and the Pacific region.

A diagram for a conceptual framework for policy directions in a next page would help

⁵⁹ Ibid.

⁶⁰ Ibid.

⁶¹ “The greening of the WTO”, *Asia Time*, November 22, 2001.

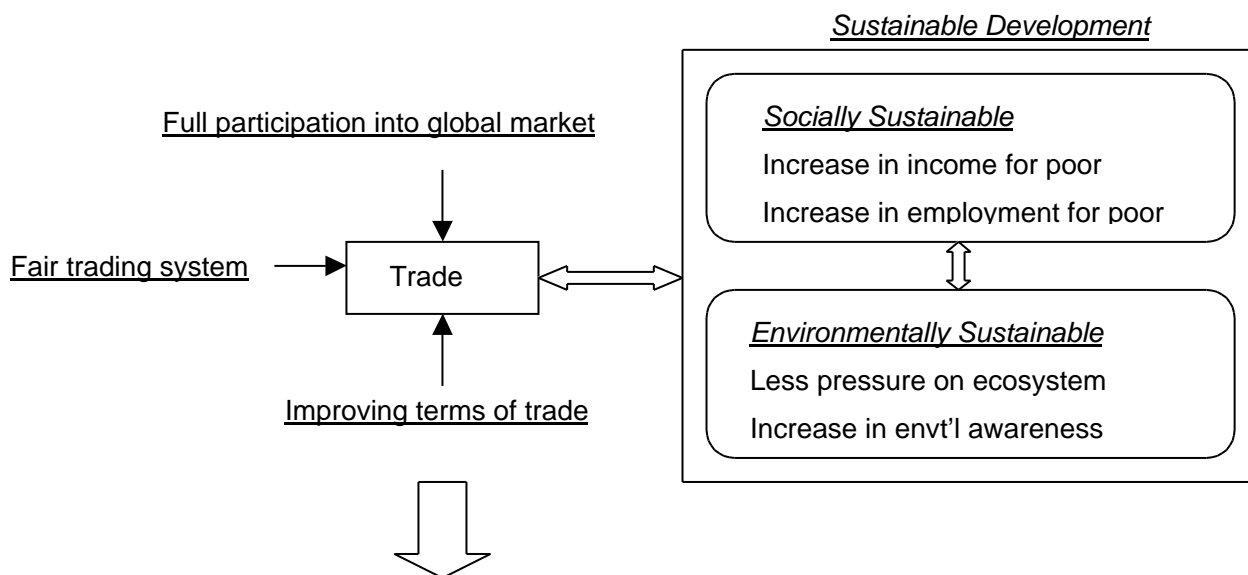
⁶² UNEP News Release 01/108: Environmental issues at the Doha WTO Trade Talks.

“The greening of the WTO”, *Asia Time*, November 22, 2001. For more information on CBTF, visit <http://www.unep-unctad.org/cbtf> and refer to UNEP’s papers produced for the Doha WTO Trade Talks that examine the complex linkages between trade, environment and development, "Economic Reforms, Trade Liberalization and the Environment: a Synthesis of UNEP Country Projects" and "Enhancing Synergies and Mutual Supportiveness of Multilateral Environmental Agreements (MEAs) and the WTO" (available at <http://www.unep.ch/etu/doha>).

⁶³ <http://www.un.org/esa/sustdev/trade.htm>

understand the linkage between desirable trade regimes, sustainable development, and policy areas to be taken. It shows what kind of trade regimes must be established and what kind of policy actions to realize such regimes must be taken in the pursuit of economic development in environmentally and socially sustainable way.

Diagram: Conceptual Framework for Policy Directions



Areas of policy actions to equally and fully participate in global market & to improve terms of trade:

- Technology transfer (including ICT)
- Finance
- Capacity building
- Open flows of information
- Good protection for the property rights
- Broad access to judicial systems

Trade liberalization could lead to poverty reduction in developing countries through an increase in income and clean environment through an increase in environmentally sound activities and technologies only when developing countries could benefit from the reap of trade. On the other hand, trade liberalization could lead to further gap between incomes of developed and developing countries if developing countries cannot have an equal access to world market and even further unsound exploitation of natural resources if fair property right is not given to developing countries.

Open flows of information, good protection for the property rights and broad access to judicial system

In poor countries, particularly for the poor to benefit from trade liberalization, institutions which allow open flows of information (e.g. on the price of exported primary goods) to as many people as possible, good protection for the property rights (e.g. on exported primary goods such as land) of the poor and broad access to judicial systems might be crucial. When the poor benefit from trade liberalization, it has a good impact on the environment.⁶⁴

Other plausible areas of policy actions

- Introducing of Green Accounting to exporting countries to signal the depletion of natural resources and degradation of environment (to overcome market failures).⁶⁵

- Internalizing of environment costs into export products (to overcome market failures).⁶⁶

⁶⁴ “Now, think small”, *The Economist*, Sept. 15th 2001, pp. 39-40.

⁶⁵ For the background information drawing this policy recommendation, refer to Emil Salim, Chairman of the Bureau of the Preparatory Committee of World Summit on Sustainable Development, "Building Partnership for Sustainable Development", Conference Paper for Regional Forum on Business Opportunities and Sustainable Development-Partnership Strategies (Jakarta, Indonesia, Sept. 3-5, 2001). p. 2.

⁶⁶ *Ibid.* p. 2.