1 Trade, Environment and Sustainable Development
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The concern labelled ‘Trade and Environment’ is not so much about the linkages between liberalised international trade and environmental degradation, as about the whole question of sustainable development and how this type of development can be furthered by international commerce. Indeed we would be starting off on the wrong foot if we were to ignore the advances made at Rio in translating the poetry of environmental protection into the practicality of sustainable development. The realisation that international trade and sustainable development are not incompatible is a significant advance from the earlier debate, which presumed that international trade and development could only be at the expense of the environment.

Sound environmental policies can help secure the gains from international trade, while at the same time greater trading opportunities can help developing countries to invest more in environmental protection. Restrictive trade measures do not appear to be the best way of addressing environmental concerns. The roots of the linkage between trade and the environment are not to be found in superficial assumptions since they go much deeper and are systemic of the entire international economy. Indeed it is a retrograde way of shaping environmental norms to allow dispute resolution panels of the WTO acting on a case-by-case basis to steer global trade and environmental policy making.

Furthermore it is important to recognise the social and environmental subsidy that industrialised nations receive from developing countries. This insidious subsidy renders all development in the North unsustainable by definition. It makes a mockery of free trade. If we are to set things right, then the subsidy must be recognised and accounted for. The economic poverty and environmental degradation that afflicts the South is not simply coincident with the affluence of the North. It is poverty and degradation visited upon the South by the affluence of the North. Banishment of this impoverishment is crucial to everyone’s survival. To achieve this, the debate about trade and the environment must go beyond superficialities.
Unfortunately, however, the debate seems to be stymied by the subtle authoritarianism of economics.

Although Agenda 21 is a vast and wordy document, the tendency to gloss over it must be resisted, since it presents a consensus between nations about the crucial issue of sustainable development – a consensus that has been achieved on a scale unparalleled in human history. Agenda 21 explicitly recognises that ‘an open, equitable, secure, non-discriminatory and predictable multilateral trading system is a benefit to all trading partners’. Consequently any decisions made to modify trade relations by incorporating environmental considerations must conform rigorously to this consensus. It is obvious that the environment is something the whole world is concerned about, and that disaster would affect us all, whether rich or poor. It is also readily apparent, however, that present trade relations are so skewed and the imbalances so glaring, that without structural correction of these imbalances any linkage between trade and the environment is very likely to work to the detriment of the poorer countries.

India as well as several other developing countries and countries whose economies are in transition, have each in their own way made considerable strides towards liberalising their economies. However the economic and environmental benefits of trade liberalisation will only be cemented if market forces are permitted to work and the true costs of products are recognised in their price. At present this is not the case. In the absence of appropriate pricing, developing countries are being forced to overexploit their natural resources, with liberal trade policies only hastening the process. However the solution is not to revert to a tightly controlled trade regime, but instead to incorporate environmentally related costs into international market prices through refining and extending the well-known ‘polluter pays principle’ into a ‘buyer pays principle’.

India is among the vanguard countries of environmental protection. India has established environmental standards for its own products and processes as well as environmental impact assessment procedures for the location of industries and the technology used by them. Environmental auditing procedures and an eco-labelling scheme have been instituted in India.

But how can a developing country that seeks voluntarily to move even further along the path of environmental protection expect to have a comparative advantage in trade if it continues to be unduly exposed to the risks of environmental underpricing? There are historical differences to contend with and a significant effort will be required to solve the urgent problems of poverty and economic underdevelopment. If trade advantages were also to recede, because of restrictions under the garb of environmental protec-