

TRADE, ENVIRONMENT and SUSTAINABLE DEVELOPMENT Sept. 1994

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✘ Trade and the Environment

TRADE, ENVIRONMENT and SUSTAINABLE DEVELOPMENT : Is it possible to realize a harmony among trade, environment and sustainable development ?

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(1) Doubts over free trade

After World War II, under GATT and IMF, trade and money order have been liberalized; and the world economy has accomplished a remarkable development together with the growth of the world trade. In general, it was considered that free trade under GATT has played an important role in the development of world economy due to the dramatic increase in trade quantity which grew twice as fast as of the economic growth (increase in GNP). However, today, facing the serious global problem of environment; doubts over the economic growth as in the past and the trade system itself are gaining powers. On the other hand, under continuous stagnation of world economy and unemployment problem becoming serious, regional movements and protectionism have been gaining momentum. In other words, there is a great power which promotes the international division of labor which completely ignores differences in industries. Such two opposite powers are struggling on the world stage. Most opinions of mass media and many of economists are giving a theory which criticize the latter protectionism/regional system. It is argued that protectionism will give threat to trade and economy, but to keep and expand free trade is the best policy to promote the world economy.

For an example, the signing of the U.R. of GATT at the last minutes in 1993 was well evaluated and well accepted in mass media since free trade system had been maintained. Especially, those countries like Japan and other countries who give economy the top priority, free trade is widely recognized as a savior of the world that promises the wealth by giving a power to the economy. However, within mass media, there is less advocator who is trying to realize the fact that the free trade is beginning to place itself in a waver. Is it really possible to have a long-range international prospect through foreseeing 21 century, only by advocating free trade system ? Isn't such a concept reflecting the plenty of powerful voices from those who have enjoyed the benefits of historical background and economy? It seems that , when we calmly observe the present situation, the time has already shifted from the time when people believed only in free-trade. If it is the fact, free-trade system authorized by many economists will become out-dated. There is even a possibility that those economists will close their eyestoward the subjects which needed to be considered for the future. By keeping a new paradigm which goes beyond the general concept of "free trade is good and protectionism is bad" in mind, I would like to discuss on how free trade should be realized.

(2) Three contradictions on Free Trade : the gap, externalities, and diversity - How free trade system (structure) can be evaluated ?

The global trend is certainly not freely supporting the optimism over free trade any more. Under the static global economic growth in recent years, it would be easy to criticize the situation just by observing the protectionist views that only reflect the national interests of individual countries. Obviously, it does not require much insight to imagine that minor adjustments to the international trade system alone will soon or later come to a deadlock.

As long as the majority of the world is only concerned with the short-sighted visions, it will be difficult to avoid the quagmire awaiting ahead. However, if we can change our perspective, we can realize that now is the time we should strive to shift to a new paradigm or to create a new vision of the future which is based upon a long-term perspective and is beyond national interests.

These series of trends related to the free trade system could well be a prelude to exploring a new world system that should be in place for the coming century. Together with twelve other scholars, researchers, and social activists both within and outside of Japan, I 've published a book entitled GATT: Doubts over the Free Trade System (Gakuyo Books JAPAN), in which I propose that we should fully acknowledge the emergence of the changing trends in the global system. In this publication, Prof. Jun Nishikawa provides a clear analytical explanation of the principles of free trade and its supporting doctrine-- that the international division of labour or a theory of comparative advantage -- is obsolete. In other words, he argues that the established theory of "mutual benefits deriving from the division of labour on a global scale" completely ignores differences in industries, (i.e., the characteristics of the manufacturing industry vs. agriculture) or conditions under which trade take place.

Furthermore this principle does not take into consideration discrepancies between the actual distribution of accrued advantages and disadvantages. Just as an example, such a one-sided view can be seen in the magnification of North-South issues and aggravation of the gap between agricultural and rural areas and the rest (or between the issues of environment and labour).

I would like to divide the issue of free trade into three basic contradictions for the discussion in this paper: the gap, externalities, and diversity. The first contradiction exists in the distribution of economic wealth. This gap may function to stimulate economic growth as a whole, but this difference in the distribution and accumulation of wealth will result in maldistribution among nations as well as within a nation between different social strata, which could easily end up in discrimination.

The second contradiction leads to degradation of the environment as it is difficult to evaluate efficiency in a monetary system (just as it is difficult to determine the costs of the environment, society, security, and the disadvantages of a polarizing economy). Therefore these unmeasurable elements tend to be either ignored or result in environmental degradation. The third contradiction creates uneven resource development or distribution, or concentration of resource utilization, if we push too much the division and/or specialization of labour on the basis of the differences in productivity on a global scale. Or else it may destroy social and cultural diversity or even biological diversity which are resources of human creativity and the basis of life. Therefore, it is indispensable to focus our effort in coming up with means to deal with these three discrepancies in considering global economic development.

(3) New Dimension of Sustainability: economy, ecology, equity, and diversity - Departure from the Free Trade Regime to a Fair and Sustainable Global Society

A new emerging concept, which may become a new paradigm is sustainable development. This concept was high-lighted at the Earth Summit of 1992 (also known as the United Nations Conference on Environment and Development), and there have been numerous discussions over this new concept. In this paper, I would like to focus on four basic values as targets to this goal. It has been said for some time that from now on the following values should be used to evaluate any development process: economy, ecology, equity, and diversity.

The first two dimensions need no further explanation. Whereas the third element, equity, requires an extensive explanation, as it has multidimensional facets to it. In a narrowly defined sense, it signifies equality. Or it can be expanded to a much a larger degree, as an antonym of discrimination, suppression or exploitation against human rights, or even as ethical awareness that people share a common ground called the Earth, which transcends ethnicity or national boundaries and the human society, called the world on an equal basis.

This latter concept is closely related to the underlying philosophy of the report submitted by the United Nations Brundtland Commission (World Commission of Environment and Development 1987). It states that in the process of satisfying the needs of the present world, it should not exceed the earth's limits so as not to spoil the resources needed for the future generation to satisfy their needs. The report presented two sets of equity between the North and South that exists in the present generation and another type of equity between the present and future generations. Diversity is self-explanatory. Just to add a few lines, it is a basic yet very valuable property which supports the foundation of life starting from the evolution of life to the cultural development of human society. The last two concepts, economy and ecology, are indispensable intermediaries or the basis of achieving sustainable development. Unless there are diverse and equal relationships built into this basis, sustainability cannot be realized.

Already local and/or national governments have initiated actions to materialize these new concepts. One of the most noteworthy efforts that I can refer to in passing is the co-operation between the Netherlands' government and non-governmental organizations (NGOs) in environment and aid issues. They collaborate in mapping out basic environment policies for energy conservation and the reduction of toxic chemical substances (agricultural pesticides and others). They have involved developing nations in these areas in the form of partnerships. On the occasion of the Earth Summit of 1992, the Netherlands concluded agreements with Costa Rica, Benin and Butan. I had a very vivid impression of a dialogue I had with a Dutch NGO member when I visited Holand in 1993. He told me that this kind of new co-operation across the national boundary is a new beginning and a new challenge to explore socio-economic structural adjustments to seek an alternative type of development and a new economic system for sustainable development. It adds a fresh approach to trade relationships that goes beyond the age-long aid model of simply extending development

assistance or of having economic cooperation.

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