

***Trade, Environment, and Social Goals, in the Wake of Seattle:
A Proposal for a Constructive Way Forward***

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- The world needs continued growth in trade. Trade expands the choices of consumers and firms, and lets everyone produce what they are best at producing. Openness allows countries to keep in touch with global markets, and thereby with frontier technologies, products, and management practices. My statistical estimates suggest that for every 1 percent increase in countries' ratios of trade to GDP, their per capita living standards eventually rise by 0.3 per cent over a twenty-year period, and four times that in the truly long run. Trade was a major component of the growth that lifted East Asia out of poverty. The remainder of the world now wants the same.
- The recent events in Seattle raise important issues of environment and social standards that need to be discussed. The multilateral trade community cannot continue to ignore them.
- Trade can be good for environment and social values. In particular, it can lead to higher incomes, which in turn give people the desire and means for higher quality of life. It can also be bad, if it encourages repressive labor practices or activities that are unfriendly to the environment.
- Those in the South should recognize that the motive of raising environmental and social standards is usually genuine on the part of NGOs and others in the North. While some protesters in Seattle were no doubt old-style protectionists, many others were genuinely concerned about the impact of world trade on human rights, the environment, or food safety. Those in the North should recognize that (1) many in the South also care about these goals; (2) in countries with democratic political regimes, prevailing standards must be judged as reflective of the wishes of the citizenry; and (3) measures that go under the banner of environmental or social goals often act as protectionist barriers against competition from producers in the South.
- It is misleading to talk as if US trade (or Foreign Direct Investment) is generally with countries that have lower wages, environmental standards, and labor standards than does the US. More than half of US trade and FDI is with high-wage countries, who often have higher standards than the US does. Even when multinationals choose to locate in developing countries, they tend to have higher labor and environmental standards than local employers.
- There are concerns that the WTO is an undemocratic supranational body that prevents the US from attaining environmental and social goals by overruling US laws. Multilateral institutions/treaties/organizations are the only possible means toward comprehensive progress on many global environmental and social issues; and the

main obstacle to such agreements is not globalization, but rather the understandable reluctance by every country, including the United States, to give up even small amounts of sovereignty. *Progress in this area is difficult because it would require countries to give up some sovereignty. This is very different from the widely heard belief that economic globalization is the foe of global environmental and social goals because it infringes on sovereignty.*

The major categories of Seattle demonstrators had little in common. Even where they thought they shared common ground, they were confused on four scores.

- (1) Environmental and social issues are increasingly global (e.g., global climate change), and increasingly impossible to address if each country goes its own way. Global agreements to address these issues, for which countries voluntarily sign up, should be the ultimate objective. But this will not be easy, because of the sovereignty issue. *Globalization need not be the enemy of the environment, and national sovereignty need not be its friend. Indeed, given the globalization of environmental concerns, national sovereignty will more likely be the enemy of efforts to protect the environment, because those efforts must increasingly be pursued through global agreements.*
- (2) The other reason why global agreements will not be easy is because there is wide disagreement even within a given country such as the United States on regulation goals and priorities. The strongest opponents of the Kyoto Protocol on Global Climate Change, for example, are US labor unions.
- (3) Popular descriptions of recent environmentally-related WTO panel rulings (shrimp-turtle, tuna-dolphin, Venezuelan gasoline) have been inaccurate with regard to the details. In most of these cases, the panel has pointed out ways in which it believes a country's regulations discriminate against one or more foreign producers – flaws that are easily fixed -- rather than raising roadblocks to environmental objectives per se.
- (4) Attacks on the WTO as undemocratic are also off the mark. The important decisions are made by the member countries (technically through consensus). Making the WTO more democratic would in reality mean reversing the current system in which US power, de facto, is vastly disproportionate (relative to, e.g., India) and would clearly result in lower activism on environmental and social standards, not more. The reason is that developing countries do not perceive such multilateral standards as in their interest, and with good reason. The Seattle demonstrators were even more confused on this point – apparently believing that the WTO would be more supportive of environmental and social standards if it were more democratic – than on other issues.

A CONSTRUCTIVE PROPOSAL FOR A WAY FORWARD

Rather than being content with perpetuating the long-running debate over trade, I would like to offer what I hope is a more constructive approach, by proposing a way forward:

- (i) The WTO could be made more transparent by allowing NGOs and other private groups to submit “friends of the court” briefs, and by considering other similar reforms that are widely practiced in the court systems of advanced industrial countries. (Those in the North, however, must understand the concerns of developing countries that they do not have the expertise and resources to compete on equal terms in the expensive American-style legal and lobbying system.)
- (ii) The ultimate goal should be international agreements voluntarily entered into. There is no alternative in a world of sovereign countries. Agreements should include sanctions if and only if members decide they want them to.
- (iii) The logical locus for such agreements is designated multilateral institutions, such as the ILO for labor standards, the UN Framework Convention on Climate Change, etc.
- (iv) In the meantime, we recognize that the WTO is a more credible institution than the ILO or the others, and that this is in part because withholding trade is one of the few powerful weapons countries have, short of military action.
- (v) Multilateral institutions such as the WTO can play a major constructive role in the areas of certification (monitoring multi-national corporations that commit to particular codes of conduct), labeling (so that consumers can boycott, for example, dolphin-unfriendly tuna or turtle-unfriendly shrimp), and scientific fact-finding and risk-assessment (to offer an unbiased expert judgment on, for example, the state of scientific knowledge regarding the effects of hormone-fed beef and GMOs, thus intermediating where countries hold vastly different perceptions). The aim is to facilitate the desired ability of individuals to use their purchasing power as a weapon to express their values and beliefs, and as a weapon to pressure corporations and countries to behave in particular ways (including to move actors in the direction of international agreements mentioned as the second point above).
- (vi) But we must establish from the outset that countries cannot make up their own rules for international trade, imposing trade penalties on other democratic countries in an attempt to change their environmental or social policies, in violation of WTO rules. Without this assurance, LDCs will refuse to discuss the whole subject of environmental and labor standards in the context of the WTO.