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Achieving Sustainable Development in the Context of Globalization
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1. The opportunities and challenges of globalisation

What is the role of trade and trade liberalization in promoting sustainable development? How does trade relate to other aspects of the economy, society and the environment? How can countries, particularly those with developing and transition economies maximize the contribution of trade to their sustainable development? Answering these questions, and designing appropriate policies in response, represents one of the fundamental challenges of sustainable development.

International trade provides developing countries and economies in transition with opportunities for economic growth by stimulating production and investment, and improving access to technologies and knowledge essential for physical and human capital accumulation. Moreover, when accompanied by properly designed and executed national policies that take into account environmental and other sustainable development concerns, trade may contribute to the improvement of national living standards and poverty alleviation.

Recognizing these benefits, many developing countries and economies in transition have restructured and opened their domestic markets. Through membership in the World Trade Organization (WTO), a wide array of regional trade agreements (RTAs) and bilateral trade arrangements, these countries are seeking to effectively integrate into the global economy. This restructuring of economies is marked by outward oriented development strategies underpinned by liberal trade and investment policies to increase national incomes, foreign investment, industrial diversification and employment.

For most of these countries, re-orienting their national economies is a difficult task not only because of the rapidity associated with adjustment and integration, but also by the complexity of the related legal and policy reforms, and implementation. Moreover, outward oriented development strategies and trade liberalization policies alone cannot secure sustainable economic development. Other key requirements include macro-economic stability, good governance to encourage investment in human and capital efficient infrastructure, sustainable management of natural and environmental resources, and institutions providing effective levels of social services, health, employment and welfare.

2. Environmental and developmental linkages of trade

Environmental resources provide countries with opportunities for trade, market access and technology transfer. International trade opens a global market to exports of unique goods for example those produced using traditional knowledge (herbal medicines, food, textiles and clothing, handicrafts) and environmentally preferable production methods (e.g. organic agriculture), and facilitates the development and enhancement of technologies in this regard. Because the principal producers of these goods are rural communities, promoting their export could contribute to rural development, poverty alleviation and food security.

However, there is increasing concern over the potential negative impacts of trade and globalization on environmental and natural resources particularly in developing countries and economies in transition. In many cases, economic reforms in support of trade and investment liberalization have been made without due regard to their environmental and social impact. As a result, there has generally been an absence of parallel efforts to develop and/or reform environment and development policies to ensure that increases in trade-related economic activity support sustainable development.

Without such policy integration, pollution of air, water and soil, and unrestrained natural resource exploitation, may grow to levels that jeopardize sustainable development efforts and exacerbate poverty in affected communities. Trade can thus become unsustainable, with short-term costs reducing its profitability in development terms in the short-run and undermining the country's development prospects in the long term.

3. Trade related capacity building for sustainable development.

Among the most effective tools for converting the sustainable development prospects of trade into concrete gains is capacity building.

At the WTO's Fourth Ministerial Conference trade ministers recognized 'the importance of technical assistance and capacity building in the field of trade and environment to developing countries, in particular the least-developed among them' and encouraged 'that expertise and experience be shared with Members wishing to perform environmental reviews at the national level.' (*Paragraph 33 Doha Declaration*)

Paragraph 45 of the WSSD Plan of Implementation, called for action at all levels to enhance 'the capacities of developing countries including the least developed countries, landlocked developing countries and small island developing states, to benefit from liberalized trade opportunities, through international cooperation and measures aimed at improving productivity, commodity diversification and competitiveness, community based entrepreneurial capacity, and transportation and communication infrastructure development and enhance the delivery of coordinated effective and targeted trade related technical assistance including to take advantage of existing and future market access opportunities and to examine the relationship between environment and development.

Capacity building on *integrated assessment* of the impacts of trade and investment liberalization policies assists countries in identifying and evaluating the environmental, social and economic impacts of trade liberalization on specific sectors. They can then identify alternatives for improved trade and environment policies (national and international) that can maximize the net development gains of trade. UNEP's country projects show that in order to provide a proper analysis, such assessment should be done *ex ante* (before the liberalization) rather than *ex post facto*.

Apart from integrated assessment, programmes to enhance national institutional and human capacities should also be developed in a range of areas including: the development and implementation of market-based and regulatory policies to maximize the net sustainable development gains of trade; and the adaptation and use of environmentally sound technologies for sustainable development and market access opportunities.

Looking forward, UNEP believes that capacity building must go beyond promoting trade facilitation as an end in itself, to assisting countries to examine the quality of trade, and to facilitate its use as a means of achieving the economic, social and environmental ends of sustainable development. Important steps along the way to designing such capacity building programmes include gaining clarity about its objectives, the appropriate processes, and the different mechanisms available to deliver capacity building. UNEP also believes that greater emphasis can be given to capacity building at the regional level – through networks of local, national, regional and international organizations and that there are opportunities to increase cooperation among the major providers of capacity building – including regional and international institutions.