

THE CONTRIBUTION OF THE WTO IN ACHIEVING SUSTAINABLE TRADE DEVELOPMENT

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Introduction

The advent of globalization, has led the trade to become a global trade and every economy in the world is involved in the international trade either to a fuller extent or to a minimal extent. Participation in the global trade and commerce is the most important for any country's economic development which can enhance the productivity of natural and human resources by generating employment and wealth. It is only obvious that economic development of any country would depend on the policies of international trade and commerce, which include taking advantages of the emerging opportunities for international trade and commerce practices that are conducive to protect and preserve the environment, while minimizing potential adverse impacts on the ecosystem.

Thus, the international policies and regulations on trade and commerce should strive for the social progress and environmental protection which will in turn contribute to a sustainable development. Towards this end, the World Trade Organization (WTO) has been making great strides in ensuring rational use of world natural resources to achieve sustainable development, while aiming at increasing the production of goods and services by reducing tariffs and other trade barriers. Certainly, WTO has been in the forefront in initiating policies for sustainable growth, while encouraging international trade and commerce. This paper will therefore focus on various initiations and steps taken by the WTO to achieve a sustainable development blended with green economy.

International Trade and the WTO

International trade or global trade means a trans-boundary trade which involves imports and exports from one country to another and of services that cut across international borders or between the countries. However technically it has been defined that "international trade is the exchange of capital, goods and services across international borders or territories¹." In simple terms it is the exchange of goods and services among the nations of the world.

1 Federico Ortino, "Treaty Interpretation and the WTO Appellate Body Report in US-Gambling: A Critique," *Journal of International Economic Law*9(1) (2006).

The World Trade Organization (WTO) was established in 1995, following the Uruguay Round of negotiations under the General Agreement on Tariffs and Trade (GATT). WTO has a crucial role to play in the international trade, global economics, political and legal issues arising in the international business because of the globalization². It has emerged as the most powerful institution by replacing the General Agreement on Tariffs and Trade (GATT) which was created in the year 1948 for the reducing trade related barriers between the countries and encouraging the global trade. It has been striving since then to provide a global platform for its member countries in order to help them in services like exports, imports and facilitating trade and commerce in a peaceful manner.

The role of WTO in international trade is as stipulated in the agreement establishing it, clearly provides for the followings³:

- i. Facilitating the implementation, administration and operation and furthering the objectives of the agreement establishing it and other Multilateral Trade Agreements and providing the framework for the implementation, administration and operation of the Plurality Trade Agreements.
- ii. Providing the forum for negotiations among its Members concerning their multilateral trade relations in matters dealt with under the agreements in the Annexes to the Agreement setting it up and for the results of such negotiations as may be decided by the Ministerial Conference.
- iii. Administering the understanding of rules and procedures governing the settlement of disputes or the dispute Settlement Understanding which as laid down under is Annex 2 to the agreement setting it up.
- iv. Administering the Trade Policy Review Mechanism (Annex 3) of the agreement setting it up.
- v. Cooperating as appropriate with the International Monetary Fund and the International Bank for Reconstruction and Development with a view to achieving greater coherence in global economic policy making.

Therefore it can be said that WTO plays an important role in promoting and protecting international trade and at the same with its regulations and negotiations, it is also encouraging the green trade economy, so as to achieve sustainable development.

WTO and Sustainable Development:

The World Trade Organization (WTO) is the only international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their respective parliaments⁴. These

2 PadmavathiBhamiditi, 'Role of WTO in International Business', <https://www.linkedin.com>, visited on 26/11/2018

3 Article III of the Agreement establishing WTO

4 https://www.wto.org/english/thewto_e/thewto_e.htm, (Visited on 26/11/2018).

agreements, negotiated mainly intended to facilitate the free trade flow among the member States. Towards the end of the Uruguay Round, attention was drawn to trade-related environmental issues, and the role of the newly emerging WTO in the field of trade and environment. In the Preamble to the Marrakesh Agreement Establishing the WTO, reference was made about the importance of working towards sustainable development⁵.

The WTO indeed is responsible for the supervision of the implementation of the General Agreement on Tariffs and Trade (GATT), which explicitly states that trade and commerce should always be conducted “*in accordance with the objective of sustainable development.*” As the agreement recognizes, trade is a means of achieving sustainable development; it is not an end in itself. It is a framework for reconciling key international goals, and it applies to national actions as well. Therefore, sustainable development is not a buzzword or another way of talking about environmental protection, rather it could be said that the WTO and its member states should have sustainable development as the main objective⁶. As sustainable development is another important goal for the WTO, the WTO has been striving for policies which would support for the sustainable development and a green economy. It also provides for rules for the achievement of a crucial balance such as protection of the environment as well as promotion of free trade

Historically, international trade and sustainable development have been interdependent as visualized by the Earth Summit in Rio de Janeiro in the year 1992. International consensus have actually been arrived in recognizing the importance of international climate as conducive for economic cooperation. It is very much clearly mentioned in Chapter 2 of Agenda 21 that member States agreed without any reservations, at the time that trade policy should not operate at cross-purposes with international efforts to curtail environmental degradation or promote development⁷. Again, when the World Summit on Sustainable Development was held in Johannesburg in the year 2002, the link between trade, finance and sustainable development has was discussed and evaluated, which also noted the need to support the conclusion of the Doha Round of negotiations⁸

5 Harnessing trade for sustainable development and a green economy,
https://www.wto.org/english/res_e/publications_e/brochure_rio_20_e.pdf, (Visited on 24/11/2018)

6 John Dembach, (1991) “WTO and Sustainable Development”,
http://fpif.org/wto_and_sustainable_development/, (Visited on 24/11/2018)

7 International Institute of Sustainable Development Reporting services,
http://enb.iisd.org/process/trade_invest-intro.htm, (visited on 26/11/2018)

8 ***The Doha Mandate on International Trade and Environment:*** “WTO along with its members, at the Doha Conference, reaffirmed their commitment towards environmental protection and agreed to solve the bilateral or multilateral trade related issues which are linked to the environmental protection by negotiations. In addition to launching new negotiations, the Doha Ministerial Committee on Trade and Development at the Doha Ministerial Declaration negotiated and debated on the environmental and developmental aspects. Paragraph 31 of the Doha Ministerial Declaration launched negotiations, “with a view to enhancing the mutual supportiveness of trade and environment” and “without prejudging their outcome”, on the issues of the reduction or, as appropriate, the elimination of tariff and non-tariff barriers to environmental goods and services (summarized on page 33). Paragraph 31(i) mandates Members to negotiate on the relationship between WTO rules and specific trade obligations set out in multilateral environment agreements (MEAs). Negotiations are limited in scope to the applicability of such existing WTO rules as among parties to the MEA in question. Moreover, the negotiations are not to prejudice the WTO rights of any Member that is not a party to the MEA in question (the discussions held on this issue are summarized on page 39). Negotiations were also mandated in paragraph 31(ii) on procedures for information exchange between MEAs and the relevant WTO committees, and on the criteria for the granting of observer status in WTO bodies (summarized on page 44) within the World Trade Organization (WTO), and the implementation of the Monterrey Consensus on financing for development, to promote “open, equitable, rules-based, predictable and nondiscriminatory multilateral trading and financial systems that benefit all countries in the pursuit of sustainable development.” retrieved on 26/05/2018 from http://enb.iisd.org/process/trade_invest-intro.htm.

It is pertinent to note that liberalized trade policies will lead to economic growth, so the policies need to address the environmental concern as well. Thus, trade and environmental policies should always be framed in such a way that they should complement to each other and not compete. The WTO's role is to see that liberalize trade polices do not act as an obstacle in protecting and preserving the environment and that same time the environmental protection policies also do not stand in the way of trade liberalization for developing country exports. In this regard it is also pertinent to take note of the key WTO instrument governing environmental regulations and standards is the Agreement on Technical Barriers to Trade (TBT Agreement). The TBT Agreement aims to balance concerns related to the trade impact of environmental and other requirements against the wider public policy goals these requirements serve. The Agreement sets out rules to ensure that such measures are non-discriminatory and do not create unnecessary obstacles to international trade⁹.

To protect the environment, possible measures to reduce pollution must be adopted, like reducing emissions, minimization of wastage, recycling methods forestry management, and natural habitat protection etc. In this direction, the WTO insists each member state to use new technology which reduces carbon and other gases such as sulphur dioxide, nitrogen oxides and other greenhouse gases which are responsible for the spoiling of the environment. Apart from this imposition of environmental taxes so as to reduce the adverse effect on the environment and other harmful activities which are detrimental to the environment must also be considered. One must also bear in mind that the Paris Agreement on climate change, 2016 also provided for the decarbonization and advocated for the strengthening of the climate with low carbon emission,¹⁰ to achieve development and sustainable environment. There is another method, that is, imposition of Environmental Taxes. They are taxes levied directly on polluters, thus the environmental taxes have far-reaching implications which will have indirect impact on trade, mostly in developing countries. However, the extent to which imposition of environmental taxes affect on international trade depends, among other things, on production costs and on the prevailing market structure. In this regard, this can be explained in the following words¹¹:

“Several WTO disciplines may come into play if a green tax, trading scheme or related adjustments affect international trade. These may include key disciplines of the GATT and WTO agreements relating to nondiscrimination (i.e. GATT Article I on most-favoured nation treatment and Article III on national treatment), elimination of quantitative restrictions (GATT Article XI) and disciplines on technical barriers to trade”.

As environmental requirement depends on the desired environmental outcome, the level of governmental involvement and the availability of technological solutions to address specific problem is extremely important. So, in the recent past, new types of initiatives that are often voluntary have also emerged in response to consumer concerns, such as food miles programmes and carbon footprint labeling schemes. Environmental requirements may affect international trade, especially if they are used to shield domestic producers from international competition, or when

9 Harnessing trade for sustainable development and a green economy, https://www.wto.org/english/res_e/publications_e/brochure_rio_20_e.pdf , (visited on 24/11/2018)

10 By implementing the policies which advocated for the elimination of fossil fuel and subsidies on them to underscore the effect on both environment and trade, see The Paris Agreement, www.unep.org.

11 See note 9 above

they are discriminatory. As countries continue efforts to “green” their economies, environmental requirements increasingly will become significant determinants of access to foreign markets.

The design and implementation of the measures for the green trade must be transparent and should have concern for the environment. Thus, by adhering to the Trade for Sustainable Development Principles, companies and institutions are expected to embrace, support and enact -- within their sphere of influence - a set of core values to support trade for the sustainable development. Suggestions made by the International Trade Centre, which is an agency of the United Nations and the World Trade Organization, must be seriously taken in to consideration. These principles include¹²:

- i. *Sustainability Principle*: Support and promote sustainable trade practices, with regards to social, environmental, economic and management, quality and ethics issues at stake in the production, processing and trading of goods and services.
- ii. *Transparency Principle*: Contribute to efficiency in global supply chains by clear demonstration of openness to sharing good practices, to foster transparency, trust and inclusiveness at all levels of global supply chains.
- iii. *Harmonization Principle*: Build on existing resources and methodologies with a collaborative approach avoiding duplication that may provoke proliferation of standards, multiplication of audits or assessment methodologies.
- iv. *Sustainable development goals (SDGs) Principle*: Act in alignment to the United Nations Sustainable Development Goals, otherwise known as the Global Goals, addressing the root causes of poverty and the universal need for development that works for all people.

The Way Forward

In the process of globalisation, the international trade and commerce can have both positive and negative effects on sustainable development, particularly in the developing countries. There is a need to support the developing countries to integrate themselves into and derive benefits from the global trade. At the same time, attention also must be given to the green trade and sustainable development. Although WTO has been working with all its effort to ensure the rational use of world natural resources to achieve sustainable development through its policies with reduced tariffs and other trade barriers, making trade and environment mutually supported by macroeconomic policies conducive to environment and development calls for supportive international climate for the sustainable development¹³. Integration of trade development strategies and strategies for sustainable development should include the need to have climate-friendly strategies so as to protect and preserve the environment.¹⁴It is absolutely true to say that the development, is indeed, intended to improve the quality of human life and generate opportunity by fostering peace and security, social development and economic development. However, this is difficult to achieve or occur

12 www.intracen.org/itc/market-info-tools/voluntary-standards/t4sd-principles-and-signatories/, (visited on 24/11/2018)

13 See <https://sustainabledevelopment.un.org/topics/trade>

14 Trade, Environment, Climate Change and Sustainable Development, <http://unctad.org/en/Pages/DITC/Trade-and-Environment.aspx>

without international consensus¹⁵. Therefore, WTO, with the support of other international organizations, like the United Nations, should integrate trade agreements, policies for the protection of environment and welfare schemes which would move the international trading system toward sustainable development.

15 John Dembach, (1991) “WTO and Sustainable Development”,
http://fpif.org/wto_and_sustainable_development/