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The Role of Trade in a Sustainable World Economy

by Glenn Fieldman

INTRODUCTION

It is clear by now that the designers and promoters of “free trade” agreements such as NAFTA, the WTO and the proposed FTAA envision not only freer trade and investment, but a qualitatively different world. The vision embodied in these agreements and supported by their rules and powers is a truly global division of labor, in which nearly all resources are commodified, everyone is forced to specialize, and in which citizens of all countries shop in the global marketplace to satisfy most of their needs and wants. Advocates of this system claim that it will solve the festering problems of poverty in developing nations, and that it can also, albeit with some modifications, meet the criterion of “sustainability.” The purpose of this paper is to evaluate these claims, and by placing the criteria of sustainability and the alleviation of poverty first, to begin to answer the question just what role trade ought to play in a world that is both sustainable and far more equitable than it is at present.

The 1987 Brundtland Commission report placed “sustainability” firmly in the global lexicon. While the report said that a sustainable world was one that would allow citizens of the future to meet their own needs, it imposed few restraints on the present. Indeed, it advocated faster world growth, much of which would be realized through trade. Growth through trade was envisioned particularly as a mechanism to improve the lot of developing countries, which needed “freer market access” for their products and “significantly larger capital flows.”¹ The sustainability of that trade and growth, Brundtland claimed, could be achieved by respecting environmental constraints. At least the potential compatibility of free trade and sustainability were thus not questioned, but assumed. As regional and global free-trade agreements proliferated after Brundtland, their makers made the connection explicit. The judges in a 1998 WTO appellate panel, for example, declared that “sustainable development is one of the objectives of the WTO agreement.”²

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Environmentalists, of course, have actively challenged the trade regime that has evolved during the 1990s with the proliferation of regional and global trade agreements. They have advanced a number of proposals that are intended to “green” the trade regime, some of which will be examined in this paper. But as the demands of environmentalists for higher standards gain a hearing among mainstream free-traders, developing-country governments have claimed that enforceable standards will place their own developmental objectives in jeopardy. The North/South gap, which was verbally bridged with “sustainable development” language in the Brundtland report and again at Rio, has re-emerged. The pro-free-trade Economist magazine addressed (and capitalized on) the gap with its post-Seattle December 1999 cover, which featured a photograph of an impoverished South Asian child under the caption, “The Real Victims of Seattle.” The hostility of many Southern governments to the idea of international environmental standards is an amplified version of their disappointment with the outcomes of the trade regime in general; in their view, environmental and labor standards will simply delay further the benefits they hoped to realize from their participation in trade agreements in the first place.

These disputes have made trade negotiations increasingly problematic and unproductive, and raise the possibility that the conflict between Northern environmental advocates and Southerners concerned with development cannot be resolved within the present free-trade framework. They also suggest the need for a thorough review of the whole set of “goods” that will allegedly follow the realization of the free-trade vision.

THE NORTH-SOUTH DIVIDE

The attention and efforts of environmentalists have focused on the absence of environmental standards in trade and investment agreements. Echoing labor critics of free trade, many environmentalists argue that under current trade rules, trading countries engage in a “race to the bottom” on the basis of differing national environmental standards and regulatory contexts; corporations are given freedom by new trade/investment rules to locate production and resource-extraction activities in places where the overhead costs from environmental regulation will be lower. Such practices, environmentalists claim, bring down standards in the North as well, because the threat of corporate relocation discourages vigorous legislation and law enforcement in higher-standard countries. In addition, some trade agreements (notably NAFTA) contain provisions whereby national standards that are deemed trade-restrictive can be challenged in trade tribunals whose verdict is binding and to which environmental

advocates have no access. Thus environmentalists now seek the incorporation of environmental standards, safeguards and penalty provisions into the world's trading rules, or, alternatively, to force the internalization of environmental costs that are presently "external" to product prices.³ They also advocate opening the trade dispute resolution process to public scrutiny and establishing a mechanism to ensure that panelists are free from conflicts of interest.⁴ If the world trade regime continues to lack baseline environmental standards for production (not just products), measures to ensure the punishment of polluters and some written-in protection for existing and future Multilateral Environmental Agreements (MEAs), environmentalists fear the erosion of hard-fought environmental legislation. Greener producers will be competed out of markets, and WTO rulings like those in the tuna/dolphin case and the shrimp/turtle case will effectively undermine enforcement of environmental laws.⁵

For their part, representatives of developing countries have argued that the trade game is stacked against them in ways that have prevented them from realizing the benefits they believe can accrue from trade. They point out that while developing countries have liberalized their own trade, the developed countries, because of their superior economic and negotiating power, have been able to avoid full reciprocal liberalization, even under GATT/WTO rules. Developed countries, they argue, have stacked the trade deck with a variety of measures that continue to protect politically powerful producers in developed countries from developing-country competition. These measures include Voluntary Export Restraints (VERs), the Multi-Fibre Agreement (MFA), which protects developed-country textile producers from international competition for a time-limited period, and Super 301, which allows the U.S. Congress to use unilateral trade sanctions in certain instances.⁶ Developing countries also point out that agricultural subsidies, which violate the logic of free trade and trade agreements but are still used by First World producing countries, disadvantage this centrally important sector in both domestic and world markets.

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Recently, the agreed-upon phase out of the Multi-Fibre Agreement (MFA) and the U.S.' changed attitude toward agricultural subsidies have offered some hope to developing countries for increased access to northern markets hitherto closed to them.⁷ Thus, efforts to "green the GATT" appear to developing countries to represent yet another set of obstacles just as they anticipate their entry into massive developed-country markets. Despite the presence of subsistence farmers and fishers from developing countries at protests addressed to the Seattle WTO Ministerial and other such meetings, even some environmental NGOs in developing countries have resisted calls for upward harmonization of standards, at least within trade agreements

themselves. Martin Khor of the developing-country Third World Network argues that the inclusion of standards means that “[d]eveloping countries are likely to find themselves at a great disadvantage,” so “trade-related environmental measures should not be negotiated within the WTO. If they are negotiated at all, the venue should be within the United Nations...”⁸

The differing hopes of environmentalists and developing countries for the world trading system were in evidence at a high-level symposium held in March 1999 under WTO auspices. At the meeting, environmentalists argued for higher standards backed with trade sanctions, while developing country representatives expressed the belief that building environmental protection measures into the trade regime would destroy the main advantage (low-cost production) they bring to trade.⁹

These differences, however, should not obscure the important underlying assumption on which “green GATT” and developing country advocates agree: that an expanded world trade regime can be harnessed to serve the aspirations of both environmentalists and the populations of developing countries—that is, the set of assumptions embodied in the Brundtland Commission report. Following the recommendations of Brundtland, the most thoughtful schemes to “green the GATT” try to bridge the equity gap at the same time by including measures that are intended to help developing countries improve their production techniques to meet higher standards. Some of these consist of compensatory mechanisms such as releases from debt and/or funding for technology transfers,¹⁰ but some, notably those promoted by the development NGO Oxfam, advocate deeper reforms directed to commodity pricing and financial flows—in other words, a revival of some elements of the NIEO reforms first proposed in the 1970s.

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The fruition of such schemes might be a free-trading world similar to the European Union, in which the economy grows through liberalization of trade, while both environmental standards and living standards are harmonized upward through a strong set of rules on the one hand and various subsidization schemes on the other. Logically, some sort of global managerial authority to oversee enforcement and funding would also be required. Esty suggests a new Global Environmental Organization for this purpose, an entity which would be a complement to GATT/WTO.¹¹

But how realizable is this vision? Is it politically and organizationally feasible? Even more important, would it, if realized, be adequate to arrest the worst of the environmental destruction that now affects all critical earth systems—biological and physical? Equally important, would it enable the world’s poorest people and countries finally to share in the world’s expanding wealth?

Herman Daly is arguably the most prominent of what is presently a minority (indeed, some might call it 'heretical') tendency in the trade/environment/development debate. Echoing Keynes' expressed preference for "homespun goods," these critics claim that the world to which traders aspire—a fully global economy with a global division of labor—is inherently unsustainable, both socially and environmentally. While recognizing the necessity and inevitability of some international trade, they argue that trade should be a residual activity rather than the main organizing principle for global production. In short, they pose relocation of economic activity as the alternative to globalization. The relocation alternative will inform the review of the current trade regime presented here.

Others are much less optimistic about the WTO's potential to be a green instrument, arguing that the weight of the WTO agreement is on the side of the producers.

GREEN FREE TRADE?

Harmonization of various national standards is inevitable in the global market sought by free traders. Trade and investment agreements have been targeted by environmentalists because in their present form they lead to downward harmonization as national environmental laws are in effect overturned by trade tribunals. But some environmentalists have argued that because of the power of trade agreements like the WTO to force harmonization, such agreements could be used as a vehicle to harmonize environmental standards upward.¹² Uniform standards are trade-compatible, and "[f]rom the perspective of transnational corporations, if environmental regulations must be endured, it is critical to the viability of global production and trade, that such standards are homogeneous from one jurisdiction to another."¹³

Upward harmonization could occur directly, via explicit recognition of existing international agreements (MEAs). Even advocates of a moderately environmentalist approach to trade argue that this should be done.¹⁴ Weinstein and Charnovits also claim that some of the very WTO rulings criticized by environmentalists (e.g., 'gasoline-Clean Air Act' and 'shrimp-turtle') indicate that the WTO is already "greening" because the rulings permitted import bans in cases where the imports would undermine national standards. In these cases, they say, the import restrictions were simply not administered properly. They conclude, then, that national laws restricting environmentally damaging imports are at least potentially safe from the WTO. This means that powerful markets like the U.S. could use their own domestic laws as an indirect way of forcing international standards upward.¹⁵

Others are much less optimistic about the WTO's potential to be a green instrument, arguing that the weight of the WTO agreement is on the side of the producers because "trade rules ignore the competitiveness effects of absent environmental regulation" and "governments are encouraged to compete for investment

by offering to become havens for polluters.”¹⁶ Even if Weinstein and Charnovits are right in their discernment of the green potential of WTO dispute panels, “environmentalists,” according to Shrybman, “now spend almost as much time defending existing laws, as they do fighting for new ones.”¹⁷ Proper administration of domestic laws involving import barriers is also extremely difficult, requiring time intervals to enable foreign producers to comply, as well as high costs. With respect to international environmental standards and the trade regime, in cases where international standards do exist, “other countries are free to invoke dispute resolution under WTO to challenge such environmental measures,”¹⁸ and “in most areas of environmental regulation, no international consensus or standard exists.”¹⁹

Forcing cost internalization is another “green free-trade” strategy based on the apparently simple idea that all costs, including environmental costs, should be represented in prices. Internalization would require a variety of strategies, which might include fees and taxes on, for instance, virgin raw materials, or effluents and legal liability for damages.²⁰ Subsidies, which are in direct contradiction to the internalization principle, would also have to be eliminated. Repetto argues that internalization would largely eliminate trade disputes as well as concerns over the environmental consequences of trade liberalization, and “[would] provide an additional economic benefit to developing countries. If the prices of their exports, especially to the northern hemisphere, included the cost of environmental compliance, then northern consumers would be paying a larger share of the environmental costs associated with their consumption patterns.”²¹

Forcing the internalization of costs through a green trade regime requires that the damage done be quantified—that is, assigned a price. For many environmental externalities, however, determining the price is a difficult exercise, so difficult that it may undermine the entire notion of a green global economy. The difficulty is further exacerbated by the fact that it is not only externalities from production that must be considered, but from trade itself.

Daly distinguishes between localized externalities (for which internalization may be an appropriate remedy) and pervasive externalities.²² He uses the emission of greenhouse gases as an example of a pervasive externality whose damaging effects, from the loss of flooded real estate to weather-related crop failures, are impossible to quantify. Trade generates several such pervasive externalities. One of them is increased greenhouse emissions from transport. Another, which despite its importance has received less attention in the context of discussions about trade, is the so-called “bioinvasion” problem—the introduction, deliberate or inadvertent, of new species into ecosystems where, in the absence of predators, they multiply uncontrollably with great destructive potential for the host ecosystem and human activities connected to it. Such invasions, marine and terrestrial, increase along with trade volumes and transport speeds. Higher speeds enable more non-native organisms to survive long journeys.²³ An estimated 3,000 species per day are now moving on what Bright calls the meta-currents of trade transport,²⁴ and that number is likely to grow alarmingly as trade in agricultural and forest products is liberalized. The results of bioinvasions

can be biologically and economically catastrophic, and, like the consequences of greenhouse emissions, they may be time-delayed. Thus preventive cost internalization, which is really the only meaningful kind in the context of potentially irreversible damage, is not feasible. Regulating to prevent bioinvasion would require a rigorous inspection of cargo, ships' ballast, and other invasion routes. Only one to two percent of loads entering the U.S. presently undergo such inspections.

Developing countries engaged in the world market will be obliged to continue their emphasis on commodity export, at least for the foreseeable future. For many of the poorest and least diversified countries, commodity trade is the only option.²⁵ As they increase commodity production, they will adopt policies that increase the commodification of land and facilitate the use of intensive harvesting, extractive and agricultural practices, as Mexico did in anticipation of the NAFTA agreement. An optimal green trade regime—that is, one which includes debt relief and perhaps even a negotiated commodity price agreement—might ease the pressure on developing countries to accelerate exports that has been so pervasive in recent years. But if we assume that most developing countries having comparative advantage in commodities will continue to export them in order to fund much of their consumption and development—a central assumption of global trade advocates—the damage such production causes will also continue, albeit at a somewhat slower pace. But mining, logging, plantation forestry, and forest clearing for agricultural production are devastating, especially to biodiversity in sensitive tropical regions. Commercially oriented fishing and aquaculture have wreaked havoc with marine ecosystems. Here, too, the problem of pervasive externalities seems inevitable. Karliner cites the “collateral damage” stemming from lumbering in Papua New Guinea, “...including changing the course of rivers, destroying community gardens, polluting traditional water supplies and ripping up coral reefs so that log ships...can pull into isolated areas.”²⁶

Developing countries engaged in the world market will be obliged to continue their emphasis on commodity export, at least for the foreseeable future.

A free-trade world, even a “green” one, would accelerate the commercial orientation of agriculture. While some of the environmental problems associated with agriculture, such as those stemming from excessive pesticide use, might be dealt with by internalization measures, trade-oriented agriculture is also extraordinarily costly to agricultural biodiversity—again, a pervasive externality. Here, the threat stems from the replacement of the biodiverse agricultural systems characteristic of subsistence or semi-subsistence agriculture with the monocultures characteristic of large-scale production for exchange. In his superb study of Mexican agriculture, Angus Wright contrasts traditional subsistence/local market agricultural systems with commercial export-oriented systems, documenting the genetic narrowing that has taken place with commercial orientation and its potential consequences for world agriculture.

The strategy of attempting to preserve strains of crops through gene and seed banks will ensure only “partial replacement” of the genetic diversity that co-evolved for thousands of years with traditional agriculture.²⁷

Thus while cost-internalization works in theory, and might be applied in cases where damage or the cost of preventing it could be easily quantified, many of the environmental problems associated with trade are unquantifiable and thus not amenable to this solution. If full internalization could be achieved, the trading system would be considerably greener, but also much smaller, because the volume of goods that could be traded profitably would diminish greatly under a full-internalization regime. Transnational corporations, even those which are environmentally conscious, are indisputably the most vigorous advocates of the present system because it facilitates access to markets and raw materials. Thus it is to be expected that they would resist attempts to apply the “polluter pays” principle rigorously even if it were applied evenly.

In addition to these problems, Ayres argues that because the global trading economy favors transnational producers who are able to afford ocean shipping, it has “reduced incentives to develop efficient methods of re-use, repair, renovation, manufacturing and recycling materials in a local region.”²⁸ He points out that German packaging wastes are sold as raw materials in many parts of the world, “undercutting local scavengers and reducing the incentives for German industry to develop uses for these materials, as was intended [by environmental legislation].”²⁹

Perhaps the most compelling reason for skepticism about how “green” a world trading regime might be is that developed countries, which have dedicated substantial resources to environmental assessment, measurement, monitoring, enforcement and remediation, have little to show for it even within their own boundaries. Their measurable achievements in improving air and water quality must be placed against the accelerated depletion of critical desert, forest and marine ecosystems, which indicates the limited efficacy of instruments so far invented to make growth “sustainable.” It is reasonable to conclude that replicating even part of the developed countries’ enforcement regime—monitoring adherence to baseline environmental standards, forcing producers to internalize costs—is bound to be more difficult in developing countries which lack budgets, equipment and personnel, and in which the corruption of poorly paid staff is a chronic problem.

ENFORCEMENT AND FUNDING MECHANISMS

Because the poverty of developing countries is an obstacle to their environmental progress, various funding schemes for them have become important elements of proposals to green the trading system. At the Rio Conference on Environment and Development in 1992, “debates over new and additional financial resources and about technology transfer were central to...the process.”³⁰ Following is a brief review of progress to date.

The developed countries have shown little willingness to address longstanding complaints of developing countries about the injustices of the international economic

system, which include rock-bottom commodity prices and massive debt-service obligations. Many environmentalists agree that debt relief is an important step that would enable poorer countries to slow the environmentally destructive breakneck exploitation of resources that is driven partly by loan service obligations, and that would, by diminishing financial pressures, enable them to upgrade productive facilities and law enforcement. But even as recent announcements of partial debt relief from the World Bank/IMF and the U.S. government were featured in the press, critics pointed out their inadequacy and the fact that IMF conditionalities attached to the plans, which require drastic cuts in government spending and therefore undercut government's role in environmental protection and law enforcement, remain in place. Ecuador, for example, which in late September 1999 announced that it was defaulting on so-called Brady Bonds, is not poor enough to qualify for the U.S. debt-relief program.³¹ Pakistan, with an external debt burden of 115 percent of gross domestic product, is similarly ineligible under this plan (although Pakistan has recently received some debt relief for reasons related to the September 11, 2001 attacks on the U.S.)³²

The picture is equally unpromising with respect to financial assistance from developed countries linked specifically to environmental improvements. The Montreal Protocol, which included measures to help developing countries honor it, is often cited as a potential model for an expanded assistance program. But as Karliner points out, "a large portion of [the Montreal Protocol] funds, which are earmarked for disseminating CFC substitutes to the Third World, wind up in the pockets of the very corporations that created the problem in the first place and that are now marketing hazardous HFC and HCFC alternatives."³³

The developed countries' political will to come up with the funding to improve environmental standards and enable developing countries to compete in a green trade regime is nowhere in evidence.

The Global Environmental Facility (GEF) established in 1990 to limit the negative impact of development projects³⁴ is totally inadequate to meet the environmental needs identified by the World Resources Institute: prevention of desertification and deforestation, population control, fresh water, biodiversity, ozone depletion and climate change.³⁵ Nor does it come close to the \$125 billion estimated at Rio to necessary for developing countries to meet the costs of Agenda 21.³⁶ The GEF cannot even begin to finance the upgrades of industrial and resource extraction technologies that might be required under a green trade regime.

The developed countries' political will to come up with the funding to improve environmental standards and enable developing countries to compete in a green trade regime is nowhere in evidence. Just how great the difficulties may be in meeting the bill for a more ambitious effort can be deduced from the hesitation of developed EU countries to admit less developed East European ones, which would lay claim to

substantial EU development funds. The enormously expensive reunification of Germany showed how expensive it can be to bring lagging economies up to First-World standards. In Europe, the development gaps between members and non-members are nowhere near as great as those that exist globally between developed and least-developed trading countries.

The organizational problems presented by a green and equitable trading system are equally daunting. Environmentalists and developing country representatives alike have wrestled with the organizational dilemma. The Committee on Trade and the Environment of the WTO is generally understood to be less than adequate to integrate environmental concerns into trade. Esty's proposed Global Environmental Organization (GEO) would "balance...the GATT's market access-oriented rules" and "make 'positive' determinations concerning environmental obligations," "reliev[ing] pressure on the GATT to be an environmental body."³⁷ Esty also argues that a GEO should fund programs in developing countries that address global environmental problems, at a level of \$15 to \$20 billion annually.

Even this sum, which is far in excess of the current funding levels of the Global Environment Facility, falls far short of meeting developing countries' environmental needs. And it is highly unlikely that developing countries would muster great enthusiasm for a global environmental organization that concentrated on global needs while neglecting the panoply of critical environmental problems that are "only" local. Consequently, a regime that meets the Bruntland objectives must go further to "address the causes of the disease rather than its symptoms," as one Jordanian news editorial put it.³⁸ The development NGO Oxfam proposes, in addition to debt relief and funding from developed countries to help developing ones meet higher environmental standards, a set of reforms intended to address the profound disadvantages that developing countries face as trading nations, particularly low and/or unstable commodity prices. They propose bringing trade, environment and development together in a new International Trade Organization (ITO) which would merge GATT/WTO and UNCTAD, and would also have a mandate for international environmental protection.³⁹ This scheme would effectively bring trade, the environment and development together under the auspices of the United Nations. It has the merit of comprehensiveness, and is effectively a revival, with improvements, of the integrated regime originally proposed at Bretton Woods.

A "Super ITO" or its equivalent is the most logical alternative if the environment and development are to be addressed in a coordinated manner. Leaving aside the question of its political feasibility (it was the United States' objections that effectively torpedoed the original ITO), the very complexity of its tasks is likely to mitigate against the effectiveness of a "Super ITO" even if it could be established. As Richard Norgaard pointed out in a discussion of efforts to integrate multiple problem areas and agencies in a new (U.S.) Department of Energy following the 1970s energy crisis, "One agency would make sense except for the immense difficulties of coordinating everyone to a multitude of tasks."⁴⁰ He argues,

Most countries are already pretty well bogged down in an informational, bureaucratic and political quagmire keeping a visible hand on development to the modest extent they do....In my judgment, there is little potential for further refinement of modern social rationality to better respond to our environmental dilemma by increasing the responsibilities of bureaucracies or by redrawing their boundaries of responsibility and lines of coordination.⁴¹

By putting the caveats before the horse, so to speak, the author does not mean to suggest, as some realists do, that international institution-building is a hopeless enterprise. It is vitally necessary, even if the present trend toward global economic integration were to be arrested. However, it is difficult to envision one, or a set of, international institutions that could manage adequately the equity and environmental problems of a global economy in which trade volumes are expanding, new areas of production (e.g., services, government procurement and the like) are brought into the free-trade arena, and resource extraction penetrates the remotest corners of the earth. Like central planners in the former Soviet Union, such institutions would be overwhelmed by the magnitude of their tasks and defeated by increases in trade and growth. As Peter Newell suggests, the basic problem is not itself organizational but rather “the failure to integrate environmental objectives into other policy areas,”⁴² which requires rethinking development and trade strategies in environmental and equity terms, rather than merely overlaying them with another organizational mandate. Newell also points out that all existing global organizations with significant power are dominated by the developed countries. They are thus both undemocratic and inclined to avoid dealing with destructive Northern production and consumption habits.⁴³ Thus, the most productive roles for both global and national institutions may be to facilitate the reduction of trade volumes, address the coercive policies of the World Bank and the IMF, which force developing countries to trade as a condition for loans, and move, especially in the North, toward living within the environmental means of their geographic boundaries.

One of the central problems with this notion is that developed country markets are near saturation already.

TRADE AND DEVELOPING COUNTRIES

“Greening the GATT” thinkers assume that trade—even “greened” trade—can be made to work for developing countries, provided that the trade regime itself undergoes certain modifications, and that adequate financial concessions and compensatory financing are available. Leaving aside the uncertainties of financing, discussed above, the assumption here is that rectifying problems in the trade regime will enable developing countries to prosper as their agricultural and manufactured products gain access to developed country markets.

One of the central problems with this notion is that developed country markets

are near saturation already. Record U.S. trade deficits and the indebtedness of U.S. consumers in the world's most important market do not augur well for the future. According to the 1999 UNCTAD Trade and Development Report, "Many manufactures exported by developing countries are now beginning to behave more like primary commodities as a growing number of countries simultaneously attempt to raise their exports in the relatively stagnant and protected markets of industrial countries."⁴⁴ Dasgupta argues that even as developed country protection of agricultural products and textiles is lifted and developing countries rush to sell to these markets, "there is the possibility of a global glut in production" and falling prices.⁴⁵ Developing countries have oriented themselves to trade in the belief that higher national incomes will be a consequence of export performance; thus increased demand in developing countries waits on sales in developed ones. Inadequate first-world markets may well derail this whole chain of expectations.

Along with other critics, Dasgupta argues that multinational corporations' domination of international trade via advertising, preferential access to capital, superior technology and R&D ensure that "there can never be a level playing field in the competition between the resource-rich MNCs...and the local companies."⁴⁶ Thus the gains from trade will continue to flow to the corporations, not the developing countries. The full inclusion of services in the GATT/WTO ambit, along with protection for intellectual property rights (TRIPs) will only make the situation worse.⁴⁷

These problems suggest that developing countries are likely to continue to suffer chronic trade deficits even under a more even-handed trade regime, and will have to borrow to compensate, as Costa Rica has, despite exceptionally favorable access to U.S. markets.⁴⁸ It is hard to imagine the developed countries committing themselves to the continual recycling of funds, via debt relief, environmental funding and other types of aid that would be necessary. Foreign investment, the panacea of trade advocates, has so far amounted to little—about \$8 per capita in the 49 Least Developed Countries as of 2001.⁴⁹

Paul Ekins argues that the potential of developing country gains from trade has been distorted all along by the fact that

...in less-industrialized countries a large amount of subsistence production and consumption occurs. When subsistence production, which is not accounted for in economic accounts, is shifted to production for trade, which is included in these accounts, a false amount of gain is perceived.⁵⁰

This seldom-mentioned but very important fact is highly significant for a realistic assessment of developing countries' stake in joining a fully integrated world economy. It also highlights one of the most profound costs of trade orientation in developing countries, which is the displacement of enormous numbers of people who are then dependent on finding work in commodity production. In most cases, such people are the developing country poor for whom trade-related jobs are necessary. A sort of vicious circle emerges, in which commodity production for trade leads to displacement which in turn leads to the need for more trade and investment to generate employment.

An example is the displacement of nearly a million Mapuche from their ancestral lands in Chile, which are now being used for export-oriented timber plantations. The Chilean government announced an aid package amounting to a princely \$274 per person for education, infrastructure and technical assistance for remaining Mapuche farms.⁵¹ The clear assumption underlying the program is that the Mapuche will find places elsewhere in the economy, but Chile's current unemployment rate is around 10 percent,⁵² making their prospects poor.

While subsistence agriculturalists in developed countries also suffered this fate beginning with the English enclosure movement, the numbers that must be absorbed into a fully-commodified global economy in the near future are staggering. So is the extent of expansion in the economy that would be necessary to accommodate them. In 1998 the International Labor Organization estimated that globally, one billion people were unemployed or underemployed.⁵³ The millions of currently unemployed in developing countries, along with those who face the same situation as their lands and lives are commodified in the future, may be forgiven for finding platitudes about "job growth through trade" insulting.

Space does not permit the elaboration of a full alternative development plan for low-income countries. However, preserving and/or expanding the surviving locally oriented systems of production makes sense in terms of sustainability and human well-being. Cavanagh and George argue that raising rural incomes through land redistribution and land-tenure reform along with complementary credit and other measures would generate demand for locally produced craft and industrial products, helping to generate employment.⁵⁴ A variety of studies shows that small farms producing for subsistence and local markets are much more labor-intensive than large commercial ones. Such farms, which are agriculturally diverse and much less pesticide- and fertilizer-dependent than commercial farming⁵⁵ can also be more productive per land area unit than commercial ones if total food and fiber output are measured. As Wright points out, studies claiming to "compare" traditional multicrop with commercial monocrop agriculture have measured only the yield of the monoculture crop in both types of fields—an egregious error.⁵⁶

The disenfranchised and potentially disenfranchised of the global economy—small farmers without secure land tenure rights, pastoralists, and groups who derive a living from forests and other local commons—have not been inactive in their own behalf.

Rurally oriented development would reverse the conventional development path pursued in both export-oriented and import-substitution development strategies, which despite their other differences have alike followed the logic of commodification of land and labor, squeezing small farmers and expropriating forest and other commons. Reforms enabling rural people to support themselves would not eliminate international

trade, but, Cavanagh argues, they would diminish it substantially,⁵⁷ both by enabling the rural beneficiaries of reforms to meet many of their own needs independent of the world market, and by removing substantial tracts of land from commodity production. One consequence might be an increase in the prices of traded commodities, which would help to diminish their over-consumption in developed countries. Sachs et al put it thus: "...industrial countries do far more harm to the poor in the South by what they lay claim to for themselves than by withholding assistance."⁵⁸

The disenfranchised and potentially disenfranchised of the global economy—small farmers without secure land tenure rights, pastoralists, and groups who derive a living from forests and other local commons—have not been inactive in their own behalf. Governments, even those that are nominally democracies, are challenged from below by peoples whose self-preservation demands the preservation of their territories from commodification: peasants in Brazil and Mexico demanding and dying for land reforms, forest-dwellers in Cameroon, India and Amazonia, Native Americans in Canada. FitzSimmons et al. suggest that the precariousness of elite-dominated state structures in developing countries and the absence of a clear political and economic hegemony leave space in which the struggles of the disenfranchised can develop and "exert pressure upon the state if not bring [about] its paralysis, collapse, or overthrow."⁵⁹ Alliances of the disenfranchised with advocates outside their own states are also possible; the extractive reserves in Brazil were the product of such an international alliance between rubber-tappers and activists from other, primarily developed, countries.

CONCLUSION

"Colonialism and development," Larry Lohmann writes, have consisted of attempts to break down...wholes and use the fragments, deprived of their old roles, to build up new wholes of potentially global scope."⁶⁰ The global trade regime is the current, and perhaps the ultimate, embodiment of these long-term processes. But ecosystems and sustainable agricultural systems are not simply parts that can be incorporated into a new assembly. Gene banks, for example, are not adequate substitutes for living agroecosystems, nor can the global economy incorporate those who are made redundant by the disassembly of existing local economies.

The evidence presented here suggests that a fully integrated world economy cannot hope to be either sustainable or equitable, and that the Brundtland Report and the declarations from Rio superimposing these goals onto the existing design of the world economy were politically-driven attempts to square the circle. If the North stands by its claims to honor these objectives, it must instead face the necessity of, as Sachs puts it, "putting our own house in order"⁶¹ and accepting a less cornucopian but more realistic vision of life in the coming Age of Limits.

Notes

¹ W.M. Adams, *Green Development: Environment and Sustainability in the Third World* (New York: Routledge, 1990), pp. 59-60.

- ² Michael M. Weinstein and Steve Charnovits, "The Greening of the WTO," *Foreign Affairs* 80:6 (November/December 2001), p. 151.
- ³ On internalization, see Daniel C. Esty, *Greening the GATT: Trade, Environment and the Future* (Washington, D.C.: Institute for International Economics, 1994), pp. 176-178.
- ⁴ "Testimony of Lori Wallach Regarding U.S. Preparations for the World Trade Organization's 1999 Ministerial Meeting," (Public Citizen 1999), p. 7. At <http://www.citizen.org.pctrade/gattwto/Testimon.htm>.
- ⁵ *Ibid.*, p. 14.
- ⁶ Biplab Dasgupta, *Structural Adjustment, Global Trade and the New Political Economy of Development* (London: Zed Books, 1998), p. 151.
- ⁷ *Ibid.*, Ch. 4.
- ⁸ Martin Khor, "How the South is Getting a Raw Deal at the WTO," in *Views from the South: The Effects of Globalization and the WTO on Third World Countries* (San Francisco: International Forum on Globalization, no date), pp. 43-44.
- ⁹ "Report on the WTO's High-level Symposium on Trade and Environment" (International Institute for Sustainable Development, 1999). At <http://www.wto.org/wto/hims/sumh1env.htm>, accessed October 1999.
- ¹⁰ Daniel C. Esty, *Greening the GATT*, pp. 196-199.
- ¹¹ *Ibid.*, Ch. 4.
- ¹² Weinstein and Charnovits, "The Greening of the WTO," pp. 148-149.
- ¹³ Steven Shrybman, "The World Trade Organization: A Guide for Environmentalists" (Draft) (West Coast Environmental Law, 1999), Part II, p. 6. At <http://www.wcel.orgweelpub/1999/12757.html>. Accessed December 2002.
- ¹⁴ Weinstein and Charnovits, p. 156.
- ¹⁵ *Ibid.*, pp. 151-152.
- ¹⁶ Shrybman, p. 5.
- ¹⁷ *Ibid.*, p. 6.
- ¹⁸ *Ibid.*
- ¹⁹ *Ibid.*
- ²⁰ See Robert Repetto, "Complementarities between Trade and Environment Policies" in Durwood Zaelke, Paul Orbuch and Robert F. Housman, eds., *Trade and the Environment: Law, Economics and Policy* (Washington, D.C.: Island Press, 1993), pp. 242-243, and Esty, *Greening the GATT*, pp. 66-67. Esty appreciates the difficulties of policymaking to force internalization.
- ²¹ Robert Repetto, "Complementarities..." in Zaelke et. al, eds., pp. 243-244.
- ²² Herman Daly and John B. Cobb, Jr., *For the Common Good: Redirecting the Economy Toward Community, the Environment and a Sustainable Future*, 2nd Revised Edition (Boston: Beacon Press 1989/1994), pp. 141-142.
- ²³ Chris Bright, *Life Out of Bounds: Bioinvasion in a Borderless World* (New York: Norton 1998), pp. 156, 166.
- ²⁴ *Ibid.* p. 156.
- ²⁵ See, for example, Belinda Coote with Caroline Lequesne, *The Trade Trap: Poverty and the Global Commodity Market*, 2nd revised edition, (Oxford: Oxfam, 1996), pp. 6-7.
- ²⁶ Joshua Karliner, *The Corporate Planet: Ecology and Politics in the Age of Globalization* (San Francisco: Sierra Club Books 1997), p. 128.
- ²⁷ Angus Wright, *The Death of Ramon Gonzalez: The Modern Agricultural Dilemma* (Austin: University of Texas Press 1990), Ch. 6.
- ²⁸ Robert U. Ayres, *Turning Point: The End of the Growth Paradigm* (New York: St. Martin's Press 1998), p. 147.
- ²⁹ *Ibid.* p. 146.
- ³⁰ Lorraine Elliott, *The Global Politics of the Environment* (Washington Square, NY: New York University Press 1998), p. 192.
- ³¹ Avi Kumin, "Debt Burdens Need Relief" (editorial), *San Francisco Chronicle*, October 6, 1999, p. A23.
- ³² Arkady Ostrovsky, "Pakistan wins official debt deal," *Financial Times*, December 14, 2001, p. 4.
- ³³ Karliner, *Corporate Planet*, p. 51.
- ³⁴ Elliott, *Global Politics...* p. 199.
- ³⁵ Gary Bryner, *From Promises to Performance: Achieving Global Environmental Goals* (New York: Norton 1997), p. 282.

- ³⁶ Elliott, p. 194.
- ³⁷ Esty, p. 80.
- ³⁸ "Look at Causes, Not Symptoms" (editorial), *Star* (Amman, Jordan) June 24, 1999. Excerpted in *World Press Review*, October 1999, p. 13.
- ³⁹ Coote and Lequesne, *The Trade Trap*, p. 190.
- ⁴⁰ Richard B. Norgaard, *Development Betrayed: The End of Progress and a Coevolutionary Revisioning of the Future* (New York: Routledge 1994), p. 21.
- ⁴¹ *Ibid.* pp. 21-22.
- ⁴² Peter Newell, "New Environmental Architectures and the Search for Effectiveness," *Global Environmental Politics* 1:1 (January/February 2001), p. 40.
- ⁴³ *Ibid.* pp. 44-45.
- ⁴⁴ "Overview of the UNCTAD Trade and Development Report 1999," UNCTAD, p. 7. At <http://www.unctad.org/en/pub/pubframe.htm>. Accessed September 1999.
- ⁴⁵ Dasgupta, *Structural Adjustment, Global Trade...* pp. 205-6.
- ⁴⁶ *Ibid.* p. 202.
- ⁴⁷ *Ibid.* pp. 166-174.
- ⁴⁸ Marc Edelman, *Peasants Against Globalization: Rural Social Movements in Costa Rica* (Stanford, CA: Stanford University Press 1999), pp. 89-90.
- ⁴⁹ Rubens Ricupero (UNCTAD Secretary General), Cham Prasidh and Maria Livanos Cattai, Letter to the Editor, *Financial Times*, May 9, 2001, p. 16.
- ⁵⁰ Paul Ekins, "Trading Off the Future: Making World Trade Environmentally Sustainable," (Summary) in *A Survey of Ecological Economics*, Rajaram Krishnan et. al, eds. (Washington, DC: Island Press 1993), p. 308.
- ⁵¹ Jimmy Langtman, "A Once and Future Home," in *The San Francisco Chronicle*, October 21, 1999, pp. A12, A15.
- ⁵² Mark Mulligan, "Chilean contenders brush up on their street creed," *Financial Times*, December 14, 2001, p. 3.
- ⁵³ Quoted in *The IFG Bulletin*, Vol.1, Issue 3, p. 7. (San Francisco: International Forum on Globalization 2001).
- ⁵⁴ See Rob Broad and John Cavanagh, "No More NICs," in *Creating a New World Economy: Forces of Change and Plans for Action*, Gerald Epstein et. al, eds. (Philadelphia: Temple University Press 1993), pp. 37-390, and Susan George, *A Fate Worse Than Debt: The World Financial Crisis and the Poor* (New York: Grove Weidenfeld 1988/1990), p. 245.
- ⁵⁵ Eric Eckholm, *The Dispossessed of the Earth: Land Reform and Sustainable Development* (Washington, D.C.: Worldwatch Institute 1979), pp. 25-26.
- ⁵⁶ Wright, *The Death of Ramon Gonzalez*, p. 156.
- ⁵⁷ Broad and Cavanagh in Epstein et al, eds., p. 388.
- ⁵⁸ Wolfgang Sachs, Reinhard Loske, Manfred Linz et al, *Greening the North: A Post-Industrial Blueprint for Ecology and Equity* (New York: Zed Books 1998), p. 158.
- ⁵⁹ Margaret FitzSimmons, Joseph Glaser, Roerto Monte Mor, Stephanie Pincetl, Sudhir Chella Rajan, "Environmentalism and the Liberal State," in *Is Capitalism Sustainable? Political Economy and the Politics of Ecology*, ed. Martin O'Connor (New York: The Guilford Press 1994), p. 213.
- ⁶⁰ Larry Lohman, "Resisting Green Globalism," in *Global Ecology: A New Arena of Political Conflict*, ed. Wolfgang Sachs (London: Zed Books 1993), p. 157.
- ⁶¹ Sachs, *Greening the North*, p. 158.