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The Winnipeg Principles, WTO and Sustainable Development: Proposed Policies for Reconciling Trade and the Environment

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A CHINA/WTO PAPER

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Abstract

THE WINNIPEG PRINCIPLES, WTO AND SUSTAINABLE DEVELOPMENT: PROPOSED POLICIES FOR RECONCILING TRADE AND THE ENVIRONMENT

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There is a widespread belief that the WTO has made virtually no concessions to environmentalists about their concerns arising from free trade and the process of globalisation. There are concerns that these processes may undermine prospects for sustainable development. Following the United Nations conference on Environment and Development held in Rio de Janeiro in 1992, the International Institute for Sustainable Development was established to advocate policies to support sustainable development within Canada and globally. In 1994, it proposed the Winnipeg Principles as a means for reconciling international trade and development so as to achieve sustainable development. These seven principles are outlined in this article and assessed. Although the International Institute for Sustainable Development had hoped through these principles to influence the work program of the Environment and Trade Committee of WTO, it seems to have little effect. Probably if these principles had been seriously considered by WTO, the serious social conflicts which emerged globally at the beginning of this century would have been avoided, and we would be in a better position to understand the complex links between trade, environment and sustainable development and adopt relevant policies.

THE WINNIPEG PRINCIPLES, WTO AND SUSTAINABLE DEVELOPMENT: PROPOSED POLICES FOR RECONCILING TRADE AND THE ENVIRONMENT

1. Introduction

The International Institute for Sustainable Development (IISD) was established as a result of the 1992 United Nations Conference on Environment and Development (UNCED) to function as a global body to promote the goal of sustainable development in relation to public policy. Located in Winnipeg, Canada it is basically an advocacy body. In 1994, it drew up "The Winnipeg Principles for Trade and Sustainable Development" (IISD, 1994) designed in part to influence the policies of the WTO (Shaw and Cosbey, 1995).

The main purpose of this essay is to outline these principles and assess them both from a theoretical and an operational point of view. And their relevance for the policies of WTO will be discussed. China may wish after it joint the WTO to advocate greater attention to sustainable development in relation to international trade by the WTO. Therefore, the Winnipeg principles may be particularly relevant to China's deliberations.

There have been many complaints that the WTO and GATT give no effective consideration to issues involving sustainable development (Cole, 2000; Halle, 1999; Shaw and Cosbey, 1995). Sustainable development is mentioned in the preamble to the agreement establishing the WTO, but a preamble is not binding. While the WTO has established a Committee on Trade and Environment (CTE), it is frequently argued that it has been ineffective in its influence. There is a view that its mandate or vision is limited by

the dogma that trade liberalization is the cure for all types of environmental and social ills. In this respect Halle (1999, p.7) comments:

" Hearing the WTO repeat like a mantra that trade liberalization is good for the environment, good for the poor, good for development, indeed just plain good was grounds enough for the Seattle riots. It has long been clear that trade liberalization can be good for sustainable development but only provided that trade, development and environment polices are harmonious and mutually supportive. By and large, they are not, with the result that trade liberalization has undermined development objectives and damaged the environment".

It can be argued that the WTO favours weak conditions for sustainable development and that on the whole, business favours such an approach. According to Shaw and Cosbey (1995, p.2), "Business sees growth, induced by liberalized trade as necessary for improving environmental protection, providing the financial means to make such protection possible. It wants greater certainty through clarification of certain trade rules, and of their relationships with multilateral environmental agreements". On the whole, non-agricultural businesses are probably satisfied with the approach of WTO, although there are some exceptions e.g. the Federation of German Industry (Tisdell, 2000b).

On the other hand, environmentalists are dissatisfied because they believe that the WTO has taken insufficient account of environmental concerns, and that it has failed to account of the view that strong conditions are required for sustainable development (Tisdell, 2000a). The demands of environmentalists include:

- Use of trade measures to enforce multilateral environmental agreements,
- Rules allowing unilateral use of trade measures against those who use environmentally objectionable production and process methods,
- More open WTO procedures, and
- Special consideration for developing countries, such as greater aid to permit less developed countries to improve their environmental standards (Cf. Shaw and Cosbey, 1995, p.2)

However, political positions in relation to the WTO are tangled and complicated alliances appear to have formed (Tisdell, 2000b). The relevance of the Winnipeg Principles have to be considered against this background. It is unlikely that the WTO will for political reason be able to continue to function exactly as in the past and that it will be forced to take greater account of environmental issues and the goal of achieving sustainable development. Whether the Winnipeg Principles will provide the WTO with the appropriate guidelines remains to be seen.

2. Outline and Assessment of the Winnipeg Principles

2.1 **Basic Principles:** There are seven Winnipeg Principles The shorthand identification of these is as follows:

1) Efficiency and cost internalization, especially internalization of external environmental costs.
2) Equity in distribution between and within generation.

3) Environmental integrity which involves, amongst other things, maintenance of ecological systems that is ecological sustainability.
4) Subsidiarity relates to the matter of jurisdiction.
5) International cooperation.
6) Science and precaution recommends a precautionary and adaptive approach to decision-making involving the environment
7) Openness refers to the nature of decision-making processes.

Let us consider each of these principles in turn.

2.2 Efficiency and cost internalization: The ISSD claims that "environmentalists, development specialists, trade economists have a common interest in promoting efficiency" (IISD, 1994b, p.2). They appear to have in mind economic efficiency in Pareto's sense. IISD (1994, p.2) amplifies its position as follows:

"Efficient resource use requires that the prices paid by producers for inputs, and by consumers for final goods and services, accurately reflect their full costs. In fact, most goods are not priced to reflect full costs (the magnitude of the distortion will vary from case to case), due to such factors as unpaid environmental costs and price-distorting trade barriers. Rectifying these problems is not easy; there are technical difficulties in evaluating unpaid environmental costs and designing instruments to deal with them. As well, some groups resist change because they benefit from these distortions, even though their net effect on the community at large may be seriously damaging, both economically and environmentally. Despite the substantial practical difficulties, high priority should be

attached to accurate pricing through cost internalization, in accordance with the 'polluter-pays principle' and through the reduction of price-distorting trade barriers."

Discussion of the efficiency/cost internalization principle: While this principle might command the support of most Pigovian economists and may provide a useful base line for considering efficiency and environmental issues, it would be shortsighted not to recognize some of its major limitations. These are

(a) It appears basically to be anthropocentric and seems to rely on standard economic utilitarianism. It will therefore not appeal to persons with a different social philosophy or set of ethics, in particular those who have ecocentric values, sometimes described as deep ecologists.

(b) Although it is recommended that prices reflect full costs, including the costs of environmental spillovers or externalities, agreement about external costs is difficult to achieve. There are a number of different techniques for estimating such costs and they can give different estimates and these costs may vary with the social context in which the externalities arise. Differences have been observed for example between the application of rules for determining external costs depending on whether these are based on 'willingness to pay' or 'willingness to accept compensation'. Furthermore variations occur within those categories depending on estimation techniques used. Nevertheless, at least the minimum external cost estimated by these various methods should be policy relevant.

(c) Presumably a policy implication of this principle is that trade discrimination against a country exporting commodities the price of which is lower than full costs could be allowable. Thus, where a country fails to incorporate full environmental costs in its

prices, trade discrimination might be allowable. The problem is that in some countries, often LDCs, less social cost is perceived from the same environmental damage than in other countries, mostly high income countries. So to apply the same standard to both would at least create international political conflict. However, some minimum standard might still be mutually agreed.

(d) This Winnipeg principle recommends cost internalization in accordance with the 'polluter-pays principle'. However, as Coase (1960) points out, if economic efficiency is the aim, the same efficiency result can often be achieved by the 'polluter compensated principle'. The Coase theorem suggests that it is a matter of justice as to whether the 'polluter' should be paid or compensated. The matter is much more complex than appears to be the case at first sight. For example, when a farmer purchases land, what rights does he/she thereby acquire? Cultivating the land may, for example, reduce biodiversity. Would it be reasonable to expect the farmer to pay for any reduction of biodiversity after acquisition of the land or should the farmer be paid (subsidised) not to reduce biodiversity? The matter is far from clearcut and many developed nations are providing subsidies to farmers to adopt 'environmentally friendly' farming patterns. So this Winnipeg principle, fails to take full account of measures to address environmental externalities. Nevertheless, the principle is important in that it emphasizes the need to address such issues.

(e) This principle only relates to marketable commodities. But some economically valuable environmental commodities are not marketable or are hardly marketable. Consequently, they may only continue to be supplied if their supply is financed by

government. These cases are not covered by this principle (but are important). However, it appears to be the intention to cover these by Winnipeg principle 3.

2.3 Discussion of the equity principle: IISD (1994b, p.3) states that "equity relates to the distribution both within and between generations of physical and natural capital, as well as knowledge and technology. Inequity and poverty contribute significantly to environmental degradation and political instability, particularly in developing countries". This principle recognizes equity as an important issue. In elaborating on this principle, the main concern of the IISD appears to be with inequality between developing and higher income countries. It suggests that higher income countries should do more to assist developing countries to 'strengthen their capacities', including their ability to protect environmental resources. It also recognizes that in some circumstances, trade liberalization can assist developing countries economically and support their environmental conservation efforts.

Nevertheless, some further limitations of the Winnipeg equity principle needs to be recognized. These include the following:

a) IISD lists important factors which should be taken into account in considering equity but fails to specify an equity principle.
b) While IISD suggest that poverty and environmental degradation go together, as did the World Commission on Environment and Development (1987), this is by no means always true. In fact, wealth can be a springboard for environmental exploitation (Cf.

Wibowo *et al*., 1997) and some global environmental problems appear to have been aggravated by increasing global incomes.

c) The impact of trade liberalization on the environments of developing countries are liable to be mixed, and this must be recognized (Cf. Mearns, 1991; Tisdell, 1999, Ch.6). For example, China's opening up to the outside world has had mixed environmental consequences.

2.4 Discussion of the environmental integrity principles. This principle can be elaborated as follows:

"Trade and development should respect and help maintain environmental integrity. This involves recognition of the impact of human activities on ecological systems. It requires respect for limits to the regenerative capacity of ecosystems such as fisheries and forests that are vulnerable to irreversible depletion; actions to avoid irreversible harm to plant and animal populations and species; and protection for valued areas such as designated parklands or sites of internationally recognized ecological, cultural or historical significance.

Many of these aspects of the environment have values that cannot be adequately captured by methods of cost internalization, thereby highlighting the need for other policy instruments. Such special conservation measures may represent an important exception to normal trade rules, whether in the context of trade agreements or environmental agreements. They may take the form of trade bans or quantitative restrictions. While such

measures could include unilateral trade restrictions, they should nonetheless be enacted within the context of internationally agreed criteria" (IISD, 1994b, pp.3-4).

This principle recognizes that the cost internalization approach is not always workable. It also provides an opening for other than anthropocentric utilitarian values in relation to global policies. Furthermore, it suggests that trade restrictions can be legitimate, within the context of internationally agreed criteria, as a means for enforcing environmental standards globally. The unresolved task is to determine the criteria to be used to justify trade restrictions for environmental purposes.

2.5 The subsidiarity principle: On the whole, this principle favours as much decentralization of decision-making as is compatible with effectiveness. "Subsidiarity recognizes that action will occur at different levels of jurisdiction, depending on the nature of the issues. It assigns priority to the lowest jurisdictional level of action consistent with effectiveness. International policies should be adopted only when this is more effective than policy action by individual countries or jurisdictions within countries" (IISD, 1994b, p.4). Possibly this principle is proposed on the basis of political acceptability and efficiency in decision-making. However, one is left wondering what 'effective' really means in this context.

In elaboration of the principle, IISD suggested that environmental standards could differ between and within countries, and yet respect a common framework. But agreement on a common framework is not always possible. In these cases, IISD recommends that "where

the environmental consequences remain within domestic jurisdictions, other countries should not use economic sanctions or other coercive measures to try to eliminate differences in standards" (IISD, 1994b, p.2). However, this may not be fully compatible with Winnipeg principle 1 because of a lack of full cost pricing in a country having lax environmental standards.

Also it is often difficult to decide the extent to which environmental effects remain within the domestic jurisdiction. For example, is loss of biodiversity within a nation a domestic or an international matter?

IISD recommends that "where there are significant transborder environmental impacts, solutions should be sought multilaterally. These might include international environmental agreements, the formulation of international standards, capacity-building, incentives for the voluntary upgrading of standards and the possible use of trade measures" (IISD, 1994b, p.4). There is still the difficulty in this case of determining what constitutes a "significant transboundary environmental impact".

2.6 International cooperation: IISD stresses that "sustainable development requires strengthening of international systems of cooperation at all levels, encompassing environment, development and trade polices" and points out that procedures for settling international disputes should simultaneously address the interests of the environment, development and the economy. This holistic approach is recommended. While this is

desirable, mechanisms for addressing the issue which take account of bounded rationality of individuals (Tisdell, 1996) need to be found.

The following point is also made by IISD: “Dispute-settlement procedures need to be open, effective and impartial, protecting the interests of weaker countries against the use of coercive political and economic power by more powerful countries. Unilateral action on transboundary environmental issues – an option generally available only to a few large countries – should be considered only when all possible avenues of cooperative action have been pursued” (IISD, 1994b, p.5). In the absence of changed global governance, it is nevertheless likely that the world’s more powerful nations will exert greatest influence both in multilateral agreements and outside of any such agreements.

2.7 Science and precaution: While emphasising the` value of science for environmental decision-making, this Winnipeg principles also brings attention to some of the limitations of science, and the need for caution in particular circumstances. This is necessary when decisions have to be made in the face of scientific uncertainty and scientific disagreement. In particular, caution is called for when mistakes may have very serious consequences or could result in irreversibilities. In these circumstances, it is said to be essential “to adopt a precautionary and adaptive approach that seeks the prevention and easing of environmental stress well before conclusive evidence concerning damage exists, and which adapts policy as new scientific information becomes available. Such an approach should include transparent efforts to identify and clarify the changing risks and to relate the risks to benefits and costs of correction measures” (IISD, 1994b, p.5).

However, science alone is not able to determine the risks which society ought to take. Value judgements are involved. These decisions are made more difficult when a whole group of individuals is subjected to environmental risks but have different attitudes to the bearing of risk or uncertainly. To what extent, for instance, should those who value security highly be required to yield in social decision-making to those who are prepared to take considerable risk?

Furthermore, in many cases risk cannot be estimated in an objective probabilistic manner because radical uncertainty exists. In these cases, particular care is needed in decision-making.

2.8 Openness: According to the Winnipeg principles, "openness comprises two basic elements: first, timely, easy and full access to information for all those affected; and second, public participation in the decision-making process" (IISD, 1994b, p.6). A criticism of many developing countries of the WTO is that its decision-making processes have lacked openness.

While openness has its virtues, it can result in obstructionism. Therefore, in order to ensure results, attention may have to be given to the design of principled procedures in an open setting.

3. General Discussion

On first perusal the Winnipeg Principles seem relatively idealistic and appear to be designed to yield ‘optimal’ solutions. However, closer examination indicates that they may also provide scope for ‘minimal’ environmental standards and polices as a starting point. Policy development in this area is likely to have to be of an evolutionary nature.

It is unlikely that an absolutely level playing field will be established in relation to international trade and environmental matters. In this respect, the world’s most powerful nations, especially in economic terms, are likely to continue to play a dominant role for some time to come. They have a strong bargaining position in formal arrangements. Furthermore, because of their position, they may be able to get favourable outcomes outside official arrangements, that is in ‘out of court’ settlements.

Where trade sanctions are allowed, for instance to enforce multilateral agreements, it should also be recognized that they may fail to work. Apart from damaging the target nation, they also impose some economic damage on the country(ies) imposing such sanctions and so free-riding in relation to enforcement may occur, that is some nations may not participate in enforcement. Trade sanctions against an economically powerful nation with significant imports may be especially hard to enforce. So unequal enforcement of international law is likely to occur.

The Winnipeg Principles do not resolve the issue concerning the circumstances under which environmental subsidies or public finance for the environment is justified. It seems

that most EU countries and Japan are resolute in providing environmental subsidies to agriculture. Australia as a member of Cairns Group is on the whole opposed to such subsidies.

Australia claims that most subsidies to agriculture in OECD countries are not agri-environmental supports and they merely support uneconomic agricultural production, much of which is 'dumped' on world markets to the disadvantage of the Cairns Group and developing countries (Committee on Trade and Environment, 1999). Australia claims that many agri-environmental measures are not effective in improving environments and merely serve to bolster agricultural supply. Certainly if the environment is to be more fully integrated into the procedures of the WTO, much more attention will need to be given to determining the types of environmental subsidies that are justifiable and those that are not. The Winnipeg Principles do not help in that regard.

There are also some other fundamental limitations of the Winnipeg principles as an operational policy guide. These can be summarised as follows.

1) While the goals stated for the principles are admirable, namely that they are intended to guide trade and trade-related environment and development polices, practices and agreements to help ensure they work to achieve sustainable development" (IISD, 1994a, p.4), the definition of sustainable development adopted by IISD is too imprecise to make this goal operational. IISD adopted the Brundtland Commission (World Commission on Environment and Development, 1987) definition that sustainable development is "development that meets the needs of the present without

compromising the ability of future generations to meet their own needs". But what does 'needs' really mean in this context? Are needs to be politically defined? The whole definition is very open-ended. Therefore, in itself it provides limited policy guidance.

2) In the preamble to the principles, IISD states that it wishes to merge environment and economics in decision-making and that while on the whole it favours trade liberalization as a means to sustainable development, it qualifies this by saying that "the contribution of trade liberalization to sustainable development is promoted by policies that respect environmental and social policy goals". While this seems admirable, one is left wondering how that respect is to be shown in relation to trade liberalization and how this would modify trade liberalization.

3) There can be conflict between the application of the efficiency and cost internalization principles and the principle of environmental integrity (as well as with the equity principles) and it is not clear how the conflict is to be resolved. For instance, IISD (1994a, p.11) states:

   "Moral and existence values are among the grounds for special conservation and management measures. Such values refer to, for example, the humane treatment of animals and the desire to know that a species exists even if it does not serve material human needs. They may also refer to an inherent right of a species to exist. Moral and existence values will be strongly affected by cultural traditions, income levels, and other factors.

Measures to protect environmental integrity may represent an important exception to normal trade rules, whether in the context of trade agreements or environmental agreements. They may take the form of trade bans or quantitative restriction."

This, for instance, raises the question of when should the moral and existence values mentioned above override or modify the economic efficiency principle? Furthermore, what moral values are to count and how much weight should be put on these? These are awkward but crucial questions which cannot be ignored by the world community.

4) It also seems that IISD has not modified its principles to recognize changes in economic and environmental thought in recent times. There is for instance, no identifiable reference to weak and to strong conditions for sustainable development. It is furthermore unclear whether IISD believes strong conditions would be satisfied merely by full cost internalization of environmental externalities.

4. Concluding Comment

Despite the limitations of the Winnipeg Principles, they represent a bold and early attempt to integrate trade and sustainable development. They were first suggested in 1994 as indicating a possible work programme for the WTO on trade and environment (Shaw and Cosbey, 1995) but it seems with little effect on the WTO. If WTO had seriously pursued consideration of these principles commencing then, we may not have witnessed the gulf separating environmentalists (and many developing countries) and the WTO at the beginning of this century. We might also be better informed about the operational prospects for combining trade and sustainable development, and have had a more reasoned

debate involving WTO about these issues, rather than the WTO mantras referred to by Halle (2000), and mentioned earlier in this essay. The matter is complex and requires conscientious consideration rather than disdain. It may only be now, after so much social disquiet and disturbance, that WTO will begin to address these issues seriously. Given that China supports the goal of sustainable development, it is likely to be able to contribute constructively to this debate after it joins the WTO.

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APPENDIX A

IISD's Principles for Trade and Sustainable Development

(Summary)*

This document summarizes the contents of the IISD publication, Trade and Sustainable Development Principles, drafted over the course of a year by a nine-member Working Group drawn from the trade, environment and development communities world-wide.

The full text is also available on-line. See IISD's Trade Program Publications for more information on this and other publications, and for ordering information.

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Goal

These principles are intended to guide trade and trade-related environment and development policies, practices and agreements, to help ensure that they work to achieve sustainable development.

* Source: http://iisd.ca/trade/princip2.htm

Principles

Points of Departure

Sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". We embrace this Brundtland Commission definition and note the seven strategic imperatives it identified for sustainable development: reviving growth; changing the quality of growth; meeting essential needs for jobs, food, energy, water, and sanitation; ensuring a sustainable level of population; conserving and enhancing the resource base; reorienting technology and managing risk; and merging environment and economics in decision-making. The principles that follow take this definition of sustainable development as their starting point, along with three key assumptions:

Need for Poverty Alleviation. Sustainable development cannot be achieved worldwide while massive poverty persists. Wealth created by trade, along with continued economic reforms and a substantial increase in the transfer of financial resources and technology from rich to poor countries, is an essential means to achieving this end.

Importance of Environmental Policies. Domestic and international environmental policies are of paramount importance for all aspects of sustainable development. As such policies become more effective, the risk that economic activities -- including trade and development -- may contribute to environmental degradation is reduced.

Role of Trade Liberalization. Barriers to trade can create impediments to the achievement of sustainable development, particularly for developing countries, and trade liberalization

is an important component of progress toward sustainable development for all countries. The contribution of trade liberalization to sustainable development is promoted by policies that respect environmental and social policy goals.

Principles

Efficiency and Cost Internalization

Environmentalists, development specialists and trade economists share a common interest in promoting efficiency. More efficient production reduces the drain on scarce resources such as raw materials and energy, and limits the demands placed on the regenerative capacity of the environment. Efficient use of land, labour and capital is also the heart of development efforts to combat poverty and satisfy human needs. Allowing the most efficient producers to provide the world's goods and services is the main rationale for an open trading system.

Efficient resource use requires that the prices paid by producers for inputs, and by consumers for final goods and services, accurately reflect their full costs. In fact, most goods are not priced to reflect full costs (the magnitude of the distortion will vary from case to case), due to such factors as unpaid environmental costs and price-distorting trade barriers. Rectifying these problems is not easy; there are technical difficulties in evaluating unpaid environmental costs and designing instruments to deal with them. As well, some groups resist change because they benefit from these distortions, even though their net effect on the community at large may be seriously damaging both economically and environmentally. Despite the substantial practical difficulties, high should be attached to

accurate pricing through cost internalization, in accordance with the "polluter pays principle", and through reduction of price-distorting trade barriers.

Equity

Equity relates to the distribution both within and between generations of physical and natural capital, as well as knowledge and technology. Inequity and poverty contribute significantly to environmental degradation and political instability, particularly in developing countries. When basic needs are not met, the poor have no choice but to live off whatever environmental resources are available. At the same time, past use of natural resources already limits the choices available to present generations, particularly in developing countries. Faced with these limitations, and having limited financial, administrative and technical capacity to deal with problems of environment and development, many developing countries will require additional resources and strengthened capacities if they are to adequately protect their environmental resources, including many which are of global significance.

Trade liberalization can contribute to greater equity through the dismantling of trade barriers that harm developing countries and ultimately their environments In particular, reduced tariff escalations for processed goods and improving trading opportunities for a wider array of industrial foods could help these countries seeking to diversify their economies and reduce their reliance on environmentally sensitive commodity production. In the context of decreasing levels of traditional foreign aid, the best alternative for

increasing incomes in poorer countries by the necessary magnitudes is increased trade and investment flows, the result of more open borders in both developed and developing countries, together with appropriate domestic policies in developing countries. Other measures to achieve equity and poverty alleviation include strengthening developing country capacity to develop indigenous technologies and to manage environmental resources, and creating mechanisms for the accelerated transfer of existing clean technologies. Continued progress in resolving the debt crisis is also important, as is an increase in transfers of financial resources.

Environmental Integrity

Trade and development should respect and help maintain environmental integrity. This involves recognition of the impact of human activities on ecological systems. It requires respect for limits to the regenerative capacity of ecosystems such as fisheries and forests that are vulnerable to irreversible depletion; actions to avoid irreversible harm to plant and animal populations and species; and protection for valued areas such as designated parklands or sites of internationally recognized ecological, cultural or historical significance.

Many of these aspects of the environment have values which cannot be adequately captured by methods of cost internalization, highlighting the need for other policy instruments. Such special conservation measures may represent an important exception to normal trade rules, whether in the context of trade agreements or environmental agreements. They may take the form of trade bans or quantitative restrictions. While such

measures could include unilateral trade restrictions, they should nonetheless be enacted within the context of internationally agreed criteria.

Subsidiarity

Subsidiarity recognizes that action will occur at different levels of jurisdiction, depending on the nature of issues. It assigns priority to the lowest jurisdictional level of action consistent with effectiveness. International policies should be adopted only when this is more effective than policy action by individual countries or jurisdictions within countries.

Environmental policies in different jurisdictions can reflect differences in environmental conditions or development priorities, leading to variations in environmental standards within countries or among groups of countries. Harmonization of emission standards, ambient environmental quality standards, procedural requirements or laws, supplemented where feasible by negotiated minimum process standards, can play an important role by ensuring that these essential differences respect a common framework. But this approach will not always be possible or appropriate. In the absence of such agreements voluntarily accepted by all affected countries, and where the environmental consequences remain within domestic jurisdictions, other countries should not use economic sanctions or other coercive measures to try to eliminate differences in standards. Where there are significant transborder environmental impacts, solutions should be sought multilaterally. These might include international environmental agreements, the formulation of international standards,

capacity-building, incentives for voluntary upgrading of standards and the possible use of trade measures.

Subsidiarity requires an important element of cooperation in international affairs. The responsibility of countries seeking higher environmental standards abroad to seek them multilaterally, shunning coercive measures, is matched by an obligation on the part of other countries to cooperate in such efforts. International Cooperation Sustainable development requires strengthening international systems of cooperation at all levels, encompassing environment, development and trade policies. The most desirable forms of international cooperation will avoid conflicts, through international efforts at development and environmental protection, and by improving the functioning of the global trading exchange rate and financial system. These efforts might include more initiatives aimed at technology sharing, capacity build, transfers of resources and debt relief, and an opening of protected markets. Progress in these areas of cooperation will address the root causes of many apparent trade-environment conflicts, in particular large disparities in technical capacity for environmental management and a lack of resources to invest in environmental protection. Cooperation may also take the form of multilateral agreements on the environment and new forms of cooperative cost internalization.

When international disputes arise, the procedures for handling them must be capable of addressing the interests of the environment, development and the economy together. This may involve changes to existing rules, changes to existing dispute settlement mechanisms, or the creation of new mechanisms. Dispute settlement procedures need to be open,

effective and impartial, protecting the interests of weaker countries against the use of coercive political and economic power by more powerful countries. Unilateral action on transboundary environmental issues – an option generally available only to a few large countries -- should be considered only when all possible avenues of cooperative action have been pursued.

Science and Precaution

In the development of policies intended to reconcile trade, environment and development interests science, in particular ecological science and the science of complex systems, can provide the basis for many necessary decisions, including the suitability of health, safety and environmental standards.

Action to address certain problems, however, will still have to be taken in the face of uncertainty and scientific disagreement, particularly where mistakes may have very serious consequences. It is therefore also essential in certain instances to adopt a precautionary and adaptive approach that seeks the prevention and easing of environmental stress well before conclusive evidence concerning damage exists, and which adapts policy as new scientific information becomes available. Such approach should include transparent efforts to identify and clarify the changing risks and to relate the risks to benefits and costs of corrective measures.

Openness

Openness comprises two basic elements: first, timely, easy and full access to information for all those affected; and second, public participation in the decision-making process. It is essential for the formulation and practical implementation of environmental and development policies, and is also important in minimizing the risk that trade policies will be manipulated to favour inefficient producers. While structures for openness are increasingly evident in dealing with problems at the national level, there has not been a comparable development for issues of an international nature. As people worldwide devote increasing attention to such issues, there is a need to find forms of participation appropriate to the different international organizations and negotiations.

National and international rule-making and dispute settlement should be transparent, seeking, when appropriate, scientific and technical advice on environmental and developmental impacts and soliciting the views of the public, including specialists in relevant areas to the dispute settlement process. Transparency and the opportunity for interested members of the public to make submissions are also important when trade issues are involved. At a minimum, adjudicating panels should entertain written submissions from non-governmental organizations, and panel decisions should be published with a minimum of delay.

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