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WORLD COMMISSION ON ENVIRONMENT AND DEVELOPMENT

FOURTH MEETING
Sao Paulo, Brazil
25 October - 4 November 1985

WCED/85/23

To: All Members of the Commission on
Environment and Development

From: Secretary General

Re: International Economic Relations, Environment and
Development

The impact of international economic relations on environment and development was discussed earlier by the Commission at its third meeting in Oslo. As decided at Oslo a small group of Commissioners met in Geneva on 10-11 September 1985 under the chairmanship of Commissioner Strong. Commissioners Stanovnik and Okita were present but Commissioners Ramphal and Sahnoun could not attend. (Mr. V. Cable of the Commonwealth Secretariat attended on behalf of Commissioner Ramphal.)

The discussions in the group were wide ranging and helped to evolve certain basic themes which are elaborated in the attached Secretariat paper on International Economic Relations, Environment and Development. The issues raised in this paper are central to the entire range of the Commission's concerns.

The paper begins with the argument that the environmental issue, placed in the context of economic and social development, can help to restore the momentum of international co-operation. It also argues that global action on the environment is not possible except as a part of global action on development. (See in particular paras 4, 6 and 7 of the paper.)

After spelling out the international dimension of environmental issues, the paper goes on to make a case for the indirect approach which, actually, deals directly with the underlying development problems. This is particularly true for the environmental problems which arise from poverty and vulnerability. (See para 18.) A survey of recent trends in the world economy and their impact on the environment/development problematique leads to the conclusion that global environmental concerns increasingly involve the Third World. (See para 19.)

The paper suggests that the solution lies in a new framework for international economic relations oriented towards the objective of sustainable development. (See para 30, particularly the attempt to spell out the concept of sustainable development.) The last part of the paper is really an attempt at translating this objective into specific principles and measures for the standard heads of international economic relations viz trade and investment, international finance and development assistance and science and technology. The paper stresses that a necessary pre-condition is a revival of the development process in the Third World. (See para 36.)

The Commission will wish to discuss the underlying argument and approach of the paper in order to give guidance and direction for the finalization of the paper.

Action Required: Discussion & Direction

October 11, 1985

0137C

INTERNATIONAL ECONOMIC RELATIONS, ENVIRONMENT
AND DEVELOPMENT

I. INTERDEPENDENCE

1. For over a quarter century now the world community has accepted that economic and social development is an international concern. This acceptance is reflected in the activities of the United Nations and its specialised agencies, in the orientation of international negotiations on economic matters, in bilateral relations between nations and in the growth of a "development lobby" in the rich countries. Development issues have become "internationalised" for a variety of reasons of which the most immediate one is the growth in economic interdependence between nations.
2. Global interdependence has grown in a situation where there are vast inequalities in levels of development and economic strength of nations. Thus the bulk of the world's population lives in countries where poverty, rural deprivation and urban squalor are widespread and the living standards of the masses have risen substantially only in the developed and a few developing countries. The roots of this inequality lie in history, in resource endowments, in socio-economic structures and in the pattern of international economic relations. There is also a major imbalance with most countries, including all developing nations, being influenced by, but not being able to influence the international economic environment, whose structural features and path of development are still largely determined by the policies of some rich countries. Because of this, the development dialogue has become a North-South debate increasingly influenced, not by perceptions of mutual dependence, but by conflicts of interest.
3. In recent years the very possibility of a dialogue has been eroded by the setbacks to multilateralism. Some of the elements accounting for this are:
 - a growing subjection of international obligations to short-term domestic policy compulsions;
 - a relative decline in the commitment to multilateralism in trade and other matters in the rich countries;
 - disillusionment in some countries with the workings of multilateral institutions.

4. The reality of interdependence has not changed. If anything the multilateral repercussions of national decisions and bilateral negotiations is increasing. The growth and structural change in international trade and finance, the internationalisation of technology and investment and the rapidly expanding international flow of information strengthens the economic and cultural basis of interdependence. Yet economic relations, governed largely by narrow calculations of national gains or losses, will continue to be influenced by conflict rather than cooperation. In this situation the growing awareness of global environmental issues and the intimate links between environmental management and development can help to revive perceptions of mutual dependence and rekindle the desire for cooperative action.
5. Environmental problems of a global nature arise both from growth and rapid technical advance and from the lack of development. The international repercussions of pollution and the pressure on resources arising from rapid growth in some countries was the starting point of the global dialogue on environment in the sixties. The range of issues widened with the recognition that international trade and investment flows can also involve transnational environmental linkages. During the seventies there was a growing appreciation of the links between environmental issues and the pattern of social and economic development. The globalisation of lifestyles and consumption patterns and inequalities in the command over natural resources were seen to lie at the root of many environmental problems. The seventies also saw the beginning of global concern for certain national level environmental problems which acquired international significance because they occurred in a large number of countries. In recent times the notion of linkage has become wider and the environmental problems arising from economic stagnation are at the centre of the debate.
6. Many of the environmental problems of special global concern at present arise from the lack of development and the misdirection of development efforts in many parts of the Third World. Desertification, soil erosion, deforestation, the spread of urban slums and similar environmental problems are, to a substantial extent, the result and the cause of poverty and the lack of financial and technological resources. These problems cannot be solved by partial "add-on"

environmental policies. Such policies will fail unless the pace of development is accelerated in developing countries where mass poverty is widespread and, what is as important, the pattern of development is modified to take into account environmental considerations in the very design of policies, programmes and plans. A failure to do so will lead to continued pressures from resource depletion, and rising poverty which will spill over and become regional and global problems.

7. The joint responsibility for survival requires that the world community takes an integrated view of the international dimensions of environmental management and development. The alternative of continuing with the present approach will only mean prosperity for a few, at the expense of misery for the many. The mandate of the Commission expresses its confidence that, with significant changes in current approaches, "it is possible to build a future that is more prosperous, more just and more secure because it rests on policies and practices that serve to expand and sustain the ecological basis of development". The agenda for international economic reform can be built around this objective in the hope that a joint interest in survival will be accepted by all sections of the world community.

II. THE GEOGRAPHICAL DIMENSION OF ENVIRONMENTAL ISSUES

8. Ecosystems do not respect political boundaries and the impact of ecological malfunction often spills over national frontiers. Moreover the limits of an ecosystem are not defined merely in terms of physical interactions but also have to take into account social and economic relations. With the growth in global economic interactions and in communications the impact of an environmental catastrophe in one part of the globe spreads and affects the livelihood of people elsewhere. Conversely, the pattern of international economic relations and national decisions affect the nature and intensity of many environmental problems.
9. The standard agenda for the discussion of environmental issues includes a set of problems which are global in character because of their worldwide impact and because they can only be solved by international collaboration. The possible warming of the earth because of carbon-dioxide emissions and the depletion of the ozone layer through the use of chlorofluorocarbons and other chemicals are matters that affect not merely a group of countries but the entire world in a direct and physical sense. Another class of issues that is essentially global in character is the utilisation of global common property like the oceans or Antarctica or Outer-Space, hence where international co-operation and regulation is essential to ensure equitable access and sustainable use. There are some cases where a national resource, because of its rarity and global value, acquires some of the characteristics of global property and becomes a matter for international concern. The most important such case is the heritage of genetic resources.^{1/}
10. There is a large class of environmental issues which, though not global, are essentially international since

^{1/} UNEP "The State of the Environment 1984: The Environment in the Dialogue between and among Developed and Developing Countries" United Nations Environmental Programme, 1984 pg. 23-26. IUCN "World Conservation Strategy" International Union for the Conservation of Nature and Natural Resources, 1980 Section 3

they involve more than one country. Transfrontier pollution problems like acid precipitation and deterioration of shared rivers, lakes and coastal waters are growing in magnitude and range of impact and becoming regional problems. A special class of regional problems lies in the management of international rivers and seas. ^{2/}

11. The global or regional character of environmental issues does not arise only from direct physical interaction between nations. It has been recognised, at least since the United Nations Conference on Human Environment held in Stockholm in 1972, that social and economic interactions between nations also have an impact on the environment and this impact is a legitimate global concern. In addition there are certain national problems, which, because, they occur in several countries, are considered to be of regional or global concern.
12. The pattern of international trade in food, agricultural and mineral raw materials affects the environment through its impact on resource-use and depletion, and through its impact on the possibility of sustainable development, particularly in developing countries.^{3/} International trade in hazardous products and wastes has an even more direct impact on the environment and is a matter for global concern in precisely the same sense as the world trade in narcotics, which is that uncontrolled international exchange makes national control more difficult. Economic interactions in the flow of finance through development assistance, commercial loans and direct investments have an impact on the environment through the level and nature of the investment activities and the type of technology transfer that they

^{2/} There are more than 200 international river basins of which the majority are in the developing countries. IUCN: World Conservation Strategy, International Union for the Conservation of Nature and Natural Resources, 1980 Section 19 Para 3

^{3/} World trade in such products amounts to over \$800 billion and this is distributed between mineral fuels and other products roughly in the ratio 60:40

sustain. In addition the policy conditionalities attached to some transactions, like IMF loans, also affect the possibility of pursuing environmentally sound policies.

13. Certain environmental issues acquire a regional dimension, not so much because of transfrontier linkages, but because of the commonality of national problems. Many human settlement issues and resource management issues like desertification, soil erosion, groundwater deterioration, deforestation, etc. have this characteristic. These are matters where national action can be effective but the common nature of the problem in several contiguous states justifies a regional approach in the form of intercountry cooperation and action by international agencies. Some of these problems acquire a more directly regional character when geographical contiguity and social interaction lead to a situation where "ecological refugees" cross frontiers in their search for a less deprived habitat.
14. The classification of environmental issues as global, regional or national has to take into account the growing interaction in the world economy where even national issues are defined and influenced by international circumstances. In this perspective the physical economic and social interaction are all interlinked. The point can be illustrated in terms of the example of desertification in the Sahel region in Africa. The environmental problem is physical and has acquired a regional character because of interactions between the ecosystems of the Sahelian countries, the movement of people across borders and the commonality of national problems. The international economic system generated pressures for the production of cash crops for exports which pushed food production to marginal lands and to overgrazing, a tendency which may have been reinforced by aid packages. Domestic policies, the lack of development and growing poverty worsens the situation. The problem becomes a global concern since human misery in the region is unacceptable. There could even be a more direct physical effect if desertification affects climatic patterns. In this sense, because of growing physical, social and economic interactions, a given environmental issue may have a global, a regional and a national dimension.

III. THE ENVIRONMENT AND INTERNATIONAL ECONOMIC RELATIONS

15. The global and regional dimensions of environmental problems have to be seen in the context of the pattern of world economic development. Environmental problems can arise both with economic growth and more important, when the lack of development leads to deprivation and a deterioration in the quality of life. Because of this the best point of leverage, even for narrowly environmental objectives, may lie in policies which influence the direction and content of the development process. This is as true for international relations as it is for national policies.
16. The identity of environmental and developmental issues can be seen most clearly in countries where poverty and population growth have put agricultural eco-systems under great pressure. "Desertification, deforestation, soil erosion and salinization result as inappropriate agricultural practices are used to meet the desperate need for food".^{4/} This pressure on resources in fact further aggravates the problem of poverty and hunger. Thus, of the 72 countries listed as low and lower middle income in the World Development Report for 1985, per capita food production declined between the mid-seventies and the early eighties in as many as 41, more than half of them being in sub-saharan Africa.^{5/} Poverty also reflects itself in other environmental problems like the lack of safe drinking water for over 1300 million people and sanitation for over 1700 million which causes 25000 deaths a day and 80 per cent of world disease.^{6/} Poverty aggravates population pressures as high mortality rates generate a preference for large families. It leads to urban squalor and increases vulnerability to natural disasters. Evidence of a marked increase in frequency and the number of victims can be seen in recent disaster records. ^{7/}

^{4/} UNEP "The State of the Environment 1984..." op. cit. Page 15

^{5/} World Bank "World Development Report 1985" Oxford University Press. Table 6 page 184/5

^{6/} UNEP "The State of the Environment, 1984.."op. cit page 13

^{7/} Gunnar Hagman et. al "Prevention Better Than Cure: Report on human and environmental disasters in the Third World" Swedish Red Cross, Stockholm and Geneva, 1984 pg.35

17. Poverty and environmental pressures lead to catastrophes because of the economic vulnerability of many poor countries. The margin required to cope with natural disasters like droughts or floods is not available and what in a richer country could have been managed with food or foreign exchange reserves becomes, in these poor countries, an unmanageable emergency. Vulnerability also reflects itself in an inability to persist with sound long-term policies in the face of such natural disasters or short-term economic fluctuations. Thus quick gains in food production or of exportable crops and minerals are sought even at the cost of long-term environmental damage.
18. The environmental problems which arise from poverty and vulnerability can only be tackled by attending to the causes rather than the symptoms. This can be seen very clearly in Sub-Saharan Africa, particularly in the Sahel region. The vast misery brought on by the drought in Africa is now widely known and the world community has responded with a substantial emergency programme. But emergency food aid is only a short-term reaction to a drought and special programmes to control the spread of the desert are, at best, a partial answer. The roots of the problem lie in national and international policies that distort incentives and promote environmentally unsound development. Thus correcting trade and production policies which encourage the production of cheap meat and cotton and drive food production to marginal lands may have a greater impact on desertification and hunger than direct attacks on the environmental problem as such.
19. The relevance of the indirect approach to environmental problems which, actually, deals directly with the underlying developmental problem can also be demonstrated in other cases:-

- * Tropical rain forests harbour a large proportion of living species and need to be conserved for maintaining genetic diversity. One of the reasons for the pressure on the forests is from timber and pulp demand and from the clearance of forests to support export oriented beef production.^{8/} The

^{8/} Norman Myers: "The Hamburger Connections: How Central America's Forests Become North Americas Hamburger" Ambio Vol 10 No. 1 1981

clue to conservation may therefore lie among other things, in measures to contain worldwide demand for the products of these forests rather than in simple prohibitory measures. The recent international agreement on tropical timber trade recognises clearly the need to ensure sustainable development. 9/.

- * The burning of fossil fuels which contribute so greatly to atmospheric pollution, came down sharply with the increase in oil prices. Even energy conservation measures have been more responsive to the rising price of energy than to more direct measures. The oil-price issue itself is a fall-out of the concern for the depletion of national assets, an environmental issue which has been articulated by mineral producers and exporters.
- * The control of communicable diseases, which can easily spread from one area to another, is an important problem in public health and environmental management. Emergency measures to control epidemics, quarantine procedures and similar approaches may at best contain the problem and a lasting solution has to be found in development policies to raise educational status, nutrition standards, the quality of primary health care and access to clean water and sanitation.

IV. RECENT TRENDS

20. The world economy grew at the historically unprecedented rate of around 5 per cent from the early fifties to the early seventies. The roots of this growth lie in a variety of factors but it is worth noting that one of these is the massive infusion of external assistance for the reconstruction and economic revival of the war-damaged countries of Europe. Apart from this international cooperation in the establishment of multilateral institutions and the liberalisation of trade, finance and technology transfer contributed greatly to the long period of high growth in the world economy.

9/ Statement by Mr A. McIntyre, Director-General, UNCTAD submitted to the Third Meeting of the World Commission on Environment and Development, Oslo, June 1985.

21. A crucial feature of post-war economic growth is the growing interaction between national economies as is shown by the following indicators:
- * World exports as a percentage of world product rose from 8 per cent in 1950 to 17 per cent in 1980^{10/}
 - * International bond issues rose from around \$3.3 billion in 1965 to \$109.5 billion by 1984^{11/}
 - * Direct foreign investment, undertaken mostly by large transnational corporation, rose from \$6.6 billion per year in the late sixties to \$49.4 billion per year in the early eighties^{12/}
22. The expansion of the global economy is reflected mainly in the rapid rise in living standards in the developed countries though there have been gains by way of substantial income growth, improvements in the quality of life and an increase in technological capabilities in several developing countries. Between 1965 and 1984 per capita GNP in 1980 prices rose by about \$4300 in the industrial market economies but only by about \$300 in the developing countries (excluding 5 high-income oil exporters). Nearly two-thirds of the population of the developing world lives in low-income countries with a per capita GNP which is only about one-fortieth that of the industrial market economies. Even among the middle income developing countries, which account for the remaining third, the growth process has come to a halt in most of them at least since 1980.^{13/} Hence, today low-income and/or low growth are characteristics of virtually all developing countries.

^{10/} UNCTAD "Handbook of International Trade and Development Statistics" 1983 and 1984 Supplements.

^{11/} World Bank: World Development Report, 1985 Oxford University Press, 1985 pg. 122

^{12/} World Bank: op cit pg. 126

^{13/} World Bank: World Development Report, 1985 op. cit. pg 148 Table A2

23. The nature of the economic interaction between the developed and developing countries has changed in recent years because of the growth in economic power of oil exporters, the rapid rise in manufactured exports from some developing countries and the growing importance of some of these countries for world money markets. However the number of countries and the size of population affected by these basic changes is still limited and the bulk of the population of developing countries continues to live in poor countries with one or more of the following characteristics: (a) a high degree of dependence on agriculture (b) foreign exchange earnings based primarily on exports of primary commodities (c) a continuing need for international financial and technical assistance and (d) a limited potential for autonomous technical development.
24. The international economic crisis of the eighties has demonstrated the dominant role of the global economy for most Third World Countries and its many direct and indirect effects on their development including policies and actions related to environment:
- First, by intensifying predatory and unsustainable pressures on the natural resource base in order to keep up with the exigencies of the crisis situation and national survival, including the huge outflow of resources related to servicing of foreign debt;
- Second, by accentuating poverty, marginalization and social inequities;
- Third, by relegating many social goals, on account of economic hardships and the shortage of domestically available resources to meet many pressing needs.
25. Many of the environmental problems confronting the world are rooted in this history of rapid, unequal and unstable development. The expansion of the industrial market economies meant a substantial increase in the demand for non-renewable resources and even a resource-rich country like the United States became a net importer of materials.^{14/} This raised certain

^{14/} Mihajlo Mesarovic and Eduard Pestel: "Mankind at the Turning Point" E.P. Dutton and Co./Reader's Digest Press, New York 1974 pg. 23

questions about resource depletion which was one of the earliest of environmental concerns to attract widespread public attention. Growth in the developed world also raised energy consumption and by 1975, the developed world (including Soviet Union and East Europe) accounted for over 80 per cent of global primary energy consumption, most of it in the form of fossil fuel combustion^{15/} Motor-cars, electricity and chemicals were the crucial elements in the rising standards of living in these countries. As a consequence a whole series of global, regional and national pollution problems arose. Moreover rising energy demands were a major factor leading to a sharp increase in energy prices which hit even those who did not have the rising incomes to pay for them.

26. The environmental problems highlighted at the time of Stockholm are being controlled and managed progressively in the industrial market economics, even though in many countries a significant slowdown and weakening of response has occurred on account of the effects of the domestic and international economic difficulties. In their mutual economic relations, the developed countries have evolved mechanisms and approaches to deal with various environmental problems. However the approach is still to treat environmental issues separately from other elements in economic policy. Moreover the environmental agenda is expanding and becoming more complex in the highly industrialized societies and in meeting the attendant challenges, especially in the longer run, a critical role is played by science and technology. Indeed, what is taking place in a number of important fields, such as biotechnology, renewable energy, new materials, low waste and non-waste technologies, etc., will be of key importance for the resolution of many environmental and natural resource dilemmas facing humanity, and individual countries. Therefore, the worldwide diffusion of and access to these fruits of scientific and technological progress becomes an important item on the agenda of international economic relations.
27. The pattern of world economic relations imposed some critical constraints on the growth process in developing

^{15/} Alan MacDonald: Energy in a finite world:
(Footnote continued to page 13)

countries. In order to find the foreign exchange required for sustaining growth and the requirements of a rising population, many developing countries had to intensify the production of primary products. Even now some 64 developing countries depend on primary commodities for over 50 per cent of their export earnings^{16/} In many countries cash crop production increased at the expense of food crops which were pushed to marginal lands. These international pressures, reinforced by population growth, led to pressures on land and water resources and resulted in accelerated rates of desertification, soil erosion, salinity, etc. The rising cost of energy further aggravated this by strengthening the pressures leading to deforestation. The dependence on primary product exports made these countries highly vulnerable to balance of payment pressures because of fluctuating and, in some cases, secularly declining terms of trade. Large numbers of subsistence farmers were marginalised and rural deprivation led to migration and urban squalor. In this sense the entire complex of environmental problems in these Third World Countries is linked to their position in the world economy.

28. There are many Third World countries which are not caught in this tangled web. They have managed to raise food production substantially and to diversify their economies by increasing industrial output and exports. However even here, international economic pressures have made it difficult for these countries to pay sufficient regard to long-term environmental and developmental needs. In order to avoid food imports they have opted for chemical and water-intensive mono-cultural agricultural systems at, perhaps, some long-term risk to the environment and hence to development. In fact, even in these countries, the agricultural economy has become "internationalised" through the dependence on imported inputs of fertilisers, pesticides, seeds, etc. In industry a rapid expansion in production has often led to extensive pollution and exposure to hazards. Most

(Footnote continued from page 12)

Executive Summary - International Institutes for
Applied Systems Analysis, 1981 pg 39/40 Table 8

- ^{16/} Anila Graham: The Other Economic Summit 1984,
Section 6. (Mimeo) page 12

important, the necessary concentration on directly productive investments and the diversion of resources to sustain imitative living standards has led to a relative neglect of water supply, sanitation, urban amenities and similar services thus worsening the quality of life, particularly in cities.

29. Looking ahead at the 21st century it is clear that global concern for environmental problems will increasingly involve the Third World. This is not because there are no threats to the environment in the developed countries but because the resources required to deal with these threats are at hand. The environmental problems of the Third World are less tractable because they are rooted in their poverty and vulnerability. On present trends the degradation of land and water resources and the imbalance between population and production will continue and become worse in many countries. In others, the changing industrial geography of the world, with locus of development of resource-intensive and energy intensive industries shifting to the South, will pose major problems of resource management and pollution control. Moreover, the South does not have the same access to unexploited and cheap resources of land, materials and energy which the North had in the corresponding stages of its growth. Hence there is no margin available to cope with environmental problems after the event and these concerns have to be integrated into the mainstream of development.

V. A FRAMEWORK FOR INTERNATIONAL ACTION

30. International action on environmental matters can only be effective as part and parcel of international co-operation on development and other economic issues. The link between these two areas of concern can be provided by the objective of sustainable development on a world scale. A development process is sustainable if it does not necessarily imply negative feedbacks which will ultimately undermine the process. These feedbacks may be physical, as when intensive agriculture is jeopardised by loss in soil fertility, or societal, as when unequal development leads to social unrest. In the context of international economic relations the concept of sustainable development would seem to require the following:

- * Ensuring that basic human needs for food, clothing and shelter are adequately met in all countries.
- * Controlling the growth in population and reaching a stable population level as quickly as possible, particularly in countries where food production systems are under continual stress.
- * Promoting lifestyles and methods of production such that renewable resources in every part of the globe are used in manner that ensures regeneration and sustainable use for all time to come.
- * Limiting the depletion of non-renewable resources to those that are not central to life-support systems and even for those ensuring equity of access between countries and between generations, stressing conservation and recycling and minimising the drawdown of reserves.
- * Avoiding altogether activities which endanger essential life-support systems and the basic conditions for human health and survival even if the risk is small but finite.
- * Consciously orienting technology development and transfer in directions which will enhance the resource base and resource effectiveness.

Preserving the global commons as common property with equitable access to all countries.

* Enforcing responsibility for the effects of one country's policy on another's environment.

31. The objectives of sustainable development on a world scale outlined above provide a framework for reducing economic tensions, competition for resources and externalisation of pollution between nations. Sustainable and equitable development in this sense and economic growth on a global scale are compatible if the content of growth changes to reflect the requirements of resource conservation. In fact the emphasis on optimal resource use can improve growth prospects in those countries where they are at present, constrained by environmental or ecological pressures.
32. Economic growth in the Third World will undoubtedly raise its requirements of materials and energy. But the developed countries are moving into a phase of less material and energy intensive growth. Despite this the developed countries will continue to account for the bulk of the consumption of non-renewable resources even at the turn of the century. ^{17/}The pressure from rising prices and changing life styles can help to reduce material and energy requirements. But what is really required is a change in the content of economic growth, an emphasis on conservation and recycling and an institutional framework which ensures equitable access so that the material and energy requirements arising from the wider diffusion of the growth process can be met.
33. International action for the promotion of sustainable development cannot be effective if it is taken up as a 'special programme' separate from other elements in international economic relations. It must be a guiding principle of all international negotiations on economic and social matters. The notion that the economic interactions between nation's have to be managed and the invisible hand of the market guided by national and

^{17/} The Global 2000 Report to the President. The Technical Report Volume Two. Council on Environmental Quality and Dept. of State, U.S. Government Pg. 168 and 206/207

international interventions is now widely accepted, in fact if not in theory. However the objectives of this management have generally been framed in terms of economic stability, growth, distribution of gains from trade and financial interaction, etc. There is in fact no consensus on these objectives and, in the end, the views of the most powerful prevail. The long-range objective of sustainable development can provide a consensus for the management of the world economy, provided all men recognise their common interest in survival. The challenge really is to translate this objective into specific principles and measures.

VI SPECIFIC ISSUES AND CHALLENGES

34. The preceding discussion has attempted a preliminary and general statement on interdependence, international economic relations and the very nature of development. It is necessary to be more specific and to attempt to give an operational and concrete meaning to this framework in the context of international economic relations. On the whole environmental issues have been largely overlooked in international economic discussions. True, some problems are being dealt with in the regional context of industrialized countries, both market economy and centrally planned, and concern their situations. However, very little attention has been paid to the environmental dimension in the economic negotiations and debate between developing and industrialized countries.
35. At least, in part, this state of affairs is a consequence of the evolving social and institutional responses to environmental issues in the industrialized countries, including the emergence of the corresponding policies and regulations at the national and regional level, and the lack or uncertainty of such response in the developing countries. The ambivalence of developing countries has been accentuated by the effects of the world economic crisis, which left them little manoeuvring space and scope to worry about anything but the most immediate concerns of staying afloat. Their position has been weakened further by lack of instruments for coordinating their policies especially at the regional level, as well as by the absence of a formal framework in the international economic relations to deal with these issues. This, superimposed on the existing development gap and inequities, creates a situation that is favourable both for the spillover of environmental effects and externalities from industrialized to developing countries, and for developing countries to overlook their own interests, to draw down their environmental capital, to weaken the basis for their sustainable development and mortgage their future.
36. Environmental objectives should not be separate from but a part of the development objectives accepted at national and international level. A revival of the development process in the Third World is a precondition for the pursuit of environmental

objectives and, equally greater regard for environmental concern is necessary to attain sustainable development. Within this broad context the international community faces a more specific threefold challenge:

- * To define and work out the basis and mechanisms for introducing the objectives of environmentally sound and sustainable development into international economic principles, structures, negotiations and practice, recognizing and acting upon the direct and indirect linkages and cause-effect relationships that may exist;
- * To manage and control the "environmental gap" that is beginning to emerge between the industrialized and developing countries, correcting and/or preventing the asymmetries, helping the developing countries improve their national and regional capabilities, responses, and mechanisms, financing national and international actions important for the global environment, drawing on and sharing in the experience of and resources available in the industrialized countries etc.
- * To ensure that the pursuit of environmentally sound and sustainable development is firmly established as one of the centerpieces of multilateralism and international economic and development cooperation.

37. This is not a simple undertaking. It involves ultimately a truly systemic approach to the world economy and the global environment, and new requirements and roles for the actors making up the international community. It involves redefining of interests and modifying current decision-making criteria and calculus used nationally and internationally. It means taking into account the longer-term prospects, linkages and feedback loops which are not easy to accommodate within the existing institutions, practice and perceptions, dominated by

short and medium term considerations and sectoral approaches. Moreover, it calls for an enduring effort, and considerable innovation and imagination. In particular, it requires the developing countries to work out national and collective postures and to reassess the existing trends, to build up national capabilities and responses, and increase their negotiating capacity. Keeping in mind that this is a broad and still uncharted area, the following clusters of problems are suggested as a preliminary step in an effort to identify the key issues and in due course recommend approaches, policies and more detailed measures to understand and deal with them and respond to challenges that they pose.

A Trade and Investment

38. International trade policy must contribute to sustainable use of the natural resource base, in particular in Third World countries, by reducing export instability and reversing the deteriorating terms of trade faced by primary commodity exporters, promoting diversification of exports and providing in international commodity agreements for measures to manage and sustain the yield of given natural resources. These will require changes in tariff structures and non-tariff barriers, in the content of commodity agreements, in the pricing of resource-intensive commodities etc.
39. The medium and longer-term ecological and environmental costs and considerations generally have not been taken into account in trade instruments currently used and policies made nationally and internationally. An example of this is to be found in the Common Agricultural Policy of EEC, which encourages high-cost factory farming in Europe, dumps surpluses in the Third World and reduces the possibilities of a more optimal cropping pattern in many African and Latin American countries. It is a difficult yet unavoidable task to bring these considerations of optimal resource use into the mainstream of international economic decision-making and negotiations. An encouraging step in this direction is to be found in the International Tropical Timber Agreement, which contains a provision regarding sustainable use of tropical forest.
40. The process whereby national environmental costs are externalized via the mechanisms of international economy has to be understood and managed This process of externalization is manifested in different ways and provides another imbalance in the relations between developed and developing countries. There is an increasing tendency by the industrialized countries to transfer part of the cost of their domestic environmental policies and measures via the prices of products they export, especially manufactures. At the

same time, the resource based economies, in the Third World in particular, have generally failed to evolve effective domestic environmental policies and even less so to build the costs of such policies into the prices of the primary and processed products they export, in part because they are not in a position to determine the prices of these products. This unbalanced relationship makes the poor countries pay part of the cost of environmental clean-up in the rich countries, and bear entirely the cost of their own environmental and resource degradation given rise to by the careless exploitation of their natural resource base for export.

41. The industrial geography of the world is changing with the shift and relocation of polluting, environmentally hazardous and resource intensive industries. This is a consequence of changing domestic economic structure and policies in industrialized countries and of the drive for command over natural resources. Very often, these industries have not followed the norms and standards of the country where the investment originates from, nor were they required to follow the norms of the host country, which were either non-existent or were not applied. This situation compounds the skewed relationship mentioned above as regards primary products, with the developing countries not only internalizing the environmental costs of the processed and manufactured goods thus produced, but also obtaining minimum value added for themselves as is the case, for example, with the aluminium, a highly energy intensive and polluting product.
42. Another instance where externalization of environmental costs has become evident has to do with growing trends by some industrialized countries to export for permanent storage hazardous wastes, including nuclear wastes, and the willingness of some developing countries to accept such wastes against payment. In this manner significant risks are spread worldwide and passed from one society to another, which is usually much less prepared and able to manage and deal with the problem than the exporting country and which on the basis of short-term economic calculations assumes significant liabilities for the future.
43. The export, transit, import and end use of environmentally hazardous products, in particular certain chemicals needs to be regulated Not all chemicals are hazardous or toxic, and the major issues of environmental concern relate to world trade in relatively untested products, and more particularly in products which are banned or severely restricted in home country. As it happens, virtually all of these products

originate in a few developed countries and a few large corporations, and they are generally controlled nationally and on the regional basis among developed market economy countries. The vacuum is to be found in the Third World, with the absence in most countries of both national regulations, and frequently of awareness of the risks involved and of capability to control the use of such products. Due to the nature of the products involved and the control of knowledge and information about their properties, in the present situation the judgement by the producers and/or exporters often appears as the sole filter in international trade with these products. Leaving things to their discretion only makes possible abuse and dangerous applications, with serious implications and risk for health and genetic make-up of people and for the environment in the affected areas. Better information and regulation of this increasingly important sector of international trade is therefore urgently called for.

44. The concept of "comparative environmental advantage", is assuming relevance in view of the evolving environmental norms and regulations in some countries, changing international division of labour and world industrial geography. It is possible that unless the matter is given full attention it will lead to new types of imbalances and competition in international economic relations especially harmful to the developing countries and their environment.
45. The transnational actors, transnational corporations in particular, will play a key global role in the emerging issues and processes and hold in their power many levers and capabilities which could exert important positive and/or negative influence on the fulfilment of objectives of environmentally sound and sustainable development in individual countries and worldwide. These will require an evaluation of their impact and the identification of specific measures in the light of this evaluation.

B. International finance and development assistance

46. The policies and approaches of the international financing and monetary institutions as they affect specifically the objectives of environmentally sound and sustainable development need to be reviewed e.g. IMF conditionality, the use of aid as a commercial instrument. Concrete proposals have to be made regarding how these could be influenced and modified in order to be supportive of or at least not to detract from these objectives in the developing countries.
47. Private and public financial flows to developing countries play an important role both on account of their magnitude and because they are directed towards activities and projects with significant and often multiplier effects on their environment/development situations. An in-depth evaluation of their roles and effects is overdue, and in fact should become a permanent feature of public policy, especially of recipient countries. In particular, official development assistance happens to be susceptible to direct action by governments, both donors and recipients, as a strategic tool to encourage environmentally sound and sustainable policies and projects, as a means for compensating developing countries for the "environmental subsidies" that they may be extending to the environment and economies of the industrialized countries.
48. International financing for environment/development actions. International support for national programmes, projects and activities in developing countries which are of concern to global objectives and programmes or which are of importance for their own sustainable development has been minimal relative to needs, and usually non-existent. The establishment of such financing on a permanent basis, which was one of the themes at the Stockholm Conference, will become more pressing as time goes by and the needs multiply. This important gap in the international mechanisms to deal with environment and development will have to be corrected. One of the promising and important lines of action would involve the setting up of novel mechanisms to secure on an independent, automatic and regular basis the financing needed (e.g. through taxation of the uses of the global commons or through a levy on some traded commodities with a high environment impact).

C. Science and Technology

49. S & T presents an important challenge to the international community, both because it involves management and control of increasing and multiplying risks that it gives rise to and because it is necessary to develop and channel its potential for solving many problems related to attaining environmentally sound and sustainable development. An added difficulty stems from the fact that S & T capabilities, and in particular technology development related to environmental pollution and sustainable uses of the natural resource base are concentrated in the industrialized countries. Their technological responses, however, are developed and conditioned by their capabilities, priorities, and specific social and physical setting and needs, and are seldom directed to the special requirements and problems of developing countries.
50. This puts the developing countries in a double predicament of depending on the industrialized countries for technology, and if they can afford it, obtaining technologies which do not necessarily correspond to their needs and are often inappropriate to the local social and physical environment. Moreover, they are not greatly assisted by the existing system of ownership, access to and costs of technology transfer. The system does not encourage the universal flow and application of the new knowledge, and thus makes it more difficult to respond with new technological solutions to needs of environmentally sound and sustainable development on a worldwide basis. Biotechnology is illustrative of issues at stake, both in its potential contribution to solving many problems and in the obstacles that stand in the way to its universal application. The basic task, then, can be said to consist of three broad objectives.
51. Development of appropriate technologies is essential for dealing with given sets of problems and corresponding to local situations in the Third World where they are to be applied. In addition to mobilizing local initiative and resources, special effort will have to be made to involve the international community, to draw on the existing and evolving advanced knowledge, and to encourage the process of R & D and innovation, directing it to problems that standard incentives do not seem to meet adequately, if at all.
52. Access to technology and its transfer on favourable terms and conditions, which is a long-standing issue on the international development agenda, will come to play a progressively pivotal role. In particular when it comes to technological frontiers of energy and material efficient products and processes, new materials, renewable energy, biotechnology in food and agriculture

systems etc, all of which are certain to have vast implications for environment and development, the issue of directing the content, and securing diffusion of and access to these technologies for all becomes of prime policy and strategic importance. Radically novel solutions and approaches will be needed if S & T is to be harnessed equitably and efficiently in this global undertaking.

53. Assessing, managing and sharing the risks of and responsibility for new technologies in the global context of world economy and requirements of environmentally sound and sustainable development is bound to become an important item of global negotiations in the decades to come, especially so, as many technologies have universal effects and implications and, if present trends continue, will be developed essentially within a few countries and by a small number of major corporations.

54. The underlying theme, and an important prerequisite in the long run for the true success of these measures, is the build-up of indigenous technological capabilities and responses in the Third World. This is the only way to (a) counter the growing gap resulting from the major technological drive and innovation taking place in some key industrialized countries, (b) to ensure a posture of negotiating strength in the import of technology, including environmentally harmful and obsolete technological processes being offered from the industrialized North, and (c) to put together technological packages corresponding to local needs and priorities.

D. The cross-cutting and integrating issues

55. The listing of issues given above is not meant to be exhaustive, and it could have been presented in a different manner. However, for a start, it is necessary to adhere largely to the major headings used in international economic relations at the risk of not accommodating some issues. For example, the conservation and uses of genetic resources for the well-being of the mankind, does not fit easily into any particular slot identified above. Yet, it touches upon many issues and presents some new challenges of how to approach this matter in the context of the globally sustainable and equitable development, and North-South relations.
56. Obviously, such problems and the conceptual framework presented in the earlier sections of this note, will make it necessary eventually to rearrange and link the issues

listed according to some cross-cutting and integrating themes. Such effort will have to be undertaken at the stage of synthesis, in the context of a comprehensive statement on the global environment-development picture and the prospects for the next century. Among the themes of this nature at least two bear mentioning:

- (a) Defining and operationalizing the meaning of global (economic and environmental) interdependence, which would include such problems as the role and function of the market, and new modes of international negotiation and the expanding meaning of "reciprocity" which has been the key motor force of any negotiating and policy process at the international level; and
 - (b) Defining the meaning of sustainable development and growth, and exploring ways and means of how it could be attained for all countries and peoples of the world, which calls for a look at the equitability and longer-term implications of the dominant transnational development style, and the current patterns of production and consumption, at how to attain the world development goals and overcome the constraints imposed by available and accessible resources, at the issue of the distribution of benefits and costs between countries, regions, social groups, generations, etc.
57. When considering cross-cutting and integrating themes of this nature, one reverts to the higher level of generality and systemic approach to the issues at stake, with international economic and environmental relations playing the pivotal role in both defining the conceptual and policy framework, and in seeking practical solutions to meet the agreed objectives.