

# Sustainable Economic Development With Reference To Trade And Environment

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**Abstract-** *Economic growth resulting from trade expansion can have an obvious direct impact on the environment by increasing pollution or degrading natural resources. In addition, trade liberalization may lead to specialization in pollution-intensive activities in some countries if environmental policy stringency differs across countries-the so-called pollution haven hypothesis. However, increased trade can in turn, by supporting economic growth, development, and social welfare, contribute to a greater capacity to manage the environment more effectively. More importantly, open markets can improve access to new technologies that make local production processes more efficient by diminishing the use of inputs such as energy, water, and other environmentally harmful substances. Similarly, trade and investment liberalization can provide firms with incentives to adopt more stringent environmental standards. As a country becomes more integrated within the world economy, its export sector becomes more exposed to environmental requirements imposed by the leading importers. Changes needed to meet these requirements, in turn, flow backwards along the supply chain, stimulating the use of cleaner production processes and technologies. Direct consequences of climate change on trade could come from more frequent extreme weather events and rising sea levels. Supply, transport and distribution chains infrastructure are likely to become more vulnerable to disruptions due to climate change. Maritime shipping, which accounts for around 80% of global trade by volume, could experience negative consequences, for instance from more frequent port closures due to extreme events. More importantly, climate change is expected to decrease the productivity of all production factors (i.e. labor, capital and land), which will ultimately result in output losses and a decrease in the volume of global trade. At the same time, there could also be positive economic impacts on maritime shipping through the potential further opening of Arctic shipping routes, albeit at the cost of environmental degradation. Effective environmental policies and institutional frameworks are needed at the local, regional, national, and international levels.*

**Keywords-** sustainable development , trade, environment, economy

## I. INTRODUCTION

The impact of trade liberalization on a country's welfare depends on whether appropriate environmental policies are in place within the country in question (e.g. correctly pricing exhaustible environmental resources). Stringent environmental policies are compatible with an open trade regime as they create markets for environmental goods that can subsequently be exported to countries that follow suit on environmental standards – the so-called first-mover advantage. This is especially true for complex technologies such as renewable energies. Countries have undertaken a number of environment-related efforts under the World Trade Organization (WTO) framework including negotiating tariff reductions in environmental goods and services, seeking more clarity on the relationship between existing WTO rules and specific trade obligations in multilateral environmental agreements, and seeking disciplines on fisheries subsidies. In this way, the WTO is building a multilateral framework for international trade that also discourages any misguided temptation to engage in a “race to the bottom”. The inclusion of environmental provisions in bilateral and regional trade agreements has also helped harmonize environmental regulations between developed and developing countries. More advanced economies can provide resources and institutions for capacity building, and can encourage less-developed partners to strengthen environmental regulations. The OECD has addressed many issues on trade and environment such as environment and regional trade agreements (RTAs) the drivers of environmental provisions in RTAs, as well as the stringency of environmental policies as a driver for trade in goods in environmental goods and services. We are also currently developing a set of policy indicators on trade and environment to help monitor progress towards more policy coherence, and to identify policy priorities at the intersection of trade and environment. It is the potential impact of economic growth and poverty alleviation that makes trade a powerful ally of sustainable development.[40] The multilateral trading system is an important tool to carry forward international efforts aimed at achieving this goal. The purpose of trade liberalization and the WTO's key principle of non-discrimination is a more efficient allocation of resources, which should be positive for the environment.[1]

Back in 1992, the United Nations Conference on Environment and Development (UNCED, the Earth Summit) in Rio recognized the contribution that the multilateral trading system could make to sustainable development. At that time, the system came under the General Agreement on Tariffs and Trade (GATT), the WTO's predecessor.[2] The Rio declaration stated that an open, equitable and non-discriminatory multilateral trading system had a key contribution to make to national and international efforts [39] to better protect and conserve environmental resources and promote sustainable development. The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides common goals for the wellbeing of people and the environment. [5,6] The Sustainable Development Goals (SDGs) call on countries to seize trade-related opportunities to promote sustainable development. SDG 17 provides a mandate for global partnerships and collaboration for sustainable development. For the trade and environment communities, this means that governments, businesses, civil society and intergovernmental organizations must pull in the same direction to tap into the numerous "win-win" trade opportunities that can improve countries' economies and the environment in tandem. [3,4]

A critical component of sustainability is natural capital—the natural resources and natural services that keep us and other forms of life alive and support our economies. A second component of sustainability is to recognize that many human activities can degrade natural capital by using normally renewable resources faster than nature can renew them. This leads us to a third component of sustainability. [7,8] Environmental scientists search for solutions to problems such as the degradation of natural capital. However, their work is limited to finding the scientific solutions; therefore, growth must be limited to ensure that ecological costs do not threaten its long-term sustainability. [9,10]

## II. OBSERVATION

Societies can become more environmentally sustainable through economic development dedicated to improving the quality of life for everyone without degrading the earth's life support systems. Economic growth provides us more goods and services, economic development has the goal of using economic growth to improve our living standards. Some economists call for continuing conventional economic growth, which has helped to increase food supplies, allowed people to live longer, and stimulated mass production of an array of useful goods and services for many people. [11,12] They also see such growth as a cure for poverty, maintaining that some of the resulting increase in wealth trickles down to countries and people near the bottom of the economic ladder.

Other economists call for us to put much greater emphasis on environmentally sustainable economic development.[38] This involves using political and economic systems to discourage environmentally harmful and unsustainable forms of economic growth that degrade natural capital, and to encourage environmentally beneficial and sustainable forms of economic development that help sustain natural capital.[13] Sustainable development will need to be inclusive and take special care of the needs of the poorest and most vulnerable. Strategies need to be ambitious, action-oriented and collaborative, and to adapt to different levels of development. They will need to systemically change consumption and production patterns, and might entail, inter alia, significant price corrections; encourage the preservation of natural endowments; reduce inequality; and strengthen economic governance. [14,15]

A Green Economy is needed with increased investments in economic sectors that build on and enhance the earth's natural capital or reduce ecological scarcities and environmental risks. These sectors include renewable energy, low-carbon transport, energy efficient buildings, clean technologies, improved waste management, improved freshwater provision, sustainable agriculture and forest management, and sustainable fisheries.[16]

## III. DISCUSSION

Sustainable Development provides an essential introduction to the complex relationships between the economy, society and the environment. As global inequality and climate change become mainstream concerns, it asks the questions our generation needs to ask in terms everyone can understand. Keeping systems in balance is an important idea that reaches beyond environmental concerns. [17] Think of the demographic balances in a given society Sustainable Development provides guidance for achieving the transition to sustainable development as a means of increasing the wellbeing of current and future generations in all countries.[37] Sustainable development strategies need to be inclusive and take special care of the needs of the poorest and most vulnerable. Strategies need to be ambitious, action-oriented and collaborative, taking into account different national circumstances. [18] Need to systemically change consumption and production patterns, and might entail, inter alia, significant price corrections; encourage the preservation of natural endowments; reduce inequality; and strengthen economic governance. Technology will certainly play a major role in this transformation. [36] Changes in consumption patterns can drive the creation of new technologies necessary for sustainability and their adoption and diffusion at the desired pace. Sustainable development will need to be inclusive and take special care of the needs of the poorest and most

vulnerable. Strategies need to be ambitious, action-oriented and collaborative, and to adapt to different levels of development. They will need to systemically change consumption and production patterns, and might entail, inter alia, significant price corrections; [20,21] encourage the preservation of natural endowments; reduce inequality; and strengthen economic governance. In most international organizations, including the United Nations (UN) and the World Trade Organization (WTO), conventional wisdom is that international trade supports sustainable development. “Trade growth enhances a country’s income generating capacity, which is one of the essential prerequisites for achieving sustainable development,” the WTO noted in the 2016 UN High-Level Political Forum on Sustainable Development.[22]

This belief is usually based on the relationship between trade and only one — or, at most, two — of the three pillars of sustainability. [35] These pillars are: the economy, social interests, and the environment. It’s pretty obvious how trade can support the economic pillar of sustainable development. Over the past few decades, we’ve seen the significant role of global trade in reducing poverty, creating jobs, and promoting growth. According to the World Bank and the WTO, developing countries made up 48 percent of world trade in 2015, up from 33 percent in 2000. Meanwhile, the number of people living in extreme poverty was cut in half between 1990 and 2015. Trade helps provide more and better jobs to people, lower prices for products, and stimulate the growth necessary to end poverty. [28]

#### IV. CONCLUSION

The effect of trade on social interests is more mixed. The economic benefits of trade can empower people to address major social needs in their communities, like protecting human rights, improving working conditions, and achieving gender equality.[34] Further, trade agreements and rules also have the potential to serve as social safeguards. In 2011, the WTO estimated that 75 percent of the world’s countries were bound by a free trade agreement (FTA) that included provisions addressing human rights.[33] In 2013, around 120 of the 190 countries that were parties to FTAs were parties to an FTA that includes labor rights protections. All of European Union’s trade agreements contain gender equality regulations. On the other hand, trade agreements can lead to worsening working conditions, as NAF TA has demonstrated. In addition, these provisions are difficult to enforce.[24]

But the big subject that’s overlooked, at least in the SDGs, is how trade can help the environment. The relationship

between trade and the environment is complex and certainly not always positive.[32] For example, the global agricultural trade has caused agricultural expansion, deforestation, and biodiversity loss in producer countries. Exports of soya and palm oil bring revenue to countries like Brazil, Indonesia, and Malaysia, but the intensive farming of these crops also causes rainforest and habitat destruction, over farming, and the destruction of soil and water. [25]

#### V. FUTURE SCOPE

Trade may also be an obstacle to combating climate change. According to the WTO and the UN, open trade would increase industrial production and eventually increase CO<sub>2</sub> emissions.[31] Also, “trade may increase the vulnerability to climate change of some countries because it leads them to specialize in the production of products in which they have a comparative advantage, while relying on imports to meet their requirements for other goods and services. These countries may become vulnerable if climate change leads to an interruption in their supply of imported goods and services.” [30] Although some FTAs have environmental protection provisions on paper, they are seldom able to be enforced. Even though there have been documented violations, no Party has ever brought a formal case based on the environmental provisions of any US FTA. In fact, the enforcement of trade provisions usually does the opposite of protecting the environment: Companies regularly use Investor-State Dispute Settlement (ISDS) to sue governments for enacting and upholding laws that are meant to protect the environment and communities. This failure to enforce hinders society’s progress toward sustainability.[26]

So, how do we mitigate the harms caused by trade to sustainable development? Sometimes, trade itself can be a solution. In the previous example, if climate change leads to a scarcity of certain goods and services in a country, trade can be a means for the country to obtain what it needs from other regions of the world.[29] In other situations, we may combine trade with other economic, social, or environmental methods for a positive outcome. For instance, countries and cities signed the Paris Agreement in April 2016 and the Chicago Climate Charter in December 2017, committing to international and local efforts to tackle global temperature rise.[27]

Trade impacts different aspects of sustainability in various ways, both positively and negatively. It has a rich context in the real world, so we must understand the full scope of the effects of trade when talking about it as an engine or impediment for sustainability. But trade is not the only tool we have. Sustainable development depends on thoughtful use of

the whole toolbox, and tailoring it to achieve all three pillars of the goals.[28]

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