

# WORLD TRADE AND SUSTAINABLE DEVELOPMENT

## What are the new regulations required to take on the challenges of climate change

Final publication - January 2017

Note no. 19

### SUMMARY

The financial tsunami that spread outwards from the U.S. in 2008 set off the most serious international financial crisis for nearly a century and grew into a major economic crisis all over the world, especially in the developed countries, prominent among them the member states of the European Union. This interminable crisis showed just how strong the interactions between economic, social and environmental factors were.

Even if there was a multiplication of announcements concerning the withdrawal from coal in anticipation of the COP21 conference, the crisis had brought to an end countries' international environmental commitments, particularly those upheld by the signatory countries of the Kyoto Protocol. There were thus massive levels of extraction of shale gas in the US and Canada, soon to be imitated in Germany, despite evident signs of the accelerating deterioration of our planet's environment.

Furthermore, social and environmental inequalities have exploded all over the world, penalising growth and threatening countries' political stability.

In many developing countries, these pressures on the environment, with their significant impact on biodiversity and the climate, coexist with major social challenges such as the persistence of poverty, the problems linked to malnutrition, and the lack of access to essential resources. As for the citizens of the so-called developed countries, regular revelations concerning the social and environmental dramas provoked by the production chains of certain consumer goods (ranging from T-shirts to prawns and smartphones) have led to an increasing awareness of the extent of the harm that can be done by such globalised value chains.

All of this invites an in-depth examination of the ways in which world trade can contribute to a sustainable development that can effectively reconcile economic, social and environmental requirements.

In such a context, the European Union has generally played an exemplary role in world environmental issues, particularly in relation to the ratification and application of the commitments of the Kyoto Protocol, whilst other states, including both developed countries and the emerging markets, either refused to ratify it (like the US) or refused to apply it so as to stimulate their growth (like China). In this way China became for over ten years the workshop of the world, thanks to extremely low production costs that remained unaffected by the surcharges linked to the commitments to reduce greenhouse gas emissions and other environmental and social constraints.

To allow for the continuing application of international environmental commitments and to advance social rights, a new method of regulation of world markets is called for. It is only in this way that fairer competition can be established in international exchanges, and that the development of world trade can be reconciled with sustainable economic development. Despite the fact that the promotion of the mutual reinforcement of sustainable development and trade forms an integral part of the objectives of the WTO (a body created in 1995 to promote world trade in succession to the GATT agreements), studies of this relationship show that the reality is at best lukewarm.

To take on this challenge and place world trade at the service of sustainable development, our working group at La Fabrique Ecologique has decided to:

- Give priority to possible solutions that combine social, environmental and economic factors within a logic of sustainable development, in order to avoid the pitfalls arising from a segmented approach;
- Give priority to the development of existing tools rather than creating new solutions from scratch, which would be quite unrealistic given the current state of geopolitical balances. This explains the strategic interest of emphasising the roles of the ILO, the OECD and the WTO, which has included sustainable development in its objectives;
- Take advantage of the transformations currently under way, which represent powerful forces for future development, among them the emergence of a "Homo Ethicus Numericus" and of whistle-blowers who act independently of current regulations.

The priority recommendations that we make to allow for a real possibility of regulating world trade in favour of sustainable development depend on a mixture of "hard law" and "soft law" tools applied at various levels:

- Undertaking an in-depth review of the WTO with regard to its functioning, its main guidelines, and its system for regulating differences and for applying consistent principles;
- Equipping the ILO with powers to check and sanction, like the WTO;
- Including a mechanism to deal with abusive clauses in contractual aspects of international trade;
- Reinforcing and coordinating the protection of whistle-blowers at a European level;
- Supervising a decree to introduce the future law pertaining to the need for vigilance on the part of governing parent companies with regard to their subsidiaries and subcontractors, in order to prevent inaccuracies and possible misunderstandings between companies, organisations representing civil society and public authorities.