Global Insight covers areas of topical interest and is meant to provide the reader with an initiation to the subject and its policy implications. The analysis is meant to be simple yet elegant, and without sacrificing depth, useful to a broad policy community. We welcome and encourage comments and suggestions.

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Trade, Environment and Sustainable Development in South Africa

by
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Introduction

South Africa is preparing to host the World Summit on Sustainable Development in Johannesburg next September. An ongoing debate since the last summit in Rio de Janeiro in 1992 is that of development through trade which has focussed increasingly on the linkages between trade, the environment and sustainable development. Central to sustainable development is the protection of the environment. Unless environmental considerations are well integrated into trade policy and industrial strategy, there will be little to trade with in the future. In the pursuit of South Africa=s post-apartheid development it is, therefore, critical to orient trade towards sustainable development in a manner that protects the environment.

South Africa=s macroeconomic policy, the Growth, Employment and Redistribution strategy (GEAR), is conceived within and oriented towards the global economy, with strong emphasis on fiscal discipline, investor confidence and macroeconomic stability. And although South Africa=s trade policy is based on an assumption that there is a direct causal relationship between trade liberalisation, economic growth, and sustainable development, it is weak on the links between trade and environment, particularly relating to international agreements. The Department of Trade and Industry (DTI) produced a draft Environmental Implementation Plan (EIP). This was required by the National Environmental Management Act (NEMA, Act 107 of 1998) to articulate how DTI=s policies, programmes, plans and functions that might affect the environment, will comply with environmental management principles. The DTI is currently working on its second EIP draft, following comments by the Committee for Environmental Coordination on the draft submitted in February 2001. The first draft had some useful information on certain of DTI=s functions, although having a weakness on the impact for the environment. Moreover, a conceptual and operational understanding of sustainable development remains weak in the economic ministries.

A key constraint to linking trade, the environment and sustainable develop-ment is different opinions as to what sustainable development means, what path we need to follow and the different values that influence decisions regard-ing trade-offs. This global debate is reflected in South Africa through critiques of GEAR and concerns about trade liberalisation leading to job shedding and impoverishment. For the South African government and business, integration into the global economy means opening its borders to increased flows of goods, services and capital. This is seen as a prerequisite for economic growth, which is necessary to meet other development objectives, such as job creation. The antiglobalisation movement worldwide and in South Africa is questioning this neo-liberal paradigm of growth as a prerequisite for human development.

The International Context

During South Africa=s transition to democracy, the International Mission on Environmental Policy initia-ted a study to look at the challenges for South Africa in integrating environment with development. The study suggested that for developing countries to benefit from the WTO, they need to unite, become more aware of the issues, look after their own interests and have adequate representation. Particular issues for South Africa were agriculture, subsidies and intellectual property rights - which could have reper-cussions on indigenous knowledge, farmers= rights and community biodiversity management. South Africa=s export strategy should be to reduce its reliance on mineral exports by increasing international market share in various goods, particularly manufactured pro-ducts. While pushing for access to northern markets, the study suggested that South Africa also needed to establish a development path that is more environ-mentally sustainable than that followed by the North. It was noted that gaps in knowledge existed in mana-ging the dual objectives of environment and develop-ment and in the implications of technology transfer. For example, would we allow >dirty= technologies to be imported; would technology transfer be tied to aid or trade? In most cases, the challenges posed in this study remain the same today and have not been ade-quately integrated into national policies and strategies.

Multilateral Economic Agreements (MEAs): instruments of trade or environmental management?

South Africa has signed and ratified many of the MEAs which contain a specific trade component. MEAs are becoming increasingly recognised as important arenas in which trade policy is developed and as such might be weakened in their ability to manage the global commons. Many country delega-tions to the Conference of Parties (COP) contain officials from trade ministries. At the sixth COP, dele-gations from the EU and USA were led by or had strong trade representatives. Within South Africa, links between trade and MEAs have not been made explicit B neither in policy nor in the institutions that manage them. Although South Africa is starting to recognise the trade and economic implications of MEAs, bringing on board officials from DTI happens in an *ad hoc* and uncoordinated manner. But the eco-nomic implications of certain MEAs should not be dismissed lightly. DTI have recognised this with respect to climate change and research is currently being conducted through the Fund for Research into Industrial Development, Growth and Equity (Fridge) on the impact of climate change and the Kyoto Protocol on the economy. The Protocol establishes three Aflexible mechanisms@ within which countries can reduce their greenhouse gas emissions: the Clean Development Mechanism (CDM), Joint Implement-ation (JI) and Emissions Trading. These are all economic instruments, with trade implications. Non-annex I countries (which includes South Africa) are eligible only for the CDM, but once the rules are established for JI and Emissions Trading (between northern countries and economies in transition), it is likely that they will remain, even when other countries become eligible for emissions reductions. Thus once again the rules of the game will be set by the industrial-ised countries, with minimum input from economic and trade ministries in the South. Nevertheless many opportunities are offered by MEAs for sustainable development. These should be identified and exploited.

Sustainable consumption: orienting production to meet people=s needs

The unsustainable consumption patterns of the rich place enormous stress on the environment while at the same time the basic needs of the poor are not met. Statistics indicate that a quarter of the world=s people who live in the North consume three quarters of the commercial energy, metals and mineral resources used worldwide, produce over 90 per cent of all industrial and hazardous waste, and eat more than half the world=s food. The estimate of productive land required to sustain a person=s consumption levels is at an average of 10.3 hectares in the US, while it is at an average of only 0.8 hectares in India. But given that there is only 1.7 hectares of productive land available per person on the planet, it is not possible for most poor people to reach the levels of consumption of people in Europe and North America.

Yet there is no South African policy or strategy that promotes sustainable consumption domestically or responds to international trends. The opposite is by default true: the expansion of export markets based on comparative advantage assumes that there is no limit to consumption or production B that it would be a problem for South Africa if Europeans started to consume less. But at the same time, if the effort to shift consumption patterns is left to northern consumers alone, there will be challenges which could have negative implications for South Africa. These include:

1) reduced demand for South African exports due to increased local production and dematerialisation using fewer physical resources to produce the same product or service), which could result in increased

protectionism and anti-dumping cases being brought against South Africa;

2) a drive for new markets in South Africa by international producers to replace overproduction and shrinking markets, particularly in Europe, which could result in dumping of goods, such as genetically modified organisms and food;
3) reduced market share for South Africa due to increased competitive advantage of northern countries which own the resource-efficient, >environmentally friendly= technologies; and
4) opportunity cost of investing in process and production methods demanded by northern consumers, rather than those appropriate to South Africa.

While these trends in sustainable consumption currently sit outside formal trade agreements, it is likely that they will become reflected in international law in ways that entrench existing unequal trade relations. Already the EU is pushing for ecolabels and the US for environmental services in the WTO. These are areas where they can define what >good environmental practices= are and thereby hold a comparative advantage.

Although there is no national policy on sustainable consumption, certain activities can be noted which respond to demands for more sustainable consump-tion. The Fridge is undertaking a study on the suitability of an ecolabel for South Africa. It will look both at the effectiveness of an ecolabel in improving a company=s environmental performance as well as increasing the competitiveness and export potential of South African products. A South African developed ecolabel is likely to be far more appropriate to local conditions than if producers were to try (as is currently the case) to receive certification from northern companies, requiring inappropriate standards and high costs. A second example that promotes sustainable consumption is Nedlac=s Aproudly South African@ campaign to be launched in September 2001. This came out of the job summit as a way to boost local economic activity, to create jobs and shift consumer perceptions around the quality of South African products. Sound environment and labour practices will be included in the certification criteria. A spin-off effect is that it supports a key component of sustainable consumption, namely, reducing the distance that products travel by bringing producers and consumers closer together.

Conclusion

Trade as a tool for development is critical for South Africa=s post-apartheid reconstruction and development. However, South Africa=s trade policy has not been conceived within the framework of sustainable development, neither is there an overarching policy to address this. Nevertheless, some trade, environment and sustainable development linkages have been recognised and some progress has been made towards their management. Most progress has been made where links are direct, such as legislation on trade in endangered species, rather than indirect, such as development and environmental consequences of changes to the national economy. While there are constraints to orienting trade towards sustainable development, there are also opportunities for government, business and civil society to engage in trade that promotes human development whilst operating within the earth=s natural systems. It is these opportunities we should focus on and build into our national strategy for sustainable development.

Policy Considerations

5) *Develop interdepartmental teams of people to work and negotiate on trade and sustainable development in multiple domains.* Trade and sustainable development cut across government departments and functions. South Africa has no clear-cut strategy or institutional framework within which to develop a strategy. A team of active, capable people who are able to engage in all of the issues that link trade to the environment would enhance the participation of South Africa and strengthen the implementation of sustainable development. Responsibility for building such a team would fall primarily on DTI, DEAT and the Department of Foreign Affairs, but would need to include people from other departments including agriculture, science and technology, and water affairs and forestry.

6) *Enhance public debate and discussion on trade, environment and sustainable development through active engagement between government, business, labour and civil society organisations.* Rapid trade liberalisation impacts on the environment and many other domains in ways that we don=t yet fully understand. Nedlac provides a limited forum for discussion on these issues as it excludes civil society organisations that are

active in identifying and promoting social values and norms such as development and environmental protection. The list of who is considered a Alegitimate@ stakeholder needs to be expanded in order that these values are brought into discussions, debates and negotiations on issues such as trade, investment, competition policy, government procurement and intellectual property rights, that affect all spheres of society. The possibility of establishing a legal national body should be discussed so that whether or not public debate takes place does not remain the prerogative of a particular minister or government official. An opportunity exists in the Cotonou Agreement, which requires the establishment of consultation mechanisms for non-state actors.

7) *Include a strong trade section in the national strategy for sustainable development (NSSD) that reclaims >sustain-able development= as embedded with social and environ-mental justice, equity, eradication of poverty and ecological integrity, and use it to promote fair and people centred trade that protects the earth.* Sustainable development has become a useful Acatch-all@ to justify actions or policies that support a particular vested interest. Aspects of sustainable development, such as Aenvironment@ or Adevelopment@ are removed and pursued outside the framework that glues them together. This could have dangerous implications if it is pursued in the trade arena. Already the EU is defining what it means by good environmental practice. This allows it to put protectionist measures in place, such as ecolabels, while at the same time putting pressure on South Africa and other ACP countries to mine their fisheries. At the same time Adevelopment@ is seen as synonymous with the pursuit of economic growth, regardless of the consequences to people and the environment. Yet sustainable develop-ment is the best concept we have to promote long-term human centred development. There are opportunities for change within both trade and MEA negotiations, which should be seized.

8) *Conduct research on the implications and opportunities for sustainable development of new and existing trade agreements and systemic problems within the WTO; develop criteria against which to assess, monitor and evaluate the performance of trade agreements.* The rationale behind opening up trade is that on average there will be more benefits than costs, that is, net welfare will improve. But we need more information. We need to know whose welfare is improving and who is bearing the costs; we need to know how women will be affected; we need to know which environmental resources will be under increased stress and which will benefit. We need evidence that these structural changes, which are inevitable if trade is liberalised, do indeed lead to greater welfare. Before a trade agreement is signed its likely effect on the South African economy, people and environment needs to be thoroughly examined, publicised and tracked. If it is estimated that jobs will grow in the manufacturing sector, then we need to put in place a monitoring system to assess whether this occurred and if not why not. DTI=s research unit intends to do this, although it excludes environmental factors at present. Strategic Environmental Assessments are a possible place to start developing an appropriate framework for trade policy assessment that incorporates principles of sustainable development.

9) *Identify strategic and active interventions to ensure that trade policy and trade agreements contribute to greater livelihood and security for poor South Africans.* The links between trade liberalisation, economic growth, development and sustainable development are not inherent. One does not necessarily lead to the next. Active interventions are required to eradicate poverty, which is one of the key aims of trade policy. New trade agreements might bring both opportunities for and threats to greater livelihood security. Strategies and action plans are needed that make maximum use of the opportunities and mitigate against potential threats.

10) *Include an analysis of sustainable consumption in developing policy on sustainable production and trade.* The relation-ship between sustainable consumption and econo-mic growth is not clearly understood. An analysis of sustainable consumption for South Africa will raise important questions on this relationship and on the nature of growth. Trends in sustainable con-sumption should be incorporated into the policy implications of the Fridge study on sustainable production which are in the process of being debated as they will challenge some assumptions around trade policy. Specifically dematerialisation and bringing producers and consumers physically closer should be incorporated. Possible implications of sustainable consumption on export markets should be included.

This policy brief is based on a chapter commissioned by the Department of Environmental Affairs and Tourism as part of their national review of Agenda 21.

Suggested Reading

$*See the official UN website for the World Summit on Sustainable Development at: www.johannesburgsummit.org;*

$The International Institute for Sustainable Development at: www.iisd.org;

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