

Nations Development Programme (UNDP) has termed "human security."⁴ "Human security" is most easily understood by identifying its component parts. These may be placed under several main categories; economic security, food security, health security, environmental security, personal security, community security and political security. These components are interrelated, and threats to human security are manifest in threats to the component parts. Two key features of the concept are that territorial security is accompanied by the notion of people's security, and security through armaments and military power is accompanied by security through human development. In this concept, security for a nation state - its national security - is dependent upon the common well-being of all countries. Security for a country and its people extends beyond its borders, and it is not necessarily a zero-sum game with a higher level in one country eroding or threatening the security of another. Moreover, the impact of a country's economic activities on its citizens is a part of national security.

In this sense, the impact of trade and investment on the environment become national security concerns. Trade can lessen environmental degradation and may contribute to sustainable development. By efficiently allocating resources, it is also widely recognized that trade increases economic welfare. However, if production is not appropriately priced, i.e., if costs are not internalized, trade may have an adverse environmental impact. The reduction of direct subsidies, while a step toward the internalization of environmental costs, is not full internalization of cost. The concept of environmental internalization implies that market prices fully reflect all environmental costs (i.e., including an activity's contribution to climate change).. When environmental costs are unaccounted for, a market failure, or an "externality" arises. Subsidies, by lowering costs to producers, may contribute to market failure and the accompanying negative environmental effects. For example, the underpricing of water could result in excessive use, which in the long-term could result in the loss or reduced productivity of land due to salinization or waterlogging.

The potential for trade to have a negative environmental impact, however, does not imply that trade or trade liberalization should be avoided. Rather, it implies that the appropriate environmental policy, to internalize environmental costs, is required to avoid negative environmental impacts. This is also true for investment, which will determine where production takes place. Earlier work by the Policy Staff concluded that:

"Trade is rarely the cause of environmental degradation, although there

⁴ United Nations Development Programme, Human Development Report 1994, pp. 22-46.