
Overview of Key Issues in Trade and Environment

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Brief History of International Trade

In theory (1800s)

- Adam Smith – Laissez-Faire Economics / Invisible Hand
- David Ricardo – Law of Comparative Advantage

In practice (up until mid-1900s)

- Most countries maintained protectionist trade policies and viewed imports as threats to domestic industries (supply-oriented approach to production & trade).
 - Tariffs used to protect domestic industry & to generate revenue
 - Import substitution to create domestic industries and achieve self-reliance common in many developing countries with planned economies (e.g., Yemen, Egypt, Syria, Latin America).
 - Employment generation through maintenance of state-run enterprises and large public bureaucracies more politically important than efficiency, productivity and innovation.
 - Food security concerns due to fear of dependency on food imports, thus strong measures to protect agricultural sector.

Brief History of International Trade

In pursuit of trade liberalization (mid-1900s to present)

- Development paradigm switched to focus on promoting trade liberalization as the means by which competitiveness can be enhanced and efficiency gains can be generated for the benefit of consumers. Choice increased, as well as consumer preferences (demand-oriented approach to production & trade).
- Export-led economic growth has since become the major tenant of most national development strategy
 - Trade considered the way to benefit from globalization
 - Trade considered the way to achieve economic growth
- **General Agreement on Tariffs & Trade = 1947**
- **World Trade Organization = 1995** (Secretariat Established)
 - Global Trade in 2000 was 22 times larger than 1950 levels.

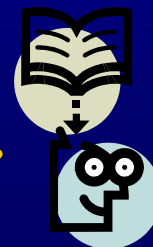
Link to Environment & Sustainable Development

- Concepts of Sustainable Development emerged during the 1980s partially in response to economic growth and trade liberalization advocates

- Bruntland Commission = 1986
- Rio Convention on Environment & Development = 1992
- World Summit for Sustainable Development (WSSD) = 2002

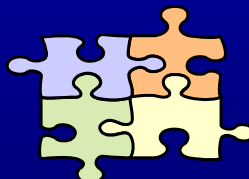
People started Questioning Trade Liberalization concepts

- **Why engage in Trade Liberalization?**
 - For Economic GROWTH?
 - For Economic DEVELOPMENT?
 - For SUSTAINABLE DEVELOPMENT?
- How do we make the positive outweigh the negative?
- This question is the basis of the inter-linkage between trade and the environment.



What is Sustainable Development?

- Cited in Rio, WSSD, Marakesh Agreement
- Offers framework for examining inter-linkage between
 - ECONOMICS
 - ENVIRONMENT
 - SOCIAL
 - GOVERNANCE
- Inherently requires an Inter-disciplinary approach to development, which requires Inter-Ministerial Coordination and the engagement of Public & Private Stakeholders
- **GOVERNANCE = How the policy process works, includes National Committee on Trade & Environment**



Implications for Developing Countries: Sustainable Production & Consumption

Freer trade impacts sustainability positively and negatively.
Changes in levels of:

- Production and exports impacts pollution, migration, gender dimensions, employment
- Imports and consumption impacts on SMEs, waste flows, water & energy use, consumer protection, standards, customs
- Revenues impacts government services
- Increased need for:
 - Stronger environmental institutions and enforcement
 - More effective impact assessments of free trade agreements on sustainability (SIA) – not only environmental reviews.
 - More environmental goods & services.

Sustainability Impact Assessment of the Euro-Mediterranean Free Trade Area

Economic & Social impacts on Eastern Mediterranean Countries:

- overall static economic welfare gain (small)
- potential large long term economic gain, strongly dependent on parallel domestic and regional policy measures
- significant adverse impact on unemployment, with associated pressures on wage rates (industrial short term, * agricultural long term *)
- significant adverse impact on government revenues – which impacts social, educational, health & environmental expenditures *
- greater vulnerability of poor households to fluctuations in world market prices for basic foods
- adverse effects on the status, living standards and health of rural women *

* selected for study in Phase 3

Sustainability Impact Assessment of the Euro-Mediterranean Free Trade Area

Environmental Impacts of EMFTA on Eastern Med Countries:

- significant local impacts on water resources, as there is movement to expand large-scale agriculture, which impacts soil fertility and biodiversity in areas of high existing stress *
- higher environmental stress in cities, resulting from declining rural employment and accelerated rural-urban migration
- higher air pollution and coastal water pollution from greater international transport
- higher waste generation from greater use of packaging materials
- potential for improved water resource management through environmental services liberalisation *

* selected for study in Phase 3

Sustainability Impact Assessment of the Euro-Mediterranean Free Trade Area

- Interesting that benefits to EU of EMFTA not significant, and will generate adverse impacts too.

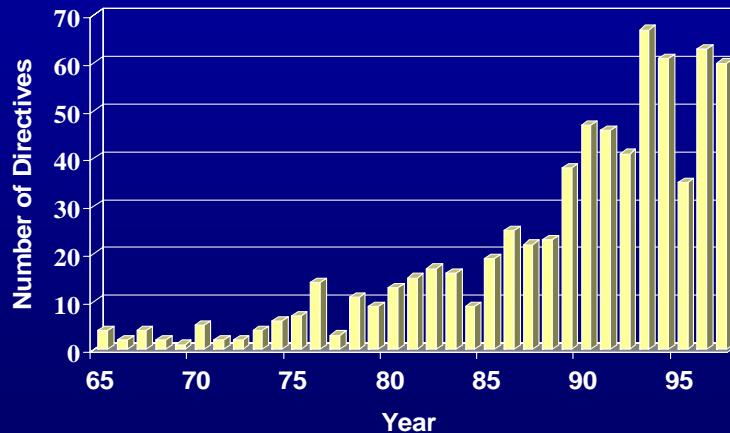
Recommendations tend thus towards:

- Enhancing South-South trade in the region
- Increased access for agricultural products from the South
- Industrial innovation and collaboration on R&D
- Institutional capacity building (public and private), particularly in environmental management and planning
- Harmonization/approximation of environmental laws
- Harmonization/approximation of product standards
- Support for Mediterranean Strategy for Sustainable Development
- Social safety nets
- Technology Transfer / cleaner production
- Greater investment in environmental services

Implications for Developing Countries: Market Access & Competitiveness

- Trade liberalization initially focused on the removal of **quotas** and **tariff barriers**, e.g., customs duties and import taxes.
- As trade liberalization advanced, it became evident that **non-tariff barriers** were emerging as alternative means for limiting access to foreign markets
- **Non-tariff barriers include national regulations aimed at protecting the environment, human health and safety.**

European Union Legislation on Environment, Health and Safety



From: David Cadogan, Director, European Chemical Industry Council (CEFIC),
"Phthalates and the European Regulatory Framework," November 1999,
<http://www.ecpi.org/technical-papers/ECPIseminar-nov99/cadogan.ppt>

Implications for Trade and Environment Decision-Making

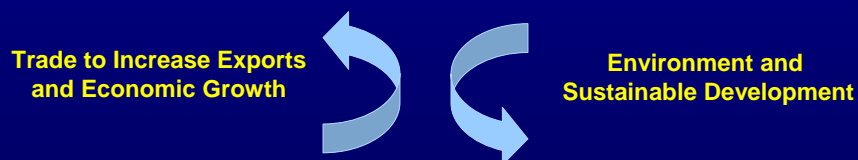
- Nothing wrong with environmental strengthening and trade liberalization for the purpose of protecting the environment & public health.
- **However, firms in developing country generally have a harder time formulating and complying with stronger environmental, health & safety standards than producers in developed countries**
 - Challenges & costs related to human & technical capacity;
 - Technology transfer;
 - Access to investment capital;
 - Adequate information on standards, markets, consumer preferences,
- **Particularly hard for Small & Medium Sized Enterprises (SMEs)**

Implications for Obligations under Trade and Environment Agreements

- How do Governments reconcile international obligation under trade-related multilateral environmental agreements (MEAs) that are based on principles that are not same as those guiding international trade?
 - Phase out of Quotas in WTO, but use of Bans in CITES Convention and Montreal Protocol
 - Removal of Technical Barriers to Trade in WTO, but Prior Informed Consent in Rotterdam Convention
 - Science-based principle for adoption of technical regulations, versus precautionary approach in MEAs.
- Nevertheless, trends today towards less apprehension about WTO-MEAs relationships, despite changes for Disputes and more rigorous Dispute Settlement Mechanisms in WTO.

Previous Thinking on Trade and Environment Relationships

- Previous views on trade and environment relationships:
 1. Impact of environmental measures on international competitiveness; OR
 2. Impact of trade liberalization (increased production/consumption) on environmental quality.



New Thinking on Trade and Environment Relationships

- Today, agreements say goal is to move towards sustainable development
- To do so, need to examine trade & environment relationships in an integrated manner so as to:
 1. Maximize benefits to trade, competitiveness and development
 2. Protect environmental quality & human health.



CTE Work Program

- **WTO Committee on Trade & Environment (CTE)** established at WTO Ministerial Meeting in Marrakech (1994) to:
 - "to identify the relationship between trade measures and environmental measures in order to promote sustainable development"
 - "to make appropriate recommendations on whether any modifications of the provisions of the multilateral trading system are required, compatible with the open, equitable & non-discriminatory nature of the system"
- Established a 10-point work program for the CTE
- Doha Ministerial Declaration assigns CTE specific issues for negotiation and discussion, which are in addition to the tasks set out in its work program.

CTE Work Program

- Relationship between WTO Trade rules & MEAs
- Trade-distorting subsidies
- Environmental review of trade agreements
- Environmental taxes and other environmental requirements fit (including eco-labels, packaging, handling)
- Environmental trade distortions & market access issues, especially for developing countries, in particular LDCs
- Domestically prohibited goods - in particular hazardous waste
- Intellectual property
- Services - work programme envisaged in the Decision on Trade in Services and the Environment
- The WTO and other organizations
Relations with intergovernmental and NGOs, including regional organizations (LAS, OPEC)

Doha Mandate

Paragraph 31(i) & (ii): WTO rules and specific trade obligations in **MEAs**, & support information exchange & observer status

Paragraph 31(iii): Liberalization in trade in **environmental goods and services**

Paragraph 32(i): Effect of environmental measures on **market access**

Paragraph 32(ii): **Intellectual property rights**, biodiversity and traditional knowledge

Paragraph 32(iii): **Labeling** for environmental purposes

Paragraph 28: WTO disciplines on fisheries subsidies

Priorities for the Arab Region

- **Market Access**
- **Competitiveness**
- **Dispute Resolution**
- **Production and Consumption Linkages**
- **Impact of increased production, exports & imports on environmental sustainability (SIAs, not just environmental trade reviews)**
- **South-South trade liberalization**
- **Harmonization/approximation of standards and conformity assessment (TBT & SPS Agreements)**



What should be the priorities seized by the National Committee on Trade and Environment?

Thank you.