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## Overview of Key Issues in Trade and Environment

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### Brief History of International Trade

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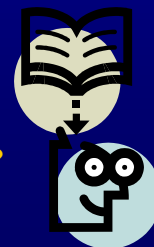
- **Up until mid-1900s, most countries maintained protectionist trade policies and viewed imports as threats to domestic industries**
  - **Tariffs** used to protect domestic industry & to generate government revenue
  - **Import substitution** to create domestic industries and achieve self-reliance 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 the mid-1900s, the development paradigm began to switch from inward-looking development to export-led economic growth
  - Trade liberalization – basically the reduction of tariffs and the elimination of quotas – was viewed as the means to make trade more free and fair.
  - Competitiveness became increasingly important in the international and domestic market
  - Efficiency gains were sought to increase productivity
  - Consumer preferences became a driver for production, and not just consumer needs.
- **General Agreement on Tariffs & Trade (GATT) = 1947**
- **World Trade Organization = 1995** (Secretariat Established)
  - Global Trade in 2000 was 22 times larger than 1950 levels.

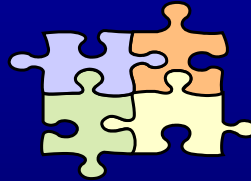
## Link to Environment & Sustainable Development

- 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.



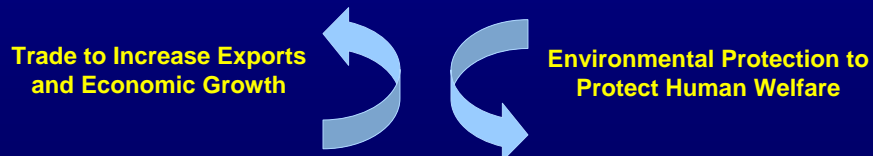
## What is Sustainable Development?

- Cited in Rio, WSSD, WTO Marakesh Agreement
- Offers framework for examining inter-linkage between
  - **ECONOMICS**
  - **ENVIRONMENT**
  - **SOCIAL**
  - **GOVERNANCE**
- Seeks to balance present and future needs, and thus inherently requires an Inter-disciplinary approach to development priority-setting, as well as the involvement of Public & Private Stakeholders



## 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 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.



## Key Issue: Sustainable Production & Consumption

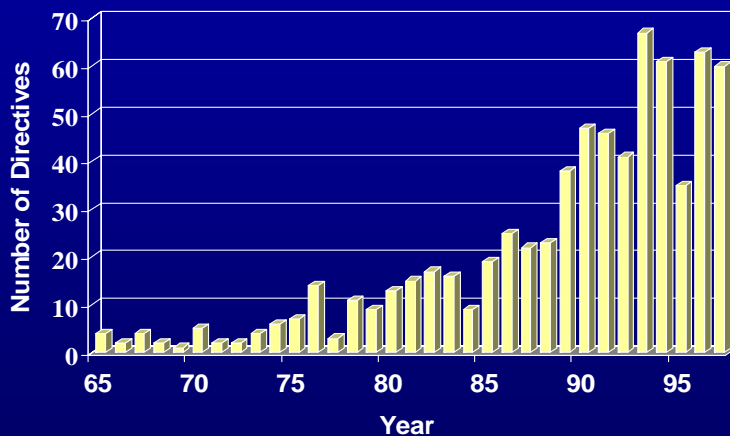
Freer trade impacts sustainability positively and negatively, because it changes levels of:

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

## Key Issue: 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>

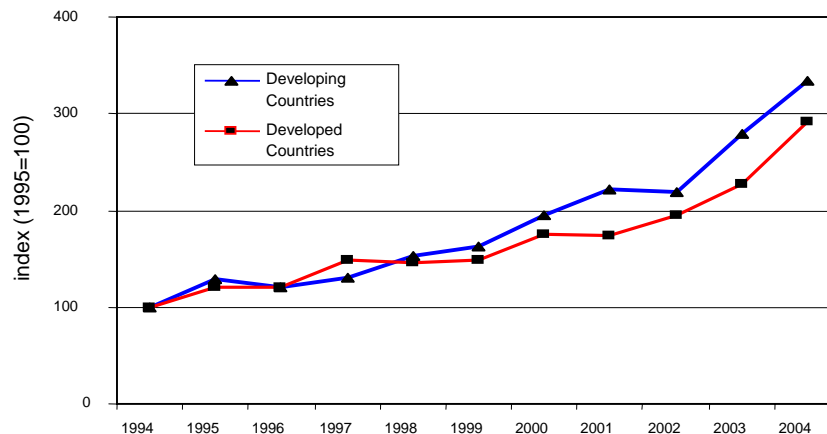
## Key Issue: Market Access & Competitiveness

### Implications for:

- Ensuring Protection, not Protectionism
- Standard-setting for goods & services
- Conformity Assessment
- Environmental Enforcement
- Product Labeling & Consumer Protection
- Increasing Arab Trade, South-South Trade, not only Trade to the North

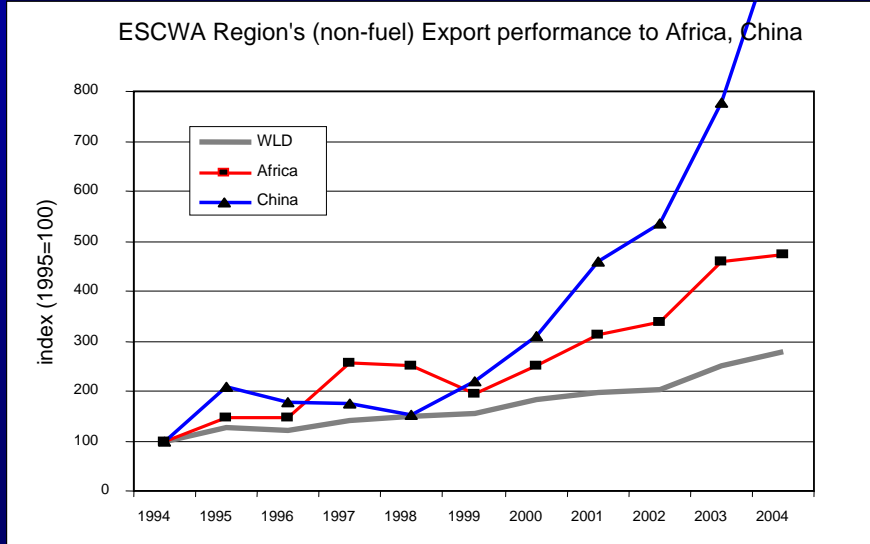
## ESCWA (non-fuel) Export Destination

ESCWA Region Export performance to North, South



Source: United Nations COMTRADE Database, UNCTAD, 2006

## Need to Look Beyond the EU



Source: United Nations COMTRADE Database, UNCTAD, 2006

### Key Issue: Environmental Subsidies

- Agriculture one of the most important sectors for increasing trade for Developing countries.
  - Green Box subsidies are “allowable” for agricultural trade
  - Developed countries can provide more Subsidies to their producers than developing countries, giving those producers an unfair advantage
  - Negotiations now underway on Fisheries Subsidies, and whether some exceptions could be provided for artisanal fisheries, however, still begs question on which countries would benefit from this exception.
- Energy Subsidies in oil-rich countries cited as problematic by Northern countries, if energy sold at a preferential rate for domestic producers that are not producing only for the local market.

## Key Issue: Technology Transfer & SMEs

- Preferential access to new technologies needed for Developing Countries to be able to compete in more open global markets & meet MEA obligations.
  - North was able to grow while polluting, and South would need technology transfer and leapfrogging in order to grow too, otherwise increased pollution would result from unmitigated production/consumption flows.
- International Agreements on **Intellectual Property Rights** can sometimes limit technology transfer, if complementary regimes are not put into place to encourage greater foreign direct investment and transfer of knowledge to nationals.
- Important within the framework of liberalizing **environmental services (welfare concern)**, & for **SMEs who ca not access FDI & are the Largest Employers in the region.**

## Key Issue: Multilateral Environmental Agreements

- Countries have obligations under MEAs and International Trade Agreements.
- **Conflicts could arise related to basic principles that differ between international environmental law and international trade law without accurate understanding of the principles or viable access to Dispute Resolution arrangements.**
  - **MEAS:**
    - Restricts trade with certain countries
    - Bans on trade in certain products
    - Precautionary Approach
    - Pollution Prevention and Liability Regimes
  - **International Trade**
    - Most Favored Nations Clause
    - Seek to remove quotas
    - Science-based justification with risk assessments

**Key Issue:**  
**Special and Differential Treatment**

- Developing Countries need more time to comply with the terms and goals outlined in MEAs and International Trade agreements.
- **Special and Differential Treatment / Preferential Treatment counters trade principle of Reciprocity and National Treatment**, but has become an increasingly accepted as regular component of trade & environment agreements
- Issue is that assistance is still needed, even though compliance may be delayed.
- Care that new “Aid for Trade” initiative does not create aid bottlenecks, and loss of SDT.

**Key Issue:**  
**Governance, Institution Building, Policy Analysis, and Negotiations Capacity**

- More coordinated Governance mechanisms and Institutional strengthening is needed better respond to these dynamic, multi-sectoral challenges in an integrated manner.
- Establishment/Strengthening of **National Committee on Trade and Environment**, or **National Councils for Sustainable Development** mechanisms to improve inter-ministerial coordination and public-private dialogue on these topics.
- Policy space & policy coherence supported by informed policy analysis and capacity building.

## WTO - 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)

## Priorities for the Arab Region

- **Market Access & NTBs**
- **Competitiveness & SMEs**
- **Dispute Resolution & MEAs**
- **Production and Consumption Linkages**
- **Technology Transfer**
- **South-South trade liberalization**
- **Harmonization/approximation of standards and conformity assessment**
- **Governance: Policy Space & Coherence**



***Thank you!***

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