
Overview of Key Issues in Trade and Environment

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Brief History of International Trade

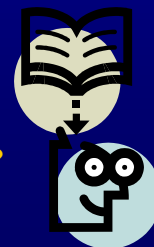
- **Up until mid-1900s, most countries maintained protectionist trade policies and viewed imports as threats to domestic industries**
 - **Tariffs** used to protect domestic industry & to generate government revenue
 - **Import substitution** to create domestic industries and achieve self-reliance common 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.

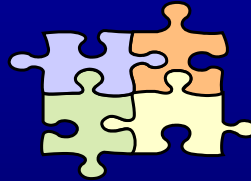
Link to Environment & Sustainable Development

- 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.



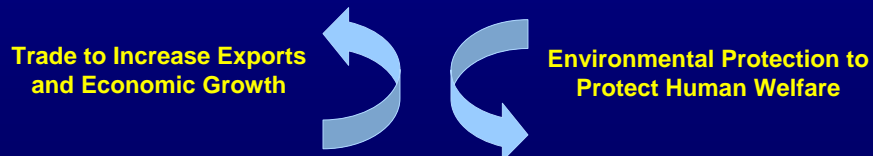
What is Sustainable Development?

- 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 demand for 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.**

Notifications to the WTO (2000)

Objectives and Rationales	Notifications received in 2000
Consumer Information, Labelling	59
Prevention of Deceptive Practices and consumer protection	55
Protection of Human Health or Safety	254
Protection of Animal or Plant Life or Health	10
Protection of the Environment	58
Quality Requirements	61
Harmonization	74
Adaptation to New Domestic Law and Technology	80
Lowering or Removal of Trade Barriers	13
Trade Facilitation	6
Cost Saving and Increasing Productivity	6
Others	43
Not specified	6
Total	725

Source: WTO

Key Issue: **Market Access & Competitiveness**

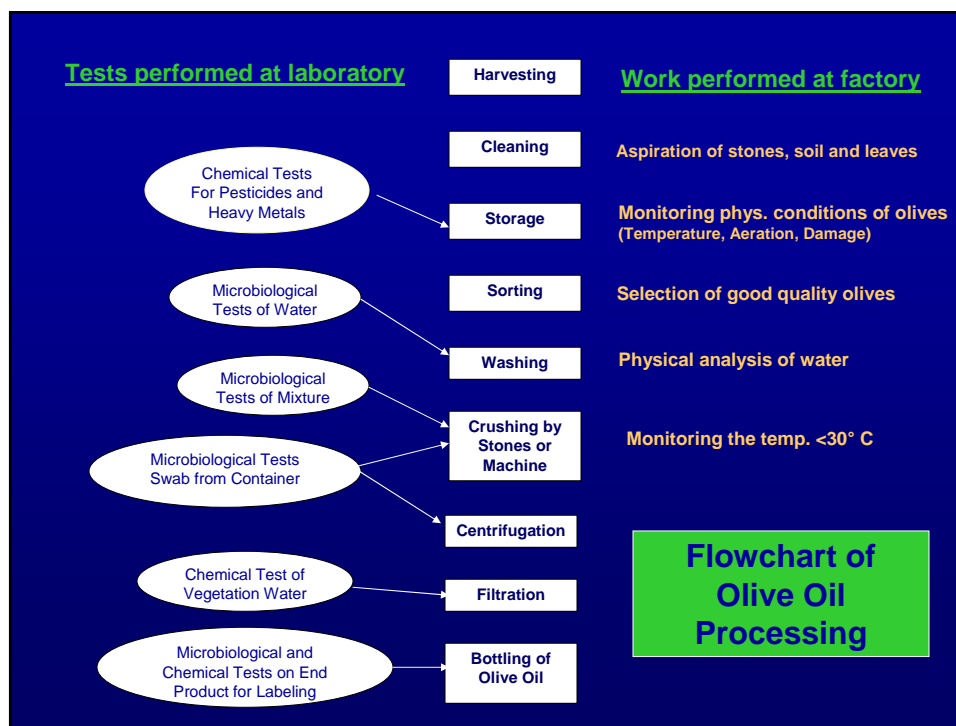
Implications for:

- **Ensuring Protection, not Protectionism**
- **Standard-setting for goods & services**
- **Conformity Assessment**
- **Environmental Enforcement**
- **Product Labeling & Consumer Protection**
- **Higher Costs – particularly for SMEs**

HAACP Principles

The **Hazard Analysis and Critical Control Point** system consists of seven major principles:

1. Conduct a hazard analysis
2. Determine the Critical Control Points
3. Establish critical limits
4. Establish a system to monitor control of the CCP by scheduled testing and observations
5. Establish the corrective action to be taken when monitoring indicates that a particular CCP is not under control
6. Establish procedures for verification the HACCP system is working effectively
7. Establish documentation concerning all procedures and records appropriate to these principles and their application



Type	Tests at Laboratory Level	Unit Price \$
1	Chemical Tests of Olives at storage Pesticides Residues	60
	Heavy Metals: Lead, Copper, Iron	90
2	Microbiology test for Water Total Count + Coliforms	30
3	Swabs for Microbiology from Containers of: Crushing	30
	Centrifugation	30
4	Microbiological Test of mixture Total Count + Coliforms	30
	Yeast & Molds	30
5	Chemical tests of Vegetation Water Acidity	25
	Polyphenols (HPLC)	30
6	End Products	
	Impurities (Centrifugation)	30
	Acidity	25
	Peroxide Value	30
	Iodine Value	30
	Fatty Acid Composition	60
	Pesticide Residues	60
	Moisture and Volatile Matter	15
	Refractive Index	20
	Saponification Number	30
	Specific Gravity	20
	Heavy Metals: Lead, Copper, Iron	90
	Total per Batch	

Tests to be Performed for Olive Oil Processing

Notes:

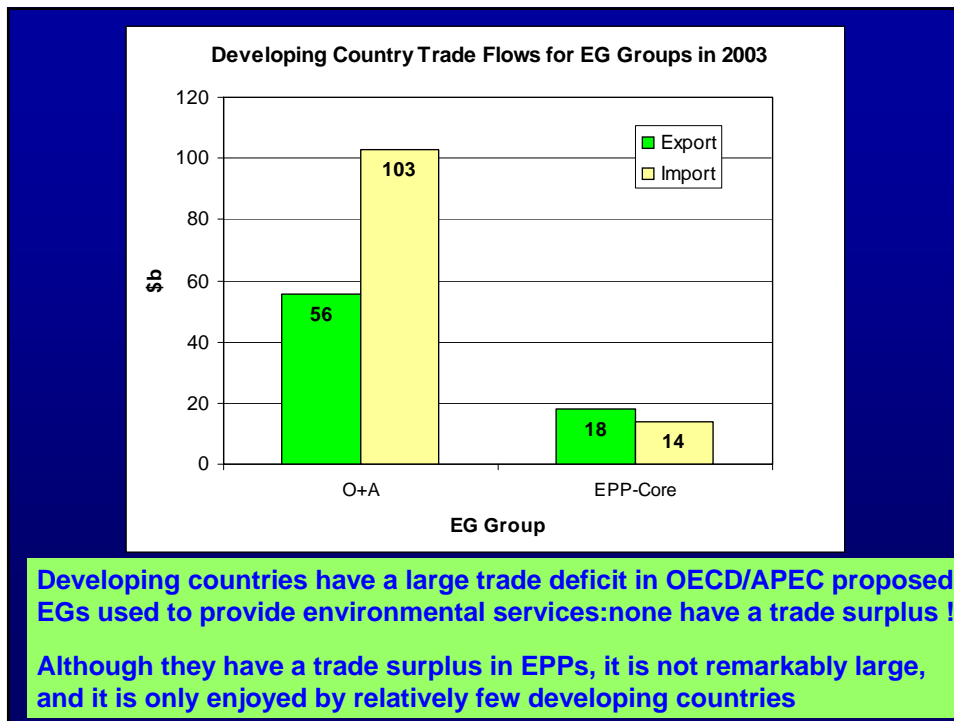
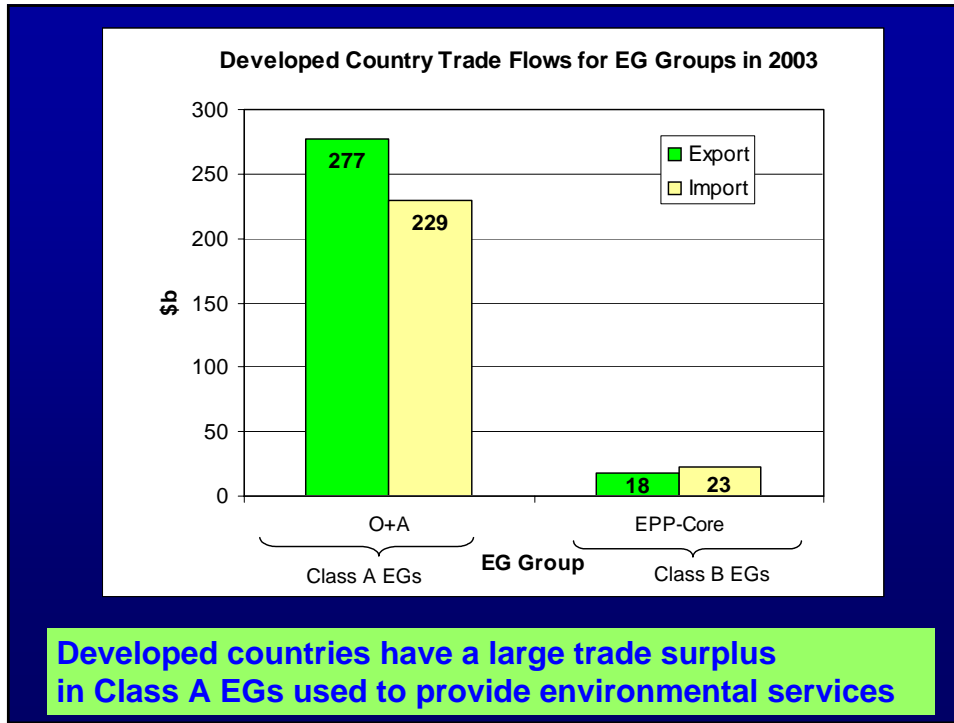
- Highlighted tests are performed periodically, at least once per month.
- Maximum cost is \$765 and minimum cost is \$ 705.
- 1,2,3,4,5 & 6 are shown in the previous flowchart on Olive Oil Processing.
- The prices mentioned in the table are at cost, based on cost of testing in Lebanon (2004) and are in US\$

Tests to be Performed

● For Milk: 8 tests	● 435 USD
● Labneh/Laban: 13	● 545 USD
● Brine cheese: 16	● 695 USD
● Fresh juice: 13	● 990 USD
● Juice concentrate: 13	● 1060 USD
● Olive oil: 6	● 765 USD

Key Issue: Environmental Goods & Services

- Various lists developed to liberalize trade in Environmental Goods (under NAMA negotiations)
 - OECD/APEC looking at goods that support environmental services
 - Environmentally Preferable Products (EPP) List prepared by UNCTAD includes environmentally friendly products
 - LAS has new guidelines for assisting countries to classify environmental goods important for Arab Countries
- ESCWA looking at economic tools for assessing the implications of liberalizing various lists of environmental goods, and environmental services, and has conducted economic assessment of these lists



EG Liberalization Challenges

Classification Limitations

- **Multiple Use** problem associated with classification of goods to the 6-digit level – not specific enough
- **Project Based Approach** proposed by India – highly bureaucratic.
- **Country lists** – country specific, and still would need to be coordinated among countries.

Data limitations

- Inconsistencies in reporting with many ESCWA Countries reporting sporadically and only for selected goods
- Only Lebanon, Jordan and Egypt seem to report consistently and completely

Top O+A Trade of the Mashreq Countries

Top 5 O+A Exports of the ESCWA Countries					
<small>(latest available data given, totals are value of top 5 exports / imports as percentage of total O+A exports / imports)</small>					
ESCWA Country (year)	Trade Flow	HS 1996 code	Product	Value (\$US)	
Mashreq Countries (2004)	Exports	392690	Plastic articles nes	19'346'923	
		392020	Sheet/film not cellular/reinf polymers of propylene	12'342'561	
		841381	Pumps nes	12'293'475	
		854389	Other electrical machines and apparatus with one function	7'737'414	
		320990	Polymer based paints & varnishes nes, aqueous medium	5'454'668	
	Total value of top 5 exports as percentage of total O+A exports				48
	Imports	847989	Machines and mechanical appliances nes	167'925'065	
		848180	Taps, cocks, valves and similar appliances, nes	69'121'893	
		392690	Plastic articles nes	56'388'529	
		392020	Sheet/film not cellular/reinf polymers of propylene	44'201'938	
841381		Pumps nes	41'116'914		
Total value of top 5 imports as percentage of total O+A imports				39	

Multiple-use... HS 392690 covers screens & strainers and household waste collection equipment, HS 847989 covers recycling equipment, but much more than that too...

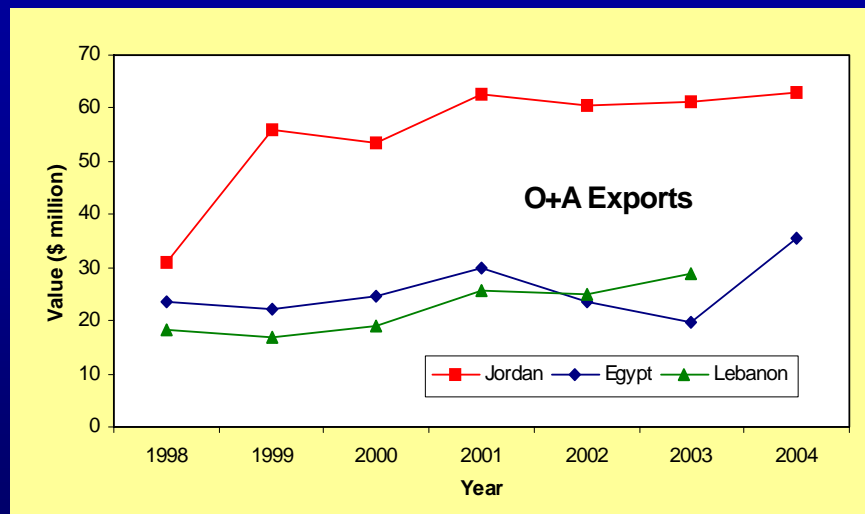
Top EPP-Core Exports of Mashreq Countries

Top 10 EPP-Core Exports of the ESCWA Countries

(latest available data given, totals are value of top 5 exports / imports as percentage of total O+A exports / imports)

ESCWA Country (year)	Trade Flow	HS 1996 code	Product	Value (\$US)
Mashreq Countries (2003)	Exports	121190	Plants & parts, pharmacy, perfume, insecticide use nes	23389273
		530110	Flax fibre, raw or retted	8138308
		530129	Flax fibre, otherwise processed but not spun	6913574
		321000	Paints and varnishes nes, water pigments for leather	3825896
		230690	Vegetable oil-cake and other solid residues nes	2713637
		530121	Flax fibre, broken or scutched	2200893
		121110	Liquorice roots	1949926
		320910	Acrylic & vinyl polymer based paint, varnish, in water	1667645
		510129	Degreased wool nes, not carded, combed or carbonized	1658772
		460120	Mats, matting and screens, vegetable plaiting material	1479153
Total value of top 10 exports as percentage of total EPP-Core exports				80

The Outlook for ESCWA Countries



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 trade-related MEAs and International Trade Agreements.**
 - Basel Convention on Hazardous Waste Trafficking
 - Convention on International Trade of Endangered Species (CITES)
 - Preventing Trade of Domestically Prohibited Goods



Implications for Multilateral Environmental Agreements

➤ **Conflicts could arise related to basic principles that differ between international environmental law and international trade law, but has not needed to be tested.**

➤ **MEAs:**

- Restricts trade with certain countries
- Bans on trade in certain products
- Precautionary Approach
- Pollution Prevention and Liability Regimes

➤ **WTO**

- Most Favored Nations Clause
- Seek to remove quotas
- Science-based justification with risk assessments
- Removal of Barriers to Trade

* **REMEMBER:** International trade agreements do NOT have supremacy over international environmental agreements.

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
- Even though compliance may be delayed, compliance still expected at some point, thus informal discussions underway on whether to have permanent SDT for LDCs.
- 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.



Arab Regional Program on Trade & Environment Capacity Building

“CAMRE requests ESCWA and UNEP to coordinate and cooperate with CAMRE to develop a regional program for Arab capacity building on trade and environment issues, especially measures that limit Arab export competitiveness in international markets and that relate to trade negotiations and adjusting to the rules and regulations of the World Trade Organization related to the environment.” (Article 2, point 2)

**CAMRE Resolution
24 October 2002**



Priority Areas for Action

Thematic Areas

- **Competitiveness**
- **Market Access**
- **Dispute Resolution (including negotiations & MEAs)**

Skills Development and Training Areas

- **Governance**
- **Enabling institutions**
- **Negotiations**
- **Information dissemination**
- **Private sector development**
- **Policy analysis**



National Trade & Environment Committees in Arab Region

- **Tunis 2000:** Recommended Arab League Member States to establish inter-disciplinary Committee on Trade and Environment
- Committees have been established, but are still relatively new, lack continuity and effective coordination
- However, coordination improving in several Arab States

National T&E Committees in the Arab Region

Country	Public Participation?	Multi-Sectoral?
Egypt	Yes	Yes
Jordan	Yes	Yes
Kuwait	Yes	Yes
Morocco	Yes	Yes
Syrian Arab Republic	Yes	Yes
Saudi Arabia	Yes	Yes
Tunisia	Yes	Yes
Yemen	Yes	Yes

Yemen

National Environment and Trade Committee, led by Environmental Protection Authority – with an established Unit for Environment and Trade serving as the Secretariat. Committee Members include the:

- Ministry of Industry and Trade (including Communication and Coordination Office with the WTO)
- Ministry of Agriculture and Irrigation
- Ministry of Fisheries
- Yemen Export Supreme Council
- Yemen Standardization and Metrology Organization
- General Investment Authority
- Yemen Customs Authority
- Federation of Yemeni Chambers of Commerce & Industry
- Yemeni Association for Consumer Protection
- Association of Yemeni Industrialists

Priority Issues: Fisheries (SPS & sustainability), MEAs (Customs)

National Approach: Canada

- Working Group on Trade and Environment
 - Recommends on Canada's domestic and international T&E position
 - **Chair: Foreign Affairs and International Trade Committee**
 - Partner: Environment Canada
 - **Members:**
 - Agriculture and Agri-Food
 - Canadian International Development Agency
 - Industry Canada
 - Natural Resources
 - Fisheries and Oceans
 - Canadian Food Inspection Agency
 - Health Canada
 - Meets regularly, plus one month prior to CTE meetings to coordinate approaches for discussion and negotiation positions
 - Public participation EXTERNAL to the group, but consultation integral

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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