



# WORLD TRADE ORGANIZATION

## Trade and the Environment

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### Introduction

In recent years, there has been increased global concern about the state of the environment. In particular, increased **emissions** of dangerous molecules like carbon dioxide and methane have concerned climatologists; you have probably heard of the effects of these molecules under the term “**climate change**.” Essentially, the environment is struggling to deal with the rapid rate of human development that began during the **Industrial Revolution** of the 19<sup>th</sup> century. The issue of trade is directly related to climate change. Current studies of this issue have been more narrowly focused on whether WTO attempts to loosen trade restrictions have helped or damaged **sustainable development**, which refers to efforts toward securing low-cost environmentally-friendly technology and preserving natural resources. These efforts are particularly significant because of the current global interest in the environment. Although there are a variety of prominent environmental issues, those relating to trade include discussions on species preservation, climate change, waste management, and deforestation.

On one level, trade has the capacity to revolutionize current solutions being considered to **mitigate** the climate change problem. If properly executed, WTO regulations could help ensure that trade policies reflect the necessity of protecting the environment. On the other hand, the WTO has not done enough to enforce United Nations (UN) regulations already in place to protect the environment.

The World Trade Organization’s “Committee on Trade and the Environment” plays an integral role in formulating recommendations to increase the positive impacts that trade regulations and agreements have on the environment. For the purposes of this topic, we will be simulating the activities of the Committee on Trade and the Environment. Your task will be to consider the heavy environmental impact of global trade, particularly in relation to the country you represent.

### Explanation of the Problem

#### *Development of the World Trade Organization*

The origin of debate on this topic stems from initial discussions during the last meeting of the **General Agreement on Tariffs and Trade (GATT)**, which eventually led to the formation of the World Trade Organization. The WTO itself is not officially a part of the United Nations, although most UN member countries are also member

**Emissions**—*substances discharged into the air.*

**Climate change**—*the long-term significant change in the average weather that a region experiences; popularly refers to the phenomenon known as global warming.*

**Industrial Revolution**—*the rapid change in industry brought about by power-driven machinery.*

**Sustainable development**—*a pattern of resource use aimed at meeting human needs while still protecting the environment so that it can continue to provide in the future.*

**Mitigate**—*to reduce the severity of.*

**General Agreement on Tariffs and Trade (GATT)**—*an international treaty that was the forerunner to the WTO and had a similar purpose.*

states of the WTO. This has meant that even though the UN has taken multiple stances on environmental issues and climate change over the years, it is not mandatory for the WTO to enforce these practices in the development of trade regulations. The WTO's historical stance on trade and the environment has been to maintain a balance between developing a **multilateral** trading system and preserving the environment. This position has caused a number of trade disputes, as nations have disagreed on how to balance free trade with environmental concerns.

**Multilateral**—involving more than two nations or parties.

#### *The Marrakesh Agreement: Setting a Standard for Environmental Topics*

The *Marrakesh Agreement*, which was signed in April 1994 during the final round of GATT discussions, finalized the creation of the WTO and set the first precedent for the discussion of environmental issues within the WTO. While *Marrakesh* generally addressed several key issues of trade policy, it was very strongly in support of sustainable development as assisted by WTO trade policy. In fact, the *Marrakesh Agreement* of 1994 establishes preservation of the environment as a key task of the WTO and its member states, who stated their support of a resolution on trade and the environment. This resolution later developed into a policy that supports economic development and technological innovation in order to make environmental sustainability possible for countries still experiencing poverty and lacking sufficient **infrastructure**.

**Infrastructure**—the underlying foundation; the system of public works and services of a country or state.

#### *The Agreement on Sanitary and Phytosanitary Measures*

The *Agreement on Sanitary and Phytosanitary Measures* is an international treaty signed by the World Trade Organization in 1995 that seeks to establish certain health and safety standards for imported products. It was an extremely significant step forward in solidifying the WTO's stance on environmental issues, as it attempts to strike a balance between trade and food, plant, and animal safety. The greatest amount of debate on this agreement currently deals with **genetically modified** organisms and hormones as they relate to food products. As agriculture has a significant impact on the environment, this agreement has shaped the way climate change is discussed within the WTO. Several member states of the WTO strongly disagree with the WTO's stance that some genetically modified products should be banned for the sake of environmental protectionism. Although this agreement is over ten years old, it nevertheless remains at the forefront of WTO policy on sustainable development.

**Phytosanitary**—animal and plant health..

**Genetic modification**—the manipulation of an organism's genetic material in order to influence specific characteristics.

#### *Committee on Trade and the Environment*

The Committee on Trade and the Environment is the WTO body that specifically addresses all trade issues involving the environment.

The committee is a unique body in the WTO that solely deals with trade issues' impact on the environment. In addition, the committee is capable of initiating negotiations on trade disputes that relate to sustainable development and has historically addressed WTO coordination with other environmental organizations and advocacy groups.

The Committee on Trade and the Environment has remained a key component of the WTO and played a very important role during the first **Doha Development Round** of 2001. During the first Doha meeting, the Committee discussed a few important environmental components of trade policy. Specifically, the Committee established distinct policies on sustainable development, environmental market products, environmental labeling, and annual environmental reviews of trade practices. Over the past few rounds of Doha negotiations, conversations on the environment have become increasingly important. Perhaps one of the greatest difficulties has been the fact that Doha Round negotiations have consistently fallen short of achieving their goals, which has worked to the disadvantage of developing environmental policy.

**Doha Development Round**—the trade negotiation round of the WTO that aims to lower global trade barriers and increase trade; began in 2001.

## Recent Developments

### *Multilateral Environmental Agreements (MEAs)*

Today's debate on trade and the environment was primarily brought to the agenda of the WTO by developed countries in the **European Union**. The role of trade in the environment has been a contentious issue, largely because some proposals on trade and the environment directly conflict with multilateral environmental agreements (MEAs). These legally binding agreements involve environmental issues and are signed by several countries in their common interest.

**European Union**—a political and economic union of twenty-seven European nations.

However, inconsistencies between these MEAs and existing international trade law can result in conflicts. In 1969, the Vienna Convention on the Law of Treaties, which was ratified by 108 nations, **codified** existing international treaties into law and discussed how clashes between the WTO and various international agreements should be handled. However, the Vienna Convention does not specifically address the details of modern-day trade and the environment, which leads to inconsistencies between MEAs and international trade law.

**Codify**—collecting and restating the law to form a legal code.

A chief example of an MEA that conflicts with an existing WTO free trade agreement is the 1973 Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). The CITES agreement in particular causes difficulties with WTO policy because it runs contrary to existing WTO resolutions on tariffs and quotas for certain goods. This misalignment between an MEA and international trade law is very common and is a key conflict that must be addressed during the course of this debate.

### *Concerns about Protectionism*

There have been widespread concerns about how the WTO addresses the topic of the environment. Although the WTO opposes **protectionism** in general, it has pledged to not fight **environmental protectionism**; this position has led to many trade disputes, as countries sometimes argue that their freedom to trade a certain product has been limited by excessive environmental protectionism. This has been an extremely challenging obstacle to overcome in developing consistent and comprehensive environmental trade policies. Concerns about protectionism have also highlighted the **schism** between the developing and developed countries that are part of the WTO membership. While most developed countries have been supportive of trade measures that protect the environment, many developing countries that have relied on the cultivation of resources in areas like rainforests or the ocean have felt that current WTO environmental policy is curbing their economic growth by restricting what they can export.

### **Focus of the Debate**

This debate must focus on examining connections between international trade policy and climate change, mostly in terms of the development of various regulations regarding the enforcement of existing protocols like the **Kyoto Protocol**. Additionally, new and innovative regulations that support sustainable development may be necessary to bypass some of the traditional roadblocks to effective solutions. Members of the WTO have different opinions on the meaning and impacts of WTO trade policy in terms of how it relates to their country's economic interests and environmental concerns. A sharp divergence in priorities especially appears between developing nations and developed nations, as discussed previously.

This debate, as do most WTO debates, centers on this divergence. Developed nations don't want to make environmental concessions without **commensurate** measures being taken by developing nations because they feel that they would lose their competitive edge on global markets. For example, the United States has not ratified the Kyoto Protocol largely because it knows that if it does so, nations like China and India (who don't have to abide by Kyoto's limitations) will have an edge on American producers.

Conversely, developing nations argue that it is unfair of developed nations to ask them to limit their development for the sake of the environment. They believe that many global environmental problems, like global warming, are being driven by industrialized countries, not the developing world, and that those countries should have to bear the burden of fixing them. Additionally, developing countries argue the environmental protections, though important, are a secondary concern

**Protectionism**—the creation of import or export taxes with the goal of helping domestic industry by limiting international competition.

**Environmental protectionism**—the creation of import or export taxes with the goal of limiting the trade of products that damage the environment.

**Schism**—a sharp divide or division.

**Kyoto Protocol**—the UN agreement that binds signatory nations to reduce greenhouse gas emissions.

**Commensurate**—to be corresponding in size, extent, amount, or degree.

when many of their residents are suffering from disease and hunger. Many environmental measures are a luxury only wealthy countries can afford.

## NGO Perspectives

### *Greenpeace*

As this non-governmental organization strongly promotes policies that protect and conserve the environment, it is extremely concerned with climate change, and it has conducted extensive research on how to reduce carbon emissions. In this debate, Greenpeace would have a strong opinion regarding how to help developing countries become more sustainable and how to help developed nations improve their sustainability efforts. Like several other environmental organizations, Greenpeace has not yet developed a concise policy on trade and the environment, but because Greenpeace so heavily supports UN efforts to mitigate the effects of climate change, it would undoubtedly be similarly supportive of efforts made by the WTO in this field. It would argue that most negative impacts on trade would be a minor price to pay for protecting the environment.

### *Oxfam International*

Oxfam International is a non-governmental organization that was first developed as a relief organization for **famine** during World War II. Currently Oxfam is an extremely comprehensive organization that attempts to address a large number of topics that universally touch upon poverty and human rights. One of these central issues for Oxfam is climate change. In particular, this NGO has provided funds and organizational support to mitigate global warming and support individuals experiencing poverty due to the effects of climate change. Although Oxfam actively supports efforts by the UN and other international organizations to address these topics, it has not yet developed its own distinct policy on the environment and trade. In particular, Oxfam has sought to participate in global surveys conducted by the **Intergovernmental Panel on Climate Change (IPCC)** that measure climate change and other issues.

Despite the balance the WTO is trying to strike between trade and the environment, Oxfam International is extremely critical of the WTO's trade agreements and mission, arguing that the WTO promotes policies that exacerbate the difference between the wealthiest nations and the poorest nations. Although Oxfam appears to understand the need for comprehensive and global trade policy, it strongly believes that most policies initiated by the WTO have little concern for developing countries and the rights of the disadvantaged. How this stance will play into an environmentally focused WTO policy will largely depend on

**Famine**—an extreme, temporary scarcity of food.

**Intergovernmental Panel on Climate Change (IPCC)**—a scientific body, under the UN, that seeks to evaluate the risk of climate change caused by human activity.

how the policy deals with the economic differences between developed and developing nations.

## Possible Solutions

### *MEA Negotiations*

To resolve concerns relating to MEA conflicts, many countries have supported negotiations between the WTO and the overseeing committees for MEAs. In addition, developing countries have suggested the elimination of trade barriers, such as tariffs, that currently exist with respect to environmental goods and services. Currently no country has been penalized for following WTO regulations over MEA obligations, or **vice versa**. Nevertheless, the fact remains that the overall effectiveness of trading parties' efforts to promote sustainable development and reduce negative environmental impact has been hindered by this conflict between WTO regulations and MEA obligations. By improving consistency between MEAs and WTO regulations, it is hoped that these conflicts will be avoided.

In debating trade and the environment during this conference, you may want to consider ways in which the WTO can facilitate discussions between MEA overseers and WTO officials. In addition, it may be helpful to consider how to deal with countries that violate WTO sustainable development law in favor of upholding MEAs. Solutions should be geared towards improving the WTO-MEA relationship with respect to environmental issues.

**Vice versa**—the other way around.

### *Seek External Assistance*

In the past, the Committee on Trade and the Environment has commissioned various reports on the status of the environment as it pertains to trade policy. In addition, the Committee has called for the assistance of both governmental organizations and NGOs in order to achieve the goals of various environmental advocacy groups. The Committee has also called for increased coordination with the United Nations and has successfully participated in United Nations conferences on the environment. The World Trade Organization website can provide a wealth of information on the specific undertakings and accomplishments of the Committee on Trade and the Environment. The activities of the Committee on Trade and the Environment are organized under several categories: multilateral agreements on the environment, in which compliance is measured through economic standards; dispute settlements on trade measures that are relevant to international environmental regulations; the exportation of unsafe, domestically prohibited goods; and trade liberalization as a means of achieving sustainable development.

## Questions for Policy Makers

When considering a policy to bring before the WTO, it will be helpful to consider these questions:

1. Should the WTO cease efforts to improve environmental sustainability when that policy comes in direct conflict with existing MEAs?
2. Should environmental and trade standards differ for developing and developed countries? If so, how?
3. What should be done when countries have different priorities on important environmental issues, such as climate change or forest conservation?
4. Should non-governmental organizations, lobbyists, and environmental activists impact the way the WTO constructs policy on the environment and trade? If so, how?
5. What role should the **Millennium Development Goals** play in the creation of environmentally friendly WTO policies?
6. Should the WTO address issues of trade and the environment, or is this primarily the role of the **United Nations Environmental Programme**?

Though there are many other concerns to be addressed by any policy considered by the WTO, these six questions are some of the foundational concerns facing policymakers. Considering these questions in relation to the country you represent will prove very helpful in understanding their **implications**.

## Conclusion

Trade and the environment is a very important topic being debated by the World Trade Organization. Although efforts have been made to ensure that worthwhile and effective policies are developed on this subject, there are numerous obstacles to overcome. Countries have widely differing opinions and interests, and it is expected that debate will be **contentious**. Nevertheless, using trade as a means to address environment problems is an innovative and interesting solution, as it touches upon a variety of fields, including science, policy, and economics. It is up to you, as your nation's representative to the World Trade Organization, to decide how best to approach this topic.

## Guide to Further Research

Your further research on this topic should primarily relate to your own country's policies toward environmentalism and trade. Remember that trade and the environment is a relatively new issue for the

**Millennium Development Goals**—*eight international development goals that over 200 nations have agreed to achieve by the year 2015; they include improving global development and reducing poverty, child mortality rates, and disease epidemics.*

**United Nations Environmental Program**—*a body of the UN that coordinates UN environmental activities and assists developing countries become sustainable.*

**Implication**—*a consequence; natural inference.*

**Contentious**—*likely to cause sharp disagreement and debate.*

WTO, so do not be afraid to be innovative in the topics you raise for debate. There are many different ways to approach this issue and many different topics to address while debating it.

In terms of where to further research these topics, it would be helpful to begin with the WTO website and proceed from there into relevant news articles that have been recently published. The WTO website is a very rich resource, with a variety of links and articles that will be invaluable in your research. It would also be a good idea to review the sources listed in the bibliography of this document as another point of entry into your individual research. It may be useful to begin by focusing on the environment and trade as separate topics before considering them in relation to each other. If you have any questions or encounter any difficulties with your research, please do not hesitate to contact your chair, Alexandra Courtis (acourtis@fas.harvard.edu).

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