



WORLD TRADE ORGANIZATION

Trade and the Environment Update

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Introduction

Recently observed and projected increases in atmospheric pollutants have sparked growing concern over climate change and the environmental impact of human activities. Trade, in particular, can have deleterious effects on the environment, largely because of the massive amounts of fossil fuels consumed to transport goods around the globe. The WTO as an organization is committed to promoting free trade and eliminating trade barriers and restrictions. Yet if practiced irresponsibly, free trade can have devastating effects on the environment in the long term and directly conflict with the principles of **sustainable development**.

However, international trade can also improve interactions between humans and the environment by facilitating the transfer of environmentally friendly technologies from modernized nations to developing nations. Advanced green technologies developed in wealthy countries are often too expensive for practical use in developing nations; free trade can help ease those costs in two ways: one, by making these technologies cheaper and two, by simply raising the incomes of the developing countries through improved trade.

Summary of the Problem

The WTO is not officially part of the UN and therefore is not required to enforce UN environmental mandates and recommendations in its formulation of trade policy. This has led to an ongoing tension between the WTO's goal of promoting free trade and the need to consider environmental concerns.

The precedent for considering environmental issues in WTO trade policy was set in the Marrakesh Agreement in 1994. The agreement established environmental preservation as a key goal of the WTO and its member nations. It also included a commitment to the promotion of environmentally sustainable development in nations experiencing rapid economic growth, aided by the creation of cost-efficient, environmentally friendly technologies in modernized nations.

Perhaps the most significant document on environmentally motivated WTO trade policy is the **Agreement on Sanitary and Phytosanitary Measures**, an international treaty signed in 1995. The agreement established health and safety standards for imported products, especially

Sustainable development—*development balancing short-term economic interests with the protection of interests of future generations, often through ensuring environmental preservation*

Agreement on Sanitary and Phytosanitary Measures—*an international treaty signed in 1995 to establish health and safety standards for imported goods.*

plant and animal products. Its ban on the importation of many genetically modified products is very controversial. While such environmental protections decrease the risks associated with diminished biodiversity and the potentially negative consequences of introducing non-indigenous species, it is also a fairly significant restriction on trade that limits the flow of genetically superior crop varieties from the modernized nations that created them to the developing nations that could benefit from them. As a result, this treaty prevents many nations from benefiting from critical agricultural advances.

Therefore, policies such as the Agreement on Sanitary and Phytosanitary Measures are generally supported by developed nations that have the luxury of being able to sacrifice some of the benefits of free trade for environmental security, but are often opposed by developing nations who are constantly looking towards economic growth and food security. Nevertheless, such policies may help developing nations in the long term by promoting environmentally sustainable economic growth.

The Committee on Trade and the Environment played a central role in the **Doha Development Round** negotiations of 2001. The committee established distinct policies on sustainable development, the trade of animal and plant products, environmentally conscious labeling, and annual reviews of trade practices and their impact on the environment. However, as Doha Round negotiations have consistently fallen short of reaching their goals, many of the environmental policies formulated as part of the discussions have not been fully incorporated into accepted WTO trade policy.

WTO trade policy is often inconsistent with multilateral environmental agreements (MEAs), and conversely, many international environmental treaties run counter to WTO legislation against tariffs, quotas, and other protectionist economic policies. For example, the 1973 Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES) contradicts WTO limitations on tariffs and quotas for certain goods. For WTO trade policy to retain its legitimacy in environmental matters, these inconsistencies between WTO policy and MEAs must be addressed.

Recent Developments

Australia-Philippines Free Trade Negotiations

Australia is currently negotiating a free trade agreement with members of the Association of Southeast Asian Nations (ASEAN), an agreement that would result in a dramatic increase in trade between Australia and the Philippines. In compliance with the Agreement on Sanitary and Phytosanitary Measures, Australia has previously banned many categories of agricultural imports from the Philippines like tropi-

Doha Development Round—the trade negotiation round of WTO proceedings that aims to lower global trade barriers and increase trade.

cal fruits including bananas, mangoes, and pineapples. Such bans have been due to perceived biodiversity and biological risks associated with the introduction of these products into Australia. This has severely limited the ability of Filipino farmers to export their crops, as Australia is one of the largest markets in the region. Recently, a group called Biodiversity Australia has been conducting **import risk assessments** to determine the risks attached to importation of these products. As a result of these assessments, Australia has begun importing pineapples from the Philippines and has also decided to import mangoes, though only those grown on a particular island. Although Australia is hoping for an expansion of free trade in the region, it has itself stated that it will not relax its environmental standards for imports. Foreign policy experts anticipate that the ASEAN will sign the free trade agreement when it holds its summit in Thailand at the end of February.

Import risk assessment—a formal evaluation of the potentially negative consequences associated with the importation of goods into a country.

United States Complaints Against European Union Import Bans

Growing frustrated with European Union (EU) bans on the importation of hormone-treated beef and chemically treated poultry, the United States has recently filed complaints against these policies with the WTO. The EU has claimed that its bans are justified by the Agreement on Sanitary and Phytosanitary Measures because studies have proven that hormone-treated and chemically treated meat can have damaging consequences on humans and pose a threat to sustainable agriculture. The United States has countered by providing evidence to the contrary, saying that the EU bans are protectionist policies poorly cloaked in the guise of environmental protections. This dispute is a quintessential example of the tension between free trade interests and environmental concerns and the difficulty of balancing the two. In response to the bans, the United States has imposed its own set of protectionist trade measures against most EU countries to apply economic pressure that Americans hope will lead to a lifting of the ban. The WTO is currently in the process of deciding whether or not the EU bans are legitimate environmental protectionism or simply a violation of free trade.

The Nonnative Wildlife Invasion Prevention Act (H.R. 669)

This piece of legislation was introduced to the United States House of Representatives Natural Resources Committee on January 28, 2009. If enacted, this bill would require that animal species being imported to the United States through commerce be screened for invasiveness, diseases they might carry, and their impact on the health of humans and wildlife. The rationale for the bill is that animals imported to the United States often escape from captivity or are released into the wild by owners who no longer want them. Once in the wild, invasive species can have devastating effects on the ecosystem by throwing off the delicate balance in certain ecosystems or by introducing new dis-

eases that native species are ill-equipped to resist. This bill would restrict the importation of animals into the United States and thus be a limitation on free trade, but its proponents hope it will be justified by the environmental concerns of the WTO.

Focus of the Debate

Debate will focus on how environmental concerns should impact WTO policy formulation. As an international trade organization, the WTO is committed to a primary goal of promoting free trade and striking down trade barriers, but in the long term, its secondary goal of preserving the environment and encouraging sustainable development could also prove crucial to the success of the future global economy. In general, developed nations have more concern for the environment while developing nations seem more willing to accept environmental risks as a side effect of economic growth. Much of this is because of differences in income; it is much easier for a wealthy country to spend money combating greenhouse gas emissions than for a poor nation. Developing an environmentally-friendly free trade policy will be difficult, but is an important task facing the WTO right now, and is also one that will help determine the future direction of WTO policy.

With regard to climate change, the actions of each country affect all other nations around the world, so achieving any significant global progress requires cooperation among all countries. Developing nations are often reluctant to agree to environmental regulations because they do not want to or are unable to pay the cost needed to remedy the environmental damage primarily caused by industrialized nations over the past several centuries. The economic prosperity that the US and many European nations enjoy today is due to rapid industrialization in the nineteenth century that came at the cost of the natural environment. As a result, many developing nations believe they have a similar right to choose economic growth over environmental protection, and they protest vehemently against developed nations' attempts to curb their right to economic development.

Conversely, developed nations can be reluctant to accept environmentally motivated policy because they believe the economic sacrifices such policies necessitate will give the developing world a relative advantage in production. For example, the United States has not ratified the **Kyoto Protocol** because the strong limitations put on US industries would not also apply to those in India and China, giving those nations a significant advantage in certain industries. Therefore, a primary focus of the debate should be to form a foundation of cooperation between all nations.

Kyoto Protocol—an international environmental treaty produced in 1992.

Questions for Policymakers

How much of a role should environmental concerns play in determining WTO trade policy? How can the WTO balance free trade with trade restrictions aimed to preserve the environment and encourage sustainable development? How can the WTO fairly distinguish between **legitimate** environmental protectionism and purely economic protectionism disguised as environmentalism? Can the developed and developing world work together to solve environmental problems? To what extent should the rapid economic growth of developing nations be encouraged even if they neglect environmental issues that could potentially harm their economies in the long term? How can the WTO stimulate the flow of cost-effective, environmentally friendly technologies from modernized nations to developing nations? Should individual nations or an international organization be responsible for conducting import risk assessments?

Legitimate—*authentic; valid.*

Conclusion

As the members of the WTO, it is your responsibility to decide how the WTO will address environmental concerns. In order for these policies to be acceptable to all nations, however, it is important that they represent a balance between the interests of free trade and environmental preservation. Doing so will allow for responsible economic growth in the present while enabling the continuation of economic growth in the future. At a time of worldwide environmental uncertainty, it is important that this committee achieve an effective compromise.

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