



WORLD TRADE ORGANIZATION

Free Trade and the Environment

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Introduction and Summary of the Problem

As the environment becomes an ever-pressing issue—socially, politically, economically—the World Trade Organization must incorporate environmental interest in its legislation. The WTO makes it its objective both to protect the environment as it moves forward while still continuing to promote sustainable development. [Trade liberalization should promote a more efficient distribution of resources, ultimately alleviating poverty and benefiting the environment.] In its founding agreement, The Marrakesh Agreement establishing the World Trade Organization emphasizes both “raising the standards of living... while seeking both to protect and preserve the environment.” Yet there is still an ongoing struggle between promoting economic development and supporting environmental legislation; it is up to you to determine this balance.

Focus of the Debate

The Environmental Question

The sharp decline in environmental standards—from the global upset of biological systems through global warming to water pollution—necessitates some action on the behalf of the WTO. Oftentimes, environmentalists believe that the WTO is not doing enough, as their first priority is to promote free trade. There is a struggle between long-term measures like environmental sustainability and short-term initiatives like economic prosperity. In addition, not only is environmental regulation hard to pass, but it is also challenging to enforce. As evidenced by the events of North American Free Trade Agreement (NAFTA), environmental protections are meaningless unless otherwise implemented.

Increased Free Trade

The elimination of trade barriers and promotion of continuous economic prosperity is a major goal of the WTO. In fact, the WTO’s “main function is to ensure that trade flows as smoothly, predictably and freely as possible.” Environmental standards can potentially impede this process. In addition, there is an argument that free trade can ultimately benefit the environment, without the regulation: with the improvement in the standard of living, the “pollution of poverty” is diminished.

Developing Countries Disadvantaged

New regulation or environmental standards bear their cost, not only in regards to free trade but also in their cost to developing countries. Usually the wealthiest and most industrialized countries—such as those in Europe—champion the idea of more stringent environmental standards. But to the developing countries, which already arguably are only helped marginally by free trade, this could only be detrimental. Imposing restrictions as they develop could potentially impede economic growth—that is, restrictions have different impacts in different countries due to the diversity of economies around the world. What would be easy to implement in one country could be very difficult to enforce in a developing country with no real access to the necessary modern technology.

Recent Developments

Doha Agreements

The November 2001 declaration of the Fourth Ministerial Conference in Doha, Qatar, provided the mandate for negotiations on a range of subjects. The Doha Round is the first time environmental issues have featured explicitly in the context of a multilateral trade negotiation, with the overarching objective to enhance the mutual supportiveness of trade and environment. Ministers reemphasized the importance of calling on the Trade and Environment committee to identify and debate the environmental and developmental aspects of the negotiations. The issues tackled in the agreements include multilateral environmental agreements, information exchange, reducing trade barriers on environmental goods and services, and subsidies agreements. As Director-General Gregory Lamy states, the Doha Round of trade negotiations includes a chapter to accelerate market opening for environmentally friendly goods and services. The WTO is looking to change the current way many climate-friendly goods and services are being penalized upon importation. The Doha agreements codify the environmental measures with the WTO rules already in place, through such measures as a regular information exchange between the Trade and Environment Committee and other multilateral environmental agreements.

Copenhagen Conference

A statement from Director-General Gregory Lamy concludes that, “The outcome of the conference in Copenhagen represents a step forward...the framework accord hammered out in Copenhagen last week may encompass the majority of world emissions.” But he also mentions some of the challenges that Copenhagen shares with the WTO, in that the “process of this meeting [can be] cumbersome,” and explains this as a natural difficulty that arises from “leaders confront problems which are global while remaining accountable largely to domestic politics.” An issue that Copenhagen faced, and WTO faces, is the question of reckoning between international and domestic interests. But, as Lamy states, “in the end, it is only through a multilateral process that we can achieve results which are legitimate and credible...But the more we move toward a multilateral framework on climate change, the more unilateral trade measures will be difficult to explain.” Thus Copenhagen is mostly of a jumping-off point for future measures taken by the WTO.

Emphasis on Response to the Crisis

Director-general Gregory Lamy, in a keynote address in November 2009, insists to put “climate first and trade second.” He discussed the link between a trading system that would “enhance, not reduce, human welfare,” and furthering the “‘global’ environmental accord.” He mentions current and potential legislation, such as cap-and-trade schemes, tackling the issue of “competitive disadvantage” [countries hedging bets that they must offset the disadvantage their industry may suffer from the costs of climate mitigation] from a multilateral standpoint. He repeatedly emphasizes the existence of a middle ground, in which both economic development and sustainability thrive.

Questions a Resolution Should Address

There are many issues that a resolution should balance between: negotiating between developing and developed nations and between economic gain and protective environmental legislation are both integral to your decisions. Recently, in the Doha agreements, ministers instructed the Trade and Environment committee to focus on the way environmental measures change market access, specifically for developing coun-

tries, which could be constrained by environmental legislation: this should be a good starting point for you in your research. In addition, particular focus should be on determining “win-win” situations, in which both promoting free trade (limiting restrictions and distortions) benefits the environment. Finally, an emphasis on the impact of environmental labeling on economies, and whether this is permitted by current WTO legislation, could also be examined.

Conclusion

How best must the environment be protected? What are the measures that incorporate the diverse economic interests of the constituents of the WTO that also benefit the environment? The issue of integrating economic and environmental interests in legislation is not unique to the World Trade Organization. This is a global issue; your conclusions at this conference will set a world precedent, so think creatively. Good luck!

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