

## Trade Liberalization and Environmental Considerations for the Caribbean<sup>1</sup>

BACKGROUND PAPER PREPARED BY THE DEPARTMENT OF SUSTAINABLE DEVELOPMENT OF THE ORGANIZATION OF AMERICAN STATES FOR THE CONFERENCE ON THE CARIBBEAN

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*The opinions and views expressed in this paper are exclusively for informational purposes and do not reflect the opinions or official positions of the Organization of American States or its member States.*

### Abstract

This short Background Paper reviews the policy and institutional challenges faced by Caribbean countries as they seek to respond to the burgeoning demands of globalization and trade liberalization, in particular, those arising from the World Trade Organization (WTO) global trading regime as well as emerging trade partnerships through Regional Trade Agreements (RTAs). The paper argues that because of their fragile and limited natural resources, Caribbean countries must pay keen attention to trade and environment interactions and must urgently put in place a sound policy and institutional framework to ensure the sustainability of the natural resource base from export-induced and import-induced activities.



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<sup>1</sup> Prepared with contributions by Scott Vaughan, Cletus I. Springer and Claudia S. de Windt of the Department of Sustainable Development, of the Organization of American States; and Kalim U. Shah, Research Fellow of the Caribbean, Central American, Action.

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## 1. Introduction

Since the 1980s, countries have pursued a series of economic policy reforms to accelerate rates of growth and attract investment. International trade remains a key aspect of these reforms. However, the struggle for consensus on a balanced development agenda has significantly slowed down global trade talks, resulting in an increase in bilateral and RTA negotiations. In fact, WTO statistics show that as of December 2006, 368 RTAs were in force.

In the midst of this package of reforms, interest and concern has focused on whether welfare-enhancing benefits associated with trade liberalization are automatically delivered. A closely associated concern revolves around the relationship between trade liberalization and environmental protection. This is especially pertinent for countries of the Western Hemisphere and more especially in the Caribbean, where trade in goods and services is not only a major source of foreign exchange, national income and employment but also a major charge on the fragile and limited natural resources of the region. In this regard, the question that must be answered is whether or not the multilateral trading system, including RTAs can be shaped in such a way that it promotes not only economic growth but also sustainable development in the small island developing states (SIDS) in the Caribbean.

The key economic sectors and industries in the Caribbean that are affected by trade are natural resource based and primarily resource intensive sectors. Thus, there is the distinct possibility that trade liberalization and the opening of new markets, while creating economic, social and environmental benefits will also intensify environmental pressures associated with the expansion of the productive system, especially if appropriate regulatory mechanisms are not in place or are not being effectively applied.

The issue of trade and environment has been addressed on the trade front since the Marrakesh Agreement. Efforts towards sustainability in trade liberalization go back to the Rio Declaration in 1992<sup>2</sup> and to Agenda 21<sup>3</sup> which together called for: (a) a supportive international climate for achieving environment and development goals by promoting sustainable development through trade liberalization; (b) the need for countries to make trade and environment mutually supportive, (c) the provision of adequate financial resources to developing countries dealing with international debt and (d) the implementation of macroeconomic policies conducive to sustainable development.

The World Summit on Sustainable Development (WSSD)<sup>4</sup> also highlighted some trade-related issues of importance to the Caribbean. Consensus from the Summit included the need to: (i) strengthen international cooperation in forest resource management through environmentally-sound trade, capacity building and law enforcement; (ii) enhance access to existing agricultural markets and develop new markets for value-added agricultural products (iii) implement instruments through the auspices of the International Maritime Organization (IMO) to enhance maritime safety, protect the marine environment from pollution caused by ship traffic through increased trade, address invasive species in ballast water, and implement the BASEL Convention on the Transboundary Movement of Hazardous Waste.

Subsequent international fora have also sought to promote a beneficial link between trade and the environment. For example, the Barbados Program of Action (BPOA-1994) recognized that SIDS are limited in size, have vulnerable economies and are dependent both upon narrow resource bases and on international trade, without the means of influencing the terms of that trade<sup>5</sup>. Further, it encouraged cooperation and promotion of sustainable development through fair, equitable and non-discriminatory trading arrangements and a supportive international

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<sup>2</sup> Rio Declaration on Environment and Development, Rio de Janeiro, Brazil June 3-14, 1992. Report of The United Nations Conference on Environment And Development, Annex I. **A/CONF.151/26 (Vol. I)**

<sup>3</sup> Agenda 21, Plan of Action of the United Nations Conference on Environment and Development, Rio de Janeiro, Brazil. June 3-14, 1992. Report of the United Nations Conference on Environment and Development, Annex II. **A/CONF.151/26 (Vol. I)**

<sup>4</sup> The Summit was held in Johannesburg, South Africa and produced the Johannesburg Plan of Implementation (JPOI)

<sup>5</sup> The BPOA was agreed at the UN Global Conference on the Sustainable Development of Small Island Developing States held in Barbados in 2004.

economic system and addressed issues of poor market access by SIDS, the heavy reliance on single or few commodities and the need to generate local value-added, export products and diversify commodity sectors, among other issues.

## 2. Overview of Environment within the World Trade Organization

Global awareness of trade-related environmental issues and concerns increased in the 1990s with the creation of the Committee on Trade and Environment (CTE) within the WTO<sup>6</sup>. Paragraph 31(i), (ii), and (iii) of the Doha Declaration includes a mandate to the countries to negotiate regarding the relationship between Multilateral Environmental Agreements (MEAs) and WTO rules<sup>7</sup>. The discussion in this regard has essentially focused on concepts and definitions. The CTE has deferred issues on environmental goods and services to the WTO Negotiating Group on Non Agricultural Market Access. The CTEs latest work program approved in Cancun,<sup>8</sup> highlights several important activities, including an analysis of the relationship between the provisions of the multilateral trading system and requirements for environmental purposes related to products (including standards and technical regulations, packaging, labeling and recycling) effects of environmental measures on market access, especially in relation to developing and least developed countries, and the environmental benefits of removing trade restrictions. However, since its inception, the CTE has primarily focused on reconciling the relationship between specific trade obligations in MEAs with WTO trade rules - a core challenge for all countries involved in trade liberalization efforts<sup>9</sup>. **These commitments are increasingly relevant to developing countries, as they face global environmental challenges and pursue trade as a propeller of growth. However, progress in the negotiations overall in realizing the Doha Round package of commitments remains limited.** Consequently, the only outcome reflected in the Hong Kong Declaration approved at the most recent WTO round in December 2005 was the call to countries to “intensify the negotiations”<sup>10</sup>.

## 3. Trade Liberalization in the Western Hemisphere and the Caribbean

Since the 1960s, economic reform and integration in the Western Hemisphere has been pursued through consolidation of trading blocs and agreements. This is illustrated by the maps of Western Hemisphere Intra and Extra Regional RTA Networks produced by the WTO (Annex I and II).<sup>11</sup> The Caribbean region has been very proactive in global liberalization efforts with the establishment of a free market in 1965, a Common Market in 1973<sup>12</sup> and a single market and economy (CSME) in 2001<sup>13</sup>. Between 1994 and 2004, CARICOM as a bloc had negotiated free and preferential trade agreements with Colombia, Costa Rica, the Dominican Republic and Venezuela. These agreements cover most key economic sectors for the region and include gradual tariff reduction schemes. They also contemplate Most Favored Nation and National Treatment consistent with WTO principles. The agreements in Table 1 are key examples of CARICOM's efforts in economic reform and integration.

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<sup>6</sup> The Marrakesh Agreement: Establishing the World Trade Organization, 14<sup>th</sup> April 1994. Report on Marrakech Ministerial Decision on Trade and Environment. Marrakesh, Morocco.

<sup>7</sup> World Trade Organization, Doha Ministerial Declaration, 14<sup>th</sup> November 2001.

<sup>8</sup> World Trade Organization WT/CTE/8 11 July 2003 - Committee on Trade and Environment Report to the 5<sup>th</sup> Session of the WTO Ministerial Conference in Cancun, Mexico.

<sup>9</sup> The work of the CTE is consistent with the 1994 Marrakech Round where Trade Ministers signed the Decision on Trade and Environment which states: “*There should not be, nor need be, any policy contradiction between upholding and safeguarding an open, non discriminatory and equitable multilateral trading system on the one hand, and acting for the protection of the environment, and the promotion of sustainable development on the other.*”

<sup>10</sup> World Trade Organization, Hong Kong Ministerial Declaration, December 18, 2005

<sup>11</sup> 2006 World Trade Organization - The Changing Landscape of RTAs, 2006 update

<sup>12</sup> The history of CARICOM, <http://www.caricom.org/archives/caricom-history.htm>

<sup>13</sup> July 5, 2001 of the Revised Treaty of Chaguaramas (RTC)

**Table 1: Examples of Trading Blocs and Regional Trade Agreements Signed by CARICOM <sup>14</sup>**

Trade Agreement	Type/ Structure	Signatories
Caribbean Common Market (CARICOM)	Common Market, Customs Union	Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Trinidad & Tobago St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname
CARICOM-Dominican Republic	Free Trade Agreement	All CARICOM countries and the Dominican Republic.
CARICOM-Colombia	Preferential Agreement	All CARICOM countries and Colombia
CARICOM-Costa Rica	Free Trade Agreement	All CARICOM countries and Costa Rica
CARICOM-Venezuela	Preferential Agreement	All CARICOM countries and Venezuela

Another major step towards trade liberalization has been the region's participation in the Caribbean Basin Initiative (CBI). This broad program is designed by the US government to promote economic development through private sector initiatives in countries in the Caribbean Basin and is seen as a way of expanding foreign and domestic investment in non-traditional sectors, diversifying CBI country economies and expanding their exports<sup>15</sup>. The major benefits of the program include duty-free entry to the United States, in perpetuity for a wide range of products manufactured in CBI countries as an incentive for investment and expanded export production. Additionally, there is a tax deduction for companies that hold business conventions in qualifying Caribbean Basin countries to increase tourism and a U.S Government Special Access Program for textiles and apparel. Canada has implemented a similar initiative known as CARIBCAN, a package of trade development and economic assistance measures for countries in the Caribbean Basin, including duty-free entry for products to Canadian markets.

The European Economic Community (EEC) with whom CARICOM countries and the Dominican Republic are negotiating an Economic Partnership Agreement expected to enter into force in 2008 is another bloc that provides CBI countries duty-free access for several products through the LOME Convention<sup>16</sup>. All of the mentioned unilateral commitments have helped to stimulate economic growth in Caribbean SIDS.

Since NAFTA and the creation of the CTE, the approach to environment in trade negotiations has been open and proactive, resulting in environmental provisions in trade agreements that follow the path of the North American Agreement on Environmental Cooperation (NAEC) by focusing on environmental cooperation. Recent agreements such as the US-Chile, US- Singapore, Canada- Chile, Canada-Costa Rica US-Jordan, the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA), the US-Peru and US-Colombia Trade Promotion Agreements all include a mechanism for environmental cooperation as well as provisions on the environment.

#### **4. Treatment of the Environment in Trade Agreements: A look at CARICOM**

Three recent agreements negotiated by CARICOM are noteworthy by virtue of their environmental provisions. These are the CARICOM – Dominican Republic and CARICOM – Colombia agreements and the Revised Treaty of Chaguaramas (RTC).

<sup>14</sup> Organization of American States, Foreign Trade Information System.

<sup>15</sup> This initiative is formed by the Caribbean Basin Economic Recovery Act (1983), the Caribbean Basin Economic Recovery Expansion Act (1990) and the U.S.-Caribbean Trade Partnership Act (2000) each of which has been ratified by the U.S. and CARICOM countries

<sup>16</sup> Negotiations officially launched in Kingston on April 16, 2004.

#### 4.1 The CARICOM-Dominican Republic Free Trade Agreement

This Agreement which has been in force since December 2001 is regarded as innovative in many respects. It provides reciprocal duty-free entry for a significant amount of trade between the two parties. It also includes special arrangements for trade in selected agricultural products and in services and for the promotion and protection of investment. In addition to recognizing the importance of sustainable trade, the agreement also includes three specific considerations related to environment as follows: (1) it allows the parties to conduct risk assessments of environmental implications as long as they are not used as technical barriers to trade; (2) it defines dangerous wastes and hazardous substances and establishes concerns regarding the environmental and health implications associated with trade in and movement of these goods within the region; and (3) it establishes specific obligations regarding environmental protection.

On the first consideration, the agreement defines risk assessment as *“the evaluation of the potential of adverse effects to the health and safety of human, animal or plant life onto the environment resulting from any goods or services traded between Parties.”* In this regard, it is important to note that once the protection level has been established using scientific evidence, the parties are to avoid making arbitrary or unjustifiable distinctions between similar goods and services, if those distinctions: (a) result in arbitrary or unjustifiable discrimination against goods or service providers or the other Party; (b) constitute a disguised restriction on trade between the Parties; or (c) discriminate between similar goods or services for the same use under the same conditions, that hold the same level of risk and that result in similar benefits<sup>17</sup>.

With regards the handling of hazardous waste, the agreement requires that: *“The Parties shall apply the provisions, guidelines or recommendations of the pertinent United Nations Convention, the Basel Convention and the relevant international agreements and standards to which the Parties adhere, in addition to the existing legislation of the Parties.* The agreement also obliges each party to regulate the introduction, acceptance, deposit, transport and transit through its territory, of hazardous substances or dangerous waste, whether originating inside or outside of its territory<sup>18</sup>.

#### 4.2 The CARICOM-Colombia Agreement

This preferential trade agreement specifically includes provisions regarding technical cooperation in environmental management as one of the areas of cooperation<sup>19</sup>. However, it is not clear to what extent this Article is being implemented and by whom and what implementing mechanisms are in place to ensure the attainment of the objectives of the provisions.

#### 4.3 The Caribbean Single Market (and Economy)

While the majority of the 240 provisions in the Revised Treaty of Chaguaramas (RTC) governing the CSME have a trade focus, a valiant effort has been made to address the trade and environment nexus, both in terms of enhancing the contribution of environmental products and services to economic growth and reducing the negative impacts of economic growth on the environment. In this latter regard, notable features include:

- Article 13.2(h) requiring the Council for Trade and Economic Development (COTED) to promote and develop policies for the protection and preservation of the environment for sustainable development;

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<sup>17</sup> Agreement Establishing the Free Trade Area between the Caribbean Community and the Dominican Republic. 22<sup>nd</sup> August 1998.

<sup>18</sup> Agreement Establishing the Free Trade Area between the Caribbean Community and the Dominican Republic. 22<sup>nd</sup> August 1998. Appendix VI to Annex 1: Technical Barriers to Trade - ARTICLE XII - HANDLING OF HAZARDOUS SUBSTANCES AND WASTE.

<sup>19</sup>Agreement Establishing the Free Trade Area between the Caribbean Community and Columbia, 24<sup>th</sup> July 1994. Article nineteen – Technical Cooperation. *“ The Parties agree “to encourage and promote cooperation in areas such as human resource development, institutional building, science and technology, research and development, environmental management, disaster preparedness and management, health research and management, energy, tourism and agricultural development.”*

- Article 51.2(g) requiring that Community industrial policy should aim at enhanced industrial production on an environmentally-sustainable basis;
- Article 55 which calls for the formulation of proposals for sustainable tourism development and which recognizes the importance of the tourism sub-sector to the economic development of the region and the need to conserve the cultural and natural resources and to maintain a balance between a healthy ecology and economic development;
- Article 56.1(a) requiring that Community agricultural policy should aim at the fundamental transformation of the agricultural sector towards market oriented, internationally-competitive and environmentally-sound production of agricultural products; and
- Article 58 requiring the Community to adopt measures for (a) the effective management of the soil, air and all water resources, the exclusive economic zone and all other maritime areas under the national jurisdiction of the Member States; and (b) the conservation of biological diversity and the sustainable use of biological resources, especially those of important medicinal and traditional value<sup>20</sup>.

The RTC charges the Council on Trade and Economic Development with the responsibility for (a) establishing and promoting measures to accelerate structural diversification of industrial and agricultural production on a sustainable and regionally-integrated basis; and (b) promoting and developing policies for the protection and preservation of the environment and for sustainable development. Reasonable progress has been made at the national level towards ensuring that producers do not infringe the environmental standards of importing countries. However thus far, only limited progress has been made towards ensuring that trade-related activities at the national and regional level do not impair the quality of the physical environment or over-exploit the natural resource base. In this latter regards, strong and legitimate concern has been raised over the negative environmental impacts of tourism which is the region's leading export industry.

## **5. Challenges for the Environment at the Regional Level**

Trade liberalization has been advanced in many fora and by many developed countries, because of its role in fostering economic growth. Governments also see trade as a potential catalyst to environmental protection. However, given the relationship between economic growth and the environment in general and natural resources in particular in small island economies such as those of the Caribbean, it is critical that Caribbean governments take full account of the inherent challenges which the trade agenda poses for the environment. Ideally, these challenges should be assessed both at a macro level as well as part of the analysis of each trade agreement. It is against this background that question marks emerge over the contribution of the above-mentioned trade agreements to sustainable development.

The main challenges posed by the trade liberalization process could be subsumed in three broad categories. These are (1) regulatory and administrative, (2) export-derived and (3) import-derived challenges.

### **5.1 Regulatory/Administrative Challenges**

This category includes meeting obligations related to domestic environmental protection and requirements for market access. Historically, with respect to environmental provisions such as those in trade agreements referred to here, the deficiency has been related to enforcement and compliance of national standards and regulations and the administrative burden this could potentially impose on Governments and the private sector. Developed countries have been concerned with the possibility of developing countries using lax environmental protection as a means to attract trade and investment, also known as "ecological dumping". Additionally, physical/environmental

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<sup>20</sup> Revised Treaty of Chaguaramas Establishing the Caribbean Community including The Single Market and Economy – CARICOM Secretariat, 2002/2004

challenges cannot be addressed unless adequate environmental standards and regulations are in place to prevent environmental degradation from economic activities. For instance, to address this kind of challenge, emission standards and controls should be in place and authorities should have the technical capacity to monitor emissions and enforce air quality standards.

## 5.2 Export-Derived Challenges

The main challenges here derive from increases in exports due to the elimination of tariffs and are related to: (a) tariff schedules; (b) increased demand for goods and services including environmental goods and services, (c) increased production capacity which impacts on waste and effluent management and infrastructure demands; and (d) overexploitation of natural resources. In addition countries must comply with the provisions of WTO agreements on Technical Barriers to Trade (TBT)<sup>21</sup> and Sanitary and Phyto Sanitary measures (SPS) as well as fulfill MEA and WTO requirements<sup>22</sup>.

Increased economic activity can have both positive and negative impacts on the environment. If more goods are produced for export using the same amount of resources, then potential negative scale effects are offset by efficiency gains. However, such production and/or trade efficiencies though desirable at this level are not always possible, especially for small economies, since they would need to devote considerable resources to build capacity in export sectors in areas such as waste and chemicals management. Therefore, developing the capacity of the private sector to address environmental issues is one of the key challenges facing the Caribbean.

Satisfying the demand of new trading partners due to Free Trade opportunities can also be stressful to the environment in the Caribbean, given it might mean over over-exploitation of an already limited and fragile natural resource base and an increase in solid and liquid waste generation, and air pollutants. This effect can be reduced by ensuring that adequate regulations are in place to address environmental pollution and degradation generated by export-driven trade agreements. Unfortunately, in the Caribbean region very few countries have a basic environmental law and the financial and technical resources to enforce them.

Regulations, standards, testing and certification procedures create conditions for market access and may create unnecessary obstacles to trade. It is recognized that countries adopt WTO-compliant standards for health, environmental, plant and animal life. Therefore, all countries face prerequisites for exporting, including standardized and accurate labeling of food and manufactured goods, heightened quality standards and application of quality improvements to ensure the required quality and presentation of goods, and standardized and acceptable packaging to meet environmental health and safety standards of the importing country. Some market access requirements stipulate that certain goods such as paper products must contain a certain percentage of recyclable material. Similarly, many food products need to be certified regarding their pesticide residue content and in the specific case of the export of fish species such as marlin and tuna, regarding their heavy metal content. For example, the Ministry of Environment of Mexico (SEMARNAT) released a final rule on import and export of wood packaging material (WPM), requiring that imported WPM complies with the guidelines issued by the International Plant Protection Convention Secretariat (ISPM 15)<sup>23</sup>.

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<sup>21</sup> Technical Barriers to Trade (TBT) are regulations and standards governing the sale of products into national markets that have as their prima facie objective, the correction of market inefficiencies stemming from externalities associated with the production, distribution and consumption of these products. World Trade Organization Website, <http://www.wto.org>. 2004.

<sup>22</sup> Sanitary and Phyto-sanitary measures are a subset of regulations specifically aimed to protect human, animal and plant health. They apply to protect human or animal life from risks arising from additive contaminants, toxins or disease causing organisms in food. They function to protect human health from plant and animal carried diseases, protect animal and plant life from introduction of pests, diseases or disease causing organisms, protect a country from damage caused by entry, establishment or spread of pests. World Trade Organization Website. <http://www.wto.org>. 2004.

<sup>23</sup> International Phytosanitary Portal (IPP), Official website of the International Plant Protection Secretariat.



The main challenge here is to ensure that national regulations and standards of trading partners are met for exporting countries. Therefore, Caribbean countries need to quickly address TBT and SPS issues including through joint government and private sector efforts, institutional strengthening, obtaining financial resources for upgrading of equipment and manpower and becoming pro-active in upgrading production standards and product quality to meet the rigors of an openly competitive market. However, a major part of the challenge is about having the technical and financial capacity to prove when a trading partner is imposing discriminatory standards that violate international trade law. Because of the importance of agriculture and food exports, attention should be given to plant and animal-derived export products. Domestic producers must consider compliance with sanitary and phyto sanitary measures (SPS). Such standards have proven to be particularly onerous for banana producers in the region, who in addition to being faced with high production costs, volatile prices and frequent disruptions due to extreme weather events and pest infestation must now meet the increased costs of adhering to phytosanitary measures.

Another challenge that Caribbean countries must address is meeting obligations under MEA's and WTO rules at the same time. As in the Shrimp-Turtle case<sup>24</sup> and the Chile-EU Swordfish dispute<sup>25</sup> indicate, this challenge is made more onerous by the potential incompatibility of some provisions (Annex III). Certain specific trade obligations in many MEAs that have been ratified by Caribbean countries, such as Convention on International Trade in Endangered Species (CITES), the United Nations Convention on Biological Diversity (UNCBD), the Montreal Protocol and the Basel Convention have been under discussion in the GATT and WTO since 1991. However, no WTO-MEA case regarding trade measures has ever arisen.

### 5.3 Import-Derived Challenges

Global trading rules also require Caribbean countries to ensure that the standards they set for imports are not discriminatory and that environment is not used as a barrier to trade. Some countries in Latin America and the Caribbean are seen as having arbitrary SPS measures and standards and this has been directly linked to lower levels of US investment.<sup>26</sup> A significant challenge will therefore be streamlining of SPS' which can lead to more US and foreign investment. To do so Caribbean governments must commit resources to improving the standards infrastructure while protecting the environment. In this regard, a main challenge includes ensuring national technical regulations provide for the screening of chemicals, pesticides and even genetically modified organisms (GMOs) as well as maintaining and enforcing standards for imports, while abiding by WTO regulations on TBTs and SPS.

Increased competition in similar and new goods and services by foreign investors can potentially oust domestic producers from the marketplace or at the very least marginalize them. This can generate social, economic, and environmental repercussions. For instance, forestry managers could lose the incentive to sustainably manage their timber resources since they can sell lumber and value-added products at competitive prices to foreign buyers. With the onset of trade liberalization and the opening of markets to more cost-efficient foreign producers, domestic producers of wood products have seen a reduction in demand and in prices. Further, due to free trade, countries in the region may see an influx of foreign investment in the form of new production plants for more refined and value-added, secondary and tertiary manufactured products. This then introduces not only increased quantities of waste, but new forms of waste which may require special disposal treatment facilities that are generally not available in developing countries of the Caribbean.

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<sup>24</sup> World Trade Organization Report WT/DS58/AB/R 12 October 1998. United States, import prohibition of Shrimp and certain Shrimp products.

<sup>25</sup>World Trade Organization Report WT/DS 193/1. 26<sup>th</sup> April 2000. Chile — Measures affecting transit and importation of swordfish.

<sup>26</sup> Hufbauer, Kotschwer and Wilson (2000) Trade, standards and development: Perspectives from Central America. Workshop on Trade facilitation, regulations and standards, Panama City June 2000. World Bank Institute and OAS.

Another outcome could be increased transshipment of hazardous waste or even volatile primary, manufacturing materials such as lubricants, paints and flammable chemicals. Spillages in marine and coastal areas can devastate coastal ecology, reefs and mangroves with serious economic and environmental implications. In this regard, the potential conflicts between MEAs and WTO rules also come in to play, given that most of the countries in the Caribbean have ratified the Basel Convention on Transboundary Movement of Hazardous Wastes which restricts import-export activity of Parties with non Parties. With increased oceanic transportation traffic in Caribbean waters due to increased trade, Caribbean countries may face conflicts with non parties to the Basel Convention as to whether or not such hazardous waste can shipped through Caribbean waters. Article 141 of the RTC sets out the determination of CARICOM member states to "...protect the Caribbean Sea from the potentially harmful effects of the transit of nuclear and other hazardous wastes, dumping, pollution by oil or by any other substance carried by sea or wastes generated through the conduct of ships operations."

To enable increased trade, countries of the region will have to upgrade their ports, transshipment areas, piers and related infrastructure. Further, countries may have to consider not only fisheries, forestry and agriculture, but also the impact of an increased influx of tourists on beaches, coral reefs, coastal and marine resources which underpin the attractions of the tourism sector.

## **6. Environmental Benefits and Opportunities from Increased Trade**

Free trade can lead to increased foreign direct investment (FDI), national income, foreign exchange and employment for the Caribbean countries. Governments must take advantage of this benefits by creating appropriate incentives to attract FDI and mechanisms through which the benefits from economic growth can be distributed in an equitable way, thus increasing social development and social cohesion. Increasing social welfare and bringing people out of poverty creates broader social livelihood options, increases skill levels and generates employment, thus helping to reduce pressure on natural resources.

Increased FDI inflows also carry the potential for an increase in technology transfer. If the right encouragement is given by government and environmental agencies, companies will invest in new environmental innovations, cleaner production technologies, recycling and energy efficiency schemes and optimized material utilization. This kind of corporate behavior can have a significantly positive impact on the environment both by reducing pollution loads and through greater efficiency in natural resource use. At the macro level, increased FDI can give developing countries the opportunity to invest in cleaner industries, which have less environmental impact and reduce pressures on natural resources. Changes can be made in practices regarding economically important but resource- intensive activities such as fisheries, agriculture and petrochemical processing by engaging in and marketing sustainability. New markets will be opened up for domestic firms, including markets for recycled products, recycling services, and green markets for environmentally-friendly or organically-produced products. It is estimated that 20% of the U.S. consumer market will buy environmentally-friendly products if readily presented in the market place<sup>27</sup>. This is an enormous opportunity for Caribbean producers given the importance of the US market, as the main export market for the region. An additional major benefit of trade liberalization is the increase of environmental awareness among local consumers. Further, with an influx of foreign products, consumers in the Caribbean must be made aware of issues such as increased amounts of packaging and the environmental effects of newly available chemicals, pesticides and common household items such as detergents.

The trend of trade liberalization, as mentioned has been accompanied by numerous cooperation efforts, providing small economies the benefits of technical cooperation at the expense of developed countries and international organizations. Examples of these efforts are the former FTAA Small Economies Group and the Hemispheric Cooperation Program, through which initiatives related to environmental protection and sustainable development have been funded and implemented.

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<sup>27</sup>International Institute for Sustainable Development (IISD) Business and Sustainable Development: A Global Guide Website, <http://www.bdsglobal.com>, 2004.

Finally, Doha paragraph 33(iii) acknowledges the potential of countries to benefit from expanding markets of environmental goods and services. Recent estimates suggest that annual expenditures on environmental goods and services exceeds \$600 billion per year, with quickly growing markets in such areas as sustainable tourism services, sustainable agriculture, certified forest products and emerging carbon markets. In 2006, international carbon markets alone exceeded \$30 billion. Although some of these goods and services are not explicitly covered under the WTO or regional trade agreements, they underscore the overall opportunities that exist for the Caribbean region in identifying new opportunities in “green” markets.

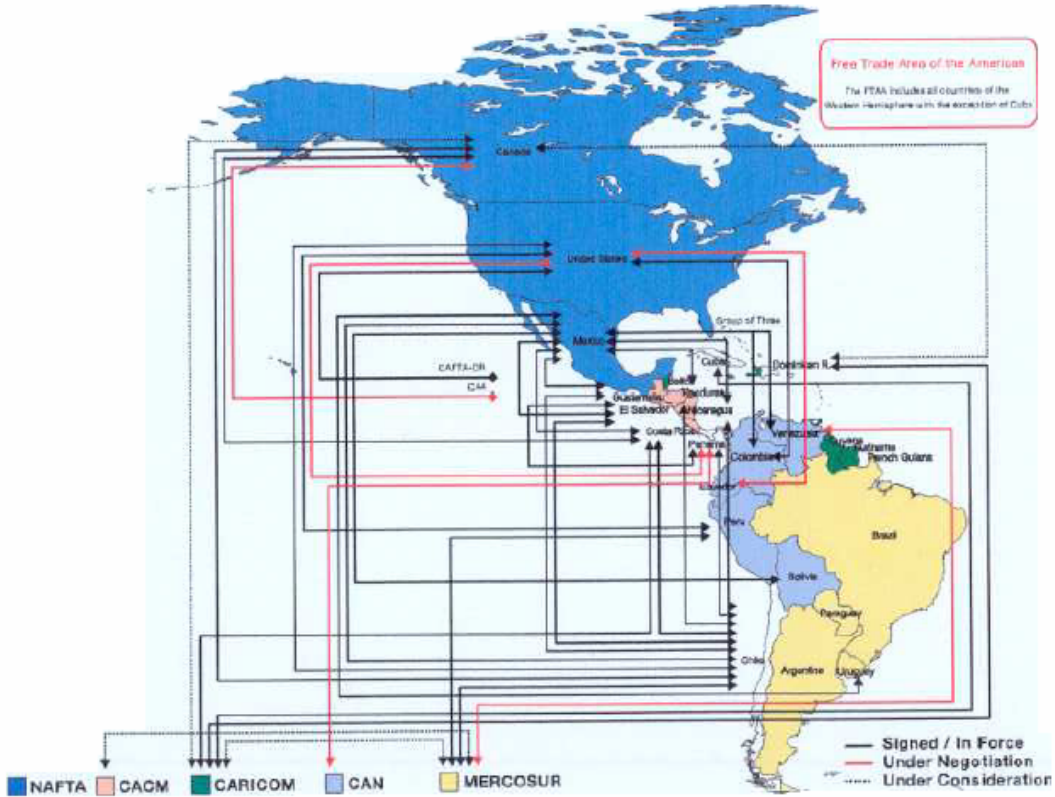
## **7. A Role for the OAS**

The OAS through its Department for Sustainable Development (DSD) has been assisting Member States to respond to trade-related capacity building development needs in the area of environmental management. Working through various initiatives the DSD has supported countries in assessing the impacts of trade liberalization on the environment, focusing on regulatory aspects and how to address emerging challenges from the policy angle. The DSD has also supported countries in Trade Capacity Building negotiations in bilateral and regional agreements. More recently through a cooperative initiative with the Canadian international Development Agency (CIDA) the DSD has been supporting OAS member States in addressing the priority challenges identified in their national strategies for trade-related capacity building under the Hemispheric Cooperation Plan, in the following areas: (a) strengthening capacities in the sound management of chemicals, based on empirical evidence which shows that the total concentration of agro-chemicals increases with trade, while the composition of agro-chemical applied to export-oriented crops shifts, thereby creating new challenges to national authorities; (b) enhancing public participation and the effective enforcement of environmental laws; (c) improving market-based approaches to the conservation of biological diversity, through the support of Payment for Ecological Service Payments (PES); and (d) strengthening educational capacities in the area of trade and environment, through the development and dissemination of a “tool kit” on trade and sustainable development.

Based on the observations made in this paper regarding the depth and breadth of the policy and institutional challenges faced by Caribbean countries, it is clear that an enhanced hemispheric-wide, cooperation agenda is a critical and a long-term response is required by the OAS, thus justifying the search for new and additional financing and technical assistance modalities to expand ongoing efforts and assist the region in overcoming the challenges identified.

# Annex I

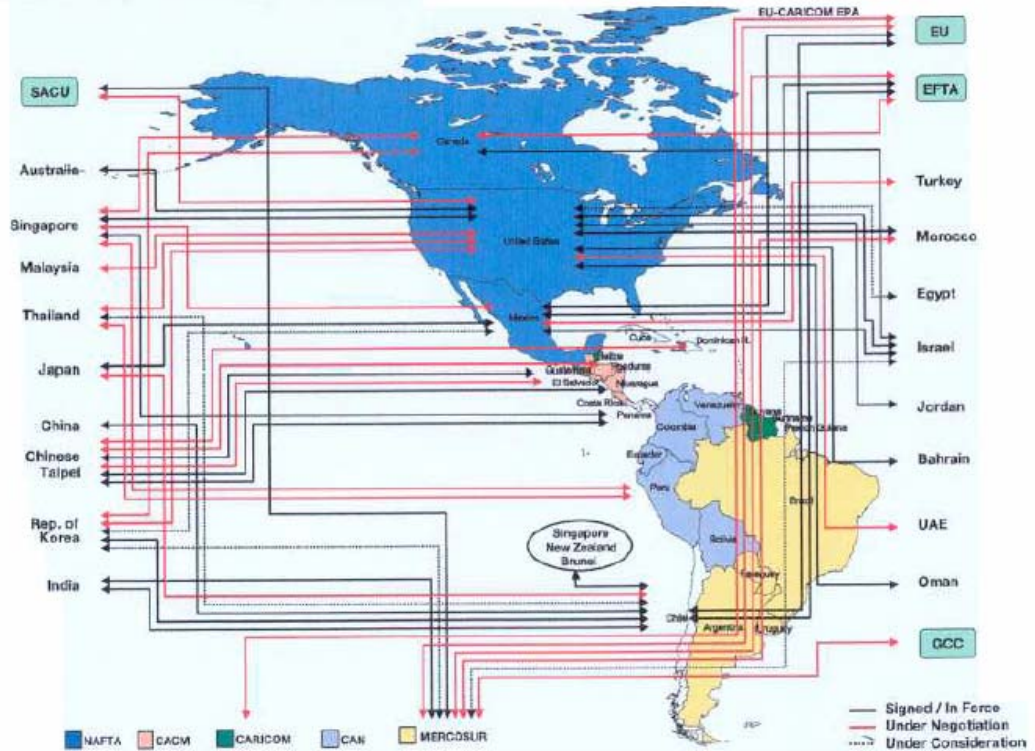
Map 2  
Western Hemisphere Intra-Regional RTA Network



# Annex II

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Map 3  
Western Hemisphere Cross-Regional RTA Network



## Annex III

### ***The Shrimp-Turtle Dispute***

The shrimp-turtle debate began in 1996 when the US banned imports of shrimp from several countries not in the practice of using TEDs (turtle excluder devices) to prevent by-catch mortalities of sea turtles including many endangered species. The ban was made under § 609 of the US Sea Turtle Protection Law (United States, Department of State, Office of the Spokesman Media Note 2005/31 Washington, DC, January 5, 2005), which was implemented as part of US response to operationalizing CITES Article III (United Nations Convention on International Trade in Endangered Species (CITES) Article III "...members can take appropriate means to enforce the provisions of the present Convention and to prohibit trade in specimens in violation thereof..."). Banned exporters called upon the WTO to rule the sanctions "as unjustified discrimination" inconsistent with most favored nation rules, since identical shrimp products were being allowed from other countries. The US claimed its position was justified under GATT Section XX (b) and (g) allowing exceptions "related to conservation of exhaustible natural resources" The WTO Appellate Council found that US law was justified but its implementation amounted to "arbitrary and unjustifiable" discrimination. The Council also noted that CITES covered only US legal jurisdiction and could not be forcibly implemented in the jurisdiction of other countries. This case is particularly relevant to the Caribbean because imports of wild shrimp from Trinidad and Tobago to the US have been banned since December 2004, for non compliance with the US Sea Turtle Protection Law<sup>1</sup>. Before this ban, demand from the United States, accounted for 67% of Trinidad and Tobago's shrimp exports, and its impact has been significant as shrimp currently represents 40% of that country's total export value (2000, Ministry of Agriculture Land and Marine Resources Fisheries Division. Impact of Shrimp Fisheries In Trinidad And Tobago.

<http://www.fao.org/docrep/007/y2859e/y2859e12.htm>. Caribbean Regional Fisheries Mechanism.  
<http://www.caricom-fisheries.com/members/tt.asp>)

### ***The Chile-EU Swordfish Dispute***

The Chile-EU Swordfish dispute mainly addressed obligations of United Nations Convention on the Law of the Sea (UNCLOS) and the open and non-discriminatory nature of the multilateral trading system. In this case, the European Union banned imports of swordfish from Chile based on unsustainable fishing practices that according to the EU far exceeded the maximum sustainable yield of the fishery at the time, thus jeopardizing the survival and continuity of that fishery. The EU implemented the ban citing that Chile was violating its obligations for the conservation and sustainable management of renewable marine fisheries resources under the UNCLOS (See International Tribunal for Law of the Sea, Special Chamber. 20th December 2000. Conservation and Sustainable Exploitation of Swordfish Stocks in the South Eastern Pacific Ocean, Chile versus European Union). Chile then retaliated by claiming unfair discrimination under WTO rules and brought an action against the EU at the WTO for resolution. Eventually, the dispute was settled bilaterally, but the settlement does not diminish the fact that there was a debate, which was legitimate under the jurisdiction of two different bodies of international law and a dilemma as to which provision would take precedence.