



Environmental Dimensions in International Trade

(Market access and agriculture)

INTENSIVE COURSE ON TRADE AND ENVIRONMENT

Washington DC, June 18th, 2014
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AGRICULTURE

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MARKET ACCESS

Why is market access negotiated?

- To improve the entry conditions of a product from one country to another
- To establish a transparent framework that encourages the exchange of goods
- To avoid discrimination
- To remove tariff barriers as well as nontariff barriers

How it is regulated?

- By establishing measures, laws or regulations that set requirements for a product to enter the country
- These dispositions are applied at the borders: tariff, quotas, nontariff measures, quantitative restrictions, etc.

The principles of the Multilateral System

- MFN treatment (Article 1):

Any advantage, favor, privilege or immunity granted by a member to a product originated from another country or destined for it, shall be accorded immediately and unconditionally to every similar product originated in the territories of all other contracting parties.

- National Treatment (Article III.2)

“products of the territory of any contracting party imported into the other contracting party shall not be subject, directly or indirectly, to taxes or other lower charges of any kind in excess of those applied, directly or indirectly, to national products of the same kind.”

The tariff as an instrument of protection:

- “each country has a series of tariff obligations that prevent it from applying a tariff over a determined product that exceeds the maximum specified in the Agreement.
- Tariff commitments are included in each countries' Schedules of Concessions.

The debate on trade and environment

Two schools of thought

- The one that sees the environment as a separate and different issue from the international trade regulations.
- The one that supports that trade and environment policies should be developed and implemented in a mutually supportive manner.
 - Trade should be encouraged to support environmental objectives
 - Environmental measures should not be a barrier to trade

Environmental standards and competitiveness

- Numerous international developments in the forums on trade and environment
- Increasing pressure to eliminate what some see as “incompatibilities” between trade and environmental policies
- Concern of developing countries: the additional costs implied by the “clean technologies” reduce their international competitiveness
- Fear of developing countries to the enforcement of a “green” condition linked to the opportunity of market access

Processes and production methods

- Growing desire of some countries to regulate international trade in goods and services from the base of the inputs and the technological processes used in its production (PMP's)
- WTO members recognize that countries have the right to establish the criteria and how they produce goods covered by the WTO rules
- Many developing countries argue that measures to discriminate between products based on the incorporation of PMP's, such as eco-labeling should be considered inconsistent by the WTO
- The addition of PMP's has triggered a legal debate in the WTO to the point that the TBT agreement covers and allows measurements based on the failure to incorporate PMP's

PMP's: political economy

- The interest in considering the PMP's comes mainly from consumers, because of political and ethical aspects.
- Governments and producers believe that many PMP's are already covered in existing WTO agreements.
- There is concern that by extending the rules to include the PMP's, there might be an excessive regulatory complexity and therefore more disputes.
- There is no consensus on PMP's among the leaders of the industrialized nations, but there is clear evidence of a North-South division.
- Many of the developing countries feel suspicious of the proposal to include the PMP's in the WTO, fearing that the industrialized countries will impose technological, environmental and quality standards.

WTO and the environment

The WTO regulations

- The preamble of the Marrakech agreement recognizes the link between trade objectives, sustainable development and environmental protection.
- The GATT/WTO provides a framework for national policies on environmental protection as long as they are not discriminatory:
 - Article XX of GATT
 - Agreement on Sanitary and Phytosanitary Measures
 - Technical barriers to trade
 - Committee on trade and environment

The text of GATT 1994

- General Exceptions (Article XX)

Subject to not apply the measures listed as a means of disguised restriction on trade, no provision shall be construed to prevent any contracting party to take the measures:

b) necessary to protect the health and life of humans and animal models or to preserve plants,...

g) relating to the conservation of exhaustible natural resources, provided that such measures are applied in conjunction with restrictions on domestic production of consumption,...

Agreement on the Application of Sanitary and Phytosanitary (SPS)

- This agreement addresses the implementation of regulations on food safety, animal health and plant preservation.
- Allows the adoption of sanitary and phytosanitary measures but stipulates that they should be based on scientific criteria that should be applied only when necessary to protect the health or life of humans and animals or to preserve plants as long as they do not discriminate between WTO members.

Agreement on Technical Barriers to Trade

- It aims to ensure that technical regulations and standards, as well as assessment and certification procedures do not create unnecessary barriers to trade
- Allows the adoption of technical regulations, standards and procedures of conformity assessment with a view to protecting the environment. However, such measures are subject to different requirements that are inherent, which include non-discrimination and transparency

Committee on Trade and Environment

- Established as part of the Marrakesh ministerial decision in 1996.
- Main objectives:
 - Identify the relationship between trade measures and environmental measures to promote sustainable development.
 - Suggest necessary changes to the policies of the multilateral trading system compatible with the nature of open equity and nondiscrimination.

Committee on Trade and Environment

Responsibilities (Doha Declaration par. 31-33):

- Analysis of the relationship between the existing WTO rules and the specific trade obligations set out by the Multilateral Environmental Agreements
- The reduction or elimination (when appropriate) of tariff and non-tariff barriers to environmental goods and services

**Other issues:
ECO-labeling**

Eco-labeling

- The relevance of the topic has grown in recent years.
- Discussion on issues related to: requirements for packing, recycling, re-use, conversion, disposal, etc.
- Based on the analysis of product life cycle: environmental effects of goods from raw materials, production, use and final disposal.

Eco-labeling

Advantages:

- Positive effects on environmental protection through the establishment of environmentally friendly requirements.
- Provide the consumer with information on environmentally friendly products.
- Potential to facilitate trade through the convergence of labeling requirements.

Eco-labeling

Disadvantages:

- Little or no participation by developing countries in this process.
- Difficulties and lack of resources to meet these standards.
- The proliferation of different schemes may confuse consumers.
- Gray area to include new barriers to trade (must be non-discriminatory and not create unnecessary barriers to trade).
- Serve local concerns and not necessarily concerns related to the place of production.
- Increase cost for exporters.

Eco-labeling

Potential effects of waste management requirements in business:

- The consequence of the selection criteria that govern waste management schemes are delegated to groups of domestic industry and are shaped based on their preferences.
- The degree to which foreign suppliers are allowed to participate in the design and preparation of these schemes.
- The scope of the packing favored by offshore suppliers is accepted by the schemes.
- The cost of participating in the schemes.

**Other issues:
Environmental goods
& services**

Environmental goods and services

What are they?

- The set of goods and services to measure, prevent, limit, minimize, or correct environmental damage to water, air and soil, as well as problems related to waste, noise and ecosystems
- Includes cleaner technologies, products and services that reduce environmental risk and that minimize pollution and the use of resources

Environmental goods and services

Why liberalize BYSA trade?

- The commitment to sustainable development means, in practice, that while the members of the WTO seek to achieve reciprocal, mutually beneficial trade agreements, they also have to try to limit the impact on the environment.
- Reducing or eliminating tariff and nontariff to trade in BYSA is seen as a obvious win-win position: good for both trade and environment.

Environmental goods and services

What's next?

- On January 2014, Costa Rica and other thirteen WTO Members* announced their intention to initiate negotiations towards achieving **global free trade in environmental goods**.
- This agreement is not just possible it is highly likely that this aspiration can be accomplished as a WTO “plurilateral agreement”. The WTO Members that made the announcement **account for 86% of global green-goods trade**.
- This initiative intends to build upon the APEC leaders’ agreement to reduce tariffs on the “APEC List of Environmental Goods”, taking this ground-breaking commitment as a starting point to reach an agreement within the WTO.

* Australia; Canada; China; Costa Rica; the European Union; Hong Kong, China; Japan; Korea; New Zealand; Norway; Singapore; Switzerland; Chinese Taipei; and the United States.

Environmental goods and services

What's next?

- This agreement is a natural step on the road to promote the positive links between economic development and environmental protection.
- Trade must play a key role in **facilitating access to environmentally-friendly technologies, promoting innovation and assisting in achieving green economic growth.**
- Countries must get rid of the duality with which they approach trade and the environment. The only way forward is sustainable development.

AGRICULTURE

Trade in agriculture

- Most distorted sector of world trade
- Support to producers in OECD countries: US\$261 billion per year
- Average tariffs are more than 3 times higher than non agricultural goods

Agricultural trade liberalization

- Sensitive issue and for many years absent from the effective regulation of multilateral trade rules.
- Different arguments to highlight the sensitivity: food sovereignty, environmental protection, farmers' survival, agriculture complement to the scenic beauty, etc.
- Other arguments promote trade liberalization and to work in the search for a more just and equitable trade, one that ensures that the developing countries will be able to sell their products without restrictions in the developed countries and that consumers will have the opportunity to obtain quality products at affordable prices.

How to regulate agricultural trade?

- Trade of agricultural products around the world is considered highly protectionist and inequitable.
- High tariffs and the large number of measures which, in one way or another, distort the market, remain being a topic of concern and discussion at an international level.
- As a result of the Ronda Uruguay, countries signed the Agreement on Agriculture (AoA) to regulate the existing distortions in agricultural trade in the world.

How to regulate agricultural trade?

- This was the first multilateral agreement on the subject and has as its main objective to establish a system of agricultural trade that is fair, equitable and market-oriented.
- The implementation period of the agreement was of six years starting on January 1, 1995 for developed countries and of 10 years for developing countries.
- The dispositions of the AA provide a framework for trade liberalization in agricultural products in the long term, which is conceived as an ongoing process (beginning of new negotiations in the fifth year of implementation).

How to regulate agricultural trade?

The AA is based on three pillars:

- ✓ Grater market access
- ✓ Reduction of domestic support
- ✓ Decline in export subsidies

Greater market access

- Through the tariff reduction in all countries and the elimination of excessive protectionism, which reduce competitiveness instead of increasing it.
- There are specific provisions granting special and differential treatment in this area, especially regarding time-sensitive products to those in developing or less developed economies.

Market Access

Specific commitments

- ✓ Convert non-tariff barriers into tariffs
- ✓ Reduce the overall average tariff for all agricultural products
- ✓ Deduct the tariff protection for other agricultural products through pre-established formulas

Domestic support

- The AoA covers support provided to farmers by governments
- All domestic support (or “production subsidy”) will be subject to rules that limit and reduce the amount of aid
- The main problem that arises with this type of aid is that producers are subsidized and domestic prices are sustained, limiting or preventing imports and stimulating overproduction.

Domestic support

- The AoA splits subsidies into 3 types or “boxes”
 - ✓ Amber
 - ✓ Blue
 - ✓ Green

Domestic support

- Amber box: distortions to production and trade, ie., measures that support prices or subsidies related to production quantities
- Blue box: production limiting programs; considered less trade distorting than amber box
- Green box: measures are meant not to distort trade or cost minimal distortion, ie., payments for research and development, relief from natural disasters, environmental programs, etc. (unlimited spending)

Export Subsidies

- Affect agricultural trade because despite that they have been prohibited by the WTO, there is still a list of assets set aside by some countries to give them this benefit.
- The reform process sought to completely eliminate these subsidies without any exception.

Export Subsidies

- The AoA contains provisions that prohibit export subsidies, unless the subsidies are specified in the schedules of commitments undertaken by each country in the WTO.
- Once the allowance is specified in such lists, it is required to reduce the amount of money awarded and the quantities of subsidized exports.
- The AoA provides the general rule to reduce export subsidies by country commitments not to provide export subsidies otherwise than in conformity with the Agreement and with the commitments specified in its list of concessions.

Doha Mandate

- Decision to hold negotiations aimed at:
 - ✓ Substantial improvements in market access.
 - ✓ Reductions of all forms of export subsidies with a view to phasing.
 - ✓ Substantial reduction in domestic aid, which causes trade distortion.
- Special treatment for developing countries must be part of all elements of negotiations.
- Will take into account non-trade concerns.

The Environmental Dimension

- Offensive interests vs. Non-trade concerns (environmental, rural development, food security).
- Agriculture is considered a highly polluting activity that directly impacts climate change.
- The environmental impact of agriculture is increasingly expanding as the agricultural frontier extends (at the expense of natural habitats and biodiversity).
- Solutions to address pollution from agricultural activities are more related to the implementation of “good practices”.

The Environmental Dimension

In agricultural negotiations, the fate of the three pillars will determine the final result for the environmental perspective:

- The amount of tariff reduction will be crucial to the increase of trade of agricultural products.
- Disciplines on subsidies may affect the possibility of providing support for environmental reasons (Green Box).

The Future of the Green Box

- Pressure from the developing countries to eliminate/reduce subsidies.
- Distrust of the supposedly non trade-distorting measures of the Green Box.
- Concern that with minor modifications, measures can be passed from the Amber Box to the Green Box.
- Need to clarify and revise the parameters of the Green Box measures.
- Increased monitoring and surveillance.

New Opportunities

- The emphasis on subsidies is shifting to measures that do not distort trade such as the promotion of environmental protection.
- Outside de WTO, producers and consumers are recognizing the importance of “sustainable agriculture”.
- Growing consensus on the need to implement environmental policies.

QUESTIONS?