



Trade and the environment

Globalization serving an environmental function

Background

Global trade and environmental governance systems. Because the global regimes governing trade and the environment developed in an uncoordinated manner, their constant interaction may give rise to conflicts. Although environmental aspects are increasingly being considered in the interpretation and application of existing trade regulations – which indicates a fundamental change – more concrete amendments or clarifications have yet to be made.

Differences in environmental standards and regulations. In the absence of global harmonization, environmental standards and regulations differ from one country to another. Environmental protection requirements vary according to nations' political priorities, regional circumstances and climatic conditions.

Threats facing humans and the environment

Environment under pressure. At present, the relationship between trade and environmental regulations is primarily determined by WTO jurisprudence. In dispute settlement procedures within the WTO framework, there is a risk of greater weight being attached to trade than to environmental concerns. In addition, there is a high degree of legal insecurity.

Environmental dumping. Although less stringent environmental requirements may not in themselves provide an incentive for manufacturers to relocate production operations, there is a danger that direct investments will be attracted to areas where environmental standards and production costs are lower. This may result in more severe environmental impacts at the national, transboundary, regional or global level.

Measures taken to date

WTO seeking new arrangements. At Switzerland's instigation, a Committee on Trade and Environment (CTE) was established within the WTO in 1995. The WTO Ministerial Conference held in Doha (Qatar) in November 2001 provided a mandate for fresh negotiations on trade and the environment. Three main areas are involved:

- Clarification of the relationship between WTO rules and trade obligations under multilateral environmental agreements (MEAs).
- Establishment of procedures for regular information exchange between secretariats of MEAs and the WTO.
- Reductions or elimination of tariff and non-tariff barriers to environmental goods and services.

Since the Doha meeting, Switzerland has focused on the first of these issues in particular, arguing that future problems relating to trade and environmental regulations should be resolved in a consistent and coherent manner, rather than on a case-by-case basis through WTO jurisprudence. The approach favoured by Switzerland has been presented to the negotiation committee (see below).

By the end of 2004, the negotiations are to be completed and concrete results are to be presented. An interim report will be submitted to the 5th Ministerial Conference, to be held in Cancún (Mexico) in September 2003.

Harmonization of environmental regulations. The harmonization of environmental standards and regulations is being discussed within various international committees, together with the question of mutual recognition of comparable environmental standards. In MEAs, this is also discussed in connection with specific environmental problems. However, there is no international organization responsible for defining environmental standards in all areas (water, forests, air, soil, etc.).

Agenda for the future

Mutual respect. In future, there is a need for greater mutual respect and support between trade and environmental regimes, especially in the event of disputes. It must therefore be made clear how WTO rules concerning the environment are to be interpreted. Switzerland has proposed the following specific approach: if, for example, a trade measure is adopted under an MEA, the WTO dispute settlement procedure should no longer examine whether such a measure is necessary, but merely determine whether it contravenes WTO core principles (e.g. non-discrimination). This is because the question of whether the measure is necessary to attain the environmental goal specified in the MEA has already been settled by the competent authorities (environment ministers) in the course of the MEA negotiations.

Globalization as an opportunity. Environmental standards need to be largely harmonized at the global level, or mutual recognition accorded to comparable standards. In this area, globalization can play an important role: by harmonizing environmental standards for production worldwide, it will be possible to prevent environmental dumping.

Further information:

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