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**REPORT OF THE TOPICAL SEMINAR ON ENVIRONMENT, COMPETITIVENESS AND  
A DEVELOPMENT PERSPECTIVE**

**Helsinki, Finland  
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### Note

**T**he topical seminar on "Environment, competitiveness and trade: A development perspective" was hosted by Government of Finland and organized in cooperation with the UNCTAD secretariat. The report of the seminar is available to delegations in the context of the preparations for the ninth session of the United Nations Conference on Environment and Development.

**T**his report, which was prepared by the UNCTAD secretariat, is not intended to be a comprehensive account of various points of views expressed in the seminar. Rather, it highlights important features of the debate, incorporates additional background information prepared by the secretariat regarding the issues. The first draft was, however, circulated to participants for comments and an attempt has been made to take most of the comments into account.

**T**he report does not necessarily reflect the views of the Government of Finland or of the UNCTAD secretariat.

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### I. IMPORTANT FEATURES OF THE DEBATE

1. The seminar "Environment, competitiveness and trade: A development perspective" was generously hosted by the Government of Finland as part of the preparations for UNCTAD IX. The objective of the seminar was to explore the links between trade, environment and development linkages in order to advance consensus building on these issues. It was attended by experts and officials from a number of capitals and delegations in Geneva, representatives of the secretariats of the WTO, UNEP, OECD, and Multilateral Environmental Agreements (MEAs), and a number of Finnish participants, all of whom participated in their individual capacity. (The list of participants is attached to the report.) The seminar provided a useful and frank exchange of views. No attempt was made to arrive at any agreed conclusions and/or recommendations.
2. Many participants stressed that UNCTAD's special role in the field of trade and environment was to explore various issues from a development perspective. While attention focused on UNCTAD IX, discussions ;

referred to the WTO process, the CSD, the joint UNCTAD/UNEP programme of work and national e

3. Four topics were discussed at the seminar: (1) competitiveness effects of environmental regulations and sectoral and scale issues and competitiveness; (3) trade and competitiveness effects of MEAs; and (4) measures to mitigate adverse competitiveness impacts.
4. The two interventions introducing the seminar suggested that UNCTAD IX could with regard to these t on the following issues:

(1) The identification of positive measures to support the efforts of developing countries, including the le developed among them, to adjust to higher environmental standards and to meet multilaterally agreed er targets. Such positive measures include both measures to avoid any negative effects of trade and enviro policies, and enabling measures to mitigate potential adverse competitiveness effects (e.g. on small and medium-sized enterprises);

(2) Noting that other policy options should be used in preference to trade restrictions in MEAs whenever feasible and equally effective and efficient, the suggestion of facilitating mechanisms to address trade and competitiveness effects of multilateral environmental agreements (MEAs) on developing countries, base principle of common but differentiated responsibilities;

(3) Provision of inputs to the WTO process by drawing attention to trade and environment linkages from development perspective; and by supporting the informed and effective participation of developing cour international deliberations;

(4) Technical assistance activities of UNCTAD, including capacity-building.

The rest of this chapter reflects the discussions in the light of these issues.

#### **A. Positive measures**

5. In both developed and developing countries environmental policies may have positive or negative comp effects, and available evidence does not warrant generalisations in this regard. However, in the long run be lower than in the short run. Be that as it may, it was noted by several participants that, in practice, de countries, particularly the least developed among them, are frequently at a disadvantage on account of tl combination of several factors which adversely affect competitiveness, such as lack of information, tech finance, environmentally friendly raw materials and management skills. Also the sectoral composition of large share of SMEs in exports and the low domestic demand for environmentally friendly products ma developing countries more vulnerable.
6. Further, compliance with the environmental requirements of importing countries may raise particular competitiveness concerns for developing countries and countries with economies in transition. Certain environmental requirements are emerging in sectors of special export interest to developing countries, st textiles, leather and footwear. Several participants suggested that all this necessitates a particular emph giving full consideration to the effects of environmental policies on developing countries' economies and the use of positive measures.
7. Many participants stressed that UNCTAD had an important role to play in proposing such positive me national and international levels. However, there was a need to further identify such measures. In the co discussions there were several suggestions on the nature of positive measures, which for analytical purp divided into three categories: (a) principles and propositions to avoid negative trade effects; (b) enabling to mitigate adverse trade and competitiveness effects; and (c) measures aimed at strengthening positive between trade and environment policies.

8. Some participants noted that adverse short-term competitiveness effects, if any, could be alleviated by the dissemination of information, the availability of technology, technical assistance, bilateral cooperation provision of adequate time to adjust to new environmental requirements. In addition, the selection of instruments, gradual implementation and transition mechanisms were also noted in this respect. Consultations between industry and government when preparing environmental policies could help to set realistic requirements and ensure industry cooperation. Furthermore, several participants stressed that developing countries need adequate access to financial sources, appropriate technologies at fair and favourable terms, as well as capacity-building and knowledge transfer.
9. Several participants expressed the view that specific efforts may be needed to alleviate the competitiveness of environmental regulations on small and medium-sized enterprises. In the short run, technical and financial assistance for SMEs could focus on assisting them in meeting environmental requirements. Special facilitating mechanisms such as tax and fiscal incentives could also be provided when necessary. In the long run, developing countries need to address issues such as lack of financing, information and skills, technology infrastructure, and product quality.

### **B. Multilateral environmental agreements (MEAs)**

10. The secretariat informed the seminar that, following a suggestion by the Interagency Committee on Sustainable Development (IACSD), UNCTAD, as task manager on trade and environment for the CSD would include a summary on the discussions on this issue in the report for the fourth session of the CSD in April 1996.
11. It was suggested in the discussion that the inclusion of trade provisions and facilitating mechanisms, as well as the purpose of using trade measures were different in each MEA, requiring case-by-case analysis. This is not a question of the environmental objectives of the MEA but to analyse the measures and instruments used to achieve them. It was noted by some participants that MEAs may have differential trade and competitiveness effects on developed and developing countries. Costs of compliance may in most instances be higher for developing countries on account of several factors, such as the lower base level of their standards prior to introduction of MEA standards, lack of technology and infrastructure, and the ease with which their economies can adjust to new circumstances.
12. Apart from the options being discussed at the CTE in the WTO for clarifying the relationship between trade provisions in MEAs and the WTO rules (such as the status-quo, the "ex ante" and "ex post" approaches of creating a "side-agreement" in the WTO, similar to the TBT and SPS Agreements, was also brought up at the seminar. Several participants stressed the principle of no hierarchy between international legal instruments.
13. The purpose of the use of trade measures was discussed. It was proposed by several participants that if trade was not the root cause of the environmental problem, there should be a presumption against the use of trade measures. As had been the case in discussions at the WTO Committee on Trade and Environment and UNCTAD's Ad Hoc Working Group on Trade, Environment and Development, several participants concluded that the use of trade measures in MEAs should be analysed on a case-by-case basis and that such discussions should be situated in the context of principles such as necessity and effectiveness. Some participants also referred to principles such as least-trade restrictiveness and the notion of proportionality in this context, while some participants indicated the difficulties in applying these principles.
14. Several participants noted that it would be useful for MEA negotiators to have guidelines or principles for the use of trade measures in MEAs. The usefulness of developing guidelines had also been recognized in the request by the OECD Joint Session of Trade and Environment Experts to the OECD Council at Ministerial Level. Such guidelines involve a complex set of issues, including environmental, legal, economic and developmental issues. Different fora could make an input to the consensus building process. Several participants were of the view that UNCTAD and UNEP could play a key role in this process.

### **C. Inputs to the WTO process**

15. The issue of the contribution that UNCTAD IX could make to the consideration of trade and environment at the WTO Ministerial meeting in Singapore was not explicitly discussed at the seminar. However, during discussion on various topics, it became clear that UNCTAD could play a useful role in supporting the effective participation of developing countries in the WTO deliberations.

### **D. Technical assistance activities in UNCTAD**

16. Several participants stressed the important contributions that UNCTAD's technical assistance program including through country case studies and analytical studies on key issues related to trade, environment development, was making to capacity-building.

## **II. BACKGROUND**

17. This Chapter provides a background report on each of the four agenda items, including on the discussion at the seminar. Some parts are drawn from background materials rather than from the discussion itself, and are included for context.

### **A. Competitiveness effects of environmental regulations and taxes**

#### **1. Nature of competitiveness effects**

18. Some participants pointed out that since environmental regulations impose costs to society, even if only in the short term, there is a strong case to make sure that environmental regulation is cost-effective (does not impose unnecessary costs) and that, as far as possible, the benefits and costs of such regulation are properly assessed. <sup>1/</sup>This implies that there is a need to analyse the nature and extent of trade and competitiveness effects that environmental regulations and taxes may produce, including on exporters from developing countries and on countries in transition.
19. In one of the introductions to the subject at the seminar (reflected in paragraphs 19-21) which drew extensively from the experience of OECD countries, it was noted that the relationship between environmental regulation and competitiveness is one of the issues that raise concern. <sup>2/</sup> It has often been perceived that environmental regulation could only have adverse competitiveness effects by imposing pollution control costs on producers, slowing productivity growth, raising costs, and reducing profits and net exports as well as the ability of the affected industries to compete in global markets. This argument has been used to conclude that generally stricter environmental regulation in developed countries is a source of competitiveness disadvantages vis-à-vis developing countries where industry generally faces laxer environmental regulation. The consequences that have been argued, larger imports from developing countries, lower exports of the industries affected in the developed countries, relocation of industries to developing countries and ultimately losses of employment in the developed countries.
20. More recently, the perspective that environmental regulations necessarily harm competitiveness was reviewed in a number of ways. Empirical studies showed that ".....environmental measures have not been the source of cost differentials among the major competitors and have had minimal effects on overall trade between OECD and non-OECD countries" <sup>3/</sup>. It has also been pointed out that concern over the environment has promoted development of environmental control technologies and services.
21. In this context, it was mentioned that the hypothesis introduced by Michael Porter and others, is diametrically opposed to the traditional one. According to this hypothesis, appropriately designed environmental regulations stimulate innovation and increase efficiency, thus having a positive effect on the competitiveness of various industrial sectors. <sup>4/</sup> Recent studies have found examples of sectors where environmental requirements have induced innovation, which in turn has reduced costs, and increased productivity, market share and exports.

also noted that another recent study concludes that, in a significant number of cases, the real return on environmental investments is, contrary to common perceptions, often high.<sup>5/</sup> The EC Forward Studies I at the same conclusion in a number of its "Micro-Economic Case Studies - Business and the Environment (1995).<sup>6/</sup> However, some participants questioned whether and under what conditions would the Porter apply to all countries and sectors, in particular to small-scale firms in developing countries. Generally, price impacts could arise in cases where increased resource productivity can be achieved or where price premium is available.

22. Several studies have tried to test whether environmental regulation has a definite positive or negative effect on competitiveness, but the results are far from conclusive. The reasons normally put forward to explain the results are that environment-related costs are relatively small when considered in terms of the overall cost structure of environmentally-sensitive industries; other factors, such as labour costs or infrastructure availability are important determinants of industry's international competitiveness. This appears to be confirmed by a study of firms in the European Union.<sup>7/</sup> It was also suggested by some participants that due to industry lobby the stringency of environmental requirements may have remained low enough so as not to cause significant competitiveness effects.
23. In the discussions, it was felt by some that in many aspects the debate on the competitiveness effects of environmental policies was similar to that on product quality. In the latter, while better quality products are more expensive to manufacture, they could also be sold at higher prices, thus possibly resulting in net benefits. A counterargument to this was posed by some other participants who felt that environmental standards were different from quality requirements but also from health and safety requirements. This was because NGO pressure groups were more vocal on issues of environmental protection even outside their own countries. It was also made that it would be difficult for countries to rebut such NGO pressure in cases when such pressure counter to the trade or environment interest.
24. While competitiveness impacts of environmental policies were not necessarily a north-south issue, it was noted by some participants that for several reasons developing country exports could be adversely affected by environmental requirements. Such reasons include the sectoral composition of developing country exports, typically undiversified export basket; the important role of SMEs in developing country exports; the emergence of new environmental requirements in sectors of export interest to developing countries; and the homogeneity of exports and the price-taker position of developing countries that make any cost increases critical. For example, in the Indian textile sector, a large proportion of exports competes on the basis of price where environmental standards can only be implemented at increased costs and the chances of obtaining a price premium are limited.
25. Further, examples were cited where environmental requirements - both mandatory and voluntary - have affected the competitiveness of certain firms and sectors. In particular, some participants felt that despite the fact that voluntary, PPM-related requirements may have significant effects on the comparative advantage of different sectors and trade patterns for particular goods and services.<sup>9/</sup>
26. The question of pollution havens and industrial flight has also been connected to environmental regulation. A distinction was made in the seminar between causes and effects. Although systematic studies have not provided concrete evidence of the issue, several examples were cited of firms exporting pollution intensive industrial technologies as well as hazardous wastes to developing countries.<sup>10/</sup> Developing countries could benefit from such investments but encounter long-term environmental disasters. To link the empirical evidence refuting the pollution haven hypothesis and the contradictory supporting anecdotal evidence, the explanation was put forward that environmental regulations were not among the main driving forces when industrial location decisions were made. Migrating industries sometimes did, nevertheless, use less environmentally friendly technology in the new country in order to recover the residual value of the outdated technology.
27. Furthermore, several participants noted that since environmentally friendly technologies were predominantly developed by private companies in developed countries, developing countries' access to such technologies is limited.

financial opportunities to obtain them was limited.

28. Several participants noted that where negative competitiveness effects are likely to arise, they should be identified with a view to designing alleviating policies at the national and international levels. For example, be environmental policies which have long-term negative competitiveness effects, but which may never be implemented for pressing environmental reasons. In such cases, as was pointed out by some participants, government support may be required if the society wishes to maintain the affected firms in operation because of employment or other concerns. Studies on enabling policies were also required so that negative effects be alleviated and positive effects enhanced, and several participants noted that UNCTAD had an important play in the identification of such enabling policies.

## 2. The development perspective

29. It was pointed out by some participants that though developing countries were moving towards higher environmental standards, they would still be behind developed countries in terms of international standards. Moreover, as developing countries are moving to higher quality products, environmental costs may be a other costs being incurred by them. This would specially be the case if environmentally sound technologies be expensive in addition to being difficult to access, and if quality improvements were not commensurate with environmental improvements.
30. Also, it was noted by some participants that while there were standards on exports from developing countries, there were no equivalent standards on imports of inputs into developing countries. Therefore, in some cases, the inability of developing countries to meet export standards was linked to their inability to impose standards on imports.
31. Some participants noted that basic needs have to be met first and the emphasis on environmental policies increase with development. Further, some participants felt that environmental protection comes at a cost and the question is how should this cost be allocated in the framework of common but differentiated responsibilities. Furthermore, the competitiveness effects of environmental policies cannot be examined in isolation of price, economic and social difficulties, and the consequent social preferences.
32. Some participants said that even if short-term competitiveness effects at the firm or sectoral level are negative, long-term effects could still be positive. However, some others noted that the trade-offs between short-term and long term benefits may be difficult in developing countries, particularly the least developed among them.
33. The point was also made by some participants that though the costs of compliance may in some cases be significant in absolute terms, they may nevertheless raise short-term problems of market access. For example, new regulations on chemicals have affected exports of traditional medicines and shoes from China to certain markets. This is because technologies are difficult to access and substitutes difficult to obtain.
34. Some participants, referring to the secretariat's background paper, mentioned that the competitiveness effects of environmental policies in the case of developing countries are determined to a large extent by their ability to grow. Economic growth does not necessarily imply more of the same kind of goods, but it is in general compatible with new and cleaner products made by cleaner and more efficient processes. Trade, economic growth and the changes in production patterns should broadly be seen to include changes in products, consumer preferences, processes by which they are made; the materials used by the production process; the energy sources used; infrastructural development; organizational structures of production; and the institutional economic framework. In making environmental policies effective and in addressing their competitiveness effects, it would therefore be necessary to give due attention to developmental factors. [12/](#)
35. Several participants felt that capacity building was necessary to support developing countries in the design and enforcement of appropriate domestic environmental policies, and assistance in the form of e.g. technology transfer.

and finance was required bearing in mind the common but differentiated responsibility of countries to environmental problems. Dissemination of information on the availability of environmentally sound technologies was also considered important.

### 3. Reducing negative competitiveness effects

36. Several participants noted that in order to avoid negative economic consequences of environmental regulations, subjecting environmental policies to cost-benefit analysis (CBA) was generally desirable. However, it was not always feasible to carry out a full CBA, and that the precautionary principle needed to be taken into account in the face of scientific uncertainty. Also, ethical and political considerations such as strong public opinion could outweigh the results of CBA.<sup>13/</sup> In cases where the precautionary principle is used, several participants pointed out that there need not be a contradiction between this principle and risk assessment.
37. Linked to CBA, proportionality between economic costs and environmental benefits was identified by several participants as an important concept. In domestic policy-making, cooperation between government and industry in setting environmental regulations may implicitly bring in the concept of proportionality. Some participants pointed out that further analysis was required of how this concept could apply in the international context. Some other participants, however, said that it may be sufficient to examine the cost-effectiveness of environmental policies. Proportionality may be complicated to examine.
38. Some participants noted that the selection of cost-effective instruments, gradual implementation and trade arrangements are important in designing appropriate environmental policies. They also noted that consultation between industry and government when preparing environmental policies can help to set more cost-effective requirements and ensure industry cooperation.<sup>14/</sup> In addition, some participants identified the role of export subsidies as being important. Greater transparency in setting standards and information dissemination on environmental regulations can help foreign producers to adjust to new requirements. Furthering transparency including by considering inputs from foreign producers in designing eco-labelling criteria, as well as the equivalence and mutual recognition in eco-labelling were also mentioned as important areas requiring further work.
39. Capacity-building on understanding and dealing with environmental problems which are most damaging to developing countries was considered important by several participants. In this context, the role of regional approaches to environmental standards was discussed. Some participants pointed out that exploitation of comparative advantages could be geared to global benefits, including environmental benefits. In addition, public-private partnerships at national and international levels could enhance environmental protection. Capacity should be built at the level of firms to improve the use of inputs, management, and market intelligence on standards.
40. Beyond the design of environmental requirements, factors such as openness of the economy, economic capacity for technological innovation, favourable conditions for investment and appropriate infrastructure can alleviate negative effects of environmental policies on competitiveness. Stimulating the demand for environmentally friendly products could also enhance the benefits for the environmental goods and services (EGS) sector. However, some participants pointed out that the market responses to EGS would be difficult to gauge.

### 4. Environmental taxes and charges

41. Whereas environmental regulations may create market access problems, environmental taxes may be seen as having an impact on competitiveness. In response to such competitiveness concerns, Governments may consider border tax adjustment (BTA). This consists of the imposition of a charge on imported products corresponding to the tax borne by like domestic products, and the exemption from or remission of taxes on products to be exported.<sup>15/</sup>
42. Several participants noted that PPM-related border tax adjustments are difficult to justify for practical and conceptual reasons and that they may be ineffective from an environmental point of view, as well as pro-

opportunity for protectionism. To set a PPM-related adjusting tax in a fair manner would be very complex. First of all, the tax should be levied on imported products, but the amount should correspond to the price tax burden of such domestically produced products. Since there is no clear relation between taxes on products and taxes on processes, the product taxation level would be difficult to determine. Furthermore, the tax should be levied differently for each country, in accordance with their differences in environmental conditions and policies; this could compound the difficulties of border adjustments for process-based taxes. And, the fact that imported products do not clearly reflect the PPMs with which they were produced could require verification, per inspection of individual plants. Moreover, some participants felt that it would be difficult to justify BTA for environmental purposes, as similar BTA were not made for many other welfare considerations, such as economic development and poverty alleviation.

43. In connection with the tax discussion, the role of removing trade-distortive production, export and import subsidies in enhancing environmental protection and avoiding environmental degradation was also identified as an important knowledge gap requiring further analysis by UNCTAD. It was pointed out, however, that a distinction should be made between subsidies used for environmental purposes and those which are trade-distortive as well as environmentally harmful.

## **B. Sectoral and scale issues and competitiveness**

44. Discussions under this agenda item focused largely on the situation of developing countries and to that extent overlapped with the discussion on the development dimension. Discussions on the forestry sector, however, were also focused on both developed and developing countries.

### **1. Scale issues**

45. Some participants argued that for several reasons, problems of adjusting to environmental requirements are higher for small and medium-sized enterprises (SMEs) than for large firms.
46. It has been suggested that small firms may have a relatively more serious environmental impact than large firms. This would be because they often operate outdated technologies and be located near urban areas. It was also mentioned that in the case of China, a significant share of foreign investment was in the form of joint ventures with Chinese township factories and that it was often difficult to enforce environmental regulations on them. <sup>1</sup> Several participants pointed out in this context that since environmental management was very difficult in small-scale factories, capacity building to assist such firms in receiving information on environmental requirements and in complying with them was required.
47. The differential competitiveness impact across firms of different size is particularly important bearing in mind that, in contrast to many developed countries, a large share of developing country exports originates from the small-scale sector. Several participants noted that the role of SMEs in providing employment in developing countries is critical. For example, in certain regions of China, small township factories may be difficult to shut down even if they are environmentally harmful as they account for a significant share of employment and production. The sectors where SMEs are concentrated are largely those where environmental requirements are emerging and where developing country exports have been growing fast, like textiles and clothing, leather goods and handicrafts.
48. Some participants also noted that the awareness of environmental requirements is typically low in SMEs. Certification and testing of products may also be proportionately more expensive for small-scale firms, and sourcing environmentally friendly raw materials more difficult. Some participants stressed that it is also particularly important for SMEs to benefit from the financial assistance available under certain Multilateral Environmental Agreements.

### **2. Sectoral issues**

49. Two presentations were made on sectoral issues. In the first one, quoting the example of Brazil, it was pointed out

by some participants that a series of factors determine the potential competitiveness impacts of environmental requirements for firms operating in particular sectors, such as firm size, share of exports in total product destination of exports, patterns of competition in export markets, and corporate structure, particularly in vertical integration. <sup>17/</sup>In addition, it was noted that since sectors tend to be quite heterogeneous in terms of size and level of technology, the competitiveness effects of environmental regulations tend to be different within sectors. Furthermore, in the case of developing countries, a large share of exports usually originates in a few sectors, and it is thus important to analyze the competitiveness impacts on these particular sectors.

### 3. An example: the forest sector

50. Another presentation was made on the forest sector. This sector was discussed as an example of sectoral linkages between trade and environment that may warrant a sectoral approach to policy-making. <sup>18/</sup> The sector and its connections to environmental protection are made particularly complex by the many functions of forests: supply of wood and non-wood products, production of environmental services, and the maintenance of social and cultural values. An integrated approach to forests was proposed to effectively reconcile these functions.
51. The pressures on forest management have varied greatly in accordance with the interest in the forest sector in import markets. On account of the destination of their forestry exports, developed countries are perhaps more vulnerable than developing countries to such pressures; of developing countries, African exporters are the most exposed. However, most of the trade measures to date have concentrated on tropical timber, which is most affecting in particular developing countries. Recently, environmental pressures on temperate and boreal forests also started to emerge, although they may not have reached the same magnitude as pressures on tropical forests. Pressures on forest management have led to environmentally beneficial impacts, such as reducing the size of natural forests and shifting to plantation forestry. However, these pressures have also led to replacing natural products by substitutes whose relative environmental friendliness is debatable.
52. One of the major environmental issues linked to the forest sector is deforestation. However, there is no correlation between trade in forest products and deforestation. Nevertheless, trade-related measures like procurement bans of tropical timber have in some cases been established as a response to strong pressure from the public that believes commercial logging to be the main reason for deforestation.
53. The above example illustrates the need to provide information to the customers on the sustainability of tropical timber. Eco-labelling and certification of timber, both tropical, temperate and boreal, have indeed received a lot of attention. But, to implement timber certification in practice is very complex, and it might be difficult for industrial holdings and developing countries to fulfil the monitoring and testing requirements. Furthermore, it remains uncertain how the markets would react to certified timber and how efficient a certification system could be since many environmental problems of forests are not related to trade, timber certification can at best have a marginal effect on the environment.
54. With regard to other trade-related instruments, reduction of tariff escalation could have positive environmental and developmental effects in the forest sector. On the other hand, trade restrictions, including on exports, are not effective instruments to enhance environmental protection.
55. Several areas were identified in connection to the forest sector where developing countries could be assisted. These include policy development, development of national certification schemes, market promotion, and building capacity in forest management, information systems and certification. In addition, an international data base on trade-related environmental requirements in major export markets as well as participation by developing countries in the design of international and national eco-labelling schemes in export markets would also be useful.

### C. Trade and competitiveness effects of multilateral environmental agreements (MEAs)

56. Discussions on Multilateral Environmental Agreements (MEAs) focused on a number of issues, such as the rationale for using trade measures, differential competitiveness effects of MEAs on developed and developing countries.

countries, the role of positive measures and possible guidelines for the use of trade measures in MEAs. UNCTAD secretariat informed the seminar that, at the suggestion of the Interagency Committee on Sustainable Development (IACSD), a summary of the discussions on "the relationship between the provisions of the trading system and trade measures for environmental purposes, including those pursuant to multilateral environmental agreements" (item 1 on the agenda of the WTO Committee on Trade and Environment) included in the report for the fourth session of the Commission in April 1996. This report will be prepared by the UNCTAD secretariat (the task manager for sustainable development and trade matters) in consultation with the secretariats of WTO, UNEP, and several MEAs.

## 1. Rationale for trade measures

57. It was noted by some participants that trade provisions in MEAs may have several purposes. First, there are cooperative measures related to trade (information, notification) like Prior Informed Consent (PIC) measures under the Basel Convention or the monitoring of trade in endangered species under CITES. Second, there are trade measures among parties to regulate trade in controlled substances. And, finally, some MEAs include trade measures against non-parties aimed at persuading countries to accede to an agreement or to prevent the undermining of the objectives of the agreement by "free-riding". [19/](#)
58. It was observed by several participants that each MEA is different and that the purpose for using trade measures may also be different from case to case. Both MEAs and trade provisions therein should therefore be addressed on a case by case basis.
59. Some participants stated that proposals to include trade provisions had been made by both developed and developing countries. In the case of the Montreal Protocol, the initiative has clearly come from the developed countries. On the other hand, developing countries have been more interested in promoting trade measures under the Basel Convention. Also, some developing countries are now proposing trade measures under the Basel Convention. However, small countries and developing countries are relatively more vulnerable to trade measures aimed at inducing countries to become a party to a particular MEA. Moreover, in the case of developing countries, trade measures are generally not advocated as enforcement mechanisms but rather to ensure that the environmental burdens are not shifted to them in a way that exceeds their capacity to deal with them (e.g. Basel Convention).
60. It was proposed by some participants that if trade is not the root cause of the environmental problem there should be a presumption against the use of trade measures. While some participants mentioned that trade measures are sometimes used because alternative means of enforcement were lacking, they also felt that trade measures against non-parties should be used only as a last resort. Others said that trade restrictions on non-parties were politically acceptable.
61. Indeed, some participants noted that the argument that trade restrictions against non-parties may be necessary for the fulfilment of the environmental objectives and the effectiveness of an MEA was controversial, for a number of reasons:
  - (a) If there is a broad participation in the MEA, with the majority of countries accounting for the environmental problem involved, discriminatory trade measures against non-participants would not seem necessary to achieve the objectives of the MEA;
  - (b) In any case measures applied on an MFN basis and in accordance with the national treatment approach, with a transmission, through the market, of resulting effects to countries not participating directly in the MEA, may be sufficient to achieve the environmental objective. Examples can be found in the case of the Montreal Protocol. There would therefore seem to be no need to depart from WTO rules;
  - (c) Positive measures can be equally or more effective in achieving the objectives of the agreement and are preferred over trade restrictions.

62. It was also recalled by some participants that questions which have been raised in the context of this de
- (a) How could the circumstances which may lead a country not to participate in an MEA be taken into account? How should a "free-rider" be defined?
  - (b) Is this approach likely to work when developed countries are the target of trade restrictions?
  - (c) How does this approach relate to the results of UNCED, in particular principles 7 and 12 of the Rio Declaration?[20/](#)
  - (d) Is it fair and justifiable to impose an MEA on other countries through punitive measures?

## 2. Trade and competitiveness effects of MEAs

63. Some participants noted that since MEAs represent the international harmonisation of environmental standards, several key questions can be posed:[21/](#) (1) how are environmental standards set, and based on which criteria of public priority; (2) whose environmental values are embodied in international standards; (3) to what extent, contingent valuation, including willingness to pay as well as ability to pay, play a part in standard setting; (4) are the costs of meeting harmonised standards identical among parties and if they are not, are the costs fairly distributed according to the principle of common but differentiated responsibility.
64. It was noted that MEAs might have trade and competitiveness effects irrespective of whether they have trade provisions. It was recalled that the Ad Hoc Working Group on Trade, Environment and Development noted that the trade and competitiveness effects of MEAs were different for each agreement. In addition, the environmental standard implementation may differ widely among parties to an MEA, based on variables such as the specificity of the standard, the availability and adequacy of substitutes, the degree of patent protection on technologies, administrative costs and other factors. Some participants noted that costs may also vary in accordance with the levels of economic development and existing environmental standards prior to the implementation of the international standard. MEAs may impose greater costs on developing countries. In some cases, such as the Basel Convention, costs of compliance might be higher for developed countries, but it is to be noted that most of the hazardous waste has been generated in the developed countries in the first place.
65. It was also recalled that in 1991, the Montreal Protocol established the Multilateral Fund, with US\$ 240 million (over three years) to assist developing countries in leap-frogging or phasing out CFCs and other ODS. The Fund was replenished with US\$ 510 million for three years. There have been criticisms about the formula used to define incremental costs as well as about the lack of willingness of the international donor community to contribute resources of the Multilateral Fund. However, the Multilateral Fund was of great importance and remains a key financial mechanism of its scale under any MEA to provide assistance to developing countries in meeting harmonized standards.
66. Participants had an exchange of information on national experiences, some of which are reflected below. For example, in the case of the Montreal Protocol, the experience of China was that indigenous substitutes for CFCs, particularly those used for refrigeration and air-conditioning, were not available and phasing out was very expensive. It was also noted that it was very difficult to access multilateral funds for small scale enterprises. Further, examples were given of recent foreign direct investment in industries which relied on imports of controlled substances. According to the experience of Russia, due to the economic hardship resulting from the transition into a market economy, closing down the enterprises producing or using CFCs would be extremely difficult.
67. Some participants, referring to the volume of export of waste to China (illegal or other) including by foreign enterprises, said that perhaps this concern could be covered by a future amendment to the Basel Convention.

include provisions regarding the transfer of hazardous technologies and equipment through foreign direct investment. Second, mechanisms to regulate the transfer of pollution-intensive industries and technical aid for the disposal and reduction of hazardous waste were called for. Third, a case was made for re-import and liability instruments in cases where the waste stays in the country for a long time.

68. CITES could sometimes result in unintended trade and competitiveness effects on some parties. For example, according to the UNCTAD/UNDP country study on Zimbabwe, three years after the introduction of the trade ban in 1989, this country had accumulated from culling operations an estimated stock pile of US\$ worth of ivory that it could not sell legally.<sup>22/</sup> Thus, in Zimbabwe's view, the ban on ivory trade is counter-productive in that it prohibits legal and controlled trade in animal products whose management is sustainable.
69. With regard to these MEAs, some referred to the problem of illicit trade. As a response, it was mentioned that capacity-building, particularly in the management of waste and in the sustainable management of species, was needed to redress this problem.

### **3. Relationship between trade measures pursuant to MEAs and the WTO rules**

70. Some participants argued that trade provisions under existing MEAs had never been challenged under the GATT/WTO and that it was unlikely that Governments would challenge in one forum what they have agreed in another. This would in particular be the case if trade and environment officials in capitals would work closely together. It was also observed that decisions on trade measures under MEAs were taken by sovereign States. It would be difficult to establish a hierarchy between the WTO and a particular MEA. In this regard, some participants pointed out that while the WTO would be in a position to examine the compatibility with the WTO of unilateral measures adopted by WTO members, it would not be appropriate for the WTO to examine trade measures pursuant to MEAs of a global character, because of the equal legal status of the WTO and the MEAs.
71. Some participants noted that the debate on the relationship between trade provisions in MEAs and the WTO appeared to centre on the question whether and under what conditions there should be an endorsement or exception for the use of discriminatory trade measures as a lever to force other countries to participate in a particular MEA. It was also noted by some participants that consensus in an MEA could be forced by international pressure, thus bringing into question the broad-based nature of MEAs. Some participants also expressed concern that smaller trading partners were more likely to be adversely affected than larger trading partners. Similar concern was expressed by some participants that if trade measures could be enforced on non-participating countries, the implementation of MEAs, the search for positive measures could perhaps be undermined.
72. It was also suggested by some participants that the ex ante approach, while generally preferred by the environmental community, may, in their view, go too far for trade interests. On the other hand, the ex post approach, while providing security against the use of trade measures for protectionist purposes, would be more acceptable to the environmental community. Indeed, some participants noted that this approach was not acceptable for the environmental community because it would establish a hierarchy between the WTO and an MEA in favour of the former. At the seminar a proposal was made to establish a "side agreement" within the WTO, similar to the Agreement on Technical Barriers to Trade (TBT) or the Agreement on Sanitary and Phyto-Sanitary Measures (SPS). While the latter agreements deal with national standards and regulations to protect the local environment of the importing country, a side-agreement on MEAs would deal with multilaterally-agreed standards and measures to address global environmental problems.

### **4. Guidelines for the use of trade measures pursuant to MEAs**

73. There was some discussion on criteria regarding the use of trade measures in the contexts of MEAs. In this context, it was recalled that at discussions at the WTO Committee on Trade and Environment and also UNCTAD's Ad Hoc Working Group on Trade, Environment and Development, a number of delegates

considered that the use of trade measures in MEAS should be analysed on a case-by-case basis and the discussions should be situated in the context of the principles of necessity, effectiveness and proportionality. At the seminar, mention was also made of a recent Report on Trade and Environment to the OECD Council at Level, which referred to concepts such as feasibility, effectiveness and efficiency.<sup>23/</sup>

74. Some participants expressed doubt whether trade measures against non-parties are necessary, although there is a difference between "ex-ante" and "ex-post" necessity. Some other participants questioned the value of WTO applying principles such as necessity and effectiveness to MEAs. With regard to effectiveness, it was noted that this may be a relative concept and may involve comparing the efficiency of trade measures with other policy options, which are equally feasible and efficient. Some argued that such comparison should also take account of the costs of different policy options (costs of implementation, including administrative costs, displacements). It was also pointed out by several participants that judging the necessity and effectiveness of the use of trade measures was a difficult task in particular where trade measures were part of a wider policy including positive measures.
75. Irrespective of any criteria being discussed in the WTO, several participants felt that it would be useful to have guidelines on the use of trade measures to assist MEA negotiators. With respect to existing MEAs, a suggestion was made that interim assessments could be a useful opportunity to discuss such guidelines. It was noted that the OECD joint session of trade and environment experts had endorsed the development of such guidelines; it was also suggested by some that it might be difficult to produce guidelines that were specific enough to be useful.
76. Since such guidelines involve a complex set of issues (legal, environmental, economic and development), various fora could contribute to the consensus building process. Several participants felt that UNEP and UNCTAD through the CSD, could contribute to the development of such guidelines.

#### **D. Positive measures**

77. The UNCTAD secretariat recalled that the Ad Hoc Working Group on Trade, Environment and Development recognized that positive measures were effective instruments in supporting developing countries and countries in transition in their efforts to meet the objectives of sustainable development, and that the CSD as well as the Commission on World Environment and Development had invited UNCTAD to propose such positive measures at the national and international level.
78. There was little time for discussion on this topic, though throughout the seminar at various sessions reference was made to positive measures by the participants. The participants who introduced the subject, while acknowledging a broad consensus round the need for positive measures, felt that the identification of concrete measures is still requiring further work. They also felt that while there was a need for additional financing, such resources were readily forthcoming.
79. As noted in Chapter I, positive measures could be divided into three categories. According to some participants, these measures could be used instead of trade measures, and as facilitating mechanisms in addition to trade measures for achieving environmental objectives. Some others, however, felt that positive measures should not necessarily be seen as alternatives to trade measures.
80. Some participants felt that principles which build compatibility between trade and environment could include, among others, proportionality, transparency, mutual recognition and equivalency. They mentioned that in the principle of proportionality could include the selection of cost-efficient instruments, gradual implementation and transitory arrangements.
81. It was also suggested by some that consultations between industry and government when preparing environmental policies could help to set realistic requirements and ensure industry cooperation, and would implicitly include the notion of proportionality. According to some, more work is needed to apply this concept to international trade. Greater transparency in setting standards and information dissemination on environmental regulations could be helpful.

foreign producers to adjust to new requirements. Improved transparency through participation of foreign in designing eco-labelling criteria, as well as the concepts of equivalency and mutual recognition in eco-l were also mentioned as important areas.

82. As stated in Chapter I, according to some participants, positive measures should also include measures prevent negative effects on trade. Moreover, some participants considered it necessary to alleviate short competitiveness effects.
83. In the area of trade policies, several measures were identified, such as improved market access, reducing tariff escalation, granting of trade preferences for environmentally friendly products, and the removal of trade distortive production and export subsidies. Some, however, questioned whether granting trade preferences for environmentally friendly products could be a precedent to establishing conditionality on preferential trade arrangements. Some participants also stressed the limitations in defining environmentally friendly products.
84. Many participants also stressed the need for capacity-building. In this context, as well as in information dissemination, the role of ITC was considered important. [24/](#)Several participants from developing countries stressed the important and catalytic role that the UNCTAD/UNDP country case studies had played in capacity-building in their countries.

## Annex I

### AGENDA OF THE SEMINAR 25/

Thursday, 18 January

09.00-09.15

Welcome address by **Mr. Antti Hynninen, Under-Secretary of State for External Economic Relations, Finland.**

09.15-09.30

Introduction and background by **Mr. René Vossenaar, Chief, Trade and Environment, UNCTAD.**

09.30-13.00

**Item 1 - Competitiveness effects of environmental regulations and taxes.** Introducing speakers: Shahin (Egypt) and Mr. Jose Madeira (European Commission)

Under this item, the competitiveness effects that environmental regulations and taxes in importing countries have on developing country exporters are discussed, with particular emphasis on environmental taxes. Ways to reduce the potential harmful competitiveness impacts are considered.

14.30-17.30

**Item 2 - Sectoral and scale issues and competitiveness.** Introducing speakers: Mr. Markku Simula and Mr. Pedro da Motta Veiga (Brazil).

The competitiveness impacts of environmental regulations may vary greatly between different economic sectors that are of export interest to developing countries may be particularly exposed to such impacts. Furthermore, the competitiveness effects of environmental regulations may differ between small and large enterprises for several reasons, problems of adjusting to environmental requirements may be higher for small and medium enterprises (SMEs), who account for a large share of developing country exports. Under this topic, it was discussed how developing countries could be assisted in alleviating their vulnerability to competitiveness based on the sectoral and scale composition of their exports.

**Friday, 19 January**

09.00-13.00

**Item 3 - Trade and competitiveness effects of multilateral environmental agreements (MEAs)**  
Introducing speakers: Mr. Scott Vaughan (WTO) and Ms. Cristina Hernández (Mexico).

The discussion on MEAs could focus on three issues: (a) the use of trade provisions in MEAs; (b) trade competitiveness effects of MEAs; and (c) the role of positive measures. With regard to (a), the relations between World Trade Organization (WTO) rules and trade measures used in MEAs are being discussed in the WTO Committee on Trade and Environment. Analysis and debate at the WTO and UNCTAD would indicate that the use of trade measures in MEAs, including the use of trade measures, should be considered on a case by case basis. With regard to (b), UNCTAD's Ad Hoc Working Group recognized that the trade and competitiveness effects of MEAs are different for each agreement and that they may change according to dynamic factors such as the rate of economic growth, the availability of environmentally friendly technologies and substitutes, amendments to the agreements, as well as the timely availability of finance. With regard to (c), the Working Group recognized that positive measures are particularly valuable in assisting developing countries to meet the multilaterally agreed targets in keeping with the principle of common but differentiated responsibility.

14.30-16.00

**Item 4 - Positive measures to mitigate adverse competitiveness impacts.** Introducing speakers: Mr. Jha (UNCTAD) and Mr. Kari Bergholm (Finland).

There is increasing recognition that "positive measures" should be implemented to support developing countries with economies in transition in their efforts to internalize environmental costs and in meeting internationally-agreed targets in the context of Multilateral Environmental Agreements (MEAs). For example, the Commission on Sustainable Development (CSD), at its third session, invited UNCTAD and other relevant international organizations to identify such positive measures. Furthermore, UNCTAD's Ad Hoc Working Group on Trade, Environment and Development recognized in its final report that "positive measures such as improved market access, improved access to finance, transition mechanisms, access to and transfer of technology, capacity-building and special provisions for small firms and for some sectors, are effective instruments in assisting developing countries and countries in transition in their efforts to meet the objectives of sustainable development."

**Annex II****LIST OF PARTICIPANTS****BANGLADESH**

Mr. Jamaluddin SYED, Minister (Economic Affairs), Permanent Mission of Bangladesh, Geneva

**BRAZIL**

Dr. Pedro DA MOTTA VEIGA, Diretor da Area de Operacoes 2 - FINAME/BNDES,

**CHINA**

Mr. Xia YOUFU, Professor, China Institute of Trade and Environment, University of International Business Economics

**COLOMBIA**

Mr. Manuel RODRIGUEZ BECERRA

**EGYPT**

Ms. Magda SHAHIN, Minister Plenipotentiary, Permanent Mission of Egypt, Geneva

**EUROPEAN UNION**

Mr. Jose MADEIRA

**FINLAND**

Mr. Antti HYNNINEN, Under-Secretary of State for External Economic Relations, Ministry for Foreign Affairs

Mr. Björn EKBLÖM, Ambassador, Permanent Mission of Finland, Geneva

Mr. Pekka SÄILÄ, Ministry for Foreign Affairs

Mr. Risto REKOLA, Ambassador, Ministry for Foreign Affairs

Mr. Kari BERGHOLM, Ambassador, Ministry for Foreign Affairs

Mr. Manu VIRTAMO, Counsellor, Ministry for Foreign Affairs

Ms. Birgitta STENIUS-MLADENOV, Director, Ministry for Foreign Affairs

Mr. Ismo KOLEHMAINEN, First Secretary, Ministry for Foreign Affairs

Ms. Anu PÄRNÄNEN-LANDTMAN, Environmental Coordinator, Ministry for Foreign Affairs

Mr. Elias LÄHDESMÄKI, Counsellor, Ministry for Foreign Affairs

Mr. Christian LINDHOLM, Attache, Ministry for Foreign Affairs

Ms. Erja FAGERLUND, Special Adviser, Ministry of Trade and Industry

Ms. Barbro WIDING, Director, Ministry of Trade and Industry

Ms. Camilla LOMMI-KIPPOLA, Special Adviser, Ministry of the Environment

Ms. Taru KELTANEN, Ministry of the Environment

Dr. Markku SIMULA, Indufor Oy

Ms. Tellervo KYLÄ-HARAKKA-RUONALA, Counsellor, Environmental Protection, Confederation of Industry and Employers

Ms. Eeva PARVIAINEN, Finnish Standards, Association SFS

Mr. Antti NIKKOLA, Agricultural Counsellor, Ministry of Agriculture and Forestry

Ms. Merja MIKKOLA, Economic Advisor, Ministry for Foreign Affairs

**GERMANY**

Mr. Hartmut RÖBEN, Ministry of Economics

**INDIA**

Dr. Vasantha BHARUCHA, Economic Adviser, Ministry of Commerce, Udyog Bhawan

**JAPAN**

Dr. Ryo FUJIKURA, Associate Professor, Institute of Environmental Systems,  
Faculty of Engineering, Kyushu University

**MALAYSIA**

Mr. M. Yassin SUBOH, Minister Counsellor, Permanent Mission of Malaysia, Geneva

**MEXICO**

Ms. Cristina HERNÁNDEZ, Counsellor, Permanent Mission of Mexico, Geneva

**NORWAY**

Mr. Jan BORRING, Deputy Head of Section, Ministry of Environment

**RUSSIAN FEDERATION**

Mr. Renat PERELET, Harvard Institute for International Development

**SOUTH AFRICA**

Mr. T. MATONA, Department of Trade and Industry

Mr. T. SOKUTU, Department of Water Affairs

**UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND**

Ms. Valerie IMBER, H.M. Treasury

**UNITED STATES OF AMERICA**

Ms. Jennifer HAVERKAMP, AUSTR for Environment and Natural Resources Office of the U.S. Trade  
Representative,  
Executive Office of the President

**VENEZUELA**

Mr. Gerardo Teodoro THIELEN GRATEROL, First Secretary, Permanent Mission of Venezuela, Geneva

**ZIMBABWE**

Mr. Tadeous T. CHIFAMBA, Minister Counsellor, Permanent Mission of Zimbabwe, Geneva

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**UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD)**

René VOSSENAAR, Chief, Trade and Environment Section

Ms. Veena JHA, Trade and Environment Section

Ms. Leena ALANEN, Trade and Environment Section

**UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP)**

Ms. Deborah VORHIES

Mr. Ahmed FATHALLA, Secretariat of the Basel Convention

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**WORLD TRADE ORGANIZATION (WTO)**

Mr. Scott VAUGHAN, Counsellor, Trade and Environment Section

\* \* \*

**ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)**

Mr. Michel POTIER, Environment Directorate

Mr. Dale ANDREW, Trade Directorate

**Footnotes**

- [1.](#) Further reference to discussions on cost benefit analysis is made elsewhere in this report.
- [2.](#) It was noted by the Ad Hoc Working Group on Trade, Environment and Development that in the relationship between environmental policies and competitiveness, both competitiveness at the sectoral level and the concept of national welfare are important. In addition, short and long term should be considered.
- [3.](#) Candice Stevens, "Synthesis Report", Environmental Policies and Industrial Competitiveness, Paris, 1993.
- [4.](#) M. Porter and C. van der Linde, "Green and Competitive", Harvard Business Review, September 1995. pp 120-134.
- [5.](#) "Green Ledgers: Case Studies in Corporate Environmental Accounting in the U.S.", World Resources Institute, 1995.
- [6.](#) The participants were informed that the European Commission was currently working on two communications addressing the relationship between industry competitiveness and environmental one more general and the other focused on the chemical sector, and would launch another study subject in 1996.
- [7.](#) "Attitude and Strategy of Business Regarding Protection of the Environment", prepared by Eurostat for the European Commission, 1995.
- [8.](#) See Vasantha Bharucha, "Impact of Environmental Standards and Regulations on India's Export Competitiveness", prepared under the UNCTAD/UNDP project on "Reconciliation of Environmental and Trade Policies". For a synthesis of this and another empirical study on trade and environment linkages in India, see UNCTAD/TD/B/WG.6/Misc. 7 of 31 October 1995.
- [9.](#) On this issue, see Pedro de Motta Veiga (coordinator), Marta Reis Castilho and Galeno Ferraz, "Relationships between trade and the environment: the Brazilian case. Study prepared under the UNCTAD/UNDP project on "Reconciliation of Environmental and Trade Policies". For a synthesis of the study see UNCTAD/TD/B/WG.6/Misc.9 of 3 November 1995.
- [10.](#) The experience of China was that large multinational companies investing in China usually upheld environmental standards, whereas smaller investors did not always do so.
- [11.](#) Lipsey, R.G., 1994, "Sustainable Growth, Innovation, Competitiveness, and Foreign Trade", background paper for the Traditional Institute on Innovation, Competitiveness and Sustainability, Whisler, B.C.

- [12.](#) For example, in developing countries investments in sanitation, in the provision of clean water and education are more likely to produce higher marginal returns for the environment than investment reducing industrial emissions. See Sorsa, P., 1995, Environmental Protectionism, North-South T the Uruguay Round, paper presented at the symposium "The World Economy After the Uruguay with Some Implications for Austria", organized by the research institute for European Affairs, Un Economic and Business Administration, Vienna, November 3-4, 1994.
- [13.](#) For example, certain waste imports for recycling purposes to South Africa were stopped on acc strong public opposition, even though the imports were in compliance with the Basel Convention
- [14.](#) For a discussion see "Trade and environment linkages: a Malaysian case study". Study prepared joint UNCTAD/UNDP project on "Reconciliation of Environmental and Trade Policies" by the I Strategic and International Studies (ISIS) in Malaysia.
- [15.](#) However, international trade rules are generally interpreted as allowing adjustment only of taxes c products and to be prohibited or at best ambiguous with regard to non-physically incorporated in
- [16.](#) Ruishu, L., X. Youfou, L. Jinchang, Z. Jie and L. Yaobing, 1993, Environmental Protection and Trade Development in China. Study prepared under the joint UNCTAD/UNDP project on "Rec of Environmental and Trade Policies. A synthesis report of this study will be prepared by the UN secretariat.
- [17.](#) UNCTAD 1995, Trade, environment and development, lessons from empirical studies: the case (TD/B/WG.6/Misc. 9)
- [18.](#) This section draws extensively from Simula, Markku (1995), Trade and sustainable management renewable natural resources: the case of forests, paper prepared for the consideration of seminar participants.
- [19.](#) Trade measures against non-Parties have been applied not only to induce non-parties to accede Agreement, but also to achieve non-discrimination. The example of the Basel Convention was sta the seminar, particularly in relation to its Article 11 on bilateral and multilateral agreements that cc Article 4 prohibiting transboundary movements of wastes with non-parties. Article 11 allows suc movements through the conclusion of agreements or arrangements not less stringent than the prov the Basel Convention. Therefore, as stated in the seminar, the aim of both articles 4 and 11 is to international standards in relation to the transboundary movement of hazardous wastes, to be res parties and non-parties to the Basel Convention. This approach, it was noted, enhances the princ equal treatment and non-discrimination.
- [20.](#) Principle 7 of the Rio Declaration reads: "... In view of the different contributions to global enviro degradation, States have common but differentiated responsibilities. The developed countries ack the responsibility that they bear in the international pursuit of sustainable development in view of t pressures their societies place on the global environment and of the technologies and financial res command." Principle 12 declares that "States should cooperate to promote a supportive and ope international economic system that would lead to economic growth and sustainable development countries, to better address the problems of environmental degradation. Trade policy measures f environmental purposes should not constitute a means of arbitrary or unjustifiable discrimination c disguised restriction on international trade. Unilateral actions to deal with environmental challenge the jurisdiction of the importing country should be avoided. Environmental measures addressing transboundary or global environmental problems should, as far as possible, be based on an interri consensus."

- [21.](#) Examples were also given of efforts to harmonize PPM-related standards through voluntary initial sustainable forestry management principles; the recently completed FAO Code of Conduct on Responsible Fisheries, anticipated energy standards stemming from greenhouse gas stabilization targets under the Convention on Climate Change, standards related to biosafety under the Convention on Biological Diversity, harmonized chemical safety criteria and standards under the Intergovernmental Panel on Chemicals and other measures. Thus, in the case of MEAs, the international debate addressed trade and competitiveness effects on countries that apply similar standards.
- [22.](#) Zimbabwe, TD/B/WG.6/Misc.8
- [23.](#) The report recommends that "whenever other policy options are feasible and equally effective and they should be used in preference to trade restrictions".
- [24.](#) In its work programme, ITC envisages concentrating on four areas: (a) incorporation of environmental considerations into national trade promotion and export development strategies and the building up of associated institutional capacities; (b) provision of trade information to facilitate adjustment by recipient country exporters to the increasingly rigorous environmental requirements of international market identification and pursuit of commercial opportunities for beneficiary country exporters within the growing international market for environmental goods and services (EGS), and the generic promotion of "green" products from beneficiary countries; (d) information and advice on the legal framework and operational procedures governing imports of goods that are hazardous to the environment. Trade and the environment - the role of ITC. International Trade Centre, Geneva, December 1995.
- [25.](#) Copies of written introductory statements made available can be obtained upon request from the secretariat.

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