

PRESS RELEASE

TRADE AND ENVIRONMENT BULLETIN

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WTO COMMITTEE ON TRADE AND ENVIRONMENT DISCUSSES SERVICES, TWO THEMATIC CLUSTERS AND ADOPTS 2001 REPORT AND SCHEDULE OF MEETINGS FOR 2002

At the WTO Committee on Trade and Environment (CTE) meeting on 4 October 2001, Members adopted the CTE Annual Report for 2001 (see Annex). The Chairman, Ambassador Alejandro Jara (Chile), will present this Report to the General Council at its meeting of 23 October 2001. Members also adopted the CTE's work programme and schedule of meetings for 2002.

At this meeting, Members addressed services and the environment, and the two thematic clusters of market access and the linkages between the multilateral environmental and trade agendas. The meeting was brief since Members were heavily engaged in preparing for the WTO's upcoming Fourth Ministerial Conference in Doha, Qatar, which will be held from 9-13 November 2001.¹ At the meeting, the Secretariat was requested to conduct a literature survey on the environmental impact of services liberalization in certain services sectors. Statements by various Members were made on the environmental benefits of removing trade restrictions and distortions in the agriculture, energy and environmental services sectors.

A detailed report of the October meeting follows. Papers referred to in this Bulletin can be accessed through the WTO web site ([http](http://www.wto.org)), or upon request from the Trade and Environment Division.

¹ Some of the issues on the agenda for this meeting were not discussed, such as the item 10 on WTO relations with intergovernmental and non-governmental organizations.

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Item 9 The work programme envisaged in the Decision on Trade in Services and the Environment

The Decision on Trade in Services and the Environment requested the CTE to examine the relationship between services trade and the environment, including sustainable development, to determine whether any modifications of Article XIV of the General Agreement on Trade in Services (GATS) are required. Paragraph (b) of GATS Article XIV on *General Exceptions* allows for the exception of measures "necessary to protect human, animal or plant life or health." In relation to the Decision on Trade in Services, Switzerland requested the WTO Secretariat to conduct a literature survey on the environmental impact of services liberalization, with a focus on the (1) tourism, (2) transport, (3) energy, and (4) environmental services sectors. It indicated that since negotiations on the liberalization of trade in services were already underway in the Council for Trade in Services, it was important for the CTE to begin to consider their environmental implications. It requested that the Secretariat examine studies prepared at the national and international levels, as well as review relevant work conducted by non-governmental organizations (NGOs) in preparing this survey. Studies conducted by the World Tourism Organization and the World Wide Fund for Nature were specifically mentioned.

The European Communities (EC) supported the Swiss request and asked for an update of a Secretariat Note entitled *Environment and Services* from 1995 which examined the negotiating history of GATS Article XIV and relevant ongoing work in other international organizations.² Japan, the United States, the Czech Republic, Canada and Norway expressed their support for the Swiss request, and the Chairman concluded that both the EC and Swiss requests would be met through a single study.

MARKET ACCESS

Item 4 The provisions of the multilateral trading system with respect to the transparency of trade measures used for environmental purposes relating to products, including standards and technical regulations, packaging, labelling and recycling

Under this item the Secretariat circulated the Environmental Database (EDB) for the year 2000 (WT/CTE/W/195), which compiled the environment-related notifications under WTO Agreements. The Secretariat will update the EDB for the year 2001. Canada updated Members on its signature of the Biosafety Protocol on 19 April 2001.

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Item 6 The effect of environmental measures on market access, especially in relation to developing countries, in particular to the least developed among them, and environmental benefits of removing trade restrictions and distortions

Sectoral analysis

Agriculture

Costa Rica presented a paper on *Organic Agriculture* and explained the growing importance of the organic agricultural sector for the Costa Rican economy.³ Small agricultural producers have been shifting towards organic agriculture due to the high cost of agrochemicals and their loss of effectiveness, the health and environmental problems associated with traditional agriculture and the

² WT/CTE/W/9.

³ WT/CTE/W/202 (8 October 2001).

search for new niche markets. It said there were now approximately 4000 organic agricultural producers in Costa Rica, with a total of over 9400 hectares devoted to organic production.

Costa Rica hoped its organic agricultural produce would be recognized by the European Union in the near future for increased trade. Organic agriculture inspection and certification systems have also been developed in Costa Rica. However, despite growth of this sector, problems in the form of high costs of certification, lack of information on market opportunities, insufficient research and transfer of technology, were encountered. It welcomed the support being given by developed countries to this growing sector, as well as the project by the United Nations Conference on Trade and Development (UNCTAD) on *Strengthening Research and Policy-Making on Trade and Environment in Developing Countries*, which addressed, amongst other issues, the promotion of organic agriculture.

Paraguay said the Costa Rican experience was relevant to the agricultural sectors of many developing countries. It underlined the importance of designing governmental support programmes for this sector, for developing certification systems for organic agriculture as well as marketing strategies. Chile said it also had a growing organic agriculture sector (producing organic tea, honey and wine). It highlighted the important role the private sector has played in the transition to organic agriculture, indicating that many consumers were willing to pay price premiums for organic products. It emphasized the importance of greater international cooperation in this field, as well as cooperation with NGOs and consumer groups. The EC said it was pleased organic agriculture was an expanding sector in developing countries and felt this was an example of the synergies which could exist between trade, development and the environment. It stressed the need for greater transparency in certification to allow for increased market access.

India said when item 6 was put on the agenda of the CTE by developing countries, the intention was to increase market access for the developing world in such sectors as agriculture and textiles, where there had been a long history of protectionism. This protectionism prevents developing countries from obtaining, through trade, the financial resources required for environmental protection. India felt that item 6 had been gradually narrowed to include only those market access opportunities that could lead to "win-win" situations (for trade and the environment). While the emphasis on win-win situations was not wrong and it was a welcome development that developing countries could export environmentally-friendly goods (such as organic agriculture), India said the original focus of item 6 was on granting greater market access to developing countries in all areas of comparative advantage, since any form of trade could generate the financial resources needed for environmental protection.

Energy

Discussions focussed on a study prepared by the WTO Secretariat on *The Environmental Benefits of Removing Trade Restrictions and Distortions: The Energy Sector*.⁴ The Czech Republic updated the Committee on its energy policy. The EC made preliminary comments on the Secretariat study, indicating that the energy sector was particularly challenging from a trade and environment point of view because of the issue of climate change. It said the Committee had to work to distinguish good from bad subsidies, that there was a need to carefully define subsidies and that subsidy reform could help by having energy prices reflecting environmental cost. Norway agreed with a number of statements made in the study; namely that there were both good and bad subsidies, that subsidy reform did not equal subsidy removal, that subsidies had to be carefully targeted to be effective, that certain taxes and subsidies were important for social and developmental objectives and that carefully formulated environmental policies would always be needed.

⁴ WT/CTE/W/200 (18 September 2001).

Canada said that while the paper suggested carbon taxes were a useful remedy to the environmental problems associated with energy consumption, it was important to bear in mind that they were not the only instrument. Recent work by the Organization for Economic Cooperation and Development (OECD) and the International Energy Agency (IEA) had highlighted this. Egypt raised the issue of the transfer of technology as being crucial for developing countries in the energy sector. India supported that point, arguing that the whole issue of energy consumption, as opposed to production, needed to be given greater attention, since energy consumption could also be environmentally-harmful. Finally, the representative of the OECD presented a recent OECD study on the *Environmental Effects of Liberalizing Fossil Fuels Trade: Results from the OECD Green Model*,⁵ and cautioned against the simplistic classification of subsidies into the "good" and the "bad", since subsidies that were good in some situations, could be bad in others.

Environmental Services

A representative of the WTO's Trade in Services Division gave a brief presentation on the status of environmental and energy services under GATS negotiations, explaining that various proposals had been tabled on how trade liberalization in these two sectors could proceed. She indicated that the classification of environmental and energy services was one of the main issues which Members were addressing. India stated that it should come as no surprise that developing countries had not made a single proposal on environmental services, since developed countries were the main suppliers of these services and would be the main ones to benefit trade-wise. He acknowledged, however, that the environmental benefits could accrue to both developed and developing countries.

LINKAGES BETWEEN THE MULTILATERAL ENVIRONMENT AND TRADE AGENDAS

Items 1&5 The relationship between the provisions of the multilateral trading system and trade measures for environmental purposes, including those pursuant to MEAs; and the relationship between the dispute settlement mechanisms in the multilateral trading system and those found in MEAs

A representative from the United Nations Environment Programme (UNEP) updated the CTE on its work on trade and environment. He indicated that UNEP has developed three central elements to its work programme including: enhancing mutual supportiveness between multilateral environmental agreements (MEAs) and the WTO; assessing the environmental benefits of trade-related policies and capacity-building on the trade and environment policy interface. He said that at the WTO's Fourth Ministerial Conference, UNEP would present the results of its work on environmental assessment at a side event which would take place on the morning of November 11th. Moreover, a second synthesis report on the outputs of five meetings on the MEA-WTO relationship, which UNEP had organized since June 1999, would also be released in advance of the Ministerial Conference. The document will outline next steps in the enhancement of synergies between the WTO and MEAs. Prior to the first CTE meeting in 2002, UNEP announced that it would hold a second workshop on Subsidies and Sustainable Fisheries Management. It would continue to complement the work of the CTE, and participate in the WTO's regional seminars on trade and the environment.

⁵ COM/TD/ENV(2000)38/FINAL (September 2001).

Item 8 The relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights

Brazil updated the CTE on two recent events of relevance to item 8: (1) an event co-sponsored by the Brazilian government and the EC on *The Protection of Biodiversity, Traditional Knowledge and Intellectual Property*, which took place in Brazil from 9-11 September 2001; (2) a seminar organized by UNCTAD and the Foundation for International Environmental Law and Development (FIELD) on *Strengthening Research and Policy-Making Capacity on Trade and Environment in Developing Countries*, which took place in Tanzania from 4-6 April 2001. In Brazil, fruitful discussions were held on how developing countries could grant access to their genetic resources in a sustainable manner and in fulfilment of their development objectives. It was noted that patents could be an important tool in promoting sustainable access to genetic resources. However, the meeting highlighted the importance of ensuring that the TRIPS Agreement and the Convention on Biological Diversity (CBD) were implemented in a mutually supportive fashion. While the CBD referred to the TRIPS Agreement, the TRIPS Agreement made no similar reference to the CBD. The meeting indicated that certain elements of the CBD needed to be incorporated in Article 27.3(b) of the TRIPS Agreement.

In Tanzania, a working group on biodiversity held discussions on issues relevant to item 8. The working group emphasized the need to maintain the existing flexibility in Article 27.3(b), but indicated that the Article should to be adapted to developmental and environmental needs. It noted that there was ambiguity in some of the terms used in the Article (such as the term "micro-organisms") which had to be addressed. It drew attention to the importance of protecting traditional knowledge and preventing biopiracy, as well as cooperating at the international level on these issues. India expressed its hope that Ministers at the WTO's Fourth Ministerial Conference would give some direction to the CTE and the TRIPS Council in this area.

Report of the CTE for 2001

Members adopted the Report of the CTE's work in 2001 (WT/CTE/6), which the Chairman forwarded to the General Council for its meeting on the 23rd of October. The CTE agreed to hold three meetings next year on 21-22 March, 12-13 June, and 9-10 October.

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ANNEX
REPORT (2001) OF THE COMMITTEE ON TRADE AND ENVIRONMENT
(WT/CTE/W/6)

1. The Committee on Trade and Environment (CTE) continued its analysis of the items of the work programme in the Marrakesh Ministerial Decision on Trade and Environment, pursuing a cluster approach for the themes of market access and the linkages between the multilateral environmental and trade agendas. Discussions took place under the Chairship of Ambassador Yolande Biké (Gabon), followed by the Chairship of Ambassador Alejandro Jara (Chile).

2. The CTE held three meetings in 2001 (see attached Annex). The **13-14 February** meeting examined those items of the work programme relevant to the theme of market access, including items 2, 3, 4 and 6. Under item 2, discussion took place on a paper submitted by the European Communities on "The European Council Resolution on the Precautionary Principle", adopted in Nice in December 2000. Under item 3, the Chairman of the Nordic Technical Working Group on Fisheries Eco-Labeling Criteria presented the voluntary certification scheme the Working Group has developed for products from sustainable fisheries, and a discussion on ecolabels took place. The Environmental Database (EDB) for the year 1999 was presented to Members under item 4.

3. The Committee also broadened and deepened its sectoral analysis under item 6, with particular focus on the agriculture, energy, fisheries, and non-ferrous metals sectors. The Food and Agriculture Organization (FAO), the Organization for Economic Cooperation and Development (OECD) and the United Nations Environment Programme (UNEP), informed the Committee of progress made in their work on fisheries. Under item 6, discussion was also held on the effects of environmental measures on the market access of developing countries in relation to a paper circulated by India. The Members also discussed the benefits of addressing initiatives that advance trade liberalization, environmental protection and development.

4. The focus of the meeting held on **27-28 June** was on those items related to the multilateral environmental and trade agendas, including items 1&5, 7 and 8. On 27 June, the CTE held an Information Session with the Secretariats of Multilateral Environmental Agreements (MEAs) to enhance understanding of the compliance and dispute settlement provisions in MEAs and the WTO. The WTO and UNEP Secretariats, in close cooperation with MEA Secretariats, prepared a background paper for the meeting (WT/CTE/W/191). Representatives of the following MEA Secretariats were involved:

- United Nations Framework Convention on Climate Change;
- Montreal Protocol on Substances that Deplete the Ozone Layer;
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal;
- Rotterdam Convention on Prior Informed Consent;
- Stockholm Convention on Persistent Organic Pollutants;
- Convention on Biological Diversity and the Cartagena Protocol on Biosafety;
- United Nations Fish Stocks Agreement; and
- Convention on International Trade in Endangered Species of Wild Fauna and Flora.

5. While unable to attend the meeting, the International Commission for the Conservation of Atlantic Tunas and the Commission for the Conservation of Antarctic Marine Living Resources contributed to the background paper, and cooperated closely with the WTO and UNEP Secretariats. Members noted the important contribution of MEA Information Sessions to increasing mutual understanding of the relationship between the WTO and MEAs, particularly through identifying

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synergies between the WTO, UNEP and MEAs. These Sessions also provide an excellent opportunity to forge practical institutional links between the WTO, UNEP and MEA Secretariats.

6. To enhance their understanding of item 7, Members invited the United Nations Secretariat to present the UN Consolidated List of Products Whose Consumption and/or Sale Has Been Banned, Withdrawn, Severely Restricted or Not Approved by Governments. The presentation stimulated discussion on the issue of the export of domestically prohibited goods (DPGs), and demonstrated that much information already exists on these goods. The List needed to be more widely disseminated, including through the Internet, and better used by countries in need of such information. Developing countries expressed a need for technical assistance and capacity building to enable them to effectively control the import of DPGs.

7. Under item 8, discussion was held on a paper presented by Brazil on the review of Article 27.3(b) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The representative of the Convention on Biological Diversity (CBD) briefed the Committee on a decision adopted by the CBD, which invites WTO Members to acknowledge the relevant provisions of the CBD and to take into account the inter-relationship between the provisions of the TRIPS Agreement and that Convention. This was followed by a presentation by the representative of the World Intellectual Property Organization (WIPO) on the work of the WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore.

8. The **4 October** meeting addressed items 9 and 10, as well as both thematic clusters previously taken up during the year, and adopted this report of the CTE to the General Council. In addition to items 9 and 10, discussion of item 6 took place, with a focus on the agriculture and energy sectors.

9. The EDB was updated for the year 2000 by the Secretariat in document WT/CTE/W/195. The EDB was established in 1998 in fulfilment of the recommendation in the 1996 Report of the CTE to the Singapore Ministerial Conference (WT/CTE/1) to compile and update annually all environment-related notifications to the WTO. The list of documents circulated in the CTE since 1995 is contained in WT/CTE/INF/4.

10. As part of continued technical assistance in the trade and environment area, the Secretariat organized a regional seminar on trade and environment for government officials from developing and least-developed countries in Thailand in March 2001, and will be organizing another such seminar in the Caribbean region in December this year. The objective of these seminars is to raise awareness on the linkages between trade, environment and sustainable development and to enhance the dialogue between policy-makers from Ministries of both trade and environment in developing and least-developed WTO Member governments.

11. Pending the outcome of the Fourth WTO Ministerial Conference and the future work programme of the WTO, the CTE agreed to hold three meetings in 2002 to continue to deepen its analysis of all items on its work programme based on the thematic clusters. It also agreed to work towards the World Summit on Sustainable Development (also known as "Rio+10"), to be held in Johannesburg, South Africa, from 2-11 September 2002. Consideration will also be given to any other issues Members wish the Committee to address in order to fulfill its mandate.

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ANNEX TO ANNUAL REPORT

Work Programme and Schedule of Meetings for 2001

1. The 2000 Report of the Committee on Trade and Environment (WT/CTE/5) sets out that the CTE will continue to analyse all the items on its work programme based on the "cluster approach" under the themes of market access and the linkages between the multilateral environment and trade agendas. Pending the future work programme of the WTO and building on the contribution of Members, including where possible their national experience, on the items of the work programme, the following tentative schedule of meetings is proposed. At each meeting, time will be allotted for Members, if they so wish, to return to items discussed at the previous meeting.

2. The CTE meeting of 13-14 February will address those items relevant to the theme of market access, including:

- Item 2: the relationship between environmental policies relevant to trade and environmental measures with significant trade effects and the provisions of the multilateral trading system;
- Item 3: the relationship between the provisions of the multilateral trading system and:
 - (a) charges and taxes for environmental purposes;
 - (b) requirements for environmental purposes relating to products, including standards and technical regulations, packaging, labelling and recycling;
- Item 4: the provisions of the multilateral trading system with respect to the transparency of trade measures used for environmental purposes and environmental measures and requirements which have significant trade effects; and
- Item 6: the effect of environmental measures on market access, especially in relation to developing countries, in particular to the least developed among them, and environmental benefits of removing trade restrictions and distortions.

3. At a meeting on 27-28 June the CTE will discuss the items related to the linkages between the multilateral environmental and trade agendas, including:

MEA Information Session;

- Item 1: the relationship between the provisions of the multilateral trading system and trade measures for environmental purposes, including those pursuant to multilateral environmental agreements;
- Item 5: the relationship between the dispute settlement mechanisms in the multilateral trading system and those found in multilateral environmental agreements;
- Item 7: the issue of exports of domestically prohibited goods; and
- Item 8: the relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights.

4. On 4 October, the CTE's discussions will include:

- Item 9: the work programme envisaged in the Decision on Trade in Services and the Environment;
- Item 10: input to the relevant bodies in respect of appropriate arrangements for relations with intergovernmental and non-governmental organizations referred to in Article V of the WTO;

Review of the two thematic clusters of market access (items 2, 3, 4 and 6) and the linkages between the multilateral environmental and trade agendas (items 1, 5, 7 and 8); and adoption of the 2001 Report of the CTE.

END