

ENVIRONMENTAL REVIEW OF TRADE AGREEMENTS
AT THE NATIONAL LEVEL

Communication from the United States

1. The use of environmental reviews (also referred to as environmental impact statements) is widely accepted as an important tool at the national level in economic planning and development. Environmental reviews are required by law in many countries of the world, and implemented as a matter of policy by multilateral development banks. Principle 17 of the Rio Declaration provides that "[e]nvironmental impact assessment, as a national instrument, shall be undertaken for proposed activities that are likely to have a significant adverse impact on the environment and are subject to a decision of a competent national authority".
2. In general, environmental reviews are analytical documents to help inform the public and decision makers about potential positive and negative environmental effects of major proposed actions likely to have significant environmental implications. Environmental reviews also typically identify potential mitigation measures and reasonable alternatives to minimize or avoid negative environmental effects. Public input and involvement are key to each of these elements. In many countries, the environmental reviews concept is being applied to the development of strategic plans and programmes. (See United Nations Economic Commission report "Application of Environmental Impact Assessment Principles to Policies, Plans and Programmes" ECE/ENVWA/27).
3. In these ways, environmental reviews promote informed decision-making and help ensure that the activities of people and nations are in harmony with the environment and fulfil other economic and development needs of their societies. They can provide a basis for resolving environmental concerns and reaching agreement to carry out activities serving important national purposes while continuing to protect the environment.
4. Environmental review of trade agreements is increasingly being endorsed by international organizations. Building upon recommendations in Agenda 21, the Second Session of the Commission on Sustainable Development (CSD) in May 1994 noted the importance of developing a framework to facilitate the assessment of the environmental effects of trade. The Third Session of the CSD in 1995 called for further work in this area, and stated that the Commission:

"... encourages Governments to develop or strengthen processes to assess the environmental effects of trade policies ... and promote transparency and openness to the public in these processes".
5. A United Nations Environment Programme (UNEP) *ad hoc* Experts Workshop on Environmental Assessments of Trade Policy in 1995 developed a report summarizing recent experience in this area with recommendations for further work on methodology development.

6. The Organization for Economic Cooperation and Development (OECD) Council, in 1993, also has recommended, among other things, that its Member Governments examine or review trade policies and agreements with potentially significant environmental effects, and carry-ut follow-up activities to ensure potential environmental effects are addressed. The OECD Joint Session of Trade and Environment Experts has subsequently prepared a paper addressing the methodology for conducting such examinations and reviews.

7. Practical experience with environmental reviews for trade agreements has been acquired by some countries. In North America, for example, the US and Canada completed assessments on the environmental effects of the North American Free Trade Agreement (NAFTA). The US review was initiated prior to negotiation, and contained recommendations to negotiators as the agreement was developed. It also provided information to US policy makers in further developing bilateral environmental cooperation work with Mexico, and in creating a new environmental cooperation agreement between Canada, Mexico and the US. These three countries also are working on a retrospective study of the environmental effects of NAFTA under the terms of the environmental cooperation agreement. The US also prepared an assessment of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). We also understand that other countries/entities have prepared environmental reviews or assessments of trade agreements or actions.

8. Although work is continuing on methodological issues, the international experience to date has shown the value of several areas of basic analysis: describing the proposed trade agreement, particularly in its environmental context; identification of potential direct and indirect impacts, including both positive and negative effects; and identification of measures or actions which negotiators and policy makers can consider to avoid negative and/or enhance positive environmental effects.

9. Potential environmental issues that have been identified and addressed include those identified in WT/CTE/W/1. These include potential indirect effects related to changes in the structure and scale of economic activities resulting from trade and investment liberalization, especially where trade occurs in the absence of environmental cost internalization in the price of traded products.

10. Environmental reviews also have helped to identify potential cooperative measures which can be taken outside the framework of a trade agreement to address identified environmental issues: i.e., so-called parallel efforts to promote sound environmental policies in tandem with trade liberalization policies, in support of sustainable development. This latter approach has offered an especially promising path to help assure that economic integration is environmentally sustainable. Environmental reviews can also help to develop a strategy to address regional-scale environmental impacts due to increased economic activity related to trade liberalization, for example in border areas.

11. In view of the recommendations by international bodies and the experience which has been gained on environmental assessment in general and for trade agreements in particular, noted above, CTE Ministers should recommend that national governments carry out environmental reviews of trade agreements likely to have significant environmental effects, as part of the process of developing such agreements, taking into account the points noted above. Ministers might further recommend that Members be invited to provide copies of such reviews and documents relating to methodology for reviews to the Secretariat for reference by Members.