

**PREPARATORY COMMITTEE
FOR THE
WORLD TRADE ORGANIZATION**

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SUB-COMMITTEE ON TRADE AND ENVIRONMENT

REPORT OF THE MEETING HELD ON 15-16 SEPTEMBER 1994

Note by the Secretariat

Addendum

In document PC/SCTE/M/3/Rev.1, the following paragraphs should be inserted after paragraph 172:

172bis. The representative of Venezuela noted that his delegation had emphasized certain elements which were essential to the Sub-Committee's efforts to ensure that trade and environmental policies were complementary. Statements had shown that many aspects still needed to be analyzed in detail before the Sub-Committee could adopt commonly agreed criteria. With regard to border tax adjustment, for example, there had been suggestions that the way forward was to allow more room for manoeuvre so that charges and taxes for environmental purposes could be unilaterally applied to international trade, including fiscal measures applied to inputs or production processes and methods. However, these approaches overlooked two fundamental aspects: the importance of maintaining a strong multilateral trading system, which was particularly significant for developing countries, and accepting the principle of internalization of environmental costs.

172ter. His delegation supported the views of the delegations of Nigeria, Hong Kong and India, and emphasized that in examining the harmonization of legitimate environmental and trade policies, the Sub-Committee should try to strengthen the multilateral system by adopting multilaterally-agreed criteria with the aim of preventing and eliminating unilaterally-restrictive measures for environmental purposes which resulted in undue protection for domestic industries. With regard to the principle of environmental cost internalization in the Rio Declaration, he added that the Sub-Committee's discussions should also look at concrete ways to incorporate the principles of differential responsibility and special and differential treatment. As pointed out by the delegation of Egypt, the discussions on border tax measures or technical requirements and regulations should also touch on the differentiation of standards, transition periods for developing countries and specific ways to facilitate the transition to environmentally-friendly technologies. It was necessary to ensure that discussions led to balanced results regarding compliance with rules and commitments and strengthened the multilateral trading system, with specific provisions for developing countries. It was in the interest of the Sub-Committee to ensure that there were clear, universally-applied standards which did not hinder the sovereign development of national environmental policies and avoided continuous recourse to unilateralism and environmental protectionism based on tax measures or technical standards which discriminated against imports. The experience of his delegation showed that even if environmental aims were shared, the application of trade policies might lead to distortions in trade flows and cause considerable injury, particularly to developing countries.

* In English only.