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TRADE AND ENVIRONMENT

Statement by the Delegation of Argentina

I. INTRODUCTION

There are two main reasons why we welcome the debate taking place today as a result of the consultations conducted by the Chairman of the CONTRACTING PARTIES: firstly, it will help to advance those consultations, and secondly it will help to clarify the rôle of the General Agreement on Tariffs and Trade with respect to the question of the environment.

In our view, the outline of points drawn up by the Chairman of the CONTRACTING PARTIES in document Spec(91)21 concerning this relationship is pertinent and should help to guide the discussions.

One important aspect is that it seems essential to focus the debate in terms of the objectives of the General Agreement and the legitimacy of environmental protection and conservation in keeping with those objectives, in order to clarify the treatment of this question in GATT and enable the organization to make a real contribution to the work of the Conference on Environment and Development to be held in 1992.

That contribution must certainly recognize the rôle played by the growth of trade in allocating resources more efficiently at the international level and in promoting the growth of contracting parties, particularly developing countries. In this connection, the importance of greater prosperity for creating greater awareness of the problem of the environment and its proper conservation cannot be overlooked.

II. THE ISSUE IN GATT

At the Brussels Ministerial meeting of the Uruguay Round and at the meeting of the GATT contracting parties held last December, the EFTA countries put forward a proposal on the environment and trade. It called for a study on the relationships between environmental policies and the rules of the multilateral trading system, the possibility of submitting a GATT contribution to the United Nations Conference on Trade and the Environment, and the convening of the GATT Working Group on Environmental Measures and International Trade under an updated mandate.

Subsequently, these and other contracting parties advocated discussion of this topic in GATT, with a view to interpreting this relationship.

During the consultations, our delegation stressed that particular account must be taken of GATT's objectives as set out in its preamble as well as the rules contained in the General Agreement, of which the implementation ensures that the objectives may be met. Those objectives are: raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand by mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce.

III. TRADE ELEMENTS

Many international meetings have taken place in recent decades, including an United Nations Conference in Stockholm in 1972, to analyse environmental problems and their link with sustained development that can preserve the proper use of the planet's resources.

Next year, a second United Nations Conference on Environment and Development (UNCED) is to be held in Brazil. The run-up to that conference involves an intense organizational process, which has so far involved meetings of the preparatory committee of the conference, of the countries of the Economic Commission for Latin America in Tlatelolco, and of the Economic Commission for Europe in Bergen, Norway, as well as specialized seminars and forums.

These meetings and the United Nations General Assembly Resolution convening UNCED itself, No. 228(44), mention as a special concern the degradation of the environment and the need to take decisive, urgent and global action to protect the ecological balance of the Earth.

They point to the unsustainable pattern of production and consumption, particularly in the most industrialized countries, as being the major cause of the continuing deterioration of the environment. They also consider that poverty and environmental degradation are closely interrelated.

Taking these aspects into account, they propose that strategies be examined with a view to achieving specific commitments for the promotion of a supportive international economic climate conducive to sustained and environmentally sound development in all countries. To that end, they recommend that it should be borne in mind that environmental concerns and considerations should not be used to introduce new forms of conditionality in development financing and should not serve as a pretext for creating unjustified barriers to trade.

The Bergen Conference of the Economic Commission for Europe stresses in particular that systems of prices, charges and incentives for producers and consumers should result in care for the environment and be consistent with the "users pay and polluters pay principles". It also stresses that international agreements should pay special attention to the environmental impact of trade policies that give rise to environmentally damaging production systems.

It mentions in this connection, inter alia, intensive farming systems.

The 1991 OECD Report on the State of the Environment illustrates the effects of these intensive farming systems created by protective trade policies. For example, it mentions soil erosion by wind and water as a consequence of overfarming, soil compaction from the use of heavy machinery, accumulation of salts in water through excess irrigation and accumulation of phosphates and heavy metals through excess use of artificial and organic fertilizers. It also stresses the accumulation of pesticides and other residues.

This may be illustrated by a few figures: for example, in the case of the European OECD countries, arable and crop land represents 62 per cent of the agricultural land area, while permanent grass land, the natural soil cover, represents 38 per cent. These percentages are exactly the opposite of those of the rest of the world, where arable and crop land represent 31 per cent and natural vegetation 69 per cent. The lack of natural soil cover must be stressed as an important erosion factor.

The European OECD countries also have one third of the world's farm machinery and use an average of ten tonnes of nitrogenous fertilizer per Km.² compared with a world average of five tonnes.

Looking at pollution emissions and resource requirement worldwide, it may be seen that OECD industry accounted for 15 per cent of water consumption, 25 per cent of nitrogen oxide emissions, 35 per cent of final energy use, 40-50 per cent of sulphur oxide emissions, 77 per cent of emissions of greenhouse-effect gases, 75 per cent of non-inert waste and 90 per cent of toxic substances discharged into water.

A few industries are responsible for over two-thirds of this impact: the agro-foodstuffs industry, metals extraction and processing, cement works, the pulp and paper industry, oil refining and the chemicals industry. These are all industries that have traditionally enjoyed considerable protection from foreign competition.

From the standpoint of the objectives and competence of the General Agreement, an important observation follows from the foregoing points, namely, that there is a significant correlation between protectionism, distorting measures and environmental degradation.

The restriction which such policies impose on trade and consequently on the incomes of other producer countries by limiting their access opportunities acts as a worldwide multiplier of environmental degradation, bearing in mind the relationship between greater poverty and the quality of life (hygiene, health, nutrition) in the urban and rural areas of those countries.

IV. THE ROLE OF GATT

The first conclusion to be drawn from our analysis is that GATT's greatest contribution to improving the environment lies in its own objectives, principles and rules.

The trade liberalization process inherent in the GATT philosophy, and currently being promoted through the Uruguay Round of negotiations, should lead to a better allocation and less intensive use of resources, on the basis on the contracting parties' comparative advantages and efficiency, in the various branches of production and services, and thus to a rise in world incomes and prosperity.

In addition, resources that are used today in industries covered by a system of protection will thereby be released for environmentally healthier policies.

With regard to the trade effects of provisions aimed at protecting the environment, a number of points must be made concerning their scope, objectives and consistency with the multilateral rules.

As regards scope, clearly such provisions must not go beyond what is strictly necessary to conserve and protect the environment, and they must not become arbitrary or discriminatory practices or disguised barriers to trade.

The objective must be in keeping with the above-mentioned goal of environmental conservation and protection and also with the objectives of the General Agreement aimed at maximizing trade opportunities.

Compatibility with the multilateral rules implies that two conditions must be met: compliance with GATT obligations and interpretation of the exceptions provided in GATT Article XX on the basis of the commitments agreed upon within the United Nations system.

Fulfilment of the GATT obligations means compliance with its principles of most-favoured nation, non-discrimination and transparency, and at the same time that national legislation and measures will be in conformity with the rules established to carry those principles into practice.

This refers to quantitative restrictions, subsidies, national treatment and the Technical Barriers to Trade Code, among others.

The interpretation of the exceptions to Article XX can only be based on the agreements reached in the past or in the future under United Nations auspices. This will help to avoid recourse to unilateral or regional action and thus the application of measures that are discriminatory or not justified on scientific grounds.

The multilateral nature of this scientific analysis will guarantee that its elements include the interests and environmental situation of participants in the system. It will therefore ensure that burdens are spread according to responsibilities, thus helping structural adjustment.

The above points lead to the second conclusion, which unlike the first is linked with the effects of environmental measures on trade. It points to the need to respect the GATT principles and rules and interpret exceptions to them in the light of multilateral agreements.

The above two conclusions concerning GATT's rôle indicate the contribution the organization could make to the World Conference on Environment and Development, i.e. outline the positive rôle of trade liberalization mechanisms on the environment, make clear the consequences of protectionism and suggest how the exceptions laid down in Article XX should be interpreted.

This would create a positive link with the United Nations system without affecting the GATT's responsibilities with regard to trade and those of the world organization with regard to the environment.

Three main functions may be identified for GATT with regard to the environment in the light of the foregoing:

- (1) The promotion of the objectives of trade liberalization and fulfilment of its fundamental principles as a contribution to better resource allocation and the reduction of practices that are contrary to the goal of a sustainable environment.
- (2) Interpretation of exceptional measures taken to preserve and protect the environment so as to ensure that they are not applied as arbitrary, unjustified or discriminatory trade barriers.
- (3) Linkage of GATT with the international agreements under the United Nations system in determining that interpretation.

V. FURTHER WORK

In this first statement by the Argentine delegation in this structured debate in the Council, our intention has been to bring out the points which we consider to be important in the relationship between the environment and trade.

The purpose of our observations has been to show that compliance with the objectives of the General Agreement is not incompatible, but quite the contrary coincides, with the concern for a sustainable environment policy.

We believe this recognition should guide our further work and the consultation process.

Procedural proposals should be based on this and on the points of agreement among contracting parties, without being over-hasty and rushing into activity without clear aims.

The preparation of informal documents by the secretariat on how thinking about the environment-trade nexus has evolved, taking due account of GATT's objectives and the discussion of the subject in the preparatory committee for UNCED, could be very useful for us to advance in our work further. We therefore share the suggestions made by a number of delegations during the consultations.

Taking into account the results of the debate and the above-mentioned documentation, we are sure that the contracting parties will be in a better position to agree on the action GATT should take in future on this important matter.