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TRADE AND ENVIRONMENT

Statement by the Delegation of Hungary

Like previous speakers, we also welcome the possibility of having this structured debate on environmental measures and trade. We are grateful to the Chairman of the contracting parties for his Note containing the possible outline of points for debate. Perhaps the purpose of the debate indicated in the Note is somewhat too ambitious. We are still at the beginning of an encouraging process and the measures themselves taken on environmental grounds which would affect trade in the light of the provisions of the GATT and Tokyo Round instruments could be identified in depth in the course of a more systematic work which may be carried out by a working group as initiated by the Austrian delegation on behalf of the EFTA countries. We believe that the present debate will contribute to the success of the informal consultations aiming at reaching a consensus on the appropriate GATT framework where this thorough analysis can be started.

In the present debate I am going to address only some of the elements included in the outline proposed by Ambassador Ricupero. As to the relationship between trade liberalization and environmental protection, it has already been emphasized that they are complementary policies, though one cannot ignore their often contradictory objectives.

General liberalization results in an evolvement of the trading nations' respective comparative advantages, thus enabling them to increase their exports in their most efficient sectors. Increased export earnings can generate additional economic growth and result in releasing additional resources necessary for the introduction of environment friendly technologies and production methods. More liberal trade policies, a more open and more liberal international trading system which we all are striving for can therefore contribute in a positive way to the pursuance of more sound and more responsible environmental policies.

As far as the possible impact of environmental policies on trade policies is concerned, the most apparent issue to be addressed is that environmental standards and regulations are often enforced - among others - by using trade measures and instruments. From the point of view of the GATT approach the core issue is to ensure that:

- environmental measures be not used as a pretext for additional trade barriers;

these concerns do not lead to a disguised form of protectionism and to unnecessary and unjustified trade restrictions.

Unilateral and arbitrary measures should be avoided.

My delegation considers that the general solution to the environmental problems should be sought in the framework of international co-operation, inter alia by co-ordinating and harmonizing respective national standards and requirements and by the common elaboration of standards. In this approach trade instruments have only a complementary rôle to play and trade measures taken for environmental purposes can be limited to the minimum necessary but even this strict "minimum" is extremely important and cannot remain insufficiently and not adequately addressed by the GATT.

In connection with Point II of the Note, I would refer very briefly to the environmental policies my Government has started to implement as a part of the overall strategy of transition to a market economy. The objective is to elaborate and adopt regulations where environment protection requirements would influence business behaviour. In other words, economic operators will have to take into account the requirements of environment protection in the same way as other market requirements. Some elements of such an approach are already applicable; they are expressed in some VAT rates, in various tariff rates and some entrepreneurial tax rate preferences favouring the application and use of environment friendly products and production methods. The Government is contemplating introducing a system of emission charges, product charges and deposit refund. Some of these measures are expected to have an influence on the market for recycling technologies, as well. When this process gains momentum, goods and activities will be selected, preferred or dispreferred to an increasing extent on the market and by the market. We believe that such and similar approaches will receive in the future more and more recognition and they will not remain limited to the individual national markets, but will get an increasingly international dimension, as well.

In this process the actual levels of economic development of the countries must inevitably be taken into account. Developing countries or countries at a medium level of economic development are less able to follow such policies, if they have to rely exclusively on their own resources. Therefore the principle of progressive implementation and the need for co-operation and assistance should not simply be recognized, but also have to be fully put into practice.

In connection with Point IV of the Note we consider that the international conventions on environmental issues constitute lex specialis vis-à-vis the GATT. Therefore, in case of conflicts, they should prevail over GATT rules. But again, this is a subject which requires further reflection in the framework we are going to set up.

With respect to Point V, we believe that the relevant GATT provisions and codes are appropriately listed in the Note. May I add that if goods

are to be preferred or dispreferred by means of tariff rates, than Articles II and XXVIII may be equally relevant.

To sum up: we believe that in environment protection priority should be given to international co-operation over the trade policy approach. If enforcement of environment protection by trade measures plays only a complementary rôle, a number of eventual trade frictions and disputes can be averted. We recognize at the same time the need to take up the relevant trade-related issues in an appropriate GATT framework. The most important issues to be examined in a more systematic analysis include, in our view, such concepts and principles, as non-discrimination, transparency, extraterritorial application, process and production methods, scientific evidence, general exceptions as defined by the present GATT rules, legitimacy of the objectives, proportionality, standards and norms, harmonization, definition of like products, subsidies, packaging and labelling, the relationship between international environmental conventions and the General Agreement.