

Effects of trade liberalization on the environment



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INTRODUCTION

The economy of the world has gone through a lot of modifications over the last period. With the help of population and income growth the pure value of economic activity has enlarged enormously. At the same time the economy of the world has become more globalized and there is some motive power for it: improvements in communication, reduction of trade and foreign investment barriers. International trade as the result of it got lower transaction costs what increased the volumes of trade significantly. Lower transaction costs enable countries to produce the good at which they are the best, to be specialized. Though, countries divided the production of specialized units all over the world.

The decrease in environmental sustainability followed the growth of economy, such as bio-diversity losses, deforestation, global warming, air pollution, exhaustion of the ozone layer, overfishing and others. Also the population growth is one of the reasons in this decrease in sustainability because more people, stronger the stress on the natural resources and ecology. Moreover, there is no any facts that the consumption of the population is decreasing. Integration of the world is leading to speed-up of economic growth. According to the trends environment is in danger until rough remedies are taken soften consumption of resources and polluting emissions.

Multilateral trading system is one of the reasons of the unhurried introduction of satisfactory environmental regulations and taxes. There are several reasons for it. The first one is that the WTO rules limit policy-making.

Another one is that competitiveness of the world market does not give the opportunity for the political support of domestic market to improve environmental norms. Because the costs of working alone such as unemployment and loss in investments usually make countries not to hurry in implementing some environmental regulations.

Moreover the environmental fellowship is frightened that trade globalization will increase the effects of weak environmental policies in the world. For example, economic growth operated by trade can accelerate the environmental deterioration without satisfactory protection is set up.

There has been an active debate over the impact of trade liberalization on environment. This debate started by negotiations over the North American Free Trade Agreement and the Uruguay Round of GATT negotiations, which occurred when worries about global warming and industrial pollution were rising. The creation of World Trade Organization and discussions about future rounds of negotiations keep the debate in tense.

The environmental effects of economic integration was not the key worry after the reconstruction of international trading system. Just some indirect links were in the exception clause of GATT 1947, Article XXIV. This article let countries to bypass normal trading rules if it is needed for protection of human, animal or plant life, or to save exhaustible natural resources. During the first decades of GATT there was no any links made to the environmental sustainability, neither in the general text, nor in different trade debates. The problem firstly raised in the 1970s during the preparation for the UN Conference on the Human Environment, which took place in Stockholm in

1972. The GATT Council created a Group on Environmental Measures and International Trade with mandate “ to examine upon request [italics added] any specific matters relevant to the trade policy aspects of measures to control pollution and protect the human environment, especially with regard to the application of the provisions of the General Agreement, taking into account the particular problems of developing countries.” (GATT, Industrial Pollution Control and International Trade) But, no application was made to call together this group until the 1990s.

In the originate decades of GATT trade was not considered as the environmental challenge neither by policy makers nor by the general public. Economic analysis proposed that trade has the impact on environment only through transportation of goods around the world. The theory suggested to the governments to employ right environmental policies to adopt the environmental costs of production and consumption, international trade would indefinitely increase well-being. (McGuire) The occasion that the environmental policies had been implementing slowly all over the world did not mean that the process of trade liberalization should be stopped, but rather to harden environmental policies.

The only environmental question which was raised during 1980s was connected to exports of domestically banned commodities. The problem was requested to be considered by some developing countries who worried about imports of prohibited in the exporting countries goods on the environmental basis to their countries. The solution searched was restraints of exports of domestically banned goods unless “ prior informed consent” was protected from the corresponding authorities of the importing nation. There has been <https://assignbuster.com/effects-of-trade-liberalization-on-the-environment/>

no such agreement in the GATT, but was partially concerned by other concords, such as the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, and the Convention on Prior Informed Consent for Hazardous Chemicals and Pesticides in International Trade.

Environmental problems were not in the importance during the first four decades of the GATT, but they returned with the revenge in the beginning of 1990s. It started with a row of controversial environmentally-related trade debates. One of the main was “ tuna- dolphin” debate between Mexico and the United States that provoked a societal noise which still exist. The debate was about the extra-territorial application of the US Marine Mammal Protection Act (MMPA), which decreases the incidental killing of marine mammals by fishermen as well as by foreign fishermen. In 1988 the US introduced the ban on the import of tuna which was harvested in the Eastern Tropical Pacific Ocean, because it was not satisfying according to standards for the protection of dolphins that was applied by the US government to domestic fishermen. The prohibition was set in order to decrease the practice of circling the dolphins to catch the tuna which swim beneath, hereby killing the dolphins caught up during the process. However this prohibition was found to be violating some provisions of the GATT, such as the National Treatment provision of Article III which bans discrimination of imported goods on basis of process and production methods (PPMs), here the fishing method.

The environmental community saw it as the danger for the environmental policy making and environmental interest being a victim to the free trade by trade bureaucrats over the reaching the democratic operation. (Esty)

The growing social anti-trade mood followed the tuna-dolphin debate was not good for the GATT which at that time was working on the largest and difficult discussions over the Uruguay Round. To change the situation before the upcoming UN Conference on Environment and Development (UNCED), in Rio de Janeiro in 1992, the Group on Environmental Measures and International Trade was reconvened. The Group was mandated to stay within the traditional one and expertise of GATT. The mandate limited the examination to trade provisions existing already in the multilateral environmental agreements GATT principles and provisions, multilateral clarity of environmental regulations possible to have some trade effects, and trade effects of new packaging and labeling requirements the aim of which is to protect the environment. Afterwards the mandate was enlarged to include issues discussed in Agenda 21 of UNCED regarding making trade and environmental policies reciprocally supportive. (GATT, Industrial Pollution Control and International Trade)

After two years of work of the program, there was made a report which formed the basis of the Decision on Trade and Environment. It was included in the Uruguay Round Agreement in 1994. (GATT, Report by Ambassador H. Ukawa (Japan), Chairman of the Group on Environmental Measures and International Trade, to the 49th Session of the Contracting Parties)

When the WTO was created in 1995, the environmental problems related to trade became faithful in the multilateral trading system. As written in the preamble of the Marrakesh Agreement establishing the World Trade Organization, the objectives of this organization clearly cover the recognized all over the world principle of Sustainable development. The principle of sustainable development was set by the World Commission on Environment and Development (1987) as “ development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” Moreover the Committee on Trade and Environment (CTE), which investigate the trade-environment relationships and make suggestions towards the aim of sustainable development, is created.

The questions which should be answered in this work further are following: Is economic integration is danger for the environment? Does trade destroy the regulatory striving of the government to control resource degradation and pollution?

THEORETICAL OVERVIEW

To examine more extensive effects of trade liberalization on the environment we should take a look at general equilibrium models of international trade.

The overview is based on the literature since the rebirth of trade and environment issue which was motivated by arguable 1991 tuna-dolphin debate between Mexico and the United States , as well as debates around the North Free Trade Agreement (NAFTA). Most of the literature is centered on the environmental consequences of trade between countries, environmental standards in which are varied. So, trade between developed

and developing countries is considered because variations in levels of environmental sustainability show variations in incomes of the countries.

Works Cited

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