

Environmental Considerations in the FTAA and Other Trade Liberalization Agreements

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INTRODUCTION

- ◆ **Controversial Issue**
- ◆ **Trade & Environment Interrelated**
- ◆ **Became an Issue in Trade Agreements due to Dolphin/Tuna Dispute**

GATTZILLA

- ◆ THIS POSTER APPEARED IN WASHINGTON AFTER THE 1991 TUNA/DOLPHIN PANEL DECISION

GATT IS COMING



**What You Don't Know
Will Hurt You**

INTRODUCTION (CONT'D)

- ◆ **Became an Issue in NAFTA**
- ◆ **Impact on Uruguay Round**
- ◆ **A Major Issue in Doha Round**
- ◆ **Remains a Contentious Issue**

THE ENVIRONMENT IN TRADE AGREEMENTS

- ◆ **Opposition based on belief that barriers to freer trade will result**
- ◆ **Free trade is believed to promote economic growth**
- ◆ **Higher Incomes make demand for and investment in improvements in the environment**

Support for Inclusion

- ◆ **Belief that trade has environmental impacts that must be addressed**
- ◆ **Belief that the impacts cannot be adequately addressed in separate environmental agreements**
- ◆ **Belief that the trade dispute process is biased against the environment**

ENVIRONMENTAL EFFECTS OF TRADE

EFFECTS:

◆ **SCALE (+)**

◆ **STRUCTURE (+/-)**

◆ **TECHNOLOGY (+/-)**

◆ **REGULATIONS (-)**

+ **Increases environmental damage**

- **Decreases environmental damage**

NAFTA's ENVIRONMENTAL SIDE AGREEMENT

- ◆ **Created Trilateral Commission**
- ◆ **Agreed not to induce investment by becoming pollution havens**
- ◆ **Established rules to protect the environment**
- ◆ **Gave priority to multinational agreements (e.g., the WTO)**

WTO & ENVIRONMENT

- ◆ **Resulted from the dolphin/tuna case**
- ◆ **Activated the GATT Environmental Committee**
- ◆ **Resulted in the Environment becoming an integral part of WTO**
- ◆ **One of the working groups of TNC in the Doha Round (the CTE)**

COMMITTEE ON TRADE AND ENVIRONMENT (CTE)

- ◆ DETERMINE THE RELATIONSHIPS BETWEEN WTO AND MEA'S
- ◆ ARRANGE FOR EXCHANGES BETWEEN WTO & MEA SECRETARIATS
- ◆ REDUCE/ELIMINATE TARRIFS ON ENVIRONMENTAL GOODS
- ◆ EU WANTS TO EXPAND CHARGE

FTAA & THE ENVIRONMENT

- ◆ Most Countries Oppose Inclusion
- ◆ No Separate Chapter on Environment
- ◆ Not Included as a Negotiating Group
- ◆ Zoellick: Will Include in Negotiating in the Other Chapters
- ◆ Canada and U.S. Require an Environmental Analysis Prior to Approval

Article 19 COMMITMENT NOT TO RELAX DOMESTIC ENVIRONMENTAL LAWS TO ATTRACT INVESTMENT

The Parties recognize that it is inappropriate to encourage investment by relaxing domestic environmental laws. Accordingly each Party shall strive to ensure that it does not waive or otherwise derogate from, or offer to waive or otherwise derogate from, such laws as encouragement to the establishment, acquisition, expansion or retention of an investment in its territory.

AGRICULTURAL PROVISIONS

- ◆ “PERTINENT ECOLOGICAL AND ENVIRONMENTAL CONDITIONS” WILL BE CONSIDERED WRT RISK
- ◆ PAYMENTS FOR RESEARCH, INFRA-STRUCTURE AND ENVIRONMENTAL PROGRAMS NOT TO BE CONSIDERED AS SUBSIDIES TO AGRICULTURE

ANALYZING THE IMPACTS

- ◆ **Complex and Complicated Process**
- ◆ **CEC Framework**
- ◆ **QWAG Recommendations**
- ◆ **Quantitative Methods**
- ◆ **Qualitative Approaches**
- ◆ **Can Apply Most of Economics Toolbox**

FTAA AGREEMENT

- ◆ 34 COUNTRIES
- ◆ VARY WITH RESPECT TO:
 - SIZE OF ECONOMY
 - STAGE OF DEVELOPMENT
 - AGRICULTURE & FOOD
 - ENVIRONMENTAL CONDITIONS
 - LAWS & REGULATIONS

FTAA: SELECT COUNTRIES

Country	Population Millions	Area 1000 km ²	Pop. Density	GDP 1999 million \$	GDP Per Capita \$
Nicaragua	5	130	41	2,150	430
St. Kitts &	0.041	0.4	114	287	7,000
Barbados	0.247	0.4	620	3,582	14,500
Canada	42	9,971	3	811,440	19,320
Brazil	168	8,547	3	137,020	4,420
U.S.	273	9,364	30	8,353,800	30,600

AGRICULTURAL TRADE

ALL AGRICULTURAL TRADE, 2000 (Million \$)

Area	Exports	Imports	Balance
Caribbean	1,187	2,475	-1,288
C. America	11,806	11,333	473
S. America	35,837	12,201	23,636
US & Canada	67,388	54,096	13,292
FTAA	115,873	79,775	36,097

U.S. AGR. TRADE WITH FTAA

Trade in 2000 (million dollars)

Area	Exports	Imports	Balance
Canada	7,650	8,611	-961
Mexico	6,545	5,079	1,466
Caribbean	1,270	325	944
C. America	1,118	2,131	-1,013
S. America	1,642	4,779	-3,137
FTAA	19,225	20,936	-2,701

FERTILIZER USE & TRADE (mt.)

Region	Production	Consump.	Imports	Exports
Canada	12,484,200	2,583,000	646,228	9,963,130
U.S.	22,044,310	19,867,550	132,870	9,100,030
Caribbean	326,000	327,159	278,292	279,500
C. America	1,498,300	2,487,938	1,656,273	593,645
S. America	3,614,140	8,612,119	5,870,412	812,935
FTAA	39,570,472	32,065,022	19,733,332	20,749,240

FTAA PESTICIDE IMPORTS, \$1000

Country	Imports	Exports	Net Imports
Canada	879,072	143,626	735,446
U.S.	493,910	1,577,927	-1,084,017
Caribbean	179,044	16,604	162,440
C. America	537,610	143,403	394,207
S. America	951,649	500,920	394,207
FTAA	2,918,485	2,382,295	56,190

FTAA LAND DEGRADATION

AREA	TOTAL mil. ha.	% OF TOT.	% OF AREA	MOD+ mil. ha.
WORLD	1,964.4	100.0	17.0	1,215.4
N. AMERICA	95.5	4.9	5.3	78.7
C. AMERICA	62.8	3.2	24.8	60.9
S. AMERICA	243.4	12.4	14.0	138.5
FTAA	401.7	20.4	10.6	278.1

Conclusions

- ◆ Agriculture affects the environment (neg)
- ◆ FTAA: increase production & trade
- ◆ Can contribute to environmental damage
- ◆ FTAA does not address environment
- ◆ Except agree not to use to attract industry
- ◆ Also excepts environmental payments
- ◆ Leaves main issues to WTO