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General Council

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## PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

### Canadian Approach to Trade and Environment in the New WTO Round

#### *Communication from Canada*

The following communication, dated 4 October, has been received from the Permanent Mission of Canada.

#### **General approach**

1. As set out in the Preamble to the WTO Agreement, Canada believes that sustainable development is an important objective for the WTO.
2. Mutually supportive trade and environmental policies are essential to ensuring that the next set of WTO negotiations will contribute to the achievement of sustainable development. Nevertheless, mutually consistent policies and rules do not happen automatically, but require consultation, coordination and a willingness to seek creative solutions to difficult issues. We must ensure that trade policies support sustainable development and do not restrict legitimate actions to protect and preserve the environment and, at the same time, make certain that environmental policies are developed and implemented in the least trade restrictive manner necessary to accomplish the policy objective.
3. The WTO Committee on Trade and Environment (CTE) has carried out a useful ongoing discussion of the relationship between trade and environmental protection which has improved our understanding of trade and environment issues. The CTE should continue this discussion. It should also apply the understanding gained during these discussions by serving as a focal point for the integration of environmental considerations in the WTO negotiations without coming to conclusions or negotiating the issues. Each negotiating group should take environmental issues into consideration to make certain that liberalized trade is consistent with, and supportive of, the achievement of sustainable development (i.e. "mainstreaming").
4. The success of the GATT and the WTO has heightened public awareness of the linkages between multilateral trade agreements and domestic interests. Openness and consultation are fundamental to Canadian trade and environment policy. Canada and a number of other WTO Members are engaged in a broad range of domestic stakeholder consultations and support further outreach efforts by the WTO. Increased transparency of WTO operations, including more outreach by the Secretariat, will help maintain and build public support for the multilateral trading system. In this regard, Canada also believes that WTO Members have a responsibility to inform their domestic stakeholders with respect to the WTO negotiations and provide adequate opportunities for consultation.
5. Canada is committed to integrating sustainable development into domestic and foreign policy. The environmental review of policies and programmes, known as Strategic Environmental

Assessment, is an important decision-making tool for promoting sustainable development. Canada will conduct a national Strategic Environmental Assessment of the upcoming round of multilateral trade negotiations at the WTO. We believe it would be useful for Members undertaking environmental assessments of the new round to exchange information on their approaches and their findings with other WTO Members. The benefit of this information exchange would be to highlight possible environmental impacts of the upcoming negotiations, both positive and negative, without focussing on specific countries. Another benefit would be to avoid duplication of activity between various countries and maximize the use of scarce resources. Information exchange could also be useful in increasing policy coordination between trade and environment ministries in both developed and developing countries.

### **Specific policy issues**

6. Canada supports further work to clarify the relationship between WTO rules and trade measures in multilateral environmental agreements (MEAs). Although to date no MEA trade measures have been challenged in the WTO, and WTO jurisprudence has developed considerably on this issue in recent years, legal uncertainty still exists and it would be prudent, for both environmental and trade reasons, to address this question. A “principles and criteria” approach which would clarify existing WTO rules, possibly incorporated in some form of interpretative or ministerial statement, would assist both WTO panels in assessing the legitimacy of MEA trade measures and international MEA negotiators in contemplating the appropriate use of trade measures in particular MEAs.

7. Canada also believes it may be useful to consider, in the appropriate fora, whether relevant multilateral trade disciplines could be strengthened to take into account the increasing use of voluntary international standards based on life cycle considerations. Canada’s focus on ecolabelling, certification and standards issues reflects the reality and concerns of many companies, in many sectors, as demonstrated in international discussions on how these issues affect developed and developing countries’ trade in a variety of goods.

8. It is important to recognize that trade liberalization fosters economic growth for both developed and developing countries. The wealth generated by improving market access for developing countries increases their ability to adopt policies which will achieve economic development, greater social equity and enhanced environmental protection. Work to capture potential synergies between trade liberalization, development and environmental protection during the next WTO negotiations is essential to the achievement of sustainable development.

9. Identifying the synergies between trade liberalization and improved environmental protection in a variety of sectors can contribute to the achievement of sustainable development. Widespread trade distorting subsidies in the agricultural sector, particularly export subsidies, have been shown to yield negative environmental consequences. Subsidies to the fishing sector that contribute to overcapacity and undermine the sustainable use of marine resources can also be trade distorting. In the forest sector, trade distortions created by the application of higher tariffs to value-added products impact on the ability of affected exporting countries to manage their forests sustainably. Further liberalization of trade in environmental goods and services would also enhance the ability of countries around the world to deal with environmental challenges. In these, and other sectors, removing or reducing trade distorting measures can lead to greater environmental protection.

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