

# CRS Report for Congress

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## **Environment and the World Trade Organization (WTO) at Seattle: Issues and Concerns**

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### **Summary**

As the United States prepared for the ministerial meeting of the World Trade Organization (WTO) in Seattle, Washington, held November 30 - December 3, 1999, environmental issues were once again a focus of attention. This meeting of the decision making body of the WTO was expected to make decisions that would lead to another round of negotiations on a wide variety of trade rules and related issues. Although the United States continues to assert the necessity of pursuing the twin goals of free trade and environmental protection and to argue that these need not be in conflict, controversy remains over how the multilateral trading system should address the specifics of environmental issues. Widespread demonstrations and events in Seattle by non-governmental organizations (NGOs) across a wide spectrum of interests involved many environmental NGOs. The environmental interest groups have expressed a variety of concerns, from opposing the WTO altogether, to trying to assure inclusion of specific environmental issues in the Seattle agenda and in subsequent negotiations. Opposition to including environmental issues in WTO negotiations has also been strong, coming from many business groups and developing countries, who argue that these concerns should be addressed outside the WTO. While the demonstrations in Seattle received a great deal of attention, the specifics of the environmental issues did not—either in coverage of the demonstrations, or in the official discussions of the WTO ministerial meetings. These meetings terminated without resolving whether or when a new round of negotiations would ensue. How the WTO will deal with environmental issues in this process in the future remains uncertain.

### **Background**

The United States took a leading role in pressing for inclusion of environmental issues in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) that concluded in establishment of the WTO in 1994. Environmental advocacy groups in the United States had mobilized to urge attention to environmental concerns, and to oppose U.S. approval of an agreement that did not include them. Opposition to including environmental concerns was also strong, coming from many business organizations, and

from other nations, particularly developing countries, who feared that environmental goals could result in “disguised protectionism” or a form of “eco-imperialism.”

In the final agreement that established the WTO, the preamble states the goal of sustainable development, including seeking to protect and preserve the environment, and there are limited measures in the agreement to address some processes such as dispute resolution that are relevant to environmental concerns. However, the main issues of concern to environmental interests were not addressed directly in the WTO agreement. Instead, a Committee on Trade and Environment (CTE) was established within the WTO, with a detailed work plan that included issues such as the relationship between provisions of the multilateral trading system and trade measures for environmental purposes; issues related to “processes and production methods” (PPMs--the extent to which it is legitimate for an importing country to refuse to accept imports that involve unacceptable environmental consequences during their production); eco-labeling issues; and others. (See CRS Report 94-165, *Trade and Environment: GATT and NAFTA*.)

The CTE was designed to be the focal point for WTO discussion, analysis, and negotiation of the environmental issues on its work plan. It has met several times each year since its inception but failed to resolve or make substantive recommendations on any of these issues. Those who expected some decisions on environmental issues within the WTO express disappointment at the lack of progress in the CTE.

In the years since the WTO agreement, concerns have also been raised by environmental groups about a number of [trade disputes in which U.S. environmental laws have been challenged](#), sometimes successfully. As U.S. trade legislation has been considered, the issue of including environmental goals among U.S. negotiating objectives has proven to be controversial, often linked to similar controversy over including labor concerns. As Congress has considered legislation to provide U.S. negotiating authority (“fast track” authority), a key question has been the extent to which environmental goals would be explicitly articulated. In the trade bill that governed U.S. participation in the Uruguay Round, culminating in 1994, environmental goals were not explicit. But environmental interests had not begun the process of focusing on trade issues at the time that trade bill was put together. However, when they did mobilize--toward the end of those negotiations--they successfully influenced the U.S. position and succeeded in assuring that environmental issues were addressed in a decision by the Trade Negotiating Committee to establish the CTE.

## **Environmental Issues in Preparations for Seattle**

As attention turned in 1999 to the Seattle Ministerial meeting, congressional hearings were held that addressed the question of environmental issues related to that meeting. Issues raised in these hearings have remained in the forefront of the concerns raised by many environmental groups. While some environmental groups argue that the WTO rules are so potentially problematic for the environment that no new negotiations should be undertaken without a thorough review of environmental issues, others have focused on priorities they would have liked to see at the Seattle meeting or in subsequent negotiations. Testimony during the year from the National Wildlife Federation, reflecting concerns voiced by a number of environmental organizations, recommended objectives for U.S. trade initiatives that constitute most of the current goals for these groups:

- making clear the relationship between multilateral environmental agreements (MEAs) and trade agreements, using the NAFTA provisions as a model--which specifically named key MEAs, and asserted their priority in a challenge using trading rules; resolving the PPM issue by assuring that WTO rules could allow how a product is produced and the impacts of production on the environment to be considered by importing countries (current rules allow only the direct impacts of the imported product itself--not how it was produced--on the importing country's environment to be considered) in limiting imports;
- eliminating subsidies that have perverse environmental impacts;
- using environmental assessments of trade measures and agreements, providing for rigorous analysis of the likely environmental implications of the measures discussed in trade negotiations; negotiating as appropriate parallel environmental side agreements, again using the NAFTA model; and
- increasing the openness and transparency of the international trading system and the WTO.

In its presentation to the March WTO High Level Symposium on Trade and Environment (March 15-16, 1999)--designed as a consultation between the WTO and NGOs--the United States identified several priorities that matched those of the NGOs:

- specific recognition of the sovereign rights of WTO members to determine the level of protection environmental standards are to achieve; assurance that environmental measures in multilateral environmental agreements are not at risk of challenge under WTO rules;
- support for eco-labeling (which the United States asserted is allowable under current WTO rules); and increased transparency in the WTO and the trading system--a longstanding U.S. objective.

*White House Policy Announcement.* On November 16, 1999, President Clinton issued a [White House Declaration on Environmental Trade Policy](#) that he described in the [accompanying statement](#) as “a declaration of principles to guide our negotiators in the new round of World Trade Organization negotiations that will begin later this month in Seattle. Through these principles, we will seek to ensure that trade rules continue to be support of (sic) environmental protections at home and abroad.”

The White House Declaration outlined the principles (following a long list of measures being taken outside the trade arena to seek international environmental protection) as follows:

- taking fully into account environmental implications throughout the course of negotiations, including a written environmental review; promoting transparency in the WTO through reforms, notably in dispute settlement, that assure the public may contribute to its work;
- strengthening cooperation between the WTO and international organizations with respect to environmental matters; identifying and pursuing “win-win” opportunities in which reducing or eliminating subsidies and opening markets can yield direct environmental benefits,

such as the recent moves to reduce subsidies to fishing industries and thereby reduce overfishing;

- complementing trade policies with policies that provide for high levels of environmental protection and effective enforcement of our laws; ensuring that trade rules do not undermine U.S. ability to maintain and enforce fully U.S. environmental laws; and
- ensuring appropriate inclusion on U.S. trade negotiation teams of environmental, health and safety officials, and encouraging U.S. trading partners to do likewise.

These principles had been espoused by U.S. trade spokespersons at various meetings over the past year. In addition to the trade and environment declaration, the President signed an [Executive Order](#) requiring environmental reviews of trade agreements. This made more formal, and outlined specific requirements for, the practice initiated with the environmental reviews done for the North American Free Trade Agreement (NAFTA) and the final Uruguay Round agreement. Those reviews had been faulted to some extent for their hurried and somewhat unsystematic preparation.

The United States position on the CTE at the Seattle meeting, as described by U.S. officials, was that the committee should be explicitly designed as a forum of discussion and study and should not be expected to serve as a forum for negotiating positions or recommendations. U.S. Trade Representative Charlene Barshefsky recently voiced the U.S. view that the environment “working group” should take a more “proactive” role on environment, providing input on environmental issues during negotiations across all issue areas.

Spokespersons from various environmental groups welcomed the Administration’s declaration, but some also expressed concern that the United States has not taken a strong leadership role in pushing environmental issues in the WTO. Among the issues environmental groups wished to see pursued at Seattle that are not included in the President’s list of principles for action at the meeting are resolving the way in which the WTO rules relate to multilateral environmental agreements (MEAs), assuring that trade measures agreed to in such MEAs will not be challenged under WTO rules, and resolving the PPM and eco-labelling issues. In the case of these issues, the President’s declaration indicated the Administration’s belief that current WTO rules would accommodate whatever actions the United States would deem appropriate and that these issues could be handled satisfactorily on a case-by-case basis.

Business spokespersons remain wary of many of these issues, in particular the PPM issue and eco-labelling, and express concerns that they open the door to disguised protectionism and trade barriers that will negatively affect U.S. business exports.

*Forest trade issues.* Another issue receiving increasing recent attention by environmental groups, especially during the run-up to Seattle is the possible negative impact on the world’s forests, especially in poorer developing countries, of further tariff reductions or elimination in the trade in forest products that might be included in WTO negotiations. The fear is that increased trade in forest products in the absence of additional protection for forests could lead to increased indiscriminate deforestation associated with logging. Threats to forests are also seen by some analysts in the reduction of non-tariff barriers that could include threats to labelling of forest products and changes

to phytosanitary standards. A recent report from the World Resources Institute (WRI) and the Center for International Environmental Law (CIEL), [\*Tree Trade: Liberalization of International Commerce in Forest Products: Risks and Opportunities\*](#) spells out these concerns with a series of recommendations. However, the USTR and the U.S. Council on Environmental Quality have released a [recent report](#) that argues tariff reductions would have minimal impact on world or U.S. forests.

*At Seattle and Beyond:* In an early October draft of a declaration for the Seattle meeting that would spell out negotiating goals, the WTO Secretariat included only minimal reference to environmental issues, resulting in statements from both U.S. government and NGO spokespersons that the draft was “insufficient” and needed work to remedy this deficiency. However, by the beginning of the WTO Seattle meeting, no agreement had been reached on a revised draft, and the meeting began without an agreed overall agenda. The discussions at Seattle eventually foundered on a number of difficult issues related to agriculture, e-commerce, and others; virtually no time was spent on environmental issues, and the stalemate did not involve them (although if they had come up, these issues would have presented a set of difficulties of their own).

The sometimes violent demonstrations in Seattle drew attention away from the specifics of environmental issues, which were largely lost in the fray. Although environment was often mentioned in headlines of news stories on the “battle of Seattle,” there was scant attention given within the text of these stories either to the substance of the concerns of environmental groups or to the environmental issues themselves. Environmental groups whose goals were to stop the WTO negotiations expressed satisfaction that the meeting had been ended without a go-ahead for another round of negotiations. However, those who had argued for specific consideration of environmental concerns at the Seattle ministerial and in any subsequent negotiations were frustrated by the lack of attention to their concerns.

In the official meetings themselves--which ended without agreement by WTO ministers on any of the key issues on whether and how a new round of negotiations might proceed--environmental issues did not receive major attention. How they will be dealt with in the coming months remains unclear. While the most noticed focus of dissension in the streets was on lack of openness in the WTO--and in some cases outright and very vocal opposition to the WTO as an institution--most of the mainstream environmental interests continue to argue for the need to focus on how WTO rules can constructively deal with the issues they have raised. And as the WTO continues to try to resolve what its next steps will be, continued opposition to including environmental concerns more explicitly in negotiations on the trading rules will be likely from developing countries and business groups. However, some observers have concluded that one outcome of the protests at Seattle is that a variety of social issues, including environmental impacts of trade, have become more visible and harder to ignore in subsequent negotiations and deliberations of the WTO.

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