

Developing World at the Intersection of Trade and Environment

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This Briefing Paper explores the intersection of trade and the environment, highlighting the importance of balancing sustainable consumption and production (SCP). It examines historical discussions within global trade, citing examples such as the Tuna-Dolphin and Shrimp- Turtle disputes at the General Agreement on Tariffs and Trade (GATT).

Following the conclusion of the Uruguay Round in 1994 and spurred by pressure from civil society, trade ministers from participating countries initiated a robust work programme on trade and environment within the World Trade Organisation (WTO). Subsequent WTO Ministerial Conferences have increasingly focused on the relationship between trade and the environment, establishing the WTO Committee on Trade and Environment (CTE), alongside addressing non-trade issues like investments and competition.

Furthermore, the paper proposes strategies to integrate development into trade and environmental discussions, increase participation in negotiations, address non-tariff barriers, and mitigate the shift of polluting industries to the Global South.

It advocates for a paradigm shift in global trade dynamics, urging a more equitable and inclusive approach that prioritises the developmental needs of all nations while advancing sustainability goals, emphasising a holistic strategy that considers both consumption and production patterns.

Introduction: Genesis of the Discourse

In today's economy, environmental issues loom large due to their profound impact on human activities and societal well-being, especially amidst escalating environmental degradation and climate change. Climate change disrupts agriculture, depletes resources, and affects international trade and human lives in various ways. It also has a close relationship with trade.

The symbiotic relationship between trade and the environment has been underscored by historical disputes like the Tuna-Dolphin and Shrimp-Turtle cases at the GATT. These highlight the tensions between trade liberalisation and environmental conservation, which includes biodiversity, thus sparking a global discourse on environmental considerations in trade.

The [Punta del Este Declaration](#) of 1986 initiated the Uruguay Round of the GATT. At the end of the Uruguay Round in 1994, with the existing provisions in the GATT (under Article XX), the background of the two disputes referred to above and strong pressure by civil society, trade ministers from participating countries decided to launch a comprehensive work programme on [trade and environment](#) in the WTO. [GATT's Article XX \(g\)](#) allows measures for conserving exhaustible natural resources and addressing environmental concerns in trade.

Gradually, the focus on Trade and Environment began at the first WTO Ministerial Conference ([MC1](#)) in Singapore (1996), marking the establishment of the WTO Committee on Trade and Environment (CTE) among other non-trade issues, such as investments and competition. Even before the dust could settle down the uptake on new issues was heaped upon an overburdened South. This was evident from the deliberations at the Doha Ministerial Conference in 2001 when the Global South pushed for discussion on implementation problems at the WTO. This led to a stand-alone declaration, but it was never fully resolved. However, Paragraph 51 of the [Doha Declaration](#) (2001) reinforced environmental considerations, integrating the work of the CTE into the broader WTO agenda for trade liberalisation.

More often than not, governments work in silos and the same is evident here as well. While these discussions were going on at the WTO none could connect them holistically to the problems which arise due to the impacts of trade on the ecology. Since June 1992 there has been considerable understanding of these problems in

another compartment of the governments and international organisations, particularly the UN Commission on Sustainable Development. Environmental impacts also arise from unsustainable consumption & production patterns.

This matter was expressed lucidly in Chapter IV of the Agenda 21 adopted at the Earth Summit in Rio de Janeiro in June 1992. The essence of this was also wrought into Section H of the UN Guidelines on Consumer Protection, 1985, which was brought into the text and ratified by the United Nations General Assembly (UNGA) in 1996.

Alas, while the section is elaborate on sustainable consumption it does not include the business responsibility of producing sustainably. When the 1996 amendments were being discussed, the US opposed any reference to sustainable production because the Guidelines are about consumer protection. Even under a section on business responsibilities, the Guidelines do not mention the environment. The US argued that sustainable production is covered under various other instruments, hence we need not mention it here.

Fortunately, the issue of sustainable production was captured in the Sustainable Development Goals (SDGs), 2030 agenda which was agreed to in 2015. This is reflected in Goal 12: Responsible Production and Consumption.

While the rich world prioritises sustainable or responsible production, they do not pay the same attention to sustainable consumption, which are closely interlinked. However, environment labelling schemes to promote market-based reforms for lower environmental burdens have been promoted extensively in the rich world. Except in the US, the thrust has been more on recycling from the government.

The imbalance between consumption and production is evident from the sustainable production strategies being pursued by the Carbon Border Adjustment Measures (CBAM) and Corporate Sustainability Due Diligence Directive (CSDDD) of the European Union.

More importantly, Chapter 4 of Agenda 21 of the [Rio Declaration](#) highlighted the need to address unsustainable patterns of production and consumption globally. It emphasised developing national policies and strategies to encourage changes in

consumption patterns, particularly in energy, transportation, waste management, and technology transfer.

The declaration underscored the importance of international cooperation to protect the environment and mitigate imbalances in consumption and production. It recognised the link between poverty and environmental degradation, attributing much of the problem to unsustainable consumption and production practices, particularly in industrialised nations. Addressing these issues is crucial for reducing environmental stress, alleviating poverty, and achieving sustainable development.

Often, the rich countries' emphasis on sustainable production serves as a protectionist measure, disregarding the concerns of the Global South. They should not passively accept the negative impacts of the Global North's initiatives under the guise of addressing trade and climate change. SDG12 must be addressed more effectively through the lens of the Global South to achieve balanced, sustainable production and consumption globally, which in the future would act as precautionary measures over protectionist remedies. MC13 could facilitate balanced and positive sustainable production and consumption integration, representing the Global South's voice in addressing these challenges.

Imperative for a Balanced and Positive Agenda

The intersection of trade and the environment underscores the need for equitable treatment and involvement of the Global South with an improved understanding of all the pros and cons. As we have seen on many occasions, the power dynamics in international negotiations often disadvantage them.

Two issues under negotiations at the WTO do address sustainable consumption issues, such as plastics and fishery subsidies. But even in the case of fisheries many in the whole world are artisanal fishermen and will need a differential approach. They depend on fishing as a livelihood issue and cannot even compete with the huge trawler fishing fleets which devour all the fish in the waters where they have been fishing for aeons.

Plastic pollution is being addressed by all countries in the world even before it became an agenda at the WTO. But human behaviour is responsible for the slow progress in

this area because of the existing production facilities and the lower costs of packaging using plastics.

The WTO-CTE emphasises aligning trade regulations with Multilateral Environmental Agreements (MEAs), emphasising the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC) to underscore the Global South's unique challenges. This principle is vital in addressing the asymmetry towards the level-playing field worldwide (Mehta & Sharma, 2024).

The need for actionable policies and achievable sustainable goals like SDG 12 in the trade and environment talks is to be noted, knowing that the translation of these ideals into policies is inconsistent. The Global South's developmental concerns are often overlooked by the Global North's pursuit of economic interests, generating inconclusive outcomes. Global trade fosters diverse lifestyles but does affect sustainable development, with SDG 12 highlighting the importance of "responsible production and consumption."

Developed nations like the European Union (EU) advocate for new measures such as CBAM and CSDDD, urging developing countries to align their production methods with their environmental standards. The EU's CBAM aims to address carbon leakage and promote global climate action by subjecting imported goods to the same carbon pricing mechanisms as domestic production. This helps safeguard EU industries' competitiveness and encourages investment in cleaner technologies. There is some spillover positive effect in the Global South which pushes its dirty production sectors towards cleaner processes, in so far as costs are bearable.

While CBAM signals the EU's commitment to climate change mitigation, it poses challenges for developing countries, including trade barriers, competitiveness issues, and limited resources for compliance. Addressing these challenges requires a comprehensive and balanced approach, including financial assistance, technology transfer, and preferential treatment for exports to the rich countries. Ultimately, CBAM implementation must balance environmental objectives with the needs of developing nations for sustainable development and inclusive growth.

Some economists are questioning traditional concepts of economic growth and underlining the importance of pursuing economic objectives that take account of the

full value of natural resource capital. More needs to be known about the role of consumption concerning economic growth and population dynamics to formulate coherent international and national policies.

The current trade and environment debate predominantly focuses on unsustainable production practices, neglecting the environmental repercussions of consumption-driven production, like beef, automobiles, timber, textiles, and agricultural consumptions. Major contributors to unsustainable consumption include meat consumption, plastic pollution, and fossil fuel usage. Methane emissions from livestock and plastic waste pollution pose significant environmental threats.

[Food](#) production contributes 26 percent of global greenhouse gas (GHG) emissions. Whereas [meat](#) production, notably beef, lamb, and dairy, contributes significantly to global GHG emissions, with methane emissions accounting for 14.5 percent of the total. Production of [100 grams](#) of beef protein emits an average of 25 kilograms of CO₂eq, but emissions range from 9 to 105 kilograms, showing the impact of production methods and locations.

Intensive livestock practices also lead to deforestation and water pollution. Sustainable agricultural practices and environmental-friendly production are essential for achieving climate mitigation goals, as highlighted by the Intergovernmental Panel on Climate Change (IPCC).

Sustainable consumption transcends product choices, advocating for broader lifestyle changes and fair trade. Purposive discussions within the WTO are crucial to addressing environmental challenges and empowering the Global South. Despite international recognition, the WTO has not been able to catalyse a holistic dialogue to discover equitable solutions. Presently, the burden unfairly falls on the Global South, reminding us of the application of principles like CBDR-RC for a level playing field.

Box 1: Environmental Standards and Poverty: Global Equity Strategies

The discourse on environmental standards highlights the tension between developed and developing nations, with developed countries advocating stringent measures while overlooking socio-economic implications for the latter. This bias leads to policies prioritising environmental protection over poverty alleviation, ignoring historical contexts and unfair advantage arguments.

Moral imperatives for environmental standards are debated amidst issues of sovereignty and equity. Developing countries stress prioritising poverty concerns and resisting unilateral impositions, calling for equitable negotiations and inclusive decision-making. Challenges persist in organising collectively against global pressures.

The study emphasises recognising socio-economic implications, prioritising poverty alleviation, and fostering collaborative efforts for sustainable development. *It underscores the necessity for equitable trade agreements, collective organisation among developing nations, and a balanced approach to addressing poverty and environmental concerns.* Achieving harmony demands inclusivity, equity, and mutual respect among nations.

Source: Pramod Dev M (2005), "Linkages between Environmental Standards and Poverty: A People-centred Approach", CUTS International, Jaipur

Therefore, at the upcoming WTO MC13, addressing sustainable consumption issues in the trade and environment debate should be prioritised due to its profound implications for trade, economic development, and environmental sustainability. This multilateral forum allows member states to collaborate on trade-related issues and establish policies that promote equitable and sustainable global trade.

By integrating discussions on sustainable consumption as the precautionary measure over the protectionist measure into the agenda of MC13, the WTO can play a pivotal role in advancing global efforts to mitigate environmental degradation and promote responsible consumption patterns.

Operationalising Initiatives towards Sustainable Consumption & Production

The debate on sustainability in global trade has historically centred on the distinction between the Global North and the Global South, with an emphasis on sustainable production over consumption. Initiatives like CBAM and CSDDD by the EU represent the Global North's focus on sustainable production. However, while aiming for sustainability through Non-Tariff Measures (NTMs), such approaches can inadvertently result in Non-Tariff Barriers (NTBs).

A balanced approach to sustainability requires aligning sustainable consumption and production (SCP) dimensions, deeply intertwined with trade dynamics. Trade policies respond to and shape consumer behaviour and market dynamics, impacting the availability and affordability of sustainably produced goods.

Box 2: Environmental Standards and their Trade Impact

This study by CUTS International delves into the intricate relationship between consumption, globalisation and governance, with a primary focus on the environmental standards affecting the Indian Textiles & Clothing (T&C) sector.

The paper addresses critical issues, including the escalating influence of environmental labels on trade dynamics and the associated socio-cultural-political regimes and barriers, particularly in European markets. It scrutinises the economic implications, both costs and benefits, for stakeholders involved in the T&C sector due to the implementation of environmental standards.

Additionally, the study sheds light on stakeholder perceptions concerning demand-side factors and supply-side concerns within the Indian T&C industry. Through capacity-building initiatives, the project aims to enhance comprehension of environmental standards among Indian stakeholders, emphasising sustainable production and trade practices.

The overarching objective is to recommend governance system changes that align standards with consumer preferences, fostering a pathway toward sustainable consumption and contributing to a globally sustainable future.

Source: A Study of Environmental Standards and their Trade Impact on Indian Textiles & Clothing Sector (2013), CUTS International, Jaipur

Henceforth, [All member](#) states must work towards promoting sustainable consumption. The Global North should lead by example in adopting sustainable consumption practices not just by ticking the convenience boxes but by addressing unsustainable practices like farm subsidies which have a huge environmental burden.

On the other hand, the Global South should integrate SCP into its developmental strategies. In any further discussion on the responsibilities of the Global South one will have to keep in mind the principle of CBDR-RC.

The discussion on sustainable consumption within trade extends beyond rhetoric, emphasising the role of partnerships in facilitating the transfer of environmentally friendly technologies. Governments and private-sector entities are actively promoting sustainable consumption through education, awareness programmes, and eco-friendly advertising, reshaping trade-related policies.

Developing countries support initiatives like SCP in line with SDG12 and UN Guidelines for Consumer Protection (UNGCP), emphasising value changes in developed countries and technology transfer for low-carbon production to foster sustainability.

Among other initiatives undertaken by various developing countries, India's [Lifestyle for the Environment](#) (LiFE) Initiative, launched during COP26 by India's Prime Minister and further adopted at the G20 Summit in September 2023 shows India's commitment to embracing SCP patterns. It aims to promote tangible shifts towards SCP.

By highlighting the connection between lifestyle choices and environmental impact, LiFE encourages individuals to adopt planet-friendly practices. The initiative emphasises the importance of holistic approaches, recognising the roles of both consumers and producers in achieving sustainability goals.

Achieving a balance between SCP is paramount and requires action in both developed and developing nations. While initiatives such as the one mentioned emphasise the importance of sustainable consumption, developed nations would employ measures like CBAM and CSDDD to promote sustainable production praxis.

Box 3: Country Specific SCP Initiatives

India: Lifestyle for the Environment (LiFE)

Launched at the COP27 by India's Prime Minister, LiFE is a noteworthy initiative that promotes sustainable lifestyles globally. It acknowledges the significant impact of consumption patterns on environmental and developmental outcomes, emphasising a holistic approach that intertwines production and consumption practices.

Malaysia: National Sustainable Consumption and Production Blueprint

Malaysia has positioned sustainable consumption and production at the core of its national planning process. The National Sustainable Consumption and Production Blueprint 2016-2030 outlines ten complementary pathways, including public procurement, circular economy practices, and coordination and monitoring.

Vietnam: National Action Plan on SCP

Vietnam recently adopted a National Action Plan on SCP, demonstrating a commitment to addressing environmental challenges through coordinated efforts. This aligns with broader SDGs and emphasises the importance of considering both consumption and production.

Thailand: Circular Economy Initiatives

Thailand, in collaboration with the Tourism Authority of Thailand, Expedia, and United Nations Educational, Scientific and Cultural Organisation (UNESCO), has embarked on sustainable tourism pledges. The focus is on eliminating single-use plastics and promoting local culture, exemplifying a circular economy approach that integrates both production and consumption practices.

Bhutan: Environment Strategy

Bhutan has integrated sustainable consumption and production into its Environment Strategy, reflecting a commitment to aligning environmental goals with developmental outcomes. The country is developing a national action plan specifically dedicated to sustainable consumption and production.

South Korea: Green Public Procurement

South Korea introduced initiatives, including green public procurement guidelines and the Korea Eco-label, showcasing the integration of sustainable consumption in public procurement processes. The emphasis on green products is designed to stimulate public demand, contributing to the creation of a green market.

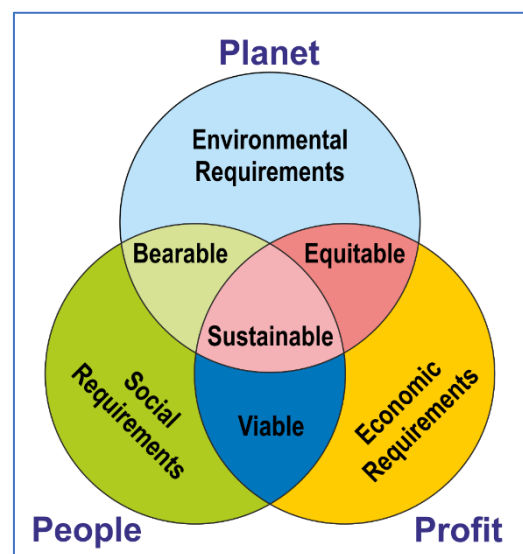
Source: SGG 12 Global Profile Report by UNESCAP

These initiatives must converge and adopt a holistic approach, ensuring that both SCP dimensions are addressed equitably. This collaborative effort is essential in paving the way for a sustainable future that benefits all stakeholders, where no one is left behind.

In moving forward, bridging the gap between WTO negotiations and those under the UNFCCC is essential. Collaboration and information exchange are vital, emphasising the identification and implementation of Triple-Win Solutions that concurrently drive economic, social, and environmental progress. This imperative aligns with the vision at the UN Conference on the Human Environment in Stockholm in 1972.

Conclusion and the Way Forward

The WTO actively encourages increased openness in trade to foster sustainable development, allowing its members the flexibility required to pursue environmental and health-related goals. It emphasises the importance of distinguishing between trade measures genuinely designed to achieve environmental objectives and those implemented as covert restrictions without justification or in an arbitrary manner.



While the WTO does not have specific rules dedicated to climate change, the existing [‘toolbox’](#) of WTO rules is applicable. The WTO serves as a legal framework that could ensure predictability, transparency, and fair implementation of measures related to climate change.

Climate change poses multifaceted challenges to key sectors like agriculture, forestry, fisheries, tourism, habitation and livelihoods impacting developing countries significantly, whose large populations are also living below the poverty line. Extreme weather events disrupt critical infrastructure and raise international trade costs.

Over the past decade, several countries have formulated diverse policies to confront climate change, encompassing standards, subsidies, tradable permits, and taxes. Crafting these policies involves a delicate balance for governments, aiming to strike a chord that imposes minimal costs on the economy while effectively addressing climate

change. The industrial sector is particularly focused on maintaining competitiveness amidst ongoing climate mitigation efforts.

In the current landscape, some governments are contemplating the use of trade measures as part of their strategy against climate change. These measures could involve applying border measures to imported products based on their carbon footprint. This topic has been brought up in discussions within the UNFCCC by several countries.

An ongoing debate surrounds the intricacies of calculating the carbon footprint, especially in today's increasingly globalised market where products are manufactured across various countries. The challenge lies in determining a method that accurately reflects the environmental impact of products in this complex and interconnected production landscape.

Even biodiversity is at risk as pointed out by the COP15 on Biodiversity held in Montreal in December 2023 including asserting the symbiotic relationship with climate change and global warming. Both COP15 on Biodiversity and COP28 on Climate Change pointed out the need for trillions of dollars to repair the damage caused but that there is no positive movement toward raising the necessary finance thus the target of achieving 1.5 degrees centigrade is impossible.

Indeed, SCP policies and praxis can help the situation and will need to be considered in the holistic trade and environment discussions for being incorporated into relevant accords.

Enhanced Participation in Trade and Environment Negotiations

- Actively engage in trade and environment discussions, ensuring strategic measures for improvement, particularly the original mandate of the WTO CTE
- Advocate for inclusive participation in WTO negotiations, establish dedicated working groups, and enhance South-South cooperation to bolster collective bargaining power

Stop Shifting Polluting Industries to the Global South

- Monitor the movement of polluting industries from developed to developing countries
- Assess the implications of such shifts on the local environment and use the findings to negotiate concessions under Special & Differential Treatment provisions in existing and future WTO agreements

Mainstream Development into Trade and Environment Discourse

- Utilise frameworks, such as SDT and CBDR-RC to support developmental perspectives of trade and environment, including that for reducing environmentally harmful subsidies in agriculture and allied sectors
- Integrate flexibility mechanisms in trade agreements, such as differentiated timelines and commitments, to align trade policies with sustainable production and consumption
- Ensure transfer of technology on reasonable terms to facilitate sustainable production by incentivising their intellectual property rights holders
- Ensure that SCP principles are taken on board while discussing any trade and environmental measure

Tackling NTBs on Environmental Goods and Services

- Address NTBs in environmental goods and services through collaborative efforts, advocating their elimination or reduction and tariffication
- Implement transparent guidelines for the assessment and resolution of NTBs to ensure fair access to markets and promote environmentally sustainable trade practices

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