

34. 自由貿易は環境に悪影響を及ぼすか？

IS FREE TRADE GOOD FOR THE ENVIRONMENT OR NOT ?

尾曲 永子*

Hisako OMAGARI*

Abstract; The relationship between environmental protection and the movement toward free trade has become an issue of conflict through growing international economic interdependence. Such interdependence has brought many benefits and global welfare from increased trade, but also has caused many severe environmental problems, not only at national levels, but also at international levels. The arguments between free trade and environmental protection are divided into the following six concerns which are ① environmental regulations and business competitiveness, ② economic development and natural resources, ③ environmental preferences and sovereignty, ④ the internalization of environmental values, ⑤ harmonization of environmental standards and ⑥ the effects of free trade on developing countries. GATT (the WTO) should take the initiative to solve the problems and conflicts between trade liberalization and environmental protection because by 1993, 108 countries had signed the GATT (the WTO).

Keywords; Free trade, Environmental protection, Conflicts, GATT

Introduction

The movement toward free trade and the need for environmental protection has caused great concern in many countries. Increased trade has contributed to economic growth, prosperity and international political stability through international economic interdependence among nations.¹ However, it is also the case that this economic interdependence has caused many national and international environmental problems, such as domestic soil erosion by the overuse of chemical fertilizers and the depletion of the ozone layer through (mainly) the use of CFCs.

Conflicts between free trade supporters and environmentalists are deeply rooted, as the relationship between free trade and environmental protection has involved other issues, such as international and national laws, and national sovereignty.² Therefore, it is extremely difficult to resolve these conflicts and to find new ways to promote economic growth and also protect the environment.

In this paper, I will describe the reasons for the conflict between trade liberalization and environmental protection and consider that whether free trade contributes to environmental degradation, and whether environment protectionism tends to inhibit some of the benefits of free trade. In this context, I will discuss the role of the GATT (now renamed WTO) and its weaknesses.

In section one, I will describe the concept and the benefits of free trade. In section two, I will discuss the conflicts between trade liberalization and environmental protection, and in each sector, I will explain what they have to fear from each other, and how each has affected the other. In section three, I will describe the role of GATT and its problems, and suggest how the new GATT (the WTO) will view environmental issues in the world trade system. In conclusion, I will summarise the findings of this paper and suggest how far GATT (the WTO) has been lacking in awareness of the effects of trade on the environment.

*;財団法人日本環境衛生センター 総局企画部国際協力室

*;Office of International Cooperation, JAPAN ENVIRONMENTAL SANITATION CENTER

1. What is free trade?

Free trade is the exchange of goods and services among nations without limits. But this does not mean that free trade has no rules. Standards for products, the protection of workers and environmental regulations are still necessary. However, these rules should not be applied in such a way as to discriminate between foreign countries and businesses.

The basic concept of free trade is to make every country strong through its economic activities, but over and above this economic advantage, it has been promoted to make international politics stable through cooperation and interdependence among countries.³ These are the two main goals of free trade.

2. The conflict between free trade and environmental protection

As I mentioned in the introduction, the conflicts between environmental protection and the movement toward free trade are deeply rooted so that it is extremely difficult to find a way that promotes economic growth and, at the same time, protects the environment. In this section, I will describe the reasons why free trade supporters and environmentalists have conflicted with each other and how they have affected, or will affect each other if they pursue their interests or goals.

2.1 Environmental regulations and business competitiveness

Free trade advocates think that more stringent environmental regulations hinder open economic competition among countries. For example, nations which lack the means to apply technological advances for environmental protection have difficulty in trading with other countries which have established higher environmental standards. Moreover, free trade supporters insist that if countries have different environmental regulations, this may also affect their competitiveness in business. If environmental regulations in country A are lower than in country B, it is easier for a company in country A to gain higher profits than a similar one in country B. As an example of disadvantage in business, senator David L. BOREN of Oklahoma said

some US manufactures, such as the US carbon and steel alloy industry, spend as much as 250 percent more on environmental controls as a percentage of gross domestic product than do other countries....I see the unfair advantage enjoyed by other nations exploiting the environment and public health for economic gain when I look at many industries important to my own state.⁴

In addition, free trade supporters argue that regulations to protect the environment tend to be barriers to free trade because they defend domestic products from outside countries. For example, the US bans the import of tuna fish from Mexico as the Mexican method of catching tuna causes dolphins to die as well. Due to these concerns, free trade advocates have maintained the need to harmonize environmental regulations throughout the world, because if all nations have the same environmental standards, countries will be able to compete with other states without any country being favored over another.⁵

Environmentalists worry that free trade will loosen existing environmental regulations as a result of pressure from uncompetitive businesses, and cause environmental degradation through increased economic activity. They argue that lack of environmental regulations and increased economic activity leads to the unsustainable consumption of natural resources and increases waste production. Another possible cause of environmental degradation is that businesses might take

advantage of free trade and of different environmental regulations. For example, if environmental standards are set lower in country A than in country B, companies in country B tend to move into country A to operate their factories to reduce their production costs and to gain benefits. The relationship between the US and Mexico is an example as many US companies move to Mexico to decrease their production costs because environmental regulations in Mexico are more lax than those in the US.

Environmentalists also fear that 'market access agreements and rules to enforce them (i.e., negotiated restrictions on the scope and effect of national regulations, called "disciplines" in trade parlance) will effectively force harmonization of environmental standards at the lowest common denominator or at average levels.'⁶ Therefore, they insist that trade rules should not prevent nations from setting their own environmental regulations, and that countries can use trade sanctions to protect their environment and people's health in their countries. Environmentalists also think that setting the trade standards to achieve environmental protection which free trade supporters propose are problematic and would not be effective.⁷

2.2 Economic development and natural resources

Free trade advocates argue that free trade promotes the efficiency of using natural resources through 'utilizing economies of scale, penalizing overproduction, and eliminating subsidies'.⁸ An example of the negative impact on the environment is that the US and European Community which have a subsidization policy for agriculture, and so farmers have tended to use chemical fertilizers to achieve higher yields, which in turn cause soil erosion and pesticide pollution.⁹

Equally, in the 1992 Trade and Environment Report, the GATT Secretariat claims that 'the international trade regime supports environmental protection by increasing the efficiency of resource use and raising incomes, making possible increased expenditures on the environment.'¹⁰

On the other hand, environmentalists fear that the core principal of free trade, which is that comparative advantages promote economic growth in each nation's specialization, forces developing countries to exploit their natural resources or to depend on certain agricultural crops as their main export items. It is undoubtedly the case that this tendency causes environmental degradation through the overused chemical fertilizers to achieve higher yields. Moreover, some environmentalists suggest that economic specialization undermines countries' efforts to promote diversified, community-based economies that are less resource-intensive and harmonize with local ecological constraints.¹¹

2.3 Environmental protection through economic growth

Free trade advocates think that environmentalists believe that free trade promotes economic growth, but that it increases environmental degradation. However, this economic growth enables governments not only to protect natural resources through imposing taxes or raising their amount, but also to reduce pollution and to promote general protection of the environment. Without government revenues, it is difficult to pursue aims of environmental protection. For example, there are more environmental protection groups in developed countries than in developing countries, and sulfur dioxide pollution falls as per capita income rises, indicating the relation between wealth and rising environmental awareness. Equally, the Bush and Clinton administrations insisted that the North American Free Trade Agreement would contribute to improving the environmental situation in Mexico through economic development that creates funds for environmental investment.

¹²

The Brundtland Report argues that 'environmental protection supports long-term economic growth—that is, sustainable development—and that prosperity, promoted by trade liberalization, enhances the prospects for sustained support for environmental protection.'¹³ Another example showing evidence of the relation between prosperity and environmental protection, is that air and water

quality in OECD countries is higher than in developing countries, even though greater amounts of emissions are generated in OECD countries. Grossman and Krueger's (1993) study shows that when developing nations start industrialization, they suffer from increased pollution. But after they reach middle-income levels (about \$5,000 GDP per capita), they spend much money on pollution controls. Therefore, free trade promotes environmental protection. If trade barriers prevent economic growth in developing countries, they also hinder these nations' ability to raise environmental standards.¹⁴

From the environmentalists' point of view, a 1991 Austrian government report describes, in one of the few studies about the effect of free trade on the environment, how if increased goods are made from nonrenewable resources or pollution is caused from the processes of production the expansion of trade will bring environmental degradation. In addition, the increase in the oil consumption required for the transportation of the increased amount of goods also creates pollution.¹⁵ This study plainly contradicts the assumption that increased economic growth with naturally cultivate improvements to environmental pollution without control being automatically necessary.

2.4 Environmental preferences and sovereignty

Free trade supporters think that environmentalists oppose free trade as a way of imposing their environmental value on other communities and countries. For example, environmentalists are in favor of the US trade sanctions against Mexico because the method of tuna fishing in Mexico kills dolphins. But, it could be argued that it is not appropriate for another state to use its power in this way, i.e. a strong nation (US) using economic power over a weaker one (Mexico). Moreover, the question of other values, such as human rights, is not acknowledged in this case. (E.g. the right to work—Mexicans may lose their jobs.) If many countries use their value systems as a satisfaction for suspending the trade with other countries, free trade system and the stability of the international markets will be weakened. Another example is where German laws whose aim is to reduce solid waste problems, caused Kenyan flower producers to be driven out of the German market because German law requires packing materials to be recycled or to be reused in a certain fixed percentage. This meant that Kenyan flower producers had to fly empty flower crates back to Africa, but of course, this was not reasonable for Kenyan flower producers as it involved very high costs, so they decided to end their business within Germany.¹⁶

Environmentalists insist that each country has a sovereign right to declare different environmental policies to protect the environment. The US policy that bans tuna imports from Mexico ignores Mexico's sovereign right to conduct its business in the way it sees fit. But, from the opposite point of view, the US economic sanctions against Mexican tuna shows that the US can use its environmental policy to protect the environment. From this example, it can be said that there are two possibilities for nations to use their sovereign right. One is to relax environmental standards and promote foreign industries' operation in their home countries even if this causes environmental damage. The other is to impose higher environmental regulations on other countries to protect their own domestic industry and the environment of their countries.

From another perspective, environmentalists argue that it is natural for each country to have its own environmental standards because even if two countries have the same environmental objectives, the way in which nations tackle pollution, and the ways in which nations regulate industrial activities, are not same.¹⁷

2.5 The internalization of environmental values

Free trade advocates argue that if environmental costs are reflected properly in the market, the environmental damage caused by free trade will be reduced or eliminated. Robert Repetto,

Richard Stewart, Anderson and Blackhurst insist that if free trade and environmental regulations have the same objective, that is to make use of resources more efficiently, they will not conflict with each other. To reconcile economic development and environmental protection, it is necessary to enforce the 'polluter pays principle' and to internalize environmental values. If the value of the environment is taken into account (i.e. the use of clean air is not free), free trade will not only increase national and global welfare, but also bring efficiency in the use of natural resources, encourage technological innovation and improve productivity which protect the environment.

However, there are four difficulties in accomplishing these objectives. Firstly, it is hard to internalize environmental costs into market prices in practice, because, for example, if the effects of air pollution damage the market, the market will not protect the environment. Moreover, as the costs of many natural resources do not reflect their proper value, it is difficult to allocate natural resources efficiently or minimize the emissions of pollutants through technological innovation.

Secondly, it is hard to implement the polluter pays principle. Pearson argues that there are problems of 'who pays internalized costs, how much polluters should pay, which economic instruments are compatible with the principle, and how equity and fairness considerations are taken into account.'¹⁸

Thirdly, it is difficult to put environmental prices on natural resources because natural resources (such as air) tend to be regarded as communal property, that everyone can breathe or pollute. Because of the difficulty of charging for the use communal property, it seems that communal property tends to be utilized without consideration.

Fourthly, people tend to ignore the effect of environmental problems on future generations, as these problems take a long time to have effects.¹⁹

2.6 Harmonization of environmental standards

Free trade supporters insist on the need to set harmonized environmental standards because they believe that different environmental regulations hinder open economic competitiveness and bring unfairness. As a suggestion toward making harmonized standards for environmental protection, the Dunkel draft proposed that each country adopt international environmental standards, and does not make their own standards to prevent higher regulations in their nations being set. On the other hand, the Austrian researchers suggested that countries with stringent production standards to protect the environment should have the right to charge high tariffs for imported goods that have not had strict environmental regulations imposed on them. They insist that to harmonize environmental regulations should mean to set minimum standards, and to prevent domestic environmental degradation, some subsidization of specific items should be free from GATT rules. They also argue that GATT should draw up national laws and international agreements that protect wildlife, natural forests and marine fisheries. In order to set harmonized environmental standards, the role of local and national governments' laws that reflect local ecological conditions and local value preferences should be considered first.²⁰

2.7 The effects of free trade on developing countries

An Organization for Economic Co-operation and Development (OECD) study shows that the new GATT (the World Trade Organization) would bring a \$200–300 billion increase in trade, but this would mostly benefit developed countries and not developing countries. Chakravarthi Raghavan, Chief Editor of SUNS, a Third World news service, and author of the first assessment of the new GATT said that

in theory, all contracting parties to GATT are equal, and GATT's consensus decision-making process appears to be democratic. But in practice, when the weaker trading

countries have tried to assert themselves, they have been ignored or told that the countries with the largest share of world trade have more at stake in the trading system and its rules, and so their views should prevail.²¹

Environmentalists in developing countries accuse the developed countries of 'eco-imperialism'. An India magazine, 'Down to Earth', in its editorial stated

In the current world reality, trade is used as an instrument entirely by Northern countries to discipline environmentally errant nations. Surely, if India or Kenya were to threaten to stop trade with the US, it would hardly affect the latter. But the fact of the matter is that it is the Northern countries that have the greatest [adverse] impact on the world's environment.²²

2.8 Other aspects

Environmentalists are concerned about the use of scientific tests to decide which products can be imported or not, as it is easy to get different results from different studies.

Environmentalists were also worried about the GATT rules. GATT permitted a country to have regulations that do not discriminate against foreign suppliers, and regulations that discriminate against trade with certain countries for reasons of safety and health. The regulations that GATT allowed are based on three factors. Firstly, regulations are to protect not the environment, but local business. Secondly, a state may introduce stricter standards than necessary to accomplish its environmental objectives. Thirdly, a country may introduce regulations without any scientific basis for them. Because of these three factors, environmentalists were worried about the GATT rules.²³

3. The role of GATT and its weakness

The WTO (the World Trade Organization) was founded in January, 1995 as the institution of replacement of GATT. However, it is too early to judge its role in world trade and the effects on the environment. Therefore, in this section, I will describe the role of the former negotiator for world trade, GATT, and its weakness in promoting environmental protection because the WTO has taken over the role of GATT.

GATT was established in 1948 to make the major multilateral agreements on the trade rules which provided a framework for international trade policy and a forum for trade disputes. By 1993, 108 countries had signed the GATT agreement and GATT governed about 90 percent of free bilateral trade in the world. It was one of the three main influential world institutions, together with the World Bank and the IMF.

GATT's major aim was to reduce tariffs and increase world trade. Between 1948 and 1993, tariffs on manufactured goods fell from 40 percent to 5 percent. However, many items, such as agricultural commodities and banking and insurance services were exempted from GATT's provisions. The negotiations for establishing the WTO aimed to expand provision to cover more goods and services and to introduce more non-tariff barriers to trade.²⁴

As for the environment, the Dunkel draft, that is the latest Uruguay Round draft agreement of GATT, was made to set principals for environmental regulations. These principals are: (1) 'Multilateralism-Actions affecting trade between countries must be taken under widely accepted international rules.' (2) 'Non-discrimination-All trading partners should be treated equally and foreign companies should have the same rights as domestic concerns.' (3) 'Harmonization-In order to follow the principles of multilateralism and non-discrimination, domestic business regulations should not exceed international standards.'²⁵

From these principals, it is obviously clear that the Dunkel draft does not consider

environmental protection. Moreover, the word, 'environment' does not appear in the Dunkel draft, even though trade is a key issue in terms of the amount of natural resources used and the maintenance of the quality of the environment. The aims of the negotiations of WTO had been to achieve the liberalization of world trade, not to protect the environment. Furthermore, as mentioned before, some GATT experts believe that free trade helps promote better environmental conditions, especially in developing countries.²⁶

Conclusion

It is obvious that the conflicts between trade liberalization and environmental protection are extremely complicated and it is difficult to find solutions to these conflicts. Increased trade has contributed and will contribute to economic growth, prosperity and international political stability. On the other hand, it is a fact that this trade has caused much environmental degradation not only at national levels, but also at international levels, and these environmental issues have been the cause of dissension between bilateral and multilateral negotiations on trade.

The arguments between free trade and environmental protection are divided into the following six concerns. Firstly, free trade advocates argue that different environmental regulations hinder business competitiveness and cause unfair trading conditions among nations, whereas environmentalists insist that the liberalization of trade loosens existing environmental regulations, and causes environmental pollution and leads to the unsustainable consumption of natural resources. They are also worried that business world may use the advantage of free trade and move into foreign countries whose environmental regulations are more lax than in their domestic market, in order to reduce its production costs and to gain many benefits.

Secondly, free trade supporters insist that trade liberalization promotes the efficient use of natural resources and reduces environmental problems by using the profits from economic growth. On the other hand, environmentalists argue that economic development through specialized items forces developing countries to exploit their natural resources and tends to encourage them to depend on in particular, agricultural crops and hence overuse chemical fertilizers. They also insist that if an increasing volume of goods are from nonrenewable resources or pollution is caused by the process of production, the expansion of trade will bring environmental degradation, not help solve the problem.

Thirdly, free trade advocates argue that using environmental preference to protect domestic products hinders the free trade system and international stability, whereas environmentalists insist that each country has a sovereign right to declare different environmental policies to protect their environment.

Fourthly, free trade supporters argue that if environmental costs are reflected properly in the market, environmental degradation will be reduced or eliminated. However, it is extremely difficult to enforce regulations because the market itself does not exist for the purpose of environmental protection, it is hard to decide who should pay or how much should be paid for the internalization of environmental costs because it is difficult to put environmental prices on communal property, such as air, and people tend to not consider the effects of environmental degradation on future generations.

Fifthly, free trade advocates insist on the need to set harmonized environmental standards (the same environmental regulations), as different regulations prevent an open economy and cause unfairness. On the other hand, environmentalists insist that harmonized environmental standards will lead to be lower and limited and still cause environmental degradation.

Lastly, environmentalists in developing countries claim that current world trade regulations are to the advantage of developed countries, not developing countries.

It seems that all the above points have validity but each interest group expresses their concerns from their point of view. Even though free trade advocates insist it is possible to internalize environmental costs into the market to protect the environment, it is difficult to implement them within the current economic system. Therefore, GATT (the WTO) should have taken or should now take the initiative to solve the problems and conflicts between trade liberalization and environmental protection, as only GATT (the WTO) was and is acknowledged to have the right to negotiate multilateral agreements that countries have signed to agree to and accept. However, unfortunately, GATT tried to reduce tariffs to increase world trade, but never considered the effects increased free trade would have on the environment. It is not clear exactly how people should respond or what they should do to try to solve them. But I believe that it is time for these problems to be considered seriously, and action to be taken because by 1993, 108 countries had signed the GATT (the WTO), and the WTO is the only institution which has the ability to deal with world trade and its associated problems.

Endnotes

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