

Committee on Trade and Environment

REPORT OF THE MEETING HELD ON 26-27 OCTOBER 1998

Note by the Secretariat

1. The Committee on Trade and Environment (CTE) met on 26-27 October 1998 under the chairmanship of Ambassador C.M. See of Singapore. The agenda in WTO/AIR/914 was adopted.

2. The Chairman recalled that, following the CTE's agreement at the 23-24 March meeting, the Secretariat of the Intergovernmental Forum on Forests (IFF) had been invited to brief Members on the trade-related developments at its second session, 20 August-4 September 1998. As the IFF Secretariat was unable to participate, it had circulated an informal note on its second session.

Item 9 The work programme envisaged in the Decision on Trade in Services and the Environment

3. The representative of Egypt said that the US paper (WT/CTE/W/70) dealt with trade liberalization of environmental services, which fell under the market access cluster. Although the paper stated that the biggest obstacle to growth of a domestic environmental services industry was the lack of environmental regulations and standards, obstacles were rather related to the need to address other concerns, such as poverty alleviation, and economic and social financing. It would be difficult to strike the balance in developing countries referred to in paragraph 11 with the limited financial resources which were available to import environmental goods and services. UNCTAD's submission (WT/CTE/W/96) on its Expert Meeting on "Strengthening capacities in developing countries to develop their environmental services sector" touched on important elements, such as that around eighty per cent of total revenues of the global environmental market was generated in developed countries. Egypt supported the conclusions of the Expert Meeting, particularly that the preconditions for the realization of liberalization of environmental goods and services should be put in place. Although many developing countries had in place environmental legislation and institutions, a lack of finance and environmentally sound technologies impeded their efforts to achieve environmental objectives. Transfer of environmentally sound technologies was crucial and the willingness of developed countries to give incentives to enterprises and multilateral institutions to provide technology on fair conditions through capacity building and joint ventures would help developing countries to address environmental problems and would benefit technology providers in maintaining demand for environmental goods and services.

4. The representative of Japan said that the papers from the US and the WTO and UNCTAD Secretariats contained information on the relationship between services trade and the environment upon which to base further CTE work. To tackle regional and global environmental concerns, a reasonable and effective environmentally sound infrastructure was necessary. Liberalizing environmental services would reduce the costs of environmental services enabling countries to obtain services through competition and technological innovation. Japan hoped that in the next round more Members would schedule GATS commitments on market access and national treatment in this area.

5. The representative of Norway said that the CTE had advanced in addressing the relationship between services trade and the environment, including whether any modification of GATS Article XIV was required. Liberalizing trade in environmental goods and services had been the

subject of analysis in the CTE, UNCTAD and the OECD. Environmental services had also been addressed in the Council for Trade in Services. There appeared to be "win-win" gains from liberalizing trade in environmental goods and services, provided that adequate environmental policies were in place. Domestic policies, regulations, and public purchasing were among the most important driving forces in the market for environmental products. The holistic development of markets, moving from end-of-pipe solutions to integrated clean technologies and production, required that environmental goods and services be regarded as a package. Trade policy should recognize this development so that trade barriers, which made environmental policies costly, were eliminated. Countries with high barriers should find that environmental goods and services could become cheaper, which would facilitate the implementation of environmental policies. In this respect, developing country capacity should be enhanced. The classification of environmental goods and services should be adjusted to the concept of an integrated market. The Committee on Special Commitments under the Council for Trade in Services will look at the environmental services classification. Environmental concerns should be an important element in the GATS 2000 negotiations. Norway asked whether the CTE, in cooperation with the respective Council for Trade in Services Bodies and other organizations, could provide input on classification by compiling an illustrative list of barriers to trade in environmental goods and services, the latter based on S/C/W/46.

6. The representative of Canada said that the papers prepared by the US, and the WTO and UNCTAD Secretariats highlighted the importance of environmental legislation, its enforcement and economic and market-based instruments in creating demand for and trade in environmental services. These documents illustrated the opportunities for "win-win" scenarios involving trade liberalization and the environment. Canada encouraged the CTE to provide input on environmental services to complement work in the Council for Trade in Services. The Committee on Specific Commitments was examining classification issues that may assist in developing the understanding of environmental services. Canada encouraged information sharing on environmental services between the CTE and other Bodies within the WTO and elsewhere to develop an understanding of definition and classification, market access and the environmental benefits of liberalization of the environmental services and other services sectors.

7. The representative of Argentina supported the conclusions in paragraphs 14 and 15 of the US paper, which should be discussed under Item 6. Discussion of Item 9 should be devoted to determining if any modification of GATS Article XVI were required. As Article XIV was related to GATT Article XX, for which there had not been any conclusions, this issue had been put aside. The US paper would enrich the discussions under Item 6, which to date had only focused on a few sectors. The definition of environmental services in paragraph 2 of the US paper should be narrowed to enable a focused discussion as not every economic activity which benefits the environment should be considered an environmental service. Paragraph 21 of WT/CTE/W/96 stated that the internalisation of environmental costs could be a viable tool to pass the costs of environmental improvements to consumers. This should read to polluters not consumers. Internalisation of environmental costs should enhance the polluter pays principle (PPP) and not shift production costs to consumers, unless consumption was the root of the environmental externality being addressed.

8. The representative of Mexico said that the Decision on Trade in Services and the Environment mandated the CTE to determine whether any modification of GATS Article XIV were required. As the US paper was related to the liberalization of services trade which concerned market access, it would best be discussed under Item 6. The issue as to whether environmental externalities should be borne by producers or consumers was not clear. Although this subject had not yet been dealt with in depth, Mexico was not certain that it was only the PPP that was relevant as consumers also had a responsibility. The US paper would help to explore these issues further.

9. The representative of the United States welcomed comments on his delegation's paper (WT/CTE/W/70), which had been introduced under Item 6. Discussion of Item 9 should not necessarily be limited to the issue of GATS Article XIV. However, liberalization of trade in

environmental services could be discussed under Item 6 along with the other sectors for which market access was being discussed. Liberalization in this sector could yield both trade and environmental benefits. The US appreciated Egypt's participation, including capital-based experts, in UNCTAD's Expert Meeting. Environmental benefits could be achieved at lower cost through the use of, and access to environmental services. There had been a shift in analysis of environmental problems from end-of-pipe solutions to more integrated approaches. To the extent that environmental services were available and not encumbered by trade barriers, governments would have access to them at less cost. The private sector had a critical role to play with respect to technology transfer, which would be facilitated by liberalization. On the definition of environmental services, the purpose of the US paper was to be descriptive. As APEC and the Council on Trade in Services were developing a definition of environmental services, the US was not sure the CTE could contribute in this respect.

10. The representative of India said that it was important to maintain a balance in the discussions. Although a "win-win" scenario may exist for suppliers of environmental services, developing countries may face problems with financing. Enhanced market access would permit developing countries to address environmental concerns.

11. The observer of UNCTAD said that the main recommendations adopted at UNCTAD's Expert Meeting were that the international community can facilitate the access of developing countries to environmental goods and services and help them strengthen their domestic capacities in this field through improved access to financing and technical support for capacity building. Governments should establish a regulatory framework within which to enforce environmental regulations based on a combination of regulatory, market and information-based instruments. Developed country Governments should help developing countries gain access to environmentally sound technologies (ESTs), especially prevention technologies. Developing country Governments should improve their capacity to absorb and adapt ESTs, including through the protection of intellectual property rights. UNCTAD would publish the papers prepared for the Expert Meeting.

12. the observer of the OECD said that it was undertaking a project to define environmental services and determine the principal barriers to services trade and clarify the extent to which the GATS environmental services categories could be elaborated to incorporate a definition reflecting the integrated way in which environmental services were provided. To determine barriers to trade in environmental services, the OECD was constructing inventories for around 30 countries. Country inventories listed GATS commitments and applied measures to illustrate any gaps in bindings. This would be the basis for a reference list of common barriers in the environmental services industry. The initial inventories would be presented to the OECD Joint Session of Trade and Environment Experts and to the Working Party of the Trade Committee in December 1998.

13. It was agreed that the liberalization of environmental services would be addressed in the sectoral analysis under Item 6 of the market access cluster.

Item 10 Input to the relevant bodies in respect of appropriate arrangements for relations with intergovernmental and non-governmental organizations referred to in WTO Article V

14. The representative of the United States recalled that at the May Ministerial Conference, President Clinton had made several proposals for WTO activities to improve transparency and its relationship with the outside world. The US attached great importance to these proposals. Work was underway in the WTO on some of these proposals; the General Council was considering a decision on document derestriction. With respect to dispute settlement, the rules not only limited public access to information, but access of the US delegation. Currently, it could be several months before a report was released to WTO Members who were not parties to the dispute and Members had to respond to the public on the basis of press reports, which were not necessarily accurate. As this situation was unsustainable, the US and others had proposed to make documents available to the public on a more

timely basis and to broaden the scope of documents issued as unrestricted. There appeared to be an emerging consensus on this matter in the General Council and the US hoped that a decision could soon be taken. The CTE and other WTO Bodies should think of constructive ways to bring the expertise found outside governments into the process, including from the private sector. The US attached importance to opening the dispute settlement process to allow the public to better understand the WTO, which would help the implementation of dispute settlement decisions. The US welcomed the Appellate Body's clarification of the Dispute Settlement Understanding concerning the provision of unsolicited material to panels by private parties.

15. The representative of Canada said his delegation attached importance to transparency and openness in CTE and WTO work. Canada's Minister of Trade had addressed this issue at the May Ministerial Conference, and Canada had presented a paper to the General Council on improved transparency in the WTO, which focused on making document derestriction procedures move more quickly, on promoting greater outreach by the WTO Secretariat and on providing quicker derestriction of dispute settlement reports. The General Council was considering a joint Canada-US draft decision on document derestriction. Canada supported greater dialogue with NGOs and felt that the NGO symposia organized by the WTO Secretariat had been useful.

Market access cluster

Item 3(b) The relationship between the provisions of the multilateral trading system and requirements for environmental purposes relating to products, including standards and technical regulations, packaging, labelling and recycling

16. The representative of Canada felt that it was unfortunate that the Secretariat of the Intergovernmental Forum on Forests (IFF) had been unable to participate in this CTE meeting, but the informal paper it had circulated helped to demonstrate the linkages between international forestry processes and WTO work. Certification, standards and labelling were issues on which the IFF would welcome input from the WTO. As demonstrated by Canada's paper on forestry products (WT/CTE/W/82-G/TBT/W/61), an experience similar to that of Colombia for cut flowers, there was a clear need for governments, in both trade and forest forums, to provide policy guidance on standards, certification and labelling. At present, a small, but growing share of the world's commercial forests and the forest product trade were undertaking certification. With reference to certification and labelling, the *Ad Hoc* Intergovernmental Panel on Forests (IPF) in its 1997 report to the Commission on Sustainable Development had stated that "it is still too early to assess objectively their full potential in promoting sustainable forest management". While supportive of certification as a market-place activity insofar as it contributed to sustainable forest management, Canada was concerned about how certification was being applied, both in terms of forest management and market access.

17. Canada recalled that the IPF had urged countries and international organizations to consider the potentially mutually supportive relationship between sustainable forest management, trade, and voluntary certification and labelling schemes. These schemes should not be used as a form of disguised protectionism and should not conflict with international obligations. The IPF had urged countries to support the application to certification schemes of such concepts as: open access and non-discrimination in respect to all types of forests, forest owners, managers and operators; credibility; non-deceptiveness; cost-effectiveness; participation that sought to involve all interested parties, including local communities; sustainable forest management; and transparency. Such concepts should be applied to avoid that certification became an unjustified trade barrier or negatively impacted on sustainable forest management. The adoption of a policy approach where certification schemes were market-based, independent and voluntary, and equivalency of standards was recognized would promote sustainable forest management. As the lack of an internationally-agreed definition of sustainable forest management contributed to the difficulty of developing certification schemes, Canada and other non-European countries with temperate and boreal forests were seeking to define sustainable forest management through the Montreal Criteria and Indicators Process.

18. The representative of New Zealand said that his delegation had contributed a paper, as a follow-up to the TBT Triennial Review, which proposed that the concept of equivalency for voluntary standards be developed. Voluntary instruments, such as standards, were becoming increasingly important in trade and, if they set out inappropriate criteria, could have serious trade impacts. Just as for technical regulations, the value of equivalency to take account of different approaches and circumstances concerning standards should be recognized. In this respect, the Appellate Body Report on Shrimp-Turtle supported the idea of exploring the concept of equivalency.

19. The representatives of Poland, Malaysia, on behalf of ASEAN, and Canada requested clarification from the EC on the draft legislation of the Netherlands for mandatory labelling of wood products and information on the environmental risk assessment upon which this legislation had been based. The representative of Malaysia, on behalf of ASEAN, said that this legislation contravened several WTO Articles, an issue which ASEAN had raised with the relevant TBT Enquiry Point.

20. The representative of the European Communities responded that the Netherlands' Lower House of Parliament had approved draft legislation regarding mandatory labelling of wood products. This legislation was before the Netherlands' Upper House of Parliament, which had requested notification to the TBT Committee to obtain guidance on its compatibility with international obligations. Comments made in the TBT Committee in this context would be put forward to the parliamentary proceedings, only after which the Netherlands would be in a position to determine whether to accept the draft legislation.

Item 4 The provisions of the multilateral trading system with respect to the transparency of trade measures used for environmental purposes relating to products, including standards and technical regulations, packaging, labelling and recycling

21. The Chairman recalled that, at its meeting in March 1998, the CTE had agreed to establish a WTO Environmental Database (EDB) which would compile the environment-related notifications under WTO Agreements. The Secretariat would update the EDB for 1998 and invited suggestions from delegations with respect to the search words used in its compilation.

Item 6 The effect of environmental measures on market access, especially in relation to developing countries, in particular to the least developed among them, and environmental benefits of removing trade restrictions and distortions

Sectoral analysis

Agriculture

22. The representative of Argentina presented his delegation's paper (WT/CTE/W/97) on the environmental benefits of removing trade restrictions in the agricultural sector. Article 20 of the Agricultural Agreement set out that new negotiations would start after 31 December 1999, in which consideration would be given to non-trade concerns (NTCs), such as environmental protection. Under Item 6, the CTE was analyzing the environmental benefits of removing trade restrictions and distortions, among which were agricultural tariffs and subsidies. As both Article 20 of the Agricultural Agreement and Item 6 of the CTE had a common objective, Argentina had submitted its paper to both Committees. The WTO recognized the validity of NTCs, such as environmental protection, and, thus included such issues in the framework of many WTO Agreements, such as Article 20 of the Agreement on Agriculture. To promote trade liberalization and not create trade obstacles, NTCs which may result in trade restrictions were an exception and should be duly justified. Unfortunately, there were cases in which these trade restrictions did not serve environmental interests, but served trade interests contrary to the WTO and generated legitimate concerns of a non-trade nature. The CTE should identify these cases. Argentina's paper attempted to answer the question of

whether agricultural trade liberalization was environmentally beneficial. The response was not evident, but it was linked to the price of products which were traded.

23. If prices reflected the efficiency and relative scarcity of resources used in foodstuff production, trade tended to correctly distribute the economic resources and diminish the pressure of production on the environment. The best examples of distortions affecting international prices were agricultural export subsidies. This instrument which distorted trade did not have any "non-trade" justification and generated environmental and trade concerns which were particularly serious for developing countries. Export subsidies were such that prices, which normally reflected efficiency and scarcity of natural resources in foodstuff production, were distorted to the extent that they did not even reflect private production costs. In developing countries, producers were confronted with the choice of overexploiting their resources to remain in the market or becoming bankrupt. In this context, developing country governments would be less able to afford environmental protection. The CTE should recommend that export subsidies be eliminated in the upcoming agricultural negotiations.

24. The representative of Japan presented his delegation's non-paper (dated 27 October 1998). Apart from food production, agricultural activities had multiple functions, including rural development. The effects of removing trade restrictions and distortions with respect to the positive and negative linkages between agriculture and the environment should be examined. In Japan, positive impacts of agriculture were represented by land conservation functions, including flood and soil erosion prevention and ground water recharge, generated by paddy field farming. Negative impacts were related to water pollution caused by excessive fertilization and inappropriate handling of livestock wastes. Agriculture had positive and negative environmental impacts depending on a country's agricultural conditions, such as climate, soil, crops and production practices, which varied depending on the environmental issues it recognized. At present, the positive and negative environmental impacts of agriculture had not been internalised for reasons explained by welfare economics. If agriculture with positive impacts became comparatively uncompetitive and was abandoned, these positive impacts would disappear. Japan's non-paper illustrated that soil erosion occurred if farming practices were abandoned. The amount of eroded soil was small where rice production in paddy fields was maintained. If paddy fields were abandoned, the amount of eroded soil reached more than fifty times than if rice production were maintained. Appropriate production practices were essential and decoupling measures could not preserve the land conservation function of paddy field farming.

25. The linkage between agriculture and the environment was complex. Trade liberalization or improved market access was not sufficient for environmental conservation. It was necessary for policymakers to introduce complementary measures to address the insufficiencies. In this context, OECD agricultural ministers had recognized in March 1998 that "there can be a role for policy where there is an absence of effective markets for such public good, where all costs and benefits are not internalised." It was essential to seek WTO-consistent policies to maintain or enhance the multifunctionality of agriculture. There were views that the CTE should begin by eliminating trade distortions, then introduce environmental policies. In this case, correct prices should be determined. At this stage, however, it was difficult to determine the correct price. The precautionary principle should be recognized. When designing appropriate policies to internalise environmental externalities, account should be taken of each country's natural and social conditions and internationally established indicators should be used. NTCs, including conservation, food security and rural development, should be appropriately reflected in the next agricultural negotiations.

26. The representative of Brazil said that the CTE should address agricultural export subsidies and make recommendations for the upcoming agricultural negotiations. Brazil proposed that the Secretariat prepare a factual paper on agricultural export subsidies, based on notifications. Brazil was requesting this paper given that the CTE's mandate was to analyse issues, such as export subsidies, which were being examined in other WTO Bodies through an environmental perspective. The CTE had been mandated to address the environmental benefits of removing trade restrictions and

distortions; export subsidies had been recognized in the Committee on Agriculture as distortive. It was important to be transparent and open to discuss issues of relevance to civil society. Transparency could not be selective. Civil society in Brazil and other Members felt that export subsidies were trade distorting and environmentally harmful. The precedent for Brazil's request for a paper on export subsidies was the paper prepared on fisheries subsidies (WT/CTE/W/80).

27. The representative of Chile said that Article 20 established a mandate for new agricultural negotiations taking into account NTCs, such as the environment. Reference in the CTE had often been made to the environmental problems created by distorted prices which resulted from agricultural subsidies. Countries which favoured environmental protection should eliminate environmentally damaging agricultural subsidies. Chile hoped that the EC's request for a high level meeting on trade and environment would go forward, and also hoped the EC would agree to meet with Chile to clarify aspects of the EC's agricultural subsidies, particularly for peaches. Chile was concerned about the negotiations for a Biosafety Protocol, whereby restrictions on agricultural products would be introduced due to environmental concerns just prior to negotiations in the Agriculture Agreement. Although Chile was committed to the conservation of natural resources, the CTE should be the forum for the negotiation of these issues. Chile supported Brazil's request for a paper.

28. The representatives of Ecuador, Colombia and Uruguay welcomed Argentina's paper and supported Brazil's request for a paper on export subsidies.

29. The representative of the United States said that his delegation did not necessarily see a conflict between trade and environment in the Biosafety Protocol negotiations, but was concerned about the lack of trade policy expertise; this might lead to trade restrictions which were not needed to achieve the Protocol's objectives and was a practical example of where integration of trade and environment policy-making was required. The US welcomed discussion of NTCs to ensure that they could be addressed in a way that was consistent with the WTO's objective to reduce trade-distorting support, and to support sustainable development. The Agreement on Agriculture permitted NTCs if they were minimally, or non-trade distorting. The preamble and Article 20 referred to NTCs in the context of the reform process. NTCs could be positive or negative externalities that occurred outside the market-place and often outside agricultural policy.

30. Some Members had implied that NTCs should be addressed in trade negotiations, while others felt that current WTO rules may take into account many of these concerns, including those raised under the rubric of "multifunctionality". The US suggestion in the Agriculture Committee was to examine how that Agreement addressed NTCs in the context of its provisions on domestic support and how to deal with NTCs so as to reduce negative externalities (especially production subsidies) and minimize trade distortions. The flexible nature of the Annex 2 "green box" exemptions was important. Under Annex 2, countries can address negative externalities related to NTCs, such as public stockholding for food security and payments for environmental programmes. As implementing reduction commitments were evaluated, consideration should be given to whether countries had been able to address their NTCs in Article 20. The green box had played a significant role in reducing negative agricultural externalities, and gave Members latitude to develop policy responses to address problems while minimizing production and trade distortions. While some refinements may be appropriate, the basic concept was sound, i.e. channel support to agriculture into minimally or non-trade distorting measures.

31. Lack of economic analysis of NTCs may lead some Members to conclude that greater levels of agricultural subsidization and protectionism were necessary to minimize negative externalities and to achieve related societal goals. If areas where support reduction resulted in negative externalities were identified, measures used to mitigate these effects should be targeted to these areas. Basic needs associated with NTCs should be addressed directly instead of resorting to border measures and subsidies. Subsidies linked to production or prices increased market distortions and introduced transboundary trade distortions as set out in Argentina's paper. The US supported Brazil's request for

a paper on export subsidies, which would make publicly available information more accessible for Members. The paper on fisheries had been helpful and was not prejudicial to any Member's interests. While the US recognized that NTCs were legitimate issues, they should not be used as excuses not to liberalize. The US was interested in Japan's experience with the role of agriculture in erosion control. The US had similar concerns, but had used erosion controls other than rice paddies.

32. The representative of Morocco said that agricultural export and production subsidies distorted international prices, particularly in developing countries, and harmed the environment. The CTE and the Committee on Agriculture should identify and eliminate subsidies which were trade distorting and environmentally harmful to increase market opportunities for non-subsidizing countries.

33. The representative of Canada said that, in the Committee on Agriculture, Canada had supported Argentina's position that subsidies increased environmental damage and their elimination would reduce this damage. Given the agricultural crisis, some WTO Members had increased export subsidies, thus causing negative environmental effects. Canada supported the polluter pays principle as a way of ensuring that the full costs and benefits of agricultural production reflected associated externalities and were reflected in market prices. NTCs could be reflected in trade agreements on the condition that instruments to support them were restricted to measures which supported the provision of public goods and did not increase commodity production. As public support for public benefits came from decreases in production support, highly subsidized countries could redirect agricultural support from production enhancement to environmental protection. Less production support would allow more opportunity for exports from less subsidized countries or reduce the risk of unpopular changes in rural landscape or social structure in more highly subsidized countries.

34. Canada was concerned about the lack of trade expertise in delegations negotiating the Biosafety Protocol, which would be finalized in February 1999. Several countries had associated themselves to ensure that the market access achieved during the Uruguay Round would not be eroded through this Protocol. Canada noted that the issue of agricultural soils as carbon sequestration sinks was being considered in the Climate Change Convention. Agricultural soils were one of the positive elements which had emerged from that Convention for the agricultural sector. Canada supported Brazil's request for a paper on export subsidies. The CTE had a unique role to play in discussing export subsidies and would not be duplicating work in the Agriculture Committee.

35. The representative of Australia said that Argentina's paper recapped the key issues related to agriculture, many of which held for the other sectors under discussion under Item 6. The CTE had extensively discussed Item 6, with papers being submitted by several countries, including Australia, as well as Secretariat research. This high level of interest reflected the extent of trade distorting policies in several sectors where environmental impacts were an apparent and significant consequence of production, such as in agriculture, fisheries, forestry and energy. Agriculture had been an important focus due to the size of the market distortions, primarily due to the policies of several northern hemisphere developed countries, and the large land and water requirements of agriculture which made its impact on natural resources greater than any other industry. Work on the relationship between agricultural trade and the environment, particularly in the OECD, pointed to the wide variation in agricultural and environmental conditions and the difficulty in generalising about the environmental benefits of trade liberalization. Where agriculture had a mixture of environmental effects, complementary environmental policies were vital to maximize environmental benefits. Even if reform led to reductions in harmful fertiliser and pesticide runoff, this might only lead to stabilization. The results can be positive in terms of the gains in economic efficiency and environmental benefits. Argentina had raised valid points relating to export subsidies and their potential environmental damage and price and trade distortions. Australia supported Brazil's request for a paper on export subsidies based on which Members could assess the environmental aspects of export subsidies. This would not duplicate the Agriculture Committee's work. As most of the Items on the CTE's agenda could be linked to other WTO Committees, the fact that specific issues were

being discussed in other WTO Bodies was not a sufficient reason for the CTE not to discuss them. To be effective, the CTE should move from a conceptual approach to making possible recommendations.

36. Commenting on Japan's non-paper, Australia said that the linkages between agriculture, trade and environment were complex. Even if agricultural activity were envisaged to have a range of possible environmental impacts, negative, neutral or positive, this was not an argument against trade liberalization. If the suggestion were that NTCs could override negative environmental effects and restrain trade reform, this would counter the CTE's agreed view that trade liberalization along with appropriate environmental policy was the best way to obtain "win-win" outcomes.

37. The representative of New Zealand said that Argentina's paper summarized the arguments supporting the environmental benefits of agricultural liberalization. Of particular relevance was the point that to promote a cooperative relationship between environmental protection policies and international trade agreements, the process should begin by eliminating those restrictions and distortions which prevented the true cost of production from being reflected in the actual price of goods and then attempt to counterbalance any market failures. New Zealand's experience was that removing agricultural subsidies also had important environmental benefits. Prior to 1984, agricultural support and resource development policies encouraged farming systems and land use patterns in New Zealand which in some areas were not sustainable. Livestock price support when combined with fertilizer and land development subsidies diverted significant amounts of financial and scientific resources into pastoral farming systems. This encouraged clearance of native forests, followed by sowing and heavy fertilization of pastures. The artificial profitability of livestock farming, particularly sheep, encouraged farmers to run stock numbers which exceeded the long term productive capacity of land resources.

38. Following the removal in the 1980's of these agricultural subsidies, environmental benefits had been perceived; sheep numbers had declined, resulting in less pressure on hillcountry pasture, increase in forested areas mainly due to planting on farmland, decreasing fertilizer and pesticide use. New Zealand's example demonstrated the environmental benefits of moving away from unsustainable and distortionary agricultural policies. Argentina's paper focused attention on the general issue of NTCs and on the trade and environmental distortions caused by export subsidies at the national and international level, particularly in developing countries.

39. New Zealand supported Brazil's request for a paper on export subsidies, such as had been prepared for fisheries (WT/CTE/W/80) to further CTE analysis of trade and environmental complementarities. The sectoral discussion of WT/CTE/W/67 had assisted in deepening the analysis of Item 6. New Zealand did not see the advantage of only discussing issues at a general level to maintain some sort of balance. Concentrating on specific sectors based on national experience was a useful tool through which to deepen the analysis. A paper on export subsidies would rely on factual information, upon which Members could comment.

40. The representative of Korea welcomed the recognition of the validity of NTCs. Agriculture should be addressed from a perspective which encompassed the need to achieve sustainable development comprehensively. As the aggregate effect of trade liberalization was not clear, net environmental impacts should be quantified, such as through the use of the OECD green environmental indicators. The situation of net food-importing developing countries should be addressed.

41. The representative of the European Communities said that Argentina's paper concluded that any type of production and trade distortive agricultural support was negative not only for the environment of the Member applying the policy, but for the global environment. Whilst recognizing that trade liberalization did not guarantee greater environmental protection, Argentina's paper set out that eliminating subsidies that prevented prices from reflecting private production costs "will have positive consequences for the environment (by reducing overexploitation), for trade (by enhancing

market opportunities for non-subsidizing countries), and for development (by reducing rural poverty and increasing food security in developing countries)". This assertion should be qualified as the environmental impacts of trade liberalization were uncertain, and the linkages not automatic. It was uncertain that trade liberalization would induce less intensive agricultural production which was more environmentally favourable. As recognized in various fora, agriculture had complex environmental links. Agriculture generated a range of environmental effects which maintained traditional landscapes, preserved biodiversity, and contributed to the sustainable management of water and soil. It could also lead to pollution or contamination, degradation of habitats and biodiversity, and erosion. When agricultural activities were environmentally harmful, the polluter pays principle should apply, whereas the provision of environmental services which were jointly produced from farming practices should be enhanced by appropriate policies, including support.

42. Since markets were incomplete, it was difficult to reflect and transmit to farmers the appropriate level of environmental benefits society demanded. Thus, public action was justified and farmers should be remunerated for the provision of public goods. Studies showed that trade liberalization and agricultural support reduction can have ambiguous environmental impacts. Bipolarisation of land use, and over-intensification of the best lands whereas others were abandoned were areas of concern. Land abandonment also triggered environmental problems whose cost must be taken into account to assess global welfare. Effects of policy reform and trade liberalization on the environment, positive or negative, depended on whether the environmental costs and benefits of agriculture which were not valued by markets were included in farmers' costs and revenues and whether appropriate flanking environmental policies were implemented. He inquired as to the context of Chile's request for consultations with the EC.

43. The representative of Norway said that his delegation had also submitted a paper to the Agriculture Committee, which it would not table in the CTE. The CTE should concentrate on one part of NTCs, namely agriculture and the environment, in order to examine how to address the environmental aspects of public goods, including agricultural landscape and biodiversity. As markets did not exist for public goods, the CTE should examine how to secure benefits linked to society's demand for environmental quality. Argentina's paper only partly addressed the positive environmental effects. The comments on allocative efficiency would hold if agriculture only had negative externalities. In this case, subsidies should be eliminated and appropriate taxes put in place. The paper did not examine why agricultural subsidies could be justified to secure the provision of public goods. Norway was pleased that Argentina recognized that such market failures should be addressed and that incentives should be created to take into account environmental externalities. Norway agreed with Japan on the need to take into account differing conditions in countries when considering appropriate measures to maintain and enhance the multifunctionality of agriculture. When the environmental benefits from multifunctionality could not be internalised, policy measures were necessary to complement market mechanisms. Norway was preparing a paper on the relationship between agricultural support and the environment.

44. The representative of Malaysia, on behalf of ASEAN, supported Brazil's request for a paper on export subsidies, which should be eliminated as they were the most trade distorting subsidies. He asked whether Japan's underlying hypothesis was that high subsidy levels and agricultural protection should be maintained as trade liberalization did not necessarily benefit the environment.

45. The representative of Japan responded that it was necessary to introduce policy measures to internalise positive environmental externalities as these were not properly reflected in the free market.

46. The representative of Switzerland said all forms of subsidies did not necessarily have a negative environmental impact. At the March 1998 meeting, Switzerland had presented a study by the Swiss Ministry of Agriculture which showed that the policy of direct payment on the basis of environmental services was beginning to bear results and that the quantity of fertilizer use in Switzerland had declined since 1996. NTCs played an important role in agriculture, particularly

given Switzerland's topography. Prevention of natural disaster required regular soil maintenance. These factors should be considered when discussing agricultural support. Concerning possible CTE recommendations which may be forwarded with a view to future negotiations, Switzerland felt that all items on the CTE's work programme should be addressed in a balanced manner.

47. The representative of Mexico supported Brazil's request for a paper on export subsidies. A paper structured along the lines of that prepared for fisheries would assist CTE work. Rather than creating obstacles to the preparation of such a paper, the AIE paper would facilitate its preparation.

48. The representative of Argentina supported Brazil's request for a paper on export subsidies. This was an issue for which the CTE could present recommendations for future agricultural negotiations. Certain delegations had opposed preparing such a paper, presenting arguments which were incompatible with those put forward in other WTO Bodies; the EC had proposed that, with few exceptions, Members' submissions, Secretariat papers, and agendas and minutes of meetings should be unrestricted. A paper on export subsidies would provide information and increase transparency. Considering that Argentina would be asked to support a high level meeting on trade and environment, he wondered how transparency was viewed by those delegations opposing the paper.

49. The representative of the European Communities said that it was important to have a balanced discussion under Item 6. In order for the CTE to prepare a formal document taken from an informal document prepared for the Committee on Agriculture, it should request the permission of that Committee. It would not be possible for the CTE to make recommendations to the Committee on Agriculture or to any other WTO Committee. The EC would consult on the paper requested by Brazil, and respond in due time.

50. The representative of Egypt said that a paper on export subsidies should take into account the Marrakesh Decision on Measures concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries.

51. The Chairman said that there was general support for a factual paper by the Secretariat on agricultural subsidies, which would follow the format of the fisheries paper (WT/CTE/W/80) and include a section on net food-importing developing countries. The Chairman asked those delegations, which would need to consult with their capitals on this paper, to seek a response as soon as possible.

Energy

52. The representative of Brazil presented her delegation's submission (WT/CTE/W/98) on Brazil's national experience with ethanol, which linked the economic dimension of Item 6 with the environmental objectives of the UN Framework Convention on Climate Change. The paper presented an example of a "win-win" situation for both trade and the environment. In response to the oil crisis of the 1970's, the Brazilian government, together with private industry, had created the National Alcohol Programme to produce alcohol from sugarcane and build ethanol-compatible engines. This programme had helped Brazil to overcome some of the economic costs of the oil crisis. Decreasing international oil prices, however, had led to the programme's restructuring. Scientific studies identified several environmental benefits from ethanol use. It was a renewable energy source and it helped to reduce greenhouse gas emissions due to the sugarcane photosynthesis process. The paper showed that ethanol can make a significant contribution to the global reduction of greenhouse gases, but trade restrictions and distortions impeded its dissemination. As the world's largest ethanol producer, Brazil was concerned that despite the expansion of the ethanol market, its exports were limited due to high levels of tariff protection in several developed countries. Also, additional duties could constitute a seventy two per cent increase over the original imported price. Enhancing market access for this cleaner energy source, through tariff reductions and elimination of trade distortions, would have environmental benefits. The CTE could play a role in analyzing how to improve market access for alternative energy sources, such as ethanol.

53. The representative of the United States welcomed Brazil's paper as national submissions on concrete experiences brought focus to the discussions. Having an understanding of how Brazil's ethanol programme had worked was important. The US supported ethanol use and saw the value of undertaking research in this area as ethanol was expected to play a role in the reduction of transportation generated greenhouse gases.

54. The representative of Australia thanked Brazil for its paper, which was an example of the positive climate change and local emissions benefits of ethanol and showed how this industry reflected the importance of internalization of environmental costs. The potential for improved market access in this area merited consideration in the CTE.

55. The representative of the European Communities said that having ratified the UN Framework Convention on Climate Change, his delegation supported Article 4(c) whereby all Parties should cooperate in the development, application and diffusion of technologies controlling, reducing or preventing the emission of anthropogenic greenhouse gases in all relevant sectors. The CTE should explore situations where trade liberalization could facilitate the accomplishment of the commitments undertaken in Kyoto. Although the EC recognized the environmental contribution of the use of bioethanol to reducing greenhouse gases, other environmental aspects should not be underestimated, i.e. increased use of pesticides and fertilisers, loss of biodiversity from monoculture, and deforestation to gain extra land for cultivation. An adequate ecological balance should be explored to safeguard sustainable agricultural production. The main result of the Uruguay Round for agriculture products lay in the reduction of tariffs of 36 per cent as a mean for the period 1995-2000. The ad valorem equivalent of specific duties on bioethanol was rather high, but will decrease in 2000. Agricultural negotiations would start in 2000 when tariffs would be further reduced, including for bioethanol.

56. The representative of Burundi said that traditional energy consumption and trade in petroleum products had devastating environmental effects, such as deforestation. Environmental damaging effects, such as air pollution, resulted from the overexploitation of hydrocarbon-based energy. Burundi proposed the promotion of alternative and renewable energy sources which permitted the production of goods and services without harming the environment. These types of energy sources involved environmentally sound technologies, which required fewer resources. Hydro power permitted electricity production and irrigation, which contributed to sound environmental management by avoiding deforestation. The benefits of the use of biomass gas from agricultural activities could be explored. Wind power should be used, particularly in developing and least-developed countries. Burundi had several projects for which feasibility studies were being undertaken, particularly for hydro and solar power and biomass gas, and was awaiting external financing and investment. Burundi thanked Brazil for its paper as the promotion of environmental protection was a concern for all countries.

Fisheries

57. The representative of New Zealand recalled Argentina's statement that the CTE should be able to arrive at concrete conclusions on the environmental benefits of removing distorting agricultural subsidies. New Zealand had similar remarks to make with respect to fisheries. There was an increasing awareness of the environmental and trade benefits that would result from removing fishing subsidies. New Zealand's paper (WT/CTE/W/52) addressed the problems caused by high levels of subsidization in terms of their encouragement to over capacity and over supply and the consequential effect in driving down fish prices and encouraging other forms of protectionism. Subsidies removal would not only benefit the environment, but also provide economic benefits to countries for whom fisheries constituted an important part of their economy, particularly developing and least-developed countries. All subsidies encouraged unsustainable fishing practices and were directly or indirectly trade distortive and environmentally damaging. Of particular concern were subsidies that encouraged new and "efficient technologies, such as trawling, gill netting and sonar

targeting, which increased the capacity to fish several species beyond what was possible using traditional techniques. The environmental effect of these technologies should not be understated.

58. Work was being done to raise awareness relevant to fish subsidies. APEC, in an initiative sponsored by New Zealand and Japan, was studying fisheries subsidy programmes which operated globally and how these related to the categorization of subsidies in the WTO Subsidies Agreement. The FAO also had activities in this area. The WTO should address fisheries subsidies as they were trade distortive policies and contributed to the fisheries crisis. Concern about the use of subsidies was heightened as many were potentially inconsistent with the WTO Subsidies Agreement. Members which maintained such environmentally damaging policies risked having their policies challenged through dispute settlement. In light of the global fisheries crisis and the massive subsidization which contributed to fishing overcapacity, it was difficult to identify a more obvious sector for a "win-win" solution. The CTE should clarify that fisheries was an area where removing trade distortions and achieving environment objectives was not only complementary, but co-dependent.

Forestry

59. The representative of Brazil said that there had been a lack of understanding of the relationship between trade and environment issues in the forest sector and diverging views as to how to protect all types of forests at the second session of the IFF. Some countries favoured trade liberalization as a means to promote development and sustainable forest management. Others felt that forest conservation would be achieved by reducing trade in wood and non-wood products. To contribute to the IFF discussions, Brazil had proposed a seminar on the trade-related aspects of the sustainable management of all types of forests. Organized with UNCTAD, the ITTO and the IFF, this seminar would discuss market access, illegal trade in wood and non-wood products, and certification and labelling and would be structured around presentations or panel discussions followed by debate. Speakers from developing and developed countries would be invited, as well as independent experts and representatives of intergovernmental and non-governmental organizations to make presentations on issues like non-tariff trade barriers, environmental regulations, tariff escalation, and distortive trade practices. On illegal trade, country experiences, success stories, and mechanisms for countering illegal trade would be presented. The seminar would also address what constituted illegal trade. Discussion of certification and labelling of forest products would include comparability, mutual recognition and equivalency. The seminar was scheduled for the end of February in Geneva, with participation open to government and non-governmental representatives. Brazil and UNCTAD would invite WTO Members, especially CTE delegates, to participate and welcomed suggestions of speakers and any other contribution, including funding speakers' expenses.

60. The representative of Venezuela supported Brazil's initiative.

61. The representative of Canada said that, at the second session of the IFF, Costa Rica and Canada had jointly announced inter-sessional meetings to build consensus on the potential elements of legally-binding instruments for all types of forests. Inter-sessional IFF work on this issue would provide the opportunity for more informed, expert level discussions and provide the IFF with information on which to base its recommendations to the Commission on Sustainable Development (CSD). The Costa Rica/Canada initiative consisted of an experts meeting in Costa Rica in February 1999; meetings from March to September 1999 to consider elements of legally-binding instruments for forests from regional perspectives; and a meeting in November 1999 in Canada to consolidate the results and build consensus for the future of the international forestry dialogue to be submitted to the final meeting of the IFF, and the CSD in April 2000.

62. The representative of Costa Rica supported the IFF initiative set out by Canada.

63. The representatives of Ecuador and Malaysia, on behalf of ASEAN, asked for clarification from the US on a New York City Council initiative which would require tropical hardwood products

to be certified by the Forest Stewardship Council. This would raise difficulties were it to come into effect as it contravened WTO principles.

64. The representative of the United States said that a bill had been introduced in the New York City Council in 1997 which, if enacted, would prohibit the purchase by the City or its contractors of any tropical hardwood products unless certified as having come from sustainably managed forests. The bill limited certification to that accredited by the Forest Stewardship Council. The bill had passed the Legislative Committee and had since been retained by the Committee's Chairman. Since the Council was in recess, no action would likely take place this year. This measure related to government procurement; if it were considered to violate WTO obligations, it should be taken up in the Government Procurement Agreement, in which the US welcomed greater participation.

Textiles and clothing

65. The representative of Egypt recalled his delegation's request for the Secretariat to provide information on the percentage ratio of output of natural fibres, such as cotton, compared with synthetic fibres in the overall world textiles and clothing production.

Linkages between the multilateral environment and trade agendas

Items 1& 5 The relationship between the provisions of the multilateral trading system and trade measures for environmental purposes, including those pursuant to multilateral environmental agreements; & The relationship between the dispute settlement mechanisms in the multilateral trading system and those found in MEAs

66. The representative of the European Communities said that the Appellate Body (AB) Report on US Import Prohibition of Certain Shrimp and Shrimp Products (Shrimp-Turtle) (WT/DS/58/ABR) contained certain interpretative criteria which might have significant implications for the CTE's discussions. The Secretariat had revised the background note taking this Report into account in WT/CTE/W/53/Rev.1. The requirements in the chapeau of Article XX were an increasingly important parameter in its interpretation, which might contribute to increasing consistency in dispute settlement practise with respect to Article XX. The AB had given a broad interpretation to the concept of exhaustible natural resources in Article XX(g), which had been interpreted to encompass both living and some environmental resources of no direct economic value. This confirmed that, as noted in the CTE's 1996 Report, Article XX contained scope to accommodate a broad range of environmental issues. The recognition that global environmental problems should in principle be addressed through multilaterally-agreed solutions was also important as this view was consistent with the EC's position since the outset of CTE discussions.

67. The EC attached importance to the CTE's dialogue with MEA Secretariats and felt that at least one MEA information session should be organized in 1999. The EC appreciated UNEP's statement at the July MEA information session and its offer of cooperation to develop a framework to clarify the relationship between MEAs and the WTO Agreements. Cooperation between UNEP and the CTE should also be explored, for example, with respect to UNEP's work to increase coherence among MEAs and to elaborate core environmental principles. The EC encouraged UNEP to address the evolution of selected environmental principles, including the precautionary principle, and to identify how these principles were implemented at the international level.

68. The representative of Hong Kong; China said that as the AB Report on Shrimp-Turtle had yet to be discussed in the Dispute Settlement Body (DSB), it was premature to discuss it in the CTE.

69. The representative of Canada said that the AB Report on Shrimp-Turtle was an important contribution to WTO jurisprudence and the interpretation of Article XX. In July, Canada had proposed that as a medium term goal, the CTE could develop a statement on the interaction between

MEAs and WTO rules. The AB Report on Shrimp-Turtle would be useful in the formulation of such a statement. In an effort to accommodate MEAs within the WTO, Canada reiterated the suggestion for the CTE to set out principles relating to MEAs. The AB Report emphasized the importance of multilateral action and provided guidance on factors which could be taken into account in developing such principles. Canada was pleased with the recognition by the AB that environmental protection was of significance and that WTO Members can and should adopt effective measures to protect endangered species, such as sea turtles. Canada appreciated UNEP's statement at the July meeting, which could also be considered in the context of a high level meeting on trade and environment.

70. The representative of Switzerland said his delegation was analyzing the AB Report on Shrimp-Turtle, which would affect CTE discussion. Switzerland would study WT/CTE/W/53/Rev.1.

71. The representative of New Zealand said that there would be an opportunity in the DSB to discuss the AB Report on Shrimp-Turtle. Of relevance to the CTE's discussion of MEAs was the emphasis that this Report had placed on the desirability of finding consensual solutions to address global environmental concerns. This Report had encouraged the use of equivalency to accommodate differing circumstances faced in different countries which had different environments.

72. The representative of India said it was premature to have a document and a discussion of the AB Report on Shrimp-Turtle before the DSB's discussion. India would study WT/CTE/W/53/Rev.1 in light of the DSB discussions and revert to it at the appropriate time.

73. The representative of Australia said that the AB report on Shrimp-Turtle was a public document and was relevant to the CTE's discussion. This AB report advanced the understanding of Article XX, reconciling WTO rules with sustainable development, and confirmed that a key consideration in determining the existence of unjustifiable discrimination under Article XX was whether cooperative approaches had been pursued to addressing an environmental problem. WTO rules seemed to strongly reinforce the importance of intergovernmental dialogue on global and transboundary environmental problems, which was a key ingredient in avoiding unnecessary or inappropriate trade restrictive measures. The findings also highlighted the importance of fairness in due process and flexibility in the administration of any measures that was to meet Article XX requirements. This was a significant guiding principle which deserved attention. Strict adherence to this principle could play a role in promoting mutually supportive trade and environment policies. Article XX contained a set of carefully constructed legal tests; their application in the AB Report on Shrimp-Turtle indicated their robustness. Australia looked forward to further consideration of the implications of this Report and the light it could shed on the CTE's discussions on this Item.

74. The representative of the United States said that although UNEP could usefully contribute to CTE work, it would be important to deal with all relevant environmental principles as there was no hierarchy set out in the Rio Declaration.

75. The representative of Mexico inquired as to the status of the EC's suggestion for a paper by UNEP and whether the EC was requesting the CTE to ask for such a paper.

76. The representative of the European Communities responded that his delegation was making a suggestion to UNEP as to how it could usefully contribute to CTE work.

Item 8 The relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights

77. The representative of the United States referred to the CTE's 23-24 July 1998 Meeting at which Colombia and India had suggested that the TRIPS Agreement be amended to require that patent applications indicate the origins of genetic samples and reference whether living organisms had been extracted in accordance with the norms of the country of origin. The US supported the idea that

companies or individuals developing genetic resources should explore and implement benefit sharing arrangements with source countries. While the US felt that there was no conflict between the TRIPS Agreement and MEAs, each Member should ensure that its implementation of one agreement also complied with its obligations under the other; one agreement should not be used to enforce the other. Amending the TRIPS Agreement to enforce compliance with MEAs was inefficient. Many uses of genetic resources or indigenous knowledge were not patentable and were used commercially without patents protection. Such a use, if out of compliance with a country's access and benefit sharing regime, would not be detected through the patent application process.

78. Since patents were territorial, a patent application need only comply with the requirements of the country in which it was filed as it would be impossible for the patent examiner to know, and it may be unconstitutional for that country to enforce another country's laws. If the invention were the result of research undertaken by several scientists and the origin of the material was unclear, for example if it had been taken legitimately from an *ex situ* pre-CBD genebank, it may be impossible to indicate the country of origin and whether a certificate of compliance with the source country's law had been issued. Such a requirement would produce inefficiencies to the patent application process and placed a burden on benefit sharing, which would diminish the number of patents applied for, and the amount of research being undertaken. If less research were undertaken, particularly in those projects which integrated elements of developing countries' indigenous knowledge or genetic resources, there would be fewer benefits to share.

79. The representative of Malaysia, on behalf of ASEAN, said that it was within the CTE's purview to discuss aspects of Item 8 in preparation for the 1999 review of the TRIPS Agreement, such as how to more precisely interpret the scientific and practical definitions of terms such as plants, animals, microorganisms and biological processes, plant varieties and effective *sui generis* systems. As the TRIPS Council examined compliance of national legislation with the TRIPS Agreement, the CTE should discuss the compatibility between the CBD and the TRIPS Agreement.

80. The representative of Argentina said that although not much progress had been made on Item 8 following proposals to modify the TRIPS Agreement, the CTE should further work, particularly given the lack of public understanding of the CTE's work in this area. As Argentina had previously proposed, synergies between the TRIPS Agreement and the CBD should be explored. The CBD contained obligations that could relate to intellectual property rights (IPRs), such as in Articles 15.7, 16.3 and 16.4 and in compliance with which CBD Parties might enact national legislation. According to Article 63 of the TRIPS Agreement, Members should notify legislative and administrative measures which related to IPRs. Argentina proposed that the Secretariat assess if there had been any TRIPS notifications in compliance with the CBD.

81. The representative of the United States did not object to discussing the relationship between the TRIPS Agreement and the CBD, but doubted whether the CTE should work on definitions. Argentina's proposal to examine synergies between the CBD and the TRIPS Agreement would contribute to the CTE's work. Although the US did not object to the paper requested by Argentina, the implementation of the CBD was, in most cases, through measures related to a country's IP regime.

82. It was agreed that, in order to address the synergies between the TRIPS Agreement and the CBD, the Secretariat would prepare a paper on CBD-related notifications to the TRIPS Agreement.

International intergovernmental observer status

83. It was agreed to extend observer status to the International Plant Genetic Resources Institute.

1998 Report of the CTE

84. The CTE adopted its (1998) Report (WT/CTE/3), which the Chairman will forward to the General Council, and the work programme and schedule of meetings for 1999 (see Annex).

85. The Chairman invited Members to provide the Secretariat with suggestions of MEA Secretariats which could participate at the MEA information sessions in 1999.

86. The representative of the European Communities said that it would be natural for the CTE's work to take into account preparations for the 1999 Ministerial and a new Round. Both clusters of the work programme, and developing and developed country interests should be the basis upon which to provide any concrete proposals the CTE may wish to make to the General Council. The EC welcomed the Secretariat's intention to convene another MEA information session. It would also be interesting to organize at an appropriate stage another NGO symposia as in 1997 and 1998. In response to Brazil, he said that this was not a formal proposal but an expression of what could be consider. The EC thanked the Chairman for his guidance and determination that the CTE continue to make progress in understanding the relationship between trade and the environment.

ANNEX

Work Programme and Schedule of Meetings for 1999

1. The 1998 Report of the Committee on Trade and Environment (WT/CTE/3) sets out that the CTE will advance the analysis of all the items on its work programme based on the "cluster approach" under the themes of market access and the linkages between the multilateral environment and trade agendas. The contribution of Members, including where possible their national experience, on the items of the work programme should enrich these discussions and move forward the process of fulfilling the tasks mandated in the terms of reference of the CTE. Time will be allotted for Members, if they so wish, to return to Items discussed at the previous meeting.

2. The CTE meeting of 18-19 February will address those Items relevant to the theme of market access, including:

- Item 2: the relationship between environmental policies relevant to trade and environmental measures with significant trade effects and the provisions of the multilateral trading system;
- Item 3: the relationship between the provisions of the multilateral trading system and:
 - (a) charges and taxes for environmental purposes;
 - (b) requirements for environmental purposes relating to products, including standards and technical regulations, packaging, labelling and recycling;
- Item 4: the provisions of the multilateral trading system with respect to the transparency of trade measures used for environmental purposes and environmental measures and requirements which have significant trade effects; and
- Item 6: the effect of environmental measures on market access, especially in relation to developing countries, in particular to the least developed among them, and environmental benefits of removing trade restrictions and distortions.

3. At a meeting on 29-30 June the CTE will discuss the Items related to the linkages between the multilateral environment and trade agendas, including:

Information session with selected Secretariats of Multilateral Environmental Agreements;

- Item 1: the relationship between the provisions of the multilateral trading system and trade measures for environmental purposes, including those pursuant to multilateral environmental agreements;
- Item 5: the relationship between the dispute settlement mechanisms in the multilateral trading system and those found in multilateral environmental agreements;
- Item 7: the issue of exports of domestically prohibited goods; and
- Item 8: the relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights.

4. On 12-13 October, the CTE's discussions will include:

Items under the market access cluster (Items 2, 3, 4 and 6);

Items under the linkages between the multilateral environment and trade agendas cluster (Items 1, 5, 7 and 8);

Item 9: the work programme envisaged in the Decision on Trade in Services and the Environment;

Item 10: input to the relevant bodies in respect of appropriate arrangements for relations with intergovernmental and non-governmental organizations referred to in Article V of the WTO; and

adoption of the 1999 Report of the CTE
