A study entitled "Industrial Pollution Control and International Trade" has just been published by the GATT secretariat.

The study comprises a broad analysis of the implications which the widespread introduction of measures for the control of industrial pollution might have for international trade; little attention has been given to these implications until now. In this connexion, Mr. Olivier Long, Director-General of GATT, notes in the preface to this study that: "if suitable common principles can be evolved for pollution control measures taking account of the special situation of the developing countries, it should be possible for governments to act to protect and improve the environment while continuing to foster the growth of world trade. If this opportunity is let slip, there is, on the contrary, a real danger that in attempting to combat pollution, governments may unwittingly introduce new barriers to trade".

In the study, GATT experts first examine the cost of industrial pollution control and certain related economic questions. They go on to analyze the possible implications that measures taken with a view to industrial pollution control, might have for international trade.

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Industrial pollution control might raise prices

The GATT experts recall in the study that the action required to establish satisfactory pollution control systems will differ between countries. In individual cases, according to certain preliminary estimates, prices might rise by as much as 10 per cent, or even more, depending on the products and the countries concerned, with substantial price differences from one sector to another. The developing countries in particular may have good reasons for refusing to accept unduly exacting norms, in the expectation that in the longer run technological progress will reduce industrial pollution control costs and that continued growth of national income will make these costs easier to bear. The more so because compliance with new anti-pollution norms will inevitably raise the true cost of industrial operations.

Who is to pay the cost? Three possibilities

According to this study, in principle the response of trade to international differentials in pollution control cost should depend entirely on the way in which individual countries choose to allocate it. The GATT experts have noted three basic alternatives in this respect: either the polluting industry is made to bear the full cost, or these costs are passed on to the consumers, or again provision is made in the national budget.

It is to be expected that the most polluting industries in each country will be forced to bear a considerable part of the cost of improving the environment. However, whenever such industries occupy a key or strategic position in the economy and face exceptionally heavy pollution control costs, governments may find it necessary to assist them in their adjustment to the new situation.

Government assistance can assume many forms, including direct import-limiting measures. In the latter form however, it would be likely also to give rise to international commercial policy disputes. Appropriate procedures will be needed to avoid adverse effects on international trade and to maintain consistency with the rights and obligations countries have assumed in GATT.

The method chosen for allocating or defraying the additional costs of pollution control could significantly influence the pattern of investment in individual countries and, consequently, international trade and capital flows.

Avoidance of conflicts of trade interests

National measures to control environment pollution caused by products will in most cases assume the form of product standards. As such, they will constitute an aspect of an important international problem which is already under active
consideration by contracting parties in GATT and elsewhere. Any conflicts of trade interests arising from variations in national standards, or from testing and certification problems in their enforcement may be resolved through existing and evolving arrangements and procedures relative to problems posed by standards in general.

Increased pollution control costs in certain industrial processes could open significant international cost-price differentials and thus create pressure for increased protection either in a generalized form or against specific products not manufactured according to an individual country's standards. It should be possible for governments to avoid situations in which the institution of national pollution control systems would interfere with the continued expansion of international trade. Such outcome presupposes a careful choice of national policies with respect to both the pollution control norms and the industrial adjustment to them, and an international co-ordination of such policies.

Over the long term, the economic consequences of more effective industrial pollution control will be inextricably bound with as yet unpredictable technological developments, both in the area of pollution control technology and in that of production proper. It is therefore important for governments which will be called upon to assist in certain pollution control financing difficulties, to resist being rushed into short-term expedients the effects of which could disturb the flow of international trade and thus, in the long run, hamper the advance of a more effective, environment-oriented technology.