

**The First Meeting of the Third Phase
China Council for International Cooperation
on Environment and Development**

CHINA'S WTO ACCESSION AND SUSTAINABLE DEVELOPMENT

**2002 Report to the
China Council for International Cooperation on
Environment and Development**

by

Task Force on WTO and Environment

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I. Key issues for China as a WTO member

1. WTO Accession and Environmental Consequences

China's accession to the World Trade Organization (WTO) is an important event for both China and the WTO. Accession will accelerate and modify the processes of structural economic change that have characterized China's economy for the past decade. It is well established that these processes create major environmental challenges. Indeed China's environmental policy over the past decade has largely developed in response to the changes that have occurred in China's economy. WTO accession will intensify these changes in ways that are not entirely predictable, because they will respond not only to the continuing growth dynamic of China's economy but also to the adjustment of that economy to the rules of the WTO and to the provisions of numerous bilateral agreements that preceded accession. In many ways it represents the most dramatic change ever undertaken in a large economy.

The uncertainty that characterizes the anticipated environmental consequences of China's accession to the WTO should not lead to the assumption that these consequences will be minor. It is unfortunately not possible to predict with a high degree of certainty what they will be. It is, however, possible to identify a number of sectors where environmental consequences are most likely to occur. These include agriculture, automobiles, energy, fisheries, forestry, and textiles. Agriculture may prove to involve several distinct products or groups of products such as cotton, grains, fruits and vegetables, or animal husbandry. China needs to monitor closely developments in these sectors and the resulting environmental consequences.

Over the past years, several countries and some international organizations have been working intensively to develop methodologies for the environmental assessment of trade agreements. These have proven most productive when applied to individual sectors of an economy rather than attempting to assess all sectors simultaneously. This is also due to the fact that the environmental impacts of different sectors are distinctive and that no

reliable methods have emerged to undertake a quantitative assessment of these environmental impacts.

The expectation of significant environmental challenges that will arise as China's economy adjust to the requirements of the WTO and of bilateral agreements preceding WTO accession also has important implications for China's environmental management system. This will need to be able to respond quickly and decisively as environmental impacts become visible. Since many of these impacts are liable to occur in the countryside because many of the affected sectors involve commodity production, China's environmental management system must be particularly responsive to changes in the rural environment, in addition to its traditional focus on pollution impacts in the urban environment.

2. WTO Accession and Policy Implications

Chinese laws, regulations and policies; the governmental regulatory regime; the administrative ideology and behaviors have long been developed under the Chinese planned economy system in the past. Many of them are inevitably incompatible with commonly-accepted international norms under a market economy. WTO accession will require significant changes in China's governmental administration, and its regulatory regime. Although China has established its legal system in response to its transition from a planned economy to a market economy since its economic reform in the late 1970s, such a regulatory regime is still falls short of the WTO requirements.

Under the Protocol on China's WTO Accession, China needs to review and revise its laws, regulations and measures that have trade effects, and they should be universally implemented nationwide, and be consistent with the principles of transparency and non-discrimination. China needs to set up and designate one official publication to publish trade-related laws, regulations and measures; it should also designate a single consultation focal point to provide information to individuals, enterprises and WTO Members. These WTO consistency requirements apply to not only trade policy, but also environmental policy as well.

The WTO essential mandate is to promote trade liberalization; its fundamental principle is non-discrimination, achieved through most favored nation treatment, national treatment, transparency decision making and dispute settlement. Several of the WTO agreements contain environment related provisions. Under these provisions China retains its right to develop and implement its environmental policy. It can choose the appropriate level it deems necessary to protect its environment and natural resources. Such measures taken by a government have to: 1) fall into the scope of Article XX(which sets the general exceptions from the WTO's basic non-discriminatory principles) and be necessary for the protection of the life and health of humans, plants and animals, exhaustible natural resources; 2) not contravene the GATT core principles of most-favored nation and national treatment, and be the least trade restrictive measure; 3) meet the requirements of the opening paragraphs of the article (the *chapeau*), which require that a measure not be arbitrarily or unjustifiably discriminatory, or constitute a disguised restriction on trade; 4)

be transparent in rule-making; 5) adopt international standards as much as possible; and 6) be based on scientific evidence and risk assessment.

To ensure that its laws and regulations meet the WTO requirements, China has taken some measures to meet the challenges of WTO accession. The State Environmental Protection Administration has started an overall review of Chinese environmental policy and regulations aimed at identifying and correcting any WTO inconsistency.. Any laws and regulations found inconsistent with the WTO rules need to be altered. Any new environmental rules formulated in the future will also have to meet the scientific evidence, risk assessment, and least trade restrictive requirements.

Transparency in rule-making is one of the most important requirements under WTO rules. China promised in its protocol of accession to the WTO to publish its laws and regulations and to provide a reasonable commentary period before such measures are implemented. This includes environmental laws and regulations, trade laws and regulations, environmental standards and other technical standards as well as sanitary and phytosanitary measures that aim to protect the life and health of humans, plants and animals. To fulfill China's WTO obligation on transparency, China has established an official China-WTO Notification and Information Enquiry Centre under the Ministry of Foreign Trade and Economic Cooperation. The Centre aims to provide information on Chinese laws, regulations and measures concerning trade in goods and services, customs and foreign exchange, etc.

3. WTO Accession and Market Access: Trade and Environment Interface

The relationship between trade and the environment has been gradually recognized. Trade development and environment protection are the most important aspects of social and economic development, and are closely linked to each other. Trade growth will accelerate the development of environment protection to a certain extent. Strengthening environment management will bring tremendous trade opportunities to many products, including environmentally friendly products. However, trade and environment may be irreconcilable under certain conditions. On one hand, environmental protection raises new requirements to trade development; environmental laws and regulations prevent some products from being traded internationally. On the other hand, rapid trade growth can have significant adverse impacts on the ecological environment.

With rapid economic development and globalization, the protection of the environment has been a subject of continuous government attention. The development of international environmental law has evolved to include trade-related measures, which play an important role in promoting the objectives of multilateral environmental agreements (MEAs). The interface between the multilateral trade system and the common commitment and responsibility to the conservation and sustainable use of ecosystems and natural resources is complex. Although no trade-related measure has yet been challenged in the WTO , potential conflict exists with the increased use of trade-related measures in multilateral environmental agreements.

Environmental measures that would have impacts on international trade also include domestic environmental laws, regulations, standards, sanitary and quarantine measures, as well as voluntary environmental measures, particularly those adopted in developed countries. Increasingly stringent environmental standards for products, especially the requirement on process and production methods impose restrictions on market access, in particular, from developing countries.

Given that environmental standards and environmental management in developing countries are generally lower than those in developed countries, higher environmental standards and management measures in developed countries could become potential green barriers to the trade of developing countries. Compared with many developed countries, there are certain disparities in environmental standards for many Chinese products. After China's WTO accession, the perception is that with trade barriers reduced, non-trade barriers (including those for the purpose for environmental protection) will increase. China needs to monitor the trend, and develop appropriate strategies to address the issue of market access.

However, stringent environmental measures in developed countries may also bring trade development opportunities to China. They can accelerate trade development in new areas, including markets for green products, cleaner production technology, environmental technology and equipment and environmental services, etc. Thus, from a positive perspective, stricter environment management requirements will prompt domestic enterprises to strengthen their environment management, to adopt new technologies and processes, to lower energy and raw material consumption, and to develop green products. This will ultimately increase the competitiveness of their products. It is not only conducive to overcoming green barriers to trade, but also compatible with China's sustainable development strategy.

4. Sustainable Development in the Doha Negotiations

4.1. Trade and Environmental vs. Trade and Sustainable Development: the importance of the World Summit on Sustainable Development

For several years, the debate at the WTO has focussed on the links between trade and the environment. This has led to the widespread perception that the issues at stake are principally of concern to developed countries. Recent developments indicate that developing countries also have concerns linking trade and environment, but that they need to balance these carefully against other priorities such as development and poverty alleviation. In other words the concern of developing countries is the link between trade policy and sustainable development.

The past year has been characterized by a series of major international conferences, which have the potential to form a positive progression from the perspective of sustainable development.

The *Doha Ministerial Conference* showed that there is scope for new negotiations within the WTO, and that sustainable development can play an important role in these negotiations. The preamble to the Declaration emphasizes once again that sustainable development is a goal of the WTO, repeating the corresponding declaration in the Marrakech Agreement that established the WTO. Some observers, including the new Director General of the WTO, have even suggested that this will be a “Development Round“.

The *Monterrey Conference on Financing for Development* underlined the importance of maintaining positive net flows of development assistance as a complement to foreign direct investment, which has been growing in importance.

The *World Summit on Sustainable Development* in Johannesburg turned the focus on the balance of the Doha agenda. After intensive negotiations WSSD decided not to take a position on the balance between trade, environment, and economic development. It also recognized that this entailed issues that transcend the WTO without specifying exactly how the international community can best address these issues. WSSD demonstrated how difficult it will be to make real progress on the trade and sustainable development agenda. It also showed, however, that scope for such progress exists and that the private sector is engaged in the sustainable development agenda as never before.

The *Cancun Ministerial Conference of the WTO* still lies ahead of us. It is scheduled for July in Mexico. It will be as important as the Doha Ministerial Conference in setting an agenda for trade negotiations and determining whether that agenda has a robust sustainable development dimension.

The full range of issues included in sustainable development confronts China. Accession to the WTO will certainly entail specific environmental consequences, as outlined above, but it will also create opportunities for development and significant challenges to ensure that poverty alleviation moves forward. This is particularly important in relation to rural communities, where many of the commodities likely to be affected by WTO accession are produced.

To ensure that the sustainable development dimension is adequately addressed, China needs to take additional measures to fully integrate environmental considerations into all phases of economic policy making.

4.2. Negotiations on trade and environment in the Doha Round

Sustainable development can become one of the central concerns of the trade negotiations that are to flow from the Doha Ministerial Declaration. The Declaration contains numerous explicit references to both environment and development but it refers to sustainable development only in paragraph 51, which assigns an overview function to the Committee on Trade and Environment (CTE) and the Committee on Trade and Development (CTD) without, however, providing for coordination of this work.

The Doha Declaration sets a trade and environmental agenda for the new round of negotiations, which signifies that for the first time environmental issues have been formally included in multilateral trade negotiations. The Doha Declaration contains two paragraphs that explicitly deal with the environment. They cover a number of important issues. Three are slated for negotiation, while a further three will be considered.

The three issues are slated for negotiations are:

WTO and Multilateral Environmental Agreements (MEAs) (scheduled for negotiation). The relationship between the WTO and MEAs has preoccupied legal experts for the past decade. This is, however, an issue on which the WTO has made significant progress, primarily through the dispute settlement system. Negotiators will need to explore whether additional clarifications are needed. The position of countries that are Members of the WTO but not members of certain MEAs, the United States in particular will require careful consideration.

Cooperation with International Environmental Organizations (scheduled for negotiation). Various efforts to develop pragmatic solutions to the relationship between the WTO and international environmental organizations, including the United Nations Environment Programme and the secretariats of MEAs, have not led to satisfactory solutions. Consequently this issue is being submitted to negotiation.

Environmental Goods and Services (scheduled for negotiation). The Doha Declaration proposes an agreement to free environmental goods and services from all barriers to trade. This would indeed provide significant support for sustainable development. The principal difficulty will be the definition of “environmental goods and services,” in particular whether this includes goods produced in an environment-friendly manner.

The three issues that will be considered for negotiations are:

Environmental Measures and Market Access (to be considered). Market access has been a dominant concern of developing countries in relation to environmental measures by developed countries that are viewed as creating additional barriers to trade. An agreement to negotiate in this area must be viewed as a concession by developed countries.

Other TRIPS Issues (to be considered). Following the groundbreaking Declaration on TRIPS and Public Health that was adopted in Doha it has been assumed that similar issues might arise in relation to TRIPS and sustainable development. This issue has, however, not been well developed by prior discussion, for example in the CTE.

Labeling (to be considered). The issue of labeling is closely related to the issue of market access. The question is whether the WTO needs an additional agreement defining criteria and procedures to be applied in developing labels, and eco-labels in particular, or whether these can be adequately covered by existing agreements, those on Technical Barriers to Trade (TBT), Sanitary and Phytosanitary Standards (SPS) and TRIPS in particular.

In addition to the explicit mention of environment and development, there are a number of items that have been slated for negotiation or for possible negotiation that do not actually mention either goal but that will certainly have significant bearing on the ability of countries like China to move towards more sustainable forms of development.

Indeed, from the perspective of sustainable development some of the most important decisions that may flow from the negotiations that were launched in Doha are to be found in sections that do not explicitly mention environment, development, or sustainable development.

Agriculture. Agriculture will be at the heart of the post-Doha negotiations, and sustainable development will be at the heart of the agriculture negotiations. It is hard to overstate the importance of agriculture for sustainable development. Agriculture involves the intentional modification of the natural environment to favor certain outputs while suppressing all competitors. The result is massive modification of the environment. At the same time, poverty is concentrated worldwide in the rural environment so that changes in agricultural production can have major consequences for the alleviation of poverty—or lack of it. Moreover many countries have been experiencing high levels of migration from rural into urban areas with major implications for sustainable development. It is by now well established that subsidies in OECD countries, and export subsidies in particular, contribute to the problems many developing countries experience in the area of agriculture. Finally several OECD countries have already indicated that they wish to discuss “non-agricultural issues” in the rural environment, environment and community development in particular. It is fairly obvious that all of these issues are of significant concern to China. It is therefore important to ensure that the preparation of negotiations within China takes all of these matters into account properly.

Fisheries. Among the more surprising decisions of the Doha Ministerial Declaration was the determination that negotiations should be undertaken on fisheries subsidies. Like the Declaration on TRIPS and Public Health, this was the result of an unusual alliance between developing and developed countries and some major nongovernmental organizations. While the harmful effects of fisheries subsidies on fish stocks and the marine environment are well documented it will prove challenging to forge an effective consensus on this issue within the framework of trade negotiations.

TRIPS Art. 27(c)3 and the Convention on Biodiversity. Developing countries have pressed to include negotiations on TRIPS Art 27(c)3 (concerning the protection of) and the Convention on Biodiversity. At issue is the need to ensure that plant varieties essential for the maintenance of biodiversity and traditional knowledge associated with plants that have commercially useful properties are appropriately protected within the TRIPS system. The difficulty lies in the fact that such plants and knowledge are typically to be found in developing countries while the ability to commercialize them is often to be found in developed countries. In China, the practice of traditional Chinese medicine adds a further dimension of complexity to this issue.

Investment. It remains unclear whether negotiations on investment will proceed within the Doha agenda. If they do, they will have significance for sustainable development and

it is important to ensure that this dimension of the issue is adequately reflected in the process. It is by now well established that numerous existing economic activities are unsustainable and need to be replaced by others that are both profitable and more sustainable. In a market economy, investment is the tool to achieve this transformation. For this reason any investment agreement that is negotiated will have significant implications for sustainable development. Such an agreement can actively promote investment in more sustainable forms of economic activity, in which case it would be very welcome or it can fail to do, in which case it would contribute to the perpetuation of unsustainable activities. Moreover the history of multilateral negotiations on investment is fraught with conflict revolving around the need to achieve an appropriate balance between the private rights of investors and the obligation of governments to protect public goods—essential for the promotion of sustainable development. Striking the right balance on this issue is extremely demanding and will represent the biggest challenge facing negotiators in the area of investment.

4.3. Current negotiations and positions of WTO members on trade and environment

Since the Doha Ministerial Meeting the WTO's Committee on Trade and Environment has held three special sessions back to back with its regular meetings. These special sessions are designed to clarify the positions of various countries as the negotiation process has gotten under way. This process will continue until the next Ministerial Meeting in Cancun when the pattern of negotiations will be much clearer. Like other areas, negotiations on trade and environment have focused on "modalities," that is how an agreement or a negotiating agenda might be structured, which then determines the nature of proposals that can be made. As a result there have been a dozen of proposals submitted by individual countries and groups of countries.¹

On the substance, the special sessions of the Committee on Trade and Environment and Members' proposals focus on three issues that are slated for negotiations set out in Paragraph 31 (i) to (iii) of the Doha Declaration, including *WTO and MEA; Information exchange and criteria for observer status* and *Environmental Goods and Services*.

With respect to the relationship between existing WTO rules and specific trade obligations set out in MEAs, discussions largely focused on the definitions for "MEAs," "specific trade obligations" (STOs) and the WTO rules that are relevant. Switzerland proposed to adopt an interpretative decision to clarify the relationship between WTO rules and STOs in MEAs, favoring that the relationship between the WTO rules and STOs in MEAs be governed by the general principles of no hierarchy, mutual supportiveness and deference. Developing countries remain primarily concerned to ensure that MEAs do not create unnecessary barriers to trade.

With respect to *Information exchange and criteria for observer status*, members stressed the needs to institutionalize and regularize the past cooperation and information exchange practices between UNEP/MEAs and the WTO and to strengthen joint technical assistance

¹ Up to the third Special Sessions on October 10-13, 2002, 15 proposals on three issues to be negotiated and a number of other proposals have been submitted to the CTE and other relevant committees.

activities between the WTO, MEAs and UNEP. Most members maintained that the the Trade Negotiation Committee should decide the specific and precise criteria for the observer status.

On *environmental goods and services*, the major issue is the definition of these goods. Most developing countries are seeking a narrow definition that focuses on goods and services that contribute directly to environmental management. Some developed countries have suggested that negotiations should also include goods produced in an environmentally responsible manner but this position has not found favor with developing countries.

Meanwhile, the CTE's regular meetings focused on three issues that will be considered for negotiations under Paragraph 32 – *environmental measures and market access, other TRIPs issues and labeling for environmental purposes* - with an aim to report to the next Ministerial Meeting as to what action should be taken.

On environmental measures and market access, developing countries noted emerging environmental requirements could, and increasingly would, have significant adverse effects on the market access of developing countries. They stressed that ensuring greater market access for exports from developing countries is the key to meeting the objectives set out in the Marrakech Agreement that established the WTO. To safeguard developing country interest, developing countries should be enabled to respond to environmental regulations. Environmental measures should be based on the principles of science, transparency and equity and should not impose unwarranted economic and social costs to developing countries. Capacity building, technology and financial transfer and technical assistance are essential to reduce the costs of compliance with environmental regulation. Some countries stressed that it is vital to focus on the development and environment – sustainable development aspects - of the WTO negotiations. Some developed countries realized that developing countries, in particular, the least developed countries, have difficulty in meeting environmental standards in developed countries and these environmental measures may jeopardize developing countries' market access. They maintained that the solution is not to lower standards, but rather to enable developing countries to meet the requirements through technical assistance and capacity building. Many developed countries expressed their willingness to provide technical assistance in this area.²

On the relevant provisions of the Agreement on Trade-Related Intellectual Property Rights (TRIPs), a number of developing countries proposed to amend the TRIPs to make it consistent with the Convention on Biological Diversity (CBD). Many Members expressed their concerns about genetically modified organisms (GMOs), alien species invasion and biodiversity conservation, and wished to continue the discussion on these issues.

With regard to labeling requirements for environmental purposes, Canada proposed to look at the issues from the perspective of implementation of the TBT Agreements.

² The WTO Secretariat, *Trade and Environment Bulletin* (Press/TE038), 4 April 2002.

Switzerland proposed that the CTE discuss the definition of ‘eco-labeling’ and analyze specific trade issues in relation to environmental labeling before the decision was made as to what action to be taken. Some Members maintained that the labeling issue is another form of “process and production method” issue, and needs to be further discussed.

Members also discussed technical assistance, capacity building and environmental reviews pursuant to Paragraph 33; and how to appropriately reflect sustainable development in the negotiations pursuant to Paragraph 51.

In addition, in the critical area of agriculture it is still too early to identify the key positions. The overall volume of export subsidies and the rules that will govern “non agricultural issues” in the rural environment remain highly controversial. There is slow recognition that developing countries face essentially the same problems of conservation in the rural environment as developed countries but without being able to make the same resources available to producers. Among developing countries the essential divisions remain between those with agricultural surpluses to export, which wish to see a reduction in subsidies that depress world market prices, and food importing countries that benefit from such subsidies.

Developing countries remain reticent with respect to investment negotiations, even though only India has been adamant in its opposition. Ultimately no country wishes to suggest that it does not want more foreign investment. At a recent meeting, however, several major developing countries—including India and Brazil—submitted a proposal that would have limited the scope of the existing Agreement on Trade Related Investment Measures (TRIMS), let alone envisage entirely new negotiations.

In practice many of the most important environmental issues have been assigned to negotiating bodies other than the CTE, even some that have been mentioned explicitly in the Doha Declaration as being part of the environment agenda. Thus fisheries subsidies are being considered in the Rules Group and the relationship between TRIPS Art. 27.3 and the Convention on Biodiversity in the TRIPS Group.

Although the development aspect of the negotiations has been stressed by some countries, the issues related to development, implementation and institutional development have not yet been coherently addressed.

II. Policy Options for the Chinese Government

The Chinese Government has already indicated that it intends to play an active role in the post Doha trade negotiations. This implies the rapid development of basic Chinese positions on the key issues of environment and trade. The options presented below by the Task Force range from simply treating trade and environment as technical issues and developing the capacity to analyze them, all the way to playing a leadership role on these issues.

Option One Deal with Trade and Environment Primarily as Technical Issues

This option consists of four major recommendations:

Recommendation 1 Monitor and assess environmental consequences of WTO accession

The certainty that WTO accession will have environmental consequences together with the uncertainty as to exactly what these consequences are liable to be make a powerful case for an active and well-resourced effort to monitor this process.

Efforts need to be made to 1) identify the structural economic change attributable to WTO accession in sectors that are of significance in terms of environmental protection and sustainable development (such as energy, forestry, agriculture, fisheries, automobiles and textiles) and significant environmental impacts of such changes; 2) identify mitigation options and relevant policy measures that can reduce the negative impacts on the environment and to promote sustainable practices in these sectors; 3) define a set of concrete and practical policy recommendations for the Chinese government with respect to appropriate strategies and measures to address environmental challenges arising from WTO accession; 4) contribute to the provision of information to Chinese decision-makers and negotiators on the environmental impacts of further trade liberalization after China's accession to the WTO.

Recommendation 2 Address the market access issue

In many countries consumers' concerns about the environment are on the rise, and environmental considerations have gradually become a market reality. China is increasingly facing environment-related technical requirements ("green barriers").

To address 'green barriers' the relevant WTO rules with respect to TBT and SPS should be used to define whether an environmental measure is justifiable. Transparency and special and differentiated treatment including technical assistance should be respected to enable developing countries to respond to increasingly stringent environmental standards.

However, the key solution for addressing 'green barriers' is to upgrade the nation's environmental standards and bring them in line with international standards; to strengthen environmental management of enterprises, improving their technological renovation and management skills and thus gaining competitive advantage to increase their share in environmentally conscious markets. The government should encourage industry to obtain ISO 14000 environmental management certification and eco-labeling certification, promote international cooperation and exchange on standards development and move towards harmonization and mutual recognition.

Recommendation 3 Establish a technical support system

Effective participation in the new round of negotiations needs strong technical support. It is necessary to establish a number of technical advisory groups (preferably under the

leadership of the central government's trade and environment coordinating body) in accordance with various negotiating topics, such as WTO and MEAs, environmental goods and services, TRIPs and CBD, environmental measures and market access, eco-labeling, agriculture, and investment, etc. The advisory groups should be comprised of experts of the issues in question, representatives from relevant government departments, the industry and other relevant organizations; have defined objectives and plans; and undertaken in-depth, issued-specific and forwarding research and analysis aimed to provide advice to decision-makers and negotiators in respect to measures and positions to be taken at the negotiation tables.

Recommendation 4 Enhancing capability

Negotiations will involve a wide range of issues including various WTO rules regarding GATT, TBT, SPS, GATS, TRIPs, agriculture, fisheries, investment and so on. Like many developing countries, China lacks necessary knowledge and experience to deal with such a wide spectrum of issues simultaneously. A great deal of effort needs to be made to enhance awareness and understanding of the trade and environment relationship and the issues that are likely to arise in the course of the new round of negotiations; to exchange views among relevant departments, between the central and local governments on issues related to trade and environment in the country's context; to understand trade and environmental implications of China's further trade liberalization; to mobilize the existing forces in China to help identify China's interests in sustainable development in the negotiations; and to undertake research and analysis on the WTO rules and their related trade and environmental issues. There is also a need to draw out from existing research studies and their conclusions and recommendations, in particular, the work done in the past by the Working Group on Trade and Environment, and from domestic experience to deal with environment-related technical barriers to trade. Efforts should also be made to strengthen international cooperation with other countries in information exchange and capacity building.

Option Two Link Trade and Environment to China's Sustainable Development Effort

This option suggests that China should not only deal with trade and environment issues, but from a broad perspective of sustainable development. It should link trade and the environment to China's sustainable development effort domestically. In the WTO Doha negotiations, efforts should also be made to address not only environmental issues in a narrow sense, but look into sustainable development aspects in the Doha Round of negotiations. This option consists of the four recommendations above in Option One and two other recommendations.

Recommendation 5 Strengthen the implementation of sustainable development and improving policy and institutional coordination

WTO accession will have widespread effects on China's economy and society. In addition, the Doha Ministerial Conference launched an ambitious program of further trade negotiations. This will impact a wide range of important policies and China needs

to take the necessary steps to ensure further implementation of sustainable development and proper coordination between policies.

To ensure the successful implementation of sustainable development, China should seize the opportunity of its WTO accession and the potential global 'win-win-win' opportunity for trade, environment and development; strengthen and improve its national and local mechanisms to implement the sustainable development strategy; search for sustainable development indicators to measure the progress; and gradually move towards undertaking integrated sustainable development assessment of the country's major national economic, trade and social development policies. China also needs to adjust its industrial policy to optimize its industrial structure; develop high tech and its tertiary industry; undertake technical renovation in its traditional industries and upgrade them to a new technology level that will use national resources economically and efficiently; address environmental pollution problems previously created by irrational industrial structure. Efforts should be made to ensure China's further trade liberalization is not achieved by sacrificing its environment and sustainability.

To ensure mutual supportiveness of trade, environment and development and to seize the win-win-win opportunities, China should establish an integrated policy-making mechanism to address trade, environment and sustainable development issues under the principle of sustainable development. This mechanism should aim to coordinate various activities at the interface of development, trade and environment. It should ensure that environmental and sustainable development assessments on major trade policies are undertaken with a view to integrate the principles of national environmental security and sustainable development into trade policies. Such coordination will improve the environmental management system; and actively use trade measures to promote environmental protection and sustainable development.

Successful policy coordination requires effective institutional coordination. In the area of trade and sustainable development this involves strengthening the ability of environmental authorities to participate in trade negotiations in a meaningful manner and strengthening the ability of trade negotiators to obtain relevant environmental information in a timely manner. It is important to establish an effective coordinating body among relevant ministries and commissions, central and local government agencies, in particular among those of foreign trade, environment and quality control.

Recommendation 6 Fully understand sustainable development aspects in the Doha Round and Identify negotiating objectives and principles

The sustainable development agenda embedded within the Doha Declaration is far more comprehensive and demanding than the narrowly-defined environmental agenda set in Paragraphs 31 and 32. China's ability to identify its interests with respect to the agenda of sustainable development will in large measure determine whether China derives additional benefits from these negotiations.

It is important to fully understand not only environmental and but also sustainable development issues in the Doha Round, including the issues to be negotiated, the issues to be considered for negotiation and other environmental and sustainable development issues in other negotiation sectors. There is also a need to understand and analyze the interface between the WTO rules and trade measures taken pursuant to multilateral environmental agreements and their sustainable development aspects; to understand the work being done by the WTO Committee on Trade and Environment in the past; and to be aware of the positions from other countries including major developed countries and developing countries and carefully analyze their proposals and justifications. These efforts will help decision-makers to formulate the strategies for negotiations.

It has increasingly been recognized that trade is a necessary means of implementing sustainable development. China has placed environment and sustainable development as an important matter on its agenda. As the fastest growing economy and the largest developing country in the world, China supports a fair, equitable and rational international economic system that promotes sustainable development. China is still a country with a large population living under the poverty line. The overall objective for the WTO negotiations should be to obtain a more open, equitable and reciprocal global market in goods and services. Effort should be made to ensure that negotiations address “sustainable development” issues rather than mere “environment,” making sure that the needs for development in developing countries including China are given adequate consideration and the principle of common and differentiated responsibility with respect to environmental protection is reflected, and ensuring the outcomes of the negotiations are forward-looking and balanced, and support development in developing countries. There is also a need to stress that environmental measures should not be used as disguised trade barriers. It is vital to ensure that transparency, advanced notice and technical assistance already embedded in the WTO agreements be properly implemented. It is also China’s interest to promote the sale of China’s green products and services.

**Option Three Build Coherent Trade and Sustainable Development
Action Domestically and Seize the Opportunity for
International Leadership**

This option takes Options Two one step further. In addition to addressing trade and environment issues from a broad sustainable development perspective domestically, China should also seize the opportunity for international leadership in developing international rules governing the relationship among trade, environment and development, in order to build international consistency on the regime for trade, environment and sustainable development. This option consists of all the six recommendations in Options One and Two, and one additional recommendation.

***Recommendation 7 Seize the opportunity for international leadership in
developing international rules governing the relationship
between trade and sustainable development***

In Doha, the world’s trade ministers reaffirmed the WTO’s commitment to the objective of sustainable development. In Johannesburg at the World Summit on sustainable

Development (WSSD), the world's leaders reaffirmed the importance to strengthen the mutual supportiveness of the three pillars for sustainable development – economic growth, social development and environmental protection – at national and international levels. They recognized that poverty eradication, changing consumption and production patterns, and protecting and managing the natural resource base for economic and social development were 'overarching objectives of, and essential requirements for sustainable development.'

The Summit has also been seen by some as a signal for governments to integrate sustainable development consideration into WTO negotiations. Trade has been recognized as a "means" of implementing a wider sustainable development objective, which signifies that the trade agenda has now been more politically integrated with the global agenda. "Means of Implementation Paragraph 91(a) in the Implementation Plan adopted at the WSSD calls on the WTO's CTE and the Committees Trade and Development (CTD), to promote the objective of 'achieving an outcome [of the Doha Round] which benefits sustainable development,' a mandate less emphasized by the Doha Declaration.

If properly carried through, the 'win-win-win' opportunities for trade, environment and development could become the mainstream course arising from trade liberalization and globalization. This may bring opportunities and challenges for individual countries to implement sustainable development. China regards sustainable development as its basic national policy as well as its long-term development strategy, and has actively taken measures to achieve this objective.

Current negotiations and positions of WTO members on trade and environment have so far been focused on the narrowly defined environmental mandate set in Paragraphs 31 and 32. Although the development aspect of the negotiations has been stressed by some countries, the issues related to development, implementation and institutional development or broad sustainable development aspects have not yet been coherently addressed. It is in China's interest to promote the 'win-win-win' opportunity for trade, environment and development. China should seize the opportunity for international leadership, linking trade and the environment with its sustainable development effort domestically and at the same time taking the leadership role in developing international rules governing the relationship among trade, environment and development.

III. Proposed Future Work

Given high stakes of trade, environment and sustainable development issues in the wake of China's WTO accession, the Task Force on WTO and Environment has identified two priority areas for further work. The proposed work aims to help China to enhance its ability to address environmental and sustainability issues while it further opens its markets, taking advantage of "green trade" opportunities but not sacrificing its environment or natural resources.

The first priority area will involve assessment of the environmental consequences of China's WTO accession with a view to developing appropriate strategies and policy measures to support sustainable trade. To date a number of developed countries have conducted national environmental assessments of trade policy and trade liberalization. Undertaking such an environmental assessment of trade policy and further trade liberalization will be useful to the development of its own trade and environmental policy.

The second priority will involve capacity enhancement to address environmental issues in the new Round of WTO negotiations. The agenda set for the upcoming new Round trade negotiations by the Doha Ministerial Declaration requires serious commitment to address issues at the trade and environment interface. As a significant player in the WTO, China could play a leadership role in the development of the environmental agenda in the upcoming WTO trade negotiations. The task force will work closely with the Chinese trade and environment related departments to enhance awareness and understanding of the trade and environment relationship, to identify China's interests in sustainable development in the upcoming negotiations, and to help policy-makers and negotiators develop positive views and positions in the environmental negotiations, so as to contribute to the development of the WTO rules governing the relationship between trade and the environment.

APPENDIX

Member List Task Force on WTO and Environment

Chinese Members

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| YE Ruqiu (Co-Chair) | Senior Advisor and former Deputy Administrator, State Environmental Protection Administration (SEPA), China |
| CHEN Wenjing | President, Chinese Academy of International Trade and Economic Cooperation (CAITEC), Ministry of Foreign Trade and Economic Cooperation (MOFTEC) |
| XIA Guang | Director, Policy Research Center for Environment and Economy, SEPA |
| YU Jianhua, | Deputy Director General, Department of WTO Affairs, MOFTEC |
| ZHANG Shigang | Deputy Director-General, Department of International Cooperation, SEPA |

International Members

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| David Runnalls (Co-Chair) | President, International Institute for Sustainable Development (IISD, Canada) |
| Thomas Cottier | Professor of Law and Director, World Trade Institute, University of Bern, Switzerland |
| Simon Tay | Professor of Law, National University of Singapore, Chairman of Singapore Institute of International Affairs and Chairman, National Environmental Protection Agency |
| Laurence Tubiana | President of Institute of Sustainable Development, Paris, France, and former Conseillere pour l'environnement, Premier Ministre of France, |
| Konrad von Moltke | Senior Fellow, IISD and Professor of Free University, Amsterdam, the Netherlands |
| Victor Lichtinger (Honourable Member) | Minister of Environment and Natural Resources, Mexico |

Advisor

SUN Weiyang Professor and former President, University of International Business and Economics

Team Leaders

CHENG Lulian Senior Engineer, PRCEE, SEPA

HU Tao Senior Fellow, PRCEE, SEPA

Jiang Kejun Senior Fellow, Energy Research Institute of State Development and Planning Commission

PAN Jiahua Centre for sustainable Development, the Chinese Academy of Social Science (CASS)

SUN Changjin Director of Center for Ecological and Environmental Economics, CASS

ZHOU Yumin Director, Trade and Environment Department, CAITEC

Chinese Coordinators

HU Tao (Technical) Senior Fellow, PRCEE, SEPA

SHEN Xiaoyue Research Fellow, PRCEE, SEPA

International Coordinator

Wanhua Yang Project Manager, International Institute for Sustainable Development

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