

Timbur, Margareta; Pralea, Spiridon

Article

Relationship in the Context of Sustainable Development

CES Working Papers

Provided in Cooperation with:

Centre for European Studies, Alexandru Ioan Cuza University

Suggested Citation: Timbur, Margareta; Pralea, Spiridon (2013) : Relationship in the Context of Sustainable Development, CES Working Papers, ISSN 2067-7693, Alexandru Ioan Cuza University of Iasi, Centre for European Studies, Iasi, Vol. 5, Iss. 2, pp. 279-299

This Version is available at:

<https://hdl.handle.net/10419/198249>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by/4.0/>

“INTERNATIONAL TRADE – ENVIRONMENT” RELATIONSHIP IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT

Margareta Timbur*
Spiridon Pralea†

Abstract: *The overall aim of this paper lies on presenting a short pragmatic image of the main aspects concerning the impact of international trade on the environment, on the one hand, and the impact of environmental policies and regulations on the international trade, on the other hand. Also, this article examines the multilateral environmental agreements (MEAs) focused on the use of environmental trade measures. In the same context, we discuss about the most important international institution with the regulatory powers in international trade – environment relationship which is considered to be GATT/WTO. Although, the international trade-environment relationship is a very debated internationally, in Romania it is not sufficiently addressed either theoretical or practical. Taking into account the transition period and the consequences of the global economic crisis which still will affect Romania a period of time; our country promotes simultaneous strengthening and optimizing of trade and environmental policies in sustainable development framework.*

Keywords: eco-friendly goods; eco-label; environment; environmental standards; GATT/WTO; international trade; multilateral environmental agreements; trade liberalization.

JEL Classification: F18; Q34; Q56; Q57.

INTRODUCTION

Complex relationships between international trade and the environment is one of the most significant moments of the economic development – environment correlation. The importance of this sequence has grown in the recent decades due to increasing pressures of the economic development on the environment and the maximizing role of international trade as an engine of economic growth. In this context, sustainable development is the most appropriate way to integrate economic progress in the environment, and this implies the compatibility of international trade with the environment and the conservation of natural resources.

1. “INTERNATIONAL TRADE – ENVIRONMENT” INTERRELATION

The links between international trade and environment have an intricate character, materialized in numerous and diverse conditions and influences. We actually talk about the correlation between two terms. The two sides what need to be studied concern in the one hand the

* Margareta Timbur is a PhD in Economics and International Affairs, Alexandru Ioan Cuza University of Iași, Romania, e-mail: timmar12@yahoo.om.

† Spiridon Pralea, Professor of International Trade at the Alexandru Ioan Cuza University of Iași, Romania, e-mail: pralea@uaic.ro.

impact of international trade on the environment and in the other hand the effects of environment and environmental policies on the trade between countries.

With reference to the first side of correlation, it specifies that international trade is not a direct source of environmental degradation or improvement. The potential positive or negative impact is indirect, mediated by its effects on production and consumption. Consumption and production as main components of economic activity, alongside with rigor and suitability of environmental policy, are part of the fundamental determinants which influence the environmental improvement or degradation.

From the international trade perspective, the dimension of environmental impact depends of the amount and frequency of transactions significant conditioned by the degree of trade liberalization. Consequently, the theoretical analysis was focused on the impact of international trade liberalization on the environment. Outstanding contributions to this subject have been made by a number of neoclassical theorists and the so-called “ecological economists”(like Costanza, Daly, Hall, Jansson, Hannon, Odum, Pimentl, and Martinez-Alie) and the promoters of sustainable development (“environmental economists”, like Hanley, Shogren, White, Wallace, Oates, and Stavins).

The negative environmental impact of liberalization is conveyed in literature especially by the environmentalists. They believe that at least on the short term, trade liberalization could trigger a vicious circle of effects which involve environmental degradation. Initiation and propagation of these effects are motivated by different situations, such as: amplification of international specialization in intensive polluting products which are using exhaustible natural resources (mining, forestry, fisheries, etc.); facilitation of trade with hazardous substances and waste; extension of transport distances with carbon growth effects; stimulation for firms relocation in countries with permissive environmental standards; deepening the nationally and internationally income gaps; the orientation of “disadvantaged” towards consumption of natural resources whose amplification adversely affects the environment etc.

Such negative effects are mediated by the economic growth processes and favoured by the underestimation of natural resources and generally lack of adequate environmental policies capable to ensuring the internalization of environmental costs.

But most of these debates participants contest the environmentalists’ points of view, describing the environmental impact of international trade as positive. Especially, the liberalization adepts (Beckerman, 1992; Barbier, 1994; Markandaya, 1988; Copeland and Talyor, 1994) believe that trade and investment barriers reduction generates wealth, including the movement of

environmental technologies, management techniques and information between countries. In turn, the welfare is likely to increase living standards, the demand for a cleaner environment and finally the environmental protection. In general, the positive environmental impact of international trade liberalization is supported by numerous arguments relating to such issues:

- Efficient allocation of the environmental resources that determines the improve of production structure for goods less intensive in natural resources, based on lower energy consumption and lower degree of pollution;

- Facilitation of international transfer of environmental and less polluting technologies. Trade openness facilitates such the abandonment of old, inefficient and polluting (the former communist countries) power plants in favour of the modern one with combined cycle which encourages the use of alternative sources: wind, solar and tidal. Including the multinational companies, often considered criminals in terms of exploitation of developing countries resources, are interested and can afford new, efficient and less polluting technologies. As a result there is an intensive modernization and revitalization of polluting sectors previously protected;

- Convergence of environmental standards of products and processes to the highest levels in the world. Thus, more stringent environmental policies from developed countries may be imported into countries with lax standards voluntarily in the context of enhancing mutual relations or involuntarily by treating with trade sanctions, or following the adoption of new regulations aimed for harmonizing the environmental standards;

- Encouraging the development of organic products markets;

- Elimination of subsidies and distorted prices in closed economies including the alignment of world prices;

- Encouragement of international cooperation regarding the environmental protection, etc.

As a synthesis of the arguments presented above, in the literature was detailed a broad typology of environmental effects of trade liberalization. The most representative is the approach proposed by the OECD (OECD, 2000 and Sprenger, 1997, p. 29). According to this, reported to international trade in goods, by the nature and scope of their manifestation can be distinguished two main classes of effects: those that define the economic impact and those that target the impact of trade liberalization in the legal framework.

In the first class are framed: the scale effect, the structural effect, the effect of product and technological effect.

The scale effect as a propagation mechanism takes place at the macro-economic level: trade liberalization generates an enhanced role of trade that involves increased economic activity, and

this, in turn, means increased production and consumption and ultimately determines the abundant use of environmental resources, possibly even an environmental degradation. The scale effect is positive if the growth process creates an increasing demand for environmental improvement and the financial gains are allocated for this purpose. Conversely, scale effects are negative in the absence of a proper environmental management and conditions an excessive use of natural resources, increasing pollution and failure of the environmental costs internalization.

Structural effect refers to the consequences of trade liberalization on the resource use, production processes and economic activity in general. To the extent that liberalization leads to a better allocation of resources and efficient production and consumption, the structural effect is positive. The persistence of inadequate mechanisms of environmental costs internalization generates negative structural effects by perpetuating the inefficient resources allocations in favour of the intensive natural resource and high polluting activities.

The product effect captures the beneficial or harmful nature of the product whose international movement is encouraged by liberalization. Thus, it will be registered positive product effects in case of enhancing trade with ecological goods, technologies and energy efficiently machines. Negative effects appear when there is facilitated the trade with environmentally harmful substances like: toxic wastes, hazardous chemicals, endangered species, etc.

The technological effect captures the changes of the production technologies. Negative technological effects may occur if the polluting industries are relocated in “pollution havens” or there are promoted for export the outdated cheap technologies which are not meeting the environmental standards. By contrast, technological effects are considered positive if the liberalization encourages trade in goods, services and technologies, more “friendly” to the environment (less resources consumption, less emissions, reduced pollution per unit of product). The positive effects will be amplified in the context of trade agreements that encourage ISO - considered the main vehicle of advanced technologies and in the presence of the positive scale effects manifested by the increased revenue and national wealth and hence the augmented demand for “clean” technologies and stricter and more rigorous pollution standards and environmental legislation.

The second class defined by OECD takes into account the regulatory effects and it concerns to the consequences of trade reforms and agreements on the national measures, standards, policies and environmental regulations. These effects can be negative when the harmonization of national regulations with the trade agreements neutralizes the ability of governments to adopt appropriate environmental standards and policies in relation to their levels of environmental risks and their

competitiveness requirements. Conversely, the positive regulatory effects of liberalization occur when the trade agreements create a favourable framework for cooperation concerning the necessary institutional reforms for increasing the environmental standards.

In conclusion it can be said that, by itself, trade liberalization cannot be considered good or bad for the environment. The generalization in positive or negative terms can lead to erroneous conclusions. For example, in terms of negative effects could be argued the false idea that autarkic countries would have the cleanest environments. In fact, the nature of the net effect of trade liberalization on the environment depends of the compatibility between the openness of trade policies with environmental policies, in sense of making their goals compatible, even complementary and mutually supportive.

Trade and environment has emerged as a distinct subject in the economic analysis, especially with the second sense of the correlation. It aims not the direct environmental impact on international trade, but especially the effects of environmental regulations and policies on the trade between countries.

Undoubtedly, as any economic activity the international trade is conditioned by the environment in multiple aspects: the “endowment with factors” specific to each country based on the geographical position; climate changes generating calamities (floods, landslides, etc.) or global warming which may change the structure of comparative advantages in trade with bio-food etc.; might be changed even the supply chains, transportation, distribution in international trade with certain products or, during the extreme events (such as hurricanes), temporarily stop the ports and routes activities or can cause infrastructural damages, all reflected in cost increases.

If the overall impact of the environment on trade is easier to elucidate theoretically, the environmental regulations and policies effects on the trade, are more controversial, they are approached from the perspective of a wide range of interest groups. Even when standards and regulations are honestly motivated by the pollution control requirements and the environmental protection, the companies’ compliance costs become higher, so they might register relative disadvantages compared to competitors. The disputes are fuelled by the suspicion that the promoters of environmental regulations and standards actually use them as disguised barriers to imports. In this sense, developed countries are accused of promoting “green protectionism” established by strict environmental rules and standards what especially less developed countries do not qualify for. In turn, developing economies are suspected of a so-called “eco-dumping” resulted from their engagement in a real race for lax environmental regulations, able to attract foreign investors to boost their production and exports (Siebert, 1996, p. 188).

Other aspects of environmental impact on trade cover issues such as: impact of environmental policies on the product life cycle when targeting certain characteristics of the goods or manufacturing technology, the effects of ISO 14000 registration enforcement and compliance on the small and medium size companies which the cost increases can be so high as to no longer afford the output on external markets.

As a result we mention that the international trade and environment is a two-ways, multi-dimensional and often conflicting relation. Approached from the perspective of different ideologies and especially from the standpoint of a wide range of conflicting interests, international trade – environment correlation resulted rather in a set of multiple dilemmas than a single problem solved by an economic general model.

2. RECONCILIATION BETWEEN INTERNATIONAL TRADE AND ENVIRONMENT - CONCERN OF GATT / WTO

The GATT / WTO system was created to provide to its members appropriate multilateral framework for all aspects of trade negotiations concerning the regulation, promotion, development and liberalization of international trade. In this regard, the aspects often included on the negotiation agenda are those relating to avoid or eliminate conflicting relationship between trade and environment.

The conflicts arise when manufacturing processes, regulations concerning the consumption of certain natural resources, trade in products or waste are generating negative environmental externalities for other states, which can cause loss of wealth. To the extent that these losses are not reflected in the cost of transactions, establishment of restrictive trade measures such as: environmental taxes, quotas, prohibitions or other regulations are perfectly justified in case of environmental protection and human welfare. The problem is that the distinction between trade measures aimed for real environmental objectives and the unjustified and discriminatory measures applied for obstructing imports is quite difficult. This is, precisely, the main focus of the GATT / WTO system concerning trade and environment.

Following the evolution of environmental concerns into the multilateral trading system, we observe that the early GATT has not been given attention to this issue. Even the notion of “environment” was not expressly mentioned in the legal text of GATT. Environmental concerns arise regarding the exceptions to the fundamental principles of “most favoured nation” clause and “national treatment” clause applied to “like products”. Given that, there are situations when the

products may be similar in the aspects of characteristics and purposes, but not in those of the production methods and techniques, art. XX GATT allows member countries to determine their own level of environmental protection within its borders through the appropriate trade measures and in justified cases may deviate from fundamental principles of GATT. Exceptions provided in art. XX of GATT which such measures may be instituted refers to the protection of life or health of humans, animals or plants and the conservation of exhaustible natural resources. (Stein, 2009, p. 287) Naturally, acceptance of such measures occurs “such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade” (Eckersley, 2004, p. 28).

More generally, we can say that, in fact, all GATT / WTO rules, regulations and principles are related to environmental protection, because provide the preparation, negotiation and implementation of trade measures for environmental purpose and in the same time aim to ensure and achieve a balance between the member rights to adopt own trade measures for environmental protection.

This last point is very visible in the contents of specific agreements convened during the Tokyo Round. It is the Agreement on Technical Barriers to Trade and the Agreement on Sanitary and Phytosanitary Measures.

The first agreement assumes that the need of technical regulations and standards is universal accepted. The “technical regulations” are understood as mandatory requirements for products, related processes and production methods, and the “standards” as voluntary requirements. The agreement recognizes and guarantees the right of each State to choose their desired level of protection, avoiding the situations when the violation of technical regulations or adoption of national more stringent standards would create disguised barriers to imports. Therefore the agreement encourages the adoption and practice of international standards and harmonization of conformity assessment procedures. To manage the achievements of this Agreement objectives, there were established the Committee on Technical Barriers to Trade and the Dispute Settlement Body on technical regulations and standards.

The SPM Agreement aims to respect the sovereign right of member countries to ensure the appropriate level of health protection, but guaranteeing that this right is not arbitrarily used for protectionist purposes. This agreement is based on principles of necessity and scientific justification, exclusion of arbitrary discrimination, harmonization, equivalence and adequate level

of protection, proportionality and transparency, risk assessment and cooperation (Mahe, 1997, p. 489).

More prominent appear the concerns regarding the trade and environment relations in the WTO frame. From the content of the Agreement Preamble establishing the WTO, sustainable development, environmental protection and conservation are integrated into the multilateral trading system and have been adopted as fundamental objectives of the new organization which has substituted the GATT secretariat.

Subsequently, through the Development Agenda, in the new round of negotiations, was requested to be addressed and evaluated the relationship between the GATT / WTO norms which were already established and the specific trade obligations set out in the multilateral environmental agreements (MEAs).

Currently, the trade and environment issues are handled by the WTO Committee on Trade and Environment. The roles and issues on the agenda of this committee give us a fairly and complete picture of the broad spectrum of environmental concerns in the GATT/WTO system.

According to the decision establishing the Committee on Trade and Environment, it has two main missions:

- To identify, define and evaluate the relationship between trade and environmental measures for supporting sustainable development; and

- To do recommendations for improving the provisions of the multilateral trading system concerning: strengthening the positive interaction between trade and environmental measures, with special attention to the needs of developing countries, particularly the least developed countries; avoiding the protectionism and compliance with multilateral discipline, so as to ensure responsiveness of the multilateral system to environmental objectives and supervision of trade measures used for environmental purposes.

These tasks are detailed in the ten articles of the Committee Agenda reflecting the priority of environmental objectives and the focus on the relationship between trade rules on the one hand and on the other hand: general environmental policies with trade effects, trade measures used for environmental purposes such as environmental taxes, environmental requirements for products, including packaging, labelling, standards and regulations for recycling. Other problems included on Committee Agenda refer to the transparency of trade measures for environmental and environmental policies, the environmental measures potential to function as barriers for developing country exports; the issues concerning the exports of prohibited goods on the internal markets; the specific environmental requirements of trade in services and transactions covered by the TRIPS

Agreement; the relationship between WTO and Multilateral Environmental Agreements regarding the regulation of disputes etc..

Given the complex issues covered and the divergence of interests between the member countries, although the environmental concerns in the multilateral trading system have intensified, progresses towards reconciliation between trade and the environment are still slow. But GATT / WTO system remains the mainstay and also the most appropriate framework for the design, negotiation, adopting and monitoring the commercial and environmental disciplines for promotion of sustainable development.

3. COMMERCIAL ASPECTS OF MULTILATERAL ENVIRONMENTAL AGREEMENTS (MEAS)

In the new context of globalization increased international trade occurs concomitantly with increased threats from global warming, ozone depletion, persistent organic substances pollution amplification and biodiversity degradation. In this context, and given cross-border trade flows and environmental issues, international cooperation, reflected in the absence of a World Environment Organization, mainly in Multilateral Environmental Agreements (MEAs) appears as the best recommended way to avoid collisions between international trade and environment.

MEAs are agreements between States which establish principles, rights and obligations undertaking by parties to respect the environmental purposes. Currently are operating over 300 MEAs, whose content aims to regulate and prevent the environmental challenges through a variety of specific tools (legal, economic, technical, and commercial, etc.). About 30 of these are focused on the use of environmental trade measures. The most representative are presented briefly below:

-Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) signed in 1973, Romania joined in 1993, provides the framework for conservation of species traded on the international market, but outside of commercial regulations could become endangered. According to this convention, trade management of such species is based on biological information and monitoring how the various types of trade regulations can affect these species. Thus, transactions with covered species must be authorized by limited license granted allowances which determine the maximum number of patterns that can be traded.

-Vienna Convention for the Protection of the Ozone Layer (1985) and Montreal Protocol (1987), which Romania joined in 1993 to. Convention is a framework document which doesn't intend to control the ozone depletion, but rather to establish the procedure rules for future protocols.



(OECD, 1999, p.63) The first in this regard was the Montreal Protocol on Substances that Deplete the Ozone Layer. Protocol prohibits the trade with products and substances that deplete the ozone layer, whose applications are managed through a licensing system. Protocol insists more on the obtained results and as tools recommends combining trade measures with instruments which control domestic production and consumption, leaving to the states free choice of measures such as: taxes on substances that deplete the ozone, incentives taxes to substitute these substances, production quotas, quotas or import/export bans, technical product standards, labelling rules, etc. The Montreal Protocol is considered by the OECD as the first agreement using trade measures as part of an integrated package of world politics, aimed addressing a truly global problem (OECD, 1999, p.63).

- *Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal* adopted in 1989(Romania joined in 1991) is the only international institution dealing with this distinct class of products, which is not covered by the WTO documents (Brack and Gray, 2003, p.21.). Convention aims to protect the people and the environment against adverse effects of production, distribution and transportation of hazardous waste. Trade measures proposed for controlling trade in hazardous waste is based on information and prior consent. This means that a signatory country has the right to ban the entry or disposal of hazardous waste on its territory. But if it expresses written consent for importing or receiving such wastes and the agreement is signed by the transit countries, such delivery between the two signatory countries can take place. Concerning the non-signatory countries, trade with such products is prohibited in the absence of separate agreements with them. Experts consider that Convention has legitimized and encouraged international trade and less contributed to combat and reduce the wastes.

-*Convention on Biological Diversity (CBD)* (1992) (Romania joined in 1994) aims to record the ecological diversity. It also authorizes special trade measures in this regard, but seeks to regulate the issues with large commercial impact such as: resource access regime, the prevention of bio-piracy and the division of profits, agricultural biodiversity, exotic species regulations, transfer of knowledge, innovations and practices of indigenous communities on local species, etc. Of great importance is the *Cartagena Protocol* (2000, Romania 2003) on Biosafety, signed under this Convention auspices. The Protocol is the first international treaty that aims to regulate transboundary movements of genetically modified organisms. Mainly, it aims to ensure the possibility of importers to assess the environmental risks of genetically modified organisms before performing the operation and insists that Biosafety regulations should be applied in conformity with WTO rules so as not turning into trade barriers to imports.

-*United Nations Framework Convention on Climate Change (UNFCCC)*(1992) aims to stabilize the greenhouse gases concentrations in atmosphere at a level that would prevent harmful anthropogenic interferences in the climate system. Under the auspices of this Convention was drafted in 1997 and scheduled to take effect in 2005 *Kyoto Protocol* aimed to reduce greenhouse gas emissions and especially carbon dioxide emissions reduction. Proposed measures for combating climate changes are not purely commercial, but have large trade implications. The most frequently recommended for achieving the Kyoto Protocol goals are the carbon taxes, plus internal policies tools as subsidies for modernization of industrial reactors for the production of renewable energy through more efficient and cleaner technologies. But beyond climate change mitigation measures such taxation and subsidization have uneven repercussions on the international competitiveness. Hence, the major tensions and conflicts may arise between the WTO norms and the Protocol targets. This protocol has significant implications for the international trade with energy-intensive facilities and equipment, fossil fuels and energy efficiently services.

-*Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides* (1998) (Romania joined in 2003) aims to regulate the international movement of these products. Exports and imports of chemicals and pesticides are not prohibited, but require the establishment and enforcement of some procedures preliminary agreed by the importing country. Under this procedure mainly exporters are required to provide, including labelling requirements, all information about the risks for the human health and the environment and the compliance with the relevant international standards. When partner decides to establish restrictions or prohibitions on imports, under this Convention, these should be applied to all external suppliers of any third country and domestic producers.

-*Stockholm Convention on Persistent Organic Pollutants* (2004) aims to regulate the international movement of certain hazardous substances to hormonal functions of human and animal health. Given the high rate of bio-accumulation, the length of persistence in time and their great mobility and harmless, the Convention recommends to restrict and even eliminate the possible use of such toxic substances even in small doses.

Beyond that each agreement is focused on specific areas and issues, MEAs have some common characteristics. Thus, in general MEAs are widely agreed and supported by the international community because: they are the results of transparent and wide - broad negotiations, are substantiated by large-scale scientific research and recognize the special position of developing countries, which may have limited capacity to participate in solving environmental problems. To the extent that expressly provide environmental trade measures their purpose is: to provide adequate

means for monitoring and controlling the trade with environmentally harmful goods; to discourage international trade and unsustainable exploitation of natural resources; to discourage harmful methods and processes of goods production and services traded on international markets; to prevent or limit the entry of harmful substances in countries and create market opportunities and incentives for clean use of goods.

Environmental trade measures are the only tools provided by MEA. They may be accompanied or replaced by numerous other instruments, measures and policies that may have impact on international trade. In this regard might be mentioned: financial assistance for industries, including the purchase of environmental technologies; reporting obligation to monitor trade flows; labelling rules; providing information including the relationship with the environment; rules for notification; consent and movement-based permits; licenses; bilateral or general export or import prohibitions etc.

The most important is whatever their nature, all the measures provided by MEAs that impact the trade should be actually set to achieve environmental benefits and promote not disguised protectionism.

4. LIBERALIZATION OF INTERNATIONAL TRADE WITH ORGANIC PRODUCTS

Among the new issues included on WTO negotiations agenda is liberalization of international trade with organic products. Reiterating the commitment of Member States for sustainable development, the Doha Declaration (2001) expressly requests to reduce or eliminate tariffs and non-tariff impediments to trade with organic products.

In WTO negotiations frame the environmental goods considered are divided into two classes: A and B.

A class of “green traditional products” includes industrial goods used to provide environmental services which address pollution and waste affecting water, soil and air (examples: filters, pumps, reservoirs and containers, soft water purification chemicals, equipment sorting, recycling, metering and environmental monitoring, etc.).

Class B “preferred organic products” includes industrial and consumer goods in their features environmentally friendly (examples: organic products, biodegradable fibres, natural dyes, organic soaps without phosphates, renewable energy equipment, etc.) and are “preferable” to replace goods with similar uses, but harmful to the environment at the time of production, use and final disposal.

These classes of goods are the result of so-called “environmental industry” which includes activities producing goods that can measure, prevent, limit, reduce or correct environmental damage affecting water, air and soil or problems related to waste, noise and eco-systems. Identified as an emerging sector, the eco-industry is rising, becoming increasingly complex and includes within its production technologies, equipment and environmental services: wastewater treatment, waste management and recycling; air pollution control; noise reduction; monitoring instruments for natural resource conservation, etc..

Despite the rise of trade with environmental goods production is hampered by numerous tariff and non-tariff barriers. Such barriers prevent the entrance on developed country markets of goods from developing countries for which the exports of organic products is of great interest, and also the OECD supplies of equipment and technologies for low-income countries.

In terms of tariff barriers, it is considered that the rates for imports of environmental products is 0-3% for OECD countries, while for many low-income countries are about 8-9% and higher to about 20% for some emerging economies (Argentina, Brazil, Chile, India, Indonesia, Malaysia and Thailand). The big difference between the average and maximum tariff agreed at the WTO negotiations and the ease with which countries can drag to the maximum, give rise to uncertainty for exporters.

To this are added the various non-tariff instruments affecting imports of environmental products among the most frequently used ones are: standards, certifications and environmental subsidies, quotas and other quantitative restrictions, marketing practice, distribution, logistics and other various regulations. The specialists emphasize the technical standards and certification procedures are the most discriminating tools against the entrance of environmental products on developed country markets from developing countries (Khatun, 2004, p. 13). Under these conditions the liberalization of environmental goods trade presents great interest and has wide support, being motivated both commercially and environmentally.

In terms of trade liberalization means: new opportunities for export of environmental products from developing countries to developed ones; opening of developing country markets for the know-how, equipment and technologies supplied by OECD countries; competitiveness increase, the prices diminution, supply augmentation and growth of quality of environmental products, etc.

Under this aspect, eco liberalization allows better access to green technologies, increase of international environmental standards, pollution prevention and control according to national and international regulations and compliance with sustainable development objectives.

It is noted that the size of the potential gains from liberalizing trade with environmental products depends of internal reforms and the degree of compatibility between open markets and national development objectives.

5. INTERNATIONAL TRADE – ENVIRONMENT RELATION IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT IN ROMANIA

In Romania, a proper environmental policy (defined as “an integrated system of environmental priorities and objectives, methods and tools directed to ensure the sustainable use of natural resources and prevent degradation of environment”(European Communities, 2009, p.12) or “a set of coherent measures and means seeking to preserve the support capacity of natural systems”(Negrei, 1999, p. 14) can be considered since 1990s in the context of the adoption of sustainable development as a priority when “environmental policy has become an overall policy, recognizing its importance for the harmonious development of society.” (Rojanschi et al., 2003, p. 47) Naturally, sustainable development involves linking the international trade as one of the main pillars of economic growth with environmental protection.

The awareness of international trade and environment relationship and the awareness of policies complementarities concerning these two areas appear from the international position taken by Romania, also in numerous trade policy measures implemented over the years that actually are environmentally friendly. Romania's international position is reflected by the participation at conventions, agreements and organizations responsible for the regulations and the control of international trade and environmental issues.

Thus, Romania signed over 250 bilateral and multilateral environmental agreements and conventions concerning the air quality, nature protection, water quality, waste management, chemicals and reduction of the nuclear accidents effects which are implemented through national legislation always completed and updated.

Among these, particularly important are the Basel Convention and the Kyoto Protocol. In 1991 Romania signed the Basel Convention, pledging not to export or import pollutants waste that could harm the environment. In 2001, Romania has developed the National Waste Management Strategy aimed to implement an integrated management system waste, economically efficient and environmentally friendly.

After joining the EU from July 15, 2007, Romanian practice adopted the European Regulation No 1013/2006 concerning the waste shipments. According to Government Decision (GD)

788/2007, the National Environmental Protection Agency is responsible for the supervision and control of import, export and transit of hazardous and non-hazardous wastes.

Romania, also, signed the Kyoto Protocol (1997) on combating global warming, the 8% reduction in greenhouse gas emissions between 2008-2012 requirements were more than satisfied, the Romanian industrial production decrease allowed a reduction of 46%. Unfortunately, the opportunity of green certificates trading abroad was not sufficiently well managed and harnessed, loosing substantial revenues needed to complete the environmental protection funds. Romania's concerns about the harmonization of relations between trade and the environment are the most eloquent reflected from the position adopted by the GATT / WTO. Within this multilateral institutional system, Romania has steadily pronounced even before 1995 for trade liberalization and simultaneous for addressing the environmental global problems through the multilateral environmental agreements path that should function in character and complementary to the multilateral trading system rules.

According to this position, after WTO creation, Romania argued that the trade and environment agenda negotiations should include the following objectives: clarification in a multilateral framework of the relationship between MEAs and WTO rules, members' rights to invoke the precautionary principle within the environmental issues, avoiding the use of discriminatory practices and develop new multilateral disciplines regarding the eco-labelling. To achieve these goals, along with signing the Final Act at Marrakesh on 15 April 1994, Romania agreed, also, the formation of the WTO Committee on trade and environment.

The multitude of trade policy measures interfering with environmental policy aim issues such as:

- Protection of animal health, prevention of disease transmissions from animals to humans, food safety;
- Compliance with the quarantine rules and phytosanitary certificates required for import and export of the plants and vegetable products;
- Monitoring the compliance with environmental protection measures involving the submission to customs authority along with the customs import or export declarations, the environmental permits issued by the competent environmental protection authorities;
- Use restriction or ban of hazardous chemicals in accordance with international conventions to which Romania is a member party;
- Quality control of medicines and medical devices, import/export of which is performed only by special permits issued by the health authorities;

- Marketing of second-hand garments and textiles accompanied by proof that they have undergone the cleansing and disinfection.

After accession, Romania took over the EU's common policies, including trade and environmental policy. According to these, the current objectives of Romania in the field of environment are: protection and improvement of the environment, protection of public health, rational and prudent use of natural resources and promoting measures at international level to tackle and solve the regional and global environmental problems. As instruments, most commonly used are: legislation, particularly environmental quality directives (pollution levels, etc.), products norms (concentration limits, emission, etc.) environmental programs and financial aid programs.

Note that all of these tools may be trade barriers to market access, most frequently identified are: environmental standards and regulations, labelling and eco-labelling and a number of economic instruments.

In terms of standardization, Romania has a relatively long experience, started since joining in 1928 as a member of the International Electrotechnical Commission. Since 1998, Romania is represented in international standardization process by the Romania Standards Association. This is a private association of public interest whose duties are to coordinate the national standardization activities and exchange information with exterior in this area.

By their nature there are two types of standards: product standards, which refer to the characteristics of goods (performance requirements, minimum nutrient content, maximum toxicity of exhaust emissions, etc.) and process standards concerning the conditions of manufacture.

In Romanian practice can be found following national standards: Romanian original standards with SR or STAT indication; Romanian standards that have adopted a European standard: SR EN or SR EN ISO; Romanian standards that have adopted an international standard: SR ISO; Romanian standards that have adopted an amendment and Romanian standards that have adopted an errata.

According to standardization methodology, original Romanian standards and those which have adopted an international standard should be examined every 5 years after publication, reviewing, modification or reconfirmation and original national standards what become in conflict with the adopted European standards should be cancelled.

Note that the updating and alignment of Romanian legislation and standards to those European and international is a condition of export promotion. In this respect, law no. 608/2001 on the conformity assessment of products expressly provides in Article 7 that “technical regulations shall refer to harmonized European standards adopted nationally conferring presumption of conformity with the essential requirements.” As well are the laws no. 312/2003, 348/2003, and

469/2003 which require the fresh products for human consumption should be mandatory subject to quality standards.

Concerning labelling, this can be mandatory or voluntary and it provides information to users or consumers about the positive impact (biodegradability, etc.) or negative (toxicity, flammability, etc.) of the product or manufacturing process on the environment and health. In some cases it can provide information about the geographic indicators or country of origin. The content of the messages transmitted by the labels can have an important impact on the dynamics of trading flows. As awareness of environmental deterioration, a growing share on international market tends to have the environmentally friendly products. They are identified by the beneficiary through the eco-label. Eco-label is a voluntary label for products with minimal impact on human health and environment. The EU Eco-label - “European Flower” was introduced in 1992 by the European Commission. Currently, the award procedure is governed by the Regulation no. 1980/2000 of the European Parliament and Council. European Eco-label is meant to establish a unique certification scheme at the Community level for green and environmentally friendly products.

Romanian legislation transposed the provisions of European Regulation No. 1980/2000 through the GD. 189/2002, repealed by GD. 236/2007 on a revised system for granting the Community eco-label. In compliance with European and international legislation for implementation of Community Eco-label scheme, in Romania was created the National Commission for eco-label. It functions as an advisory body with an active decisional role regarding the eco-labels.

The main categories of products concerned to be labelled are: household appliances (refrigerators, wash machine, vacuums, TVs, etc.), laptops, detergents, soil improvers, paints and varnishes for interior, heat pumps, accommodations for tourists, camping services etc.

Although, in principle the Eco-label scheme is open to all products and services, some categories are expressly excluded. These are: toxic substances obtained through harmful means for humans or the environment, food, beverages, pharmaceutical and medical devices. The range of economic instruments which seek to influence the behaviour of economic agents by internalizing the environmental costs is varied (see Figure 1). In Romania the highest use have the fiscal tools, such as environmental taxes. In terms of resource allocation, the financial taxes benefits as described by specialists (Vuță, 2004, p. 67) are twofold: concerning the economic optimum, the financial charge makes that for every public rendered service to match a price; from environmental point of view, the tax exerts an incentive effect which diminish the volume of emissions and waste.

Although theoretically, foundation of environmental taxes is based on environmental considerations, the real motive is more likely financial-budgetary. Paradoxically, among the 15 taxes on activities with potential impact on the environment, only (first registration tax, tax for pollutants emissions into the atmosphere, packaging tax and the tax for tires) brought significant revenue to the Environmental Fund.

The modest contributions for supplying this fund are not related to the lack of potential of charged fields, but especially to the methodological difficulties of tax implementation and income collection.

So far, the most important contribution to the Environmental Fund revenues was carried by the first registration tax, recently became “environmental stamp”. The obtained Fund administration incomes may be used only to finance the Program for stimulating the national car park renewal and the projects regarding the environmental protection.

Figure 1 - Classification of Economic Instruments



Source: Panayotou, Th., (1994) *Economic instruments for environmental management and sustainable development*, Environmental Economics Series Paper No. 16, UNEP, p. 9.

Along with beneficial effects, this first registration tax affects the free trade creating significant effects of discrimination between producers and consumers of gasoline and diesel cars and electric cars or hybrids, among buyers who purchase new cars and old cars, also by the assessment methodology is infringed the “polluter pays” principle, the fiscal burden being borne by the final consumers, regardless of the car usability.

Other fiscal instruments with significant commercial and ecological effects are the tax: on packaging, on the hazardous substances, on tires and on the oils wastes introduced by the law no. 167/2010.

CONCLUSIONS

From the above it follows that in the context of efforts to promote sustainable development, it was registered a significant progress towards harmonization of international trade relations and the environment. However there are still some inconsistencies and legal and institutional failures related largely to the prevalence of the importance of objectives: the economic growth or the environmental protection, specifically to developing countries; and more recently related to the phenomena of economic and financial crises. It is expected that Romania will promote the strengthening and simultaneous optimization of trade and environmental policies for the future sustainable development.

REFERENCES

- Barbier, E. (1994) *Natural capital and the economics of environment and development*; in: A. Jansson, M. Hammer, C. Folke and R. Costanza (eds.): *Invest-ing in natural capital: the ecological economics approach to sustainability*, Washington D.C.: Island Press, pp. 291-322.
- Beckerman, W. (1992) *Economic Growth and the Environment: Whose Growth? Whose Environment?*, World Development, Issue 20, pp. 481–96.
- Beghin, J. (2000) *Environment and Trade in Developing Economies: A Primer for the World Bank's Global Economic Prospects 2000*, Working Paper 00-WP 247, World Bank.
- Brack, D. (2000) *Trade and environment after Seattle*, RIIA Briefing Paper, New Series No. 13.

- Brack, D., Gray, K. (2003) *Multilateral Environmental Agreements and the WTO*, Report RIIA, IISD, p. 21.
- Copeland, B., Talyor, S. (1994) *North-South Trade and the Environment*, Quarterly Journal of Economics, Volume 109, pp. 755-787.
- Eckersley R. (2004) *The Big Chill: The WTO and Multilateral Environmental Agreements*, Global Environmental Politics, Volume 4, Issue 2, p. 28.
- European Communities (2009) *The environmental goods and services sector*, Methodologies and Working papers, Luxembourg: Office for Official Publications of the European Communities.
- Georgescu Roegen, N. (1996) *Legea entropiei și procesul economic*, Bucharest: Publishing House Expert.
- Khatun, F. (2004) *Environmental Debates in the WTO: Defining Bangladesh's Interests*, Paper No. 35, CPD Occasional Paper Series, Dhaka.
- Mahe, L.P. (1997) *Environment and quality standards in the WTO: New protectionism in agricultural trade? An European perspective*, European Review of Agricultural Economics, no. 24, p. 489.
- Markandaya, A., Pearce, D. (1988) *Natural environments and the social rate of discount*, Project Appraisal, Volume 3, Issue 1, pp. 2– 12.
- Negrei C. (1999) *Instrumente si metode în managementul mediului*, Editura Economica, Bucuresti.
- Neumayer, E. (1998) *Is Economic Growth the Environment's Best Friend?*, Journal of Environmental Law and Policy2/98, pp. 161-176.
- OECD (1994) *Methodologies for Environment and trade Reviews*, OCDE/GD(94)103, Paris.
- OECD (1999) *Multilateral Environmental Agreements: Synthesis Report of Three Cases Studies*. Paris: Joint Working Party on Trade and Environment, COM/ENV/TD (98)127, p. 63.
- OECD (2000) *Politique environnementale et efficacité économique*, Paris.
- Panayotou, Th., (1994) *Economic instruments for environmental management and sustainable development*, Environmental Economics Series Paper No. 16, UNEP.
- Platon, V. (1997) *Protecția mediului și dezvoltarea economică: Instituții și mecanisme în perioada de tranziție*, Ed. Didactică și Pedagogică, Bucharest.
- Rojanschi, V., Bran. F., Diaconu, S., Grigore, F. (2003) *Abordări economice în protecția mediului*, Publishing House ASE, Bucharest.
- Siebert, H. (1996) *Trade Policy and Environmental Protection*, Blackwell Publishes Ltd, pp. 183-194.
- Sprenger, R. (1997) *Globalization, Employment and Environment*, OECD Paris, p. 29.

- Stein, J. (2009) *The Legal Status of Eco-Labels and Product and Process Methods in the World Trade Organization*, American Journal of Economics and Business Administration, Vol. 1, Issue 4, p. 287.
- Vuță, M. (2004) *Politici si strategii financiare de protectia mediului*, Publishing House ASE, Bucharest.