

WTO and implications for the Chinese environment policy

Andreas Oberheitmann¹

Regulatory basis of trade and environment under the WTO are the provisions of the relevant WTO-Agreements. Though these Agreements are basically containing trade regulations, there are also a range of environment related provisions. With the entry into WTO, China has to follow these WTO-rules (reduction of WTO incompatible subsidies especially in the energy, textile and agricultural sector, opening of the domestic markets etc.). As a consequence, there could be negative effects on employment, e.g. in the agricultural sector. However, entering the WTO, China also receives the right to use the trade conflict settlement mechanisms of the organization including environment related cases as other developing countries did before. Implementing the WTO-rules could also bring about economic and environmental benefits for China. Benefits especially come up from the reduction of the over-utilisation of natural resources though the lift of subsidies and from the promotion of environmentally friendly technology, inter alia through WTO consistent governmental support including tax reductions. As a developing country, China also has the right to utilise the relevant WTO exemptions for import liberalisation.

1 Introduction

After the bilateral agreement between China and the USA including the establishment of normal trade relations, it seems to be very likely that China in early 2002 will re-access its status as a contracting party of GATT/WTO. Nevertheless, with the entry into WTO, China has to obey the WTO-rules. However, it also receives the right to use the conflict settlement mechanisms of the organization and could directly take part in the WTO discussions and negotiations.

In the Uruguay Round, beyond trade policy, other fields of policy have been included into the WTO legal system, for instance industrial policy and investment promotion. With progressive globalisation and economic integration, the demand increases for multilateral rules to be able to solve the possible new conflicts of these policies. Even social and environmental policy belong to the policy fields relevant for competition. Especially, environmental questions are getting higher and higher on the political agenda. This could be seen on the Millennium Round of the WTO in Seattle 1999, which was marked by the discussion and conflicts about the

¹ This article is a revised and updated form of a paper presented on the international Symposium "WTO and Environmental Policies", hosted by GTZ on 7-8 November 2000 in Beijing. Andreas Oberheitmann is senior research fellow at the Rheinisch-Westfälisches Institut für Wirtschaftsforschung, Hohenzollernstr. 1-3, 45128 Essen, Germany. E-Mail: oberheit@rwi-essen.de.