

Sustainable Natural Resources and Environmental Issues about Free Trade in the World Trade Organization (WTO) System

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Abstract

The aims of this research is the influence of free trade within the framework of the World Trade Organization-General Agreement on Tariffs and Trade on the environment and natural resources. Nowadays, there are almost no tariff barriers in trade. The research methods used a normative research or library research using qualitative research methods, which does not use statistical measuring instruments. The research results show that the development of globalized trade is due to free trade regulated according to the principles of the General Agreement on Tariff and Trade (GATT)-World Trade Organization (WTO), which encourages free trade aspects with a focus on eliminating barriers to trade, while environmental policy is not as a priority. However, environmental policies are formulated to guarantee the sustainability of trade itself. Typically, environmental pollution stems from the production processes involved in manufacturing goods, the transportation of goods utilizing public infrastructure, and the disposal of waste arising from product packaging or substances that are challenging to decompose naturally. Despite the issuance of environmental policies, these issues often persist without effective resolution. There are only a few countries that have good environmental regulations that can make environmental policies can be effective, which are developed countries that already have Eco-friendly technologies used for environmental control. The efforts that have been made by countries to create a balance between the profits obtained from trade itself and environmental conservation and natural resources are focused on environmental policy at the national level. Countries create environmental standards that are adapted to environmental standards and have been agreed at the international level. Furthermore, various approaches are being implemented to achieve higher environmental standards, through international organizations and multilateral agreements related to preserving the environment and natural resources.

Keywords: environmental policy, free trade, and natural resources.

1. Introduction

The Globalization World Trade Organization have an impact in the form of changes in international markets, one of which is trade liberalization (Robertson, 2022; Utomo, 2023). This is assumed as an effort to increase economic competitiveness. In principle, the WTO is a means to encourage orderly and fair free trade in this world (Bohnenberger, 2022; Kahn, 2020). To encourage the creation of free trade in carrying out its duties, the WTO applies several principles as the pillars of the WTO. Through trade liberalization rolled out through WTO rules, it inevitably encourages member countries to follow WTO rules (Bohnenberger, 2022; Kurniawardhani, 2021; Ventouratou, 2021).

Trade liberalization initiated through WTO rules leads WTO member countries to open their markets for other member countries (Dwi NUGROHO et al., 2022; Nata Kusuma et al., 2019; WHO, 2020). There are almost no more barriers to market entry for WTO member countries, the setting of tariffs as a means of protecting foreign products from entering the domestic market is slowly being abandoned, so that countries that are WTO members inevitably, either directly or indirectly, adopt a market economy, namely the decentralization of decisions given to business actors regarding the quantity and how to process a production so that business actors are given free space to make decisions regarding their business activities (Nabiyeva, 2020).

The spirit of the free market is to encourage the highest possible trading intensity and as much trading volume as possible (Chen et al., 2021; Georgieva, 2020; Moellendorf, 2005; Shaffer, 2015). This will affect the sustainable

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availability of natural resources because market demand for various commodities is getting bigger and more massive. Meanwhile, there is also a need for each member country to develop its own national economy. Meanwhile, development itself is no longer solely economic development but also environmental considerations to provide natural resources as a resource base. Natural resources can be understood as all the potential provided by the natural environment, particularly in the fields of energy, mining, forestry, and water. They thus include fossil, plant, wildlife, and fishery resources, all of which are useful to human. They are genuinely scarce resources, having been exploited abusively in a context marked by trade liberalization in which no state is able to take steps to protect them without facing legal constraints (Farajzadeh et al., 2017; Hirsch, 2022; Mitchell et al., 2011; Vesterinen et al., 2020).

The free market phenomenon is a factor that encourages increased economic development. Building a strong country also requires the accumulation of wealth and capital (Chugunov et al., 2021; Nakabashi, 2018). Therefore, economic development must be prioritized first if the accumulation is not sufficient within the country (Schilpzand et al., 2021; Zhao et al., 2022). International trade is promoted as a means of struggle to achieve national interests, namely capital accumulation. However, increasing international trade is also a factor that influences the shrinking of existing natural resources, which of course will affect the environment. The Declaration on Human Environment issued by the Stockholm Conference in June 1972 determined that the earth's natural resources must be safeguarded for the benefit of present and future generations through careful planning or management, and the earth's ability to produce vital natural resources is renewable and must be maintained, if possible, it could be repaired or upgraded (Acs et al., 2008; Gruzina et al., 2021; Kavva et al., 2020; Kostis, 2021).

Based on this literature, there is a problematic phenomenon where the free market (international trade) leads us to excessive extraction or exploitation of the environment and natural resources. Meanwhile, from the aspect of preserving the environment and natural resources, it needs to be maintained, so that the environmental carrying capacity for human life remains balanced, and the availability of natural resources can be maintained for future generations. From these problematic issues, it can be formulated in this research as follows: (1) What is the impact of free trade within the framework of the WTO system on the availability of natural resources and environmental preservation in member countries; and (2) What are the arrangements and efforts of member countries to prevent the impact of environmental damage and shrinking availability of natural resources.

2. Research Method

This research is normative legal research. In this research, the legal issues to be resolved relate to free trade issues within the WTO framework and its impact on the environment. There were approaches in legal research and the researchers could obtain information from various aspects regarding the issue they are trying to find answers to. Then, a comparative, conceptual, and historical approach were used. Research data employed secondary data sourced from books, articles, and other sources related to this research.

3. Results and Discussions

3.1. The Influence of Free Trade on the Environment and Sustainable Natural Resources

Physical events that occur in the environment will have a great influence on the organisms that live in the area, while the living organisms themselves will also change or influence the area concerned to a greater or lesser extent. Therefore, there is a certain area where a composition of living organisms lives in which a harmonious and stable interaction exists, which is what is commonly known as an "ecosystem" (Koesnadi Hardjasoemantri, 2000). The ecosystem protection movement should be carried out to free humans from the threat of being shackled by slavery in the form of "environmental dangers" of their own making. One of the strong and effective tools in protecting the environment is the law that regulates environmental protection.

Social changes both in society at the national level and changes at the international community level are related to trade between countries (free trade), which continues to grow. In 1994, it was founded by the World Trade Organization (WTO) which is based on principles and norms contained in the General Agreement on Tariffs and Trade (GATT).

Trade liberalization initiated through WTO rules leads WTO member countries to open their markets to other member countries. There are almost no more barriers to market entry for WTO member countries, the setting of tariffs as a means of protecting foreign products from entering the domestic market is slowly being abandoned, so that countries that are WTO members inevitably, either directly or indirectly, and adopt a market economy, namely the

decentralization of decisions given to business actors regarding the quantity and how to process a production so that business actors are provided free space to make decisions regarding their business activities (Silalahi, 2009). A free trade develops total economic activity, greater pressure is placed on the environment. Trade and economic activities are related to the increasing use of natural resources, such as energy, wood or clean water sources which are needed to encourage development in production and thus have an impact on increasing the volume of air pollution and water pollution.

The presence of free trade also increases export opportunities for natural resources, such as iron ore, trees, and so on. However, on the other hand, these activities can damage the environment, especially in developing countries which do not have specific regulations regarding environmental protection. Within the framework of the Uruguay Round (GATT/WTO), environmental issues are not included in the specific issues discussed and are only touched upon in the Agreement on Technical Barriers to Trade (Standard Code). In addition, it is also not regulated separately in the GATT articles or the Tokyo Round agreement. However, a country can utilize Article XX GATT to carry out actions involving environmental issues, although it must comply with the principle of "Most Preferred" Nations (Article I) and General Prohibition (prohibition on restricting foreign trade through non-tariff barriers) in its implementation.

Regarding to the issue of whether international trade helps or damages the environment, this is a very complicated question. Thus, it is impossible to expect a simple answer to the question. But let's think about it through some of the key mechanisms in its operation. First, international trade has an impact or influence on prosperity. The environmental problems become better because of wealth. Countries also acquire these sources of income or capabilities, or technology to improve their environments; or therefore they become richer. They are more easily attracted to a clean life.

Smaller environmental problems seem to get worse with wealth, a simple example being carbon emissions. As countries, they produce more, emitting more carbon into the atmosphere. Some environmental problems first get worse due to getting rich and then getting better. Thus, it will have more cars in a short time. The country becomes more prosperous, they tend to ban the use of gasoline and then the air becomes cleaner again. Mexico City is an example of a city that has become significantly more prosperous and has also moved towards cleaner air.

Some discussions on trade and the environment approach the issue in a slightly different way. On the one hand, technical and compositional influences tend to make countries cleaner. Engineering influence means that we have used cleaner technology in production, while composition influence means we want cleaner output. Meanwhile, on the other side, the side that looks at it has geographical effects. Having an impact on nature means that producing more can cause more pollution. Another relevant factor is that international trade tends to minimize personal costs in production. For example, we consider a comparison: whether to send grapes from Chile by ship or send grapes by truck from California, of course using roads and gasoline. Private entrepreneurs will compare transportation costs and energy use, and basically expect to take the lower cost option. Generally, it tends to be friendly to the environment. It must be careful here, whether the market minimizes private costs for production and private costs. Social costs are not always the same, especially with regard to the environment; for example, from an environmental perspective, some oils can be dirtier than others but this difference is not always reflected in the oil price.

The literature on trade and the environment also considers the issue of whether there is some basis for respect for environmental standards. Now, the facts appear to be that the world is investing more resources to protect the environment. However, it still considers a trend emerging where entrepreneurs are turning to producing pollution and producing goods that produce pollution in poor countries.

Negative influences on the environment of trade policies are related to preventing global carbon dioxide emissions as a key element of climate change policy. Because emissions create the same harm widely regardless of where they originate, an optimal policy is to impose a uniform tax on all countries and all industries equal to the global social cost of the carbon produced, usually estimated at around 40 dollars per ton. In practical terms, actual climate policy departs strictly from this maximum: regulations exist only within a mix of countries, they differ substantially in different places, and the price of carbon is generally less than \$10 dollars per tonne.

Considering the production process of a car. These related emissions not only include emissions caused by postal fuel burned by factories that manufacture cars, but also those burned to produce the steel and rubber used in assembling cars, and to transport those materials that will be used in manufacturing plants. These are indirect sources of emissions. Both producing raw materials and car manufacturing factories are responsible for emissions both directly and indirectly.

3.2. Global Free Trade Activities and Environmental Policies of Countries

Trade can have positive or negative effects on the environment and natural resources. Economic growth resulting from expanded trade can have a direct and real impact on the environment due to increased pollution or shrinking natural resources. Additionally, trade liberalization may lead specifically to pollution due to intensive activities in some countries if their harsh environmental policies differ from those of other countries. However, on the contrary, increasing trade supported by economic growth, development and prosperity can contribute to a greater capacity to regulate the environment more effectively.

More importantly, open markets can improve access to new technologies that make local production processes more efficient by reducing the use/consumption of energy, water and other materials which, if used excessively, harm the environment. In the same way, trade and investment liberalization can give companies an incentive to adopt more stringent environmental standards. As a country becomes more integrated in the world economy, its export sector becomes more open to environmental requirements imposed by its importers. Changes are necessary to meet those requirements, including providing and stimulating the use of clean production processes, and increasingly environmentally friendly technologies.

The consequences of climate change can disrupt trade, and direct impacts of climate change on trade can come from more frequent extreme weather events and rising sea levels. Inventory, transportation, and distribution chain infrastructure become more easily disrupted due to climate change. Ships, which are responsible for around 80 percent of global trade volume, can experience negative consequences, for example more frequent port closures due to extreme events. More importantly, climate change is thought to reduce the productivity of all factors of production (labor, capital and land), which will ultimately lead to loss of output and decreased global trade volume.

Countries have made a number of efforts related to the environment within the framework of the World Trade Organization (WTO), including negotiating tariff reductions on environmentally friendly goods and services, seeking a clearer relationship between the existence of WTO rules and specific trade obligations in multilateral agreements related to the environment, for curbs on subsidies to fishing industries. In this way, the WTO is building a multinational framework for international trade that also prevents the misleading temptation to use the “race to the bottom”. It is the race among developing countries to overturn various protective rules in order to compete for foreign investment. This has an impact on the environment because in the end the rules that have been made to protect the environment will be violated for the sake of investment.

At the national level, the standard response of economic policy to environmental impacts is to implement policies that internalize external conditions. However, at the international level, the picture is more confusing. The burden of natural environmental conditions outside those connected with trade is borne by importers, exporters or by others who are not directly related to the production or consumption of traded goods. The authorities to formulate and implement environmental policies usually exist only at the national level. This can create significant problems when environmental impacts are transnational in nature, as most international trade agreements do not include provisions to protect the environment.

3.3. Efforts to Prevent the Influence of Free Trade on Environmental Degradation and the Decline of Natural Resources

The correlation between trade and three conventions, such as the Basel, Rotterdam, and Stockholm conventions related to chemicals and waste has shown that there is a strong connection between the movement of goods and services and also the movement of waste and its impact on the environment. The correlation between conventions, multilateral conventions regarding the environment and trade issues, is now stronger than before. Many of the products designed today are planned to be thrown away. This is where talks or discussions with the WTO become important because agreements cannot only be one way, that trading goods and services but also trading waste. The WTO created this platform that can be moved towards what is called a sustainable trade approach as everyone benefits. The problem of plastic waste is that it is a type of visible waste on this planet, which has clearly encouraged people to show clearly what needed to work together.

One thing that must be attempted is to harmonize trade and environmental policies. The basic understanding of this issue is that there is an interaction between trade and the environment:

1) The Influence of Trade on the Environment

As an intermediary connecting national economies, international trade itself is rarely a major source of environmental problems. However, international trade can have both positive and negative impacts directly or indirectly on the environment through its function of connecting demand and supply at the international level. Environmental impacts can occur in exporting countries, importing countries, or in areas outside trading countries (on the high seas, in third countries, on a global scale).

First, the positive environmental influences of international trade. In general, free trade can encourage the efficient allocation of resources throughout the world and contribute to raising people's living standards through expanding production and consumption activities. Therefore, by reducing the inefficient use of natural resources, trade can have a positive influence on the environment. In addition, trade can generate financial resources, which are important for addressing environmental problems. On the other hand, in cases where an environmental policy is not appropriate, it can have a negative impact on the environment due to increased transportation, international movement of dangerous materials or substances and so on. In such cases, a more direct effect may result from an increase in the use of natural resources and emissions of substances resulting in pollution and waste associated with the expansion of economic activity. Furthermore, international trade can cause environmental degradation by weakening certain economic activities, such as agriculture and forestry, which have beneficial environmental preservation functions.

2) The Influence of Environmental Policy on Trade

There are some environmental policy measures, such as eco-labeling and recycling requirements, that can limit the trade effects of free trade, although they are not direct means of trade restrictions. On the other hand, there are arguments that environmental standards are very weak compared to many other countries that provide implicit subsidies to domestic industry (so-called eco-dumping), or that polluting corporations can turn to so-called "pollution havens", those countries whose environmental standards are much lower than other countries.

3) Concept for Reconciling Trade and the Environment

As previously explained, trade and environmental policies influence each other. The issue of trade and the environment can be seen as how to minimize the negative effects of trade on the environment while maximizing the beneficial effects of trade. At the same time, the problem is how to reconcile conflicting imperatives/conditions that arise from the environment and trade policy respectively. The guiding principle in this process must be the realization of "sustainable development". The current situation is worrying. Economic activities based on an advanced economic model, characterized by mass production, mass consumption and mass layoffs, are spreading throughout the world while large numbers of people still suffer from poverty, food shortages, and disease in developing countries.

Based on a long-term vision, "sustainable development" advances the idea that development must go hand in hand with the protection and preservation of the earth's eco -system to ensure the prosperity of humanity across the region and for future generations. Thus, countries agreed to the UN Conference on Environment and Development (UNCED) to make every effort to build a society where environmental protection and economic activity are in harmony.

In the future, trade must aim at optimal and not complete trade, then use of world resources to ensure sustainable development. In this connection, it must be remembered that behind economic activity in the market, there is a way in which matter moves together between humans and nature, which are interconnected. As part of economic activity, trade also affects the material world in various ways through the movement of resources and energy. Although there has been little effort to discuss the issue of trade as a means of material movement to date, it may be necessary to address these issues in thinking about "the environment and trade."

4) The Role of Environmental Policy

One important thing in implementing environmental policy is to take steps, with the recognition that the activities of production and consumption of goods and services are inevitably connected with the emergence of various kinds of environmental pollution, internalizing environmental costs, namely the costs that society will incur if there is environmental pollution, with an assumption to reducing pollution to an appropriate level. It should be noted that the concept of environmental pollution here can also include loss and reduction of environmental benefits (benefits received by third parties), such as reduced biodiversity caused by excessive exploration of tropical forests. Steps to internalize environmental costs include: (a) those related to the regulation of instruments such as emission controls; (b) economic instruments such as taxes, fees and charges, tradable permits, subsidy systems, as well as deposit refunds; and (c) soft guiding measures such as eco- labeling.

If countries adopt a harmonious mix of policy measures to successfully internalize environmental costs, free trade as a basis for market mechanisms will yield the benefits of trade without causing excessive burdens on the environment, leading to positive impacts on the environment by improving resource allocation and more efficient world towards sustainable development.

4. Conclusion

Based on the discussion of free trade issues and their impact on natural resources and the environment, it can be concluded that free trade within the WTO framework contains the principle of liberalization, namely the decentralization of decisions provided to business actors. This encourages the development of total economic activity, resulting in greater pressure directed at the environment. Trade and economic activities are related to the increasing use of natural resources, such as energy, wood or clean water sources needed to encourage development in production and thus have an impact on increasing the volume of air pollution and water pollution. Although it cannot be denied that free trade can degrade the environment and natural resources, free trade can also have a positive effect. Increased trade supported by economic growth, development and prosperity can contribute to greater capacity to regulate the environment more effectively. Besides, more effective environmental regulation can only be carried out by a small number of countries (developed countries), while overall environmental management is not carried out in a balanced manner with pollution resulting from free trade and related activities.

Several efforts have been made to spread the message about consumption and various wild species of both animals and plants, and how to avoid over-exploitation. The parties or stakeholders involved need to carry out trade very regularly; making sure that things are permitted in the right way and making sure that people have those species for generations to come. Then, it has also emphasized efforts for economic growth on the one hand and preservation of the environment and natural resources by making arrangements and efforts by member countries to prevent the impact of environmental damage and shrinking availability of natural resources. Efforts have also been made to conclude agreements related to environmental protection. Institutions and policies aim to balance the objectives of trade profits and environmental protection. The approaches that have been taken include an approach through the World Trade Organization (WTO), environmental protection with Multilateral Agreements, and harmonizing agreed environmental standards with environmental policies at the national level.

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