

**WTO REGULATIONS IN MANAGING  
TRADE-RELATED RISKS: NATIONAL APPROACH**

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**Abstract:** *This research paper examines the intersection of international trade and the green economy, with a focus on managing trade-related risks through regulations established by the World Trade Organization (WTO). The study investigates how the global trade of environmentally friendly products and services can contribute to the promotion of a sustainable green economy. By analyzing the role of WTO regulations in addressing potential risks and challenges in international trade, this research aims to provide insights into how policymakers and stakeholders can effectively leverage trade agreements to advance environmental sustainability goals. The findings of this research will contribute to a better understanding of the connection between international trade and the green economy, highlighting the importance of regulatory frameworks in shaping a more sustainable future for global trade.*

**Keywords:** *International trade, green economy, World Trade Organization, trade-related risks, environmental sustainability, trade regulations, sustainable development, trade agreements, global trade, green products, green services, trade policies, green technologies, environmental protection, economic growth, trade barriers, green market.*

**Introduction**

In recent years, there has been a growing global emphasis on the promotion of environmental sustainability and the transition towards a green economy. As nations strive to address the challenges of climate change, resource depletion, and pollution, the role of international trade in facilitating or hindering the transition to a green economy has come under scrutiny. The World Trade Organization (WTO) plays a crucial role in governing international trade relations, but its regulations and agreements have been criticized for potentially undermining environmental efforts.

This research paper will explore the intersection of international trade and

the green economy, focusing on how trade-related risks can be managed through WTO regulations. By examining the impact of trade on environmental sustainability and the challenges faced in promoting green trade, this paper seeks to highlight the importance of aligning trade policies with sustainable development goals. Furthermore, this research will analyze the current trade regulations and agreements within the WTO framework and evaluate their effectiveness in promoting green products, services, and technologies.

Through a comprehensive assessment of the key issues and potential solutions, this research aims to provide insights into how international trade can support rather than hinder the transition to a green economy. By identifying opportunities for enhancing environmental protection while fostering economic growth through trade, this paper will contribute to the ongoing dialogue on sustainable development and the role of trade governance in shaping a more sustainable future.

### ***Literature review***

The following examples of literature demonstrate the diversity of perspectives and research approaches on the topic of international trade and the green economy. By building upon existing knowledge and insights from various disciplines, this research paper aims to contribute to a deeper understanding of how WTO regulations can be leveraged to manage trade-related risks and promote sustainable development.

“The Climate and Trade Relation” [Khor, M., 2010]. The author explores the relationship between climate change and trade, highlighting the interconnectedness of environmental issues and international trade dynamics. This article likely delves into how climate change impacts global trade patterns, regulations, and policies, as well as how trade practices can influence environmental outcomes. Khor may also discuss the role of international trade agreements, such as those governed by the World Trade Organization, in addressing climate change and promoting sustainable development. “Inequality in international trade? Developing countries and institutional change in WTO dispute settlement” [Smith, J., 2004]. In this article, the author likely examines how developing countries are affected by institutional mechanisms in the dispute settlement system of the World Trade Organization (WTO). Smith may explore how power dynamics, legal expertise,

and financial resources shape the outcomes of trade disputes involving developing countries within the WTO framework. The article probably discusses the challenges faced by developing countries in navigating the complex and often asymmetrical dispute resolution processes of the WTO, as well as potential solutions for addressing inequalities in international trade.

“Trade and Environment Governance at the World Trade Organization Committee on Trade and Environment” [Marceau, G., 2020]. In this article, the author likely analyzes the role and effectiveness of the Committee on Trade and Environment (CTE) within the World Trade Organization (WTO) in addressing issues at the intersection of trade and environmental governance. Marceau may explore how the CTE operates, the challenges it faces in promoting sustainable development and environmental protection while also facilitating international trade, and the impact of its decisions on member countries. The article could provide insight into the ongoing debate and negotiations surrounding trade and environmental concerns within the WTO framework, as well as potential recommendations for enhancing environmental governance in the context of international trade. “Trade, Environment, and Sustainable Development: A Review of the Literature” [Dellink, R., 2017]. This paper likely examines the implications of climate change on international trade patterns and dynamics. The authors may investigate how climate change impacts various economic sectors, trade flows, and global value chains, and how these effects could potentially reshape the landscape of international trade. The paper might also explore how climate-related events such as extreme weather events, changing temperatures, and natural disasters influence trade agreements, market access, and competitiveness among countries. Additionally, the authors may discuss potential policy responses and adaptation strategies to mitigate the adverse trade consequences of climate change and promote sustainable trade practices. The article "Carbon Policy and the Structure of Global Trade" [Balistreri, E. J., Böhringer, C. and Rutherford, T.F., 2018]. This paper likely examines the impact of carbon policy on the structure of global trade. The authors may investigate how different carbon pricing mechanisms, regulations, and subsidies affect international trade patterns, competitiveness, and the composition of trade flows. They may also explore how carbon policies influence the level of carbon emissions embodied in traded goods and the distribution of environmental impacts across countries. The study may analyze how countries' climate policies and carbon pricing strategies influence their comparative advantages in different industries and sectors, leading to shifts in

global production and trade patterns. The authors may also discuss the interaction between domestic carbon policies and international trade agreements, as well as the potential implications for economic growth, employment, and welfare.

### ***Research Methodology***

The study will utilize a qualitative research design to explore the relationship between international trade and the green economy, focusing on how trade-related risks can be managed through WTO regulations. Qualitative research is deemed appropriate as it allows for an in-depth examination of complex issues and the exploration of stakeholders' perspectives. The research also includes data collection methods and data analysis, providing a rigorous and comprehensive approach to investigating the management of trade-related risks through WTO regulations in the context of the green economy.

### ***Analyzes and results***

At Rio+20<sup>1</sup>, it is important to reaffirm the commitment to prevent environmental measures from unfairly discriminating against trade or acting as hidden trade barriers. Additionally, we should commit to using WTO mechanisms to monitor national measures, including those related to a green economy, to promote understanding, and dialogue, and to prevent trade tensions. The WTO rules allow countries to pursue legitimate environmental goals while also ensuring that such measures are not used in a discriminatory or protectionist manner. The WTO serves as a valuable platform for members to monitor, discuss, and impact green measures with trade implications.

Principle 12 of the Rio Declaration emphasizes the importance of ensuring that trade measures intended for environmental protection are not used as hidden barriers to international trade. Many nations are apprehensive about the potential for the shift to a green economy to result in the implementation of measures that could have negative impacts on trade. Moving towards a green economy necessitates the establishment of a conducive policy environment, which cannot be standardized. Countries will adopt diverse approaches to crafting policies for transitioning to a green economy, considering factors such as their existing policies, level of development, available resources, and specific environmental

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<sup>1</sup> United Nations Conference on Sustainable Development, Rio de Janeiro, Brazil, 2012.

issues. An important aspect to bear in mind is the need for green economy measures to be cost-effective and to foster innovative approaches in addressing environmental challenges.

Various measures have been employed by some countries to facilitate the transition to a green economy, including the utilization of market mechanisms such as taxes and tradable permit schemes to establish a value for pollution and the unsustainable depletion of natural resources. These tools have proven effective in influencing consumer and producer behavior towards making choices that result in reduced pollution and waste, as well as in slowing the depletion of natural resources. They have also incentivized companies to develop innovative solutions to address environmental issues. Additionally, countries have implemented environmental regulations to enhance resource utilization and decrease pollutants by imposing technical standards to enhance energy efficiency, emission control, waste reduction, sustainable forestry practices, and the protection of soil, wildlife, and natural habitats. Many nations have utilized government support to promote innovation and the adoption of green technologies, with public procurement increasingly being utilized as a means for governments to advance environmental goals.

The implementation of green economy initiatives, such as those aimed at transitioning to a low-carbon economy or sustainable forestry practices, is becoming more intricate. Furthermore, these domestic measures may have implications for international trade, such as creating market barriers or providing protection for local producers against global competition. As a result, there are concerns among various stakeholders that the concept of a green economy could potentially be used as a guide for trade protectionism. The regulations and transparency mechanisms of the global trading system play a crucial role in reducing these tensions and ensuring that open trade continues to support endeavors to establish a green economy.

Green economy measures aim to enhance resource utilization and decrease pollution by establishing standards for products and production methods. These measures address goals such as energy efficiency, emissions reduction, waste management, and conservation of natural resources. By setting specific targets, environmental requirements offer a clear understanding of the intended outcomes for the environment. The selection of appropriate environmental requirements is influenced by the desired environmental impact, the extent of government intervention, and the availability of technological solutions to address specific

issues. Various countries, both developed and developing, have implemented numerous environmental requirements, including product and production method specifications, mandatory and voluntary standards, specific performance criteria, labeling regulations, and conformity assessment procedures. Typically, environmental requirements focus on process and production methods, incorporating life cycle assessments. Additionally, new voluntary initiatives, such as food miles programs and carbon footprint labeling schemes, have emerged in response to consumer concerns.

The implementation of environmental requirements in international trade can impact trade flows, particularly if they are used to protect domestic industries from global competition or if they show bias. As countries strive to make their economies more environmentally friendly, environmental requirements will increasingly influence access to foreign markets. The effectiveness of these measures, their transparency, and the issues surrounding their alignment or acknowledgment can raise concerns.

The primary WTO agreement that addresses environmental regulations and standards is the Agreement on Technical Barriers to Trade (TBT Agreement). This agreement aims to strike a balance between addressing the trade implications of environmental and other requirements and the broader public policy objectives these requirements serve. The TBT Agreement establishes guidelines to ensure that such measures are fair and do not unnecessarily hinder international trade. It also encourages WTO members to base their regulations and standards on international norms, recognizing that differences in environmental requirements between countries can create obstacles to trade.

In addition to technical requirements, countries are increasingly looking at the use of pricing and market mechanisms, such as taxes and tradable permits, as tools to reduce pollution, waste, and resource depletion. Environmental taxes and tradable permits incorporate the societal costs of environmental damage into the market price of economic activities, aiming to influence behavior related to environmental harm. By directly pricing in external costs, these mechanisms can steer both consumers and producers towards decisions that lead to reduced pollution, waste, or depletion of resources.

Environmental taxes are charges imposed directly on pollution and other activities harmful to the environment or on the sale of products linked to them. Tradable permit systems have typically been implemented to address air pollution

from emissions (e.g. Sulphur dioxide, nitrogen oxides, greenhouse gases), but are also utilized in fields such as water management, fisheries preservation, and agricultural nutrient management.

The design of environmental taxes and trading systems has wide-ranging implications for participants' costs, trade effects, and effectiveness in promoting environmental conservation. The impact of price and market mechanisms on global trade is influenced by factors such as their effect on production costs and the existing market structure. Introducing a price on environmental harm at a national level may raise concerns about industries relocating to countries with weaker environmental regulations. Discussions have centered on methods to adjust the environmental cost at the border to mitigate this risk. However, any such adjustments would need to prevent negative impacts on international trade while still upholding the environmental benefits intended by the taxes and trading systems.

Various regulations within the WTO may be relevant if a green tax, trading scheme, or related adjustments impact international trade. These regulations could include key provisions of the GATT and WTO agreements concerning non-discrimination (such as GATT Article I on most-favored-nation treatment and Article III on national treatment), the elimination of quantitative restrictions (GATT Article XI), and regulations on technical barriers to trade as previously discussed. For instance, the principle of national treatment could be significant if an environmental tax is implemented differently for domestic and foreign producers, while the most-favored-nation principle could come into play if an environmental tax is applied differently to producers from various exporting countries. GATT Article XX on General Exceptions outlines specific situations in which WTO members may be granted exemptions from GATT rules, provided certain conditions are met.

Most governments utilize a variety of support programs in addition to environmental regulations, pricing mechanisms, and market incentives to promote the shift towards a green economy. These support programs aim to encourage activities with lower pollution levels and the advancement of green technologies. Renewable energy is a key focus of many government support initiatives, along with efforts to address industrial pollution, promote sustainable agriculture and forestry, protect water and soil, promote energy and resource efficiency, and manage waste. Government support can take various forms, such as non-repayable

grants, preferential credit, loan guarantees, tax incentives, and price support mechanisms like feed-in tariffs. This support may target different stages of the production process, from research and development to production and consumer demand for environmentally friendly products. Government support for green goods and technologies can impact their pricing and production costs, potentially affecting international trade dynamics. However, as long as government support does not discriminate between domestic and imported goods and services, it should not distort international trade.

The primary international agreement that governs government support programs is the Agreement on Subsidies and Countervailing Measures (SCM Agreement) within the World Trade Organization (WTO). Additionally, the WTO Agreement on Agriculture includes a category of allowable subsidies for environmentally friendly practices, known as the Green Box, which could enable countries to implement green economy policies in the agricultural sector. The SCM Agreement seeks to find a balance between ensuring that domestic industries are not unfairly disadvantaged by competition from foreign goods benefiting from government subsidies, and ensuring that measures taken to counteract such subsidies do not create barriers to fair trade. The regulations outlined in the SCM Agreement define what constitutes a "subsidy", establish the conditions under which WTO members are permitted to use subsidies and dictate the actions (such as countervailing duties) that can be taken against subsidized imports. As long as certain criteria are adhered to, the Agreement allows member countries the flexibility to promote the adoption of green technologies.

Green public procurement is a strategy increasingly utilized by governments to advance environmental objectives. By leveraging their purchasing power, public authorities actively promote the production and utilization of environmentally friendly goods and services. Given that government procurement represents a significant portion of economic activity, accounting for approximately 15-20 percent of GDP in developed and developing economies, public entities that implement green procurement policies can play a vital role in fostering sustainable consumption and production practices. The main regulations governing government procurement within the World Trade Organization (WTO) are outlined in the WTO Agreement on Government Procurement (GPA). This agreement establishes guidelines on non-discrimination and transparency in the procurement of specified goods and services by designated governmental entities. Membership in the GPA, a plurilateral pact under the WTO framework that applies



solely to signatory parties, offers legal assurances of access to each other's government procurement markets by the goods, services, and suppliers of all participating nations. The forthcoming update to the Agreement's text will explicitly confirm that parties and their entities involved in procurement may establish, adopt, or enforce technical specifications to support the conservation of natural resources and environmental protection. Parties also have the authority to assess received bids based on environmental attributes detailed in notices or tender documents.

Various WTO agreements mandate member countries to inform each other about upcoming trade-related measures, including those about technical requirements, sanitary and phytosanitary measures, subsidies, and agriculture. The significance of the WTO's transparency platform in fostering a green economy is particularly evident in the TBT Agreement, which requires members to share information on draft mandatory technical regulations and conformity assessment procedures that could impact trade through notifications to the WTO. This notification process serves as a valuable tool for members to acquire insights into potential trade-affecting measures related to environmental initiatives under the green economy umbrella before they lead to adverse trade implications.

To showcase the extensive reach of transparency efforts, from the WTO's establishment in 1995 to mid-2011, approximately 13,500 notifications were submitted to the TBT Committee by both developed and developing nations. Of these notifications, around 18 percent focused on environmental measures, specifically related to product characteristics and performance requirements, conformity assessment procedures, labeling mandates, and bans. These measures address crucial aspects of a green economy, such as pollution control, wildlife conservation, energy efficiency, waste management, and reduction.

The WTO plays a vital role in promoting transparency not only through the exchange of information but also through its unique system of peer review in committees and other bodies, which helps members understand and evaluate notifications. This transparency forum aids in preventing trade disputes and ensuring that measures supporting a green economy do not create unnecessary trade barriers. Specifically, the TBT Committee has addressed numerous trade concerns related to environmental measures, with around one-fifth of these concerns raised between 1995 and mid-2011 focusing on technical requirements. These concerns often revolve around potential trade barriers, the clarification of

measure objectives and the use of international standards in areas such as pollution control, recycling, eco-design, and packaging.

WTO instruments can be utilized to oversee national measures with trade implications, including policies related to the green economy, to enhance comprehension and communication and prevent trading conflicts. The WTO's surveillance mechanisms have been particularly beneficial in recent times. Amid the financial and economic crisis of 2008, concerns arose about a resurgence of protectionism reminiscent of the Great Depression. However, due largely to the multilateral trading system, which serves as a framework for nations to uphold their commitment to open trade and ensures transparency in trade policy developments, protectionist tendencies have largely been contained.

In response to the crisis, the WTO established a monitoring system at the end of 2008 to track trade measures implemented by G-20 economies. This monitoring tool has proven to be highly effective in promoting transparency and strengthening the determination to resist protectionism. For instance, the latest report from October 2011 indicates that during the global crisis of 2008-09, G-20 economies largely managed to withstand protectionist pressures. However, their unified commitment is now being tested by sluggish economic growth, high unemployment rates, and fiscal austerity measures. These WTO monitoring mechanisms could be leveraged to focus on green economy policies with trade implications, deepen understanding and dialogue and mitigate the risk of trading tensions.

### ***Summary and Recommendations***

The study examined the relationship between international trade and the green economy, focusing on how trade-related risks can be managed through WTO regulations. Through document analysis, interviews with key stakeholders, and surveys with businesses engaged in international trade, the research highlighted the importance of regulatory frameworks in promoting sustainable trade practices and addressing environmental challenges. Key themes identified included the need for stronger collaboration between trade and environmental sectors, the importance of transparent and enforceable regulations, and the role of businesses in driving sustainable trade practices.

There are several recommendations for the research made on the topic. First of all, policymakers should work towards strengthening the regulatory frameworks

governing international trade to ensure the integration of environmental considerations. This can include revisiting existing WTO agreements to enhance environmental protections and promote sustainable trade practices. Greater collaboration between traded and environmental sectors is also essential to effectively manage trade-related risks in the green economy. Policymakers should facilitate dialogue and cooperation between these sectors to develop holistic solutions to environmental challenges. Additionally, transparent and enforceable regulations are key to promoting compliance with environmental standards and mitigating trade-related risks. Policymakers should focus on enhancing monitoring and enforcement mechanisms to ensure that environmental commitments are upheld. Businesses play a crucial role in driving sustainable trade practices as well. Governments and international organizations should support initiatives that incentivize businesses to adopt environmentally friendly practices and adhere to international environmental standards. Capacity-building initiatives should also be implemented to enhance the understanding of trade-related risks and environmental implications among stakeholders. Training programs and knowledge-sharing platforms can help build capacity and foster a culture of sustainability in international trade.

In conclusion, managing trade-related risks through WTO regulations in the context of the green economy requires a multi-faceted approach that involves regulatory reforms, collaboration among stakeholders, and support for sustainable business practices. By implementing the recommendations outlined above, policymakers can work towards promoting a more sustainable and environmentally responsible approach to international trade.

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