



# *Trade and Environment*

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# Outline

- An overview of trade and environment linkages
- Environment and the 2030 agenda
- Emerging policy issues
- Policy implications for LDCs



# Linkages between Trade and Environment

## An Environmental Kuznets Curve

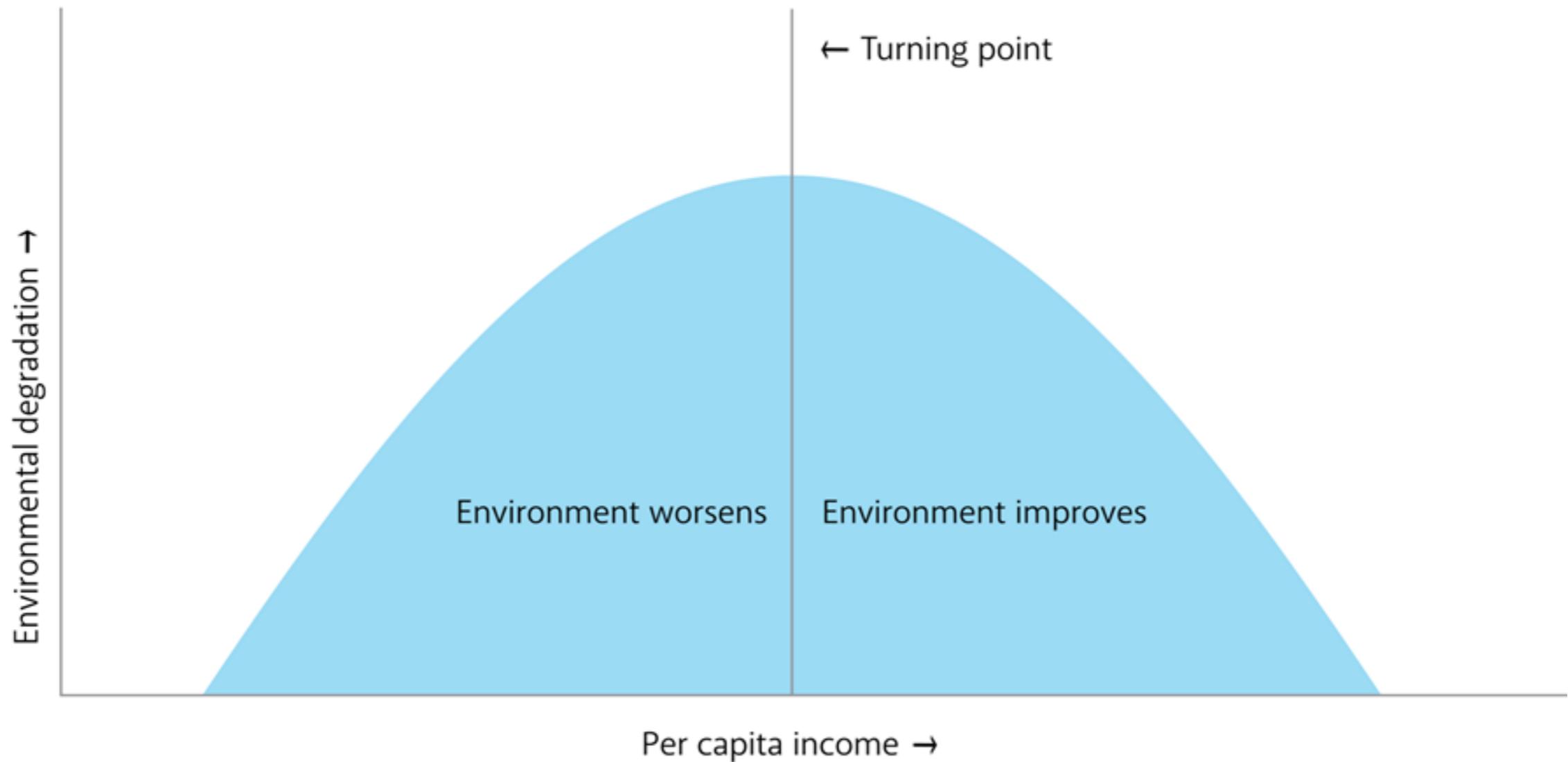
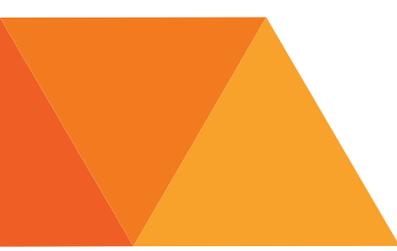


Image credit: Ho and Wang (2016)



# Linkages between Trade and Environment

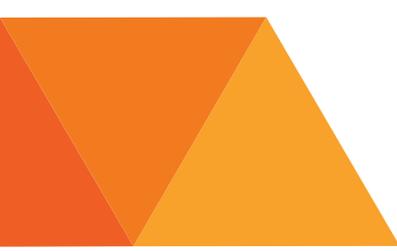
## Negative Impacts (-)

- “Race to the bottom”
  - less stringent environmental regulation
- The “pollution haven” hypothesis
  - countries specializing in ‘dirtier’ activities
- Product and Scale Effect
  - Example : ‘virtual’ water trade

## Positive Impacts (+)

- Encourage technological innovation and knowledge diffusion
- Ratchet up environmental standards
- Improve corporate codes of conduct





# Linkages between Trade and Environment

- Legal and Institutional Linkages
  - Intersection of trade law and environmental law will determine the level of trade and its composition
  - Examples: Implications of COP21 agreement and other multi-lateral environmental agreements on trade

**Myth: Countries can resolve environmental issues effectively, if they are free from incursions by international trade laws**

**Reality: What is needed is more international cooperation and partnerships to ensure trade benefits environment**



# Environment and the 2030 agenda



- **Environment –one of the three pillars of sustainable development**
- **Several SDGs directly and indirectly related to the environment dimension**



# Environmental sustainability for the Sustainable Development Goals in the 2030 Agenda

In September, the 2030 Agenda for Sustainable Development is expected to be adopted at the United Nations summit held in New York. The 17 Sustainable Development Goals build on the eight Millennium Development Goals and aim to end poverty, protect the planet, and ensure peace and prosperity for all.

⊗ = related goal





# Environment and the 2030 agenda

- Trade is seen as an important means of implementation of the 2030 agenda
- Trade related targets explicitly featured within environment related goals

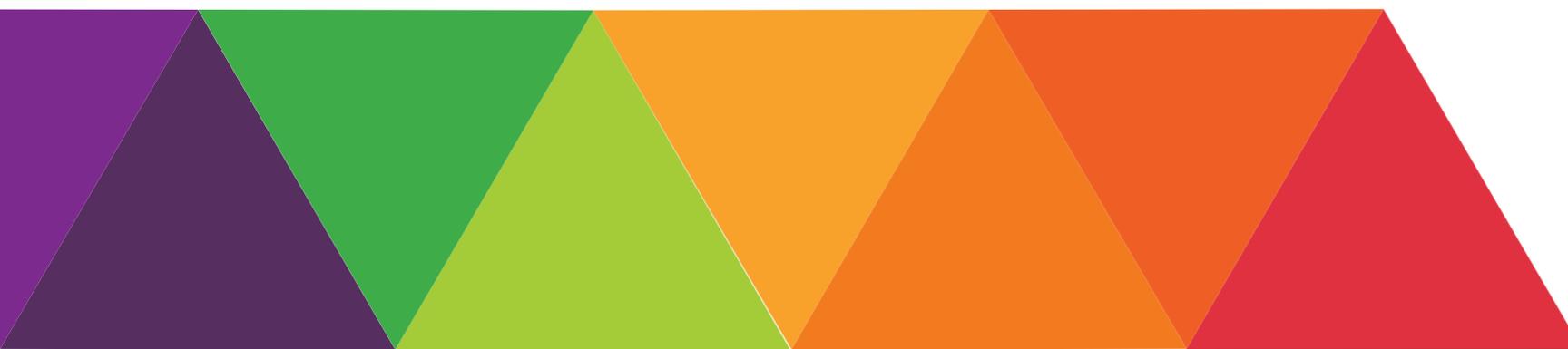
## Examples

- SDG 2: Ending hunger and promote sustainable agriculture. Targets to correct and prevent trade restrictions and distortions in world agriculture markets (agriculture subsidies)
- SDG 14: Life Below Water. Targets on prohibiting certain forms of fisheries subsidies that contribute to illegal, unreported and unregulated fishing.

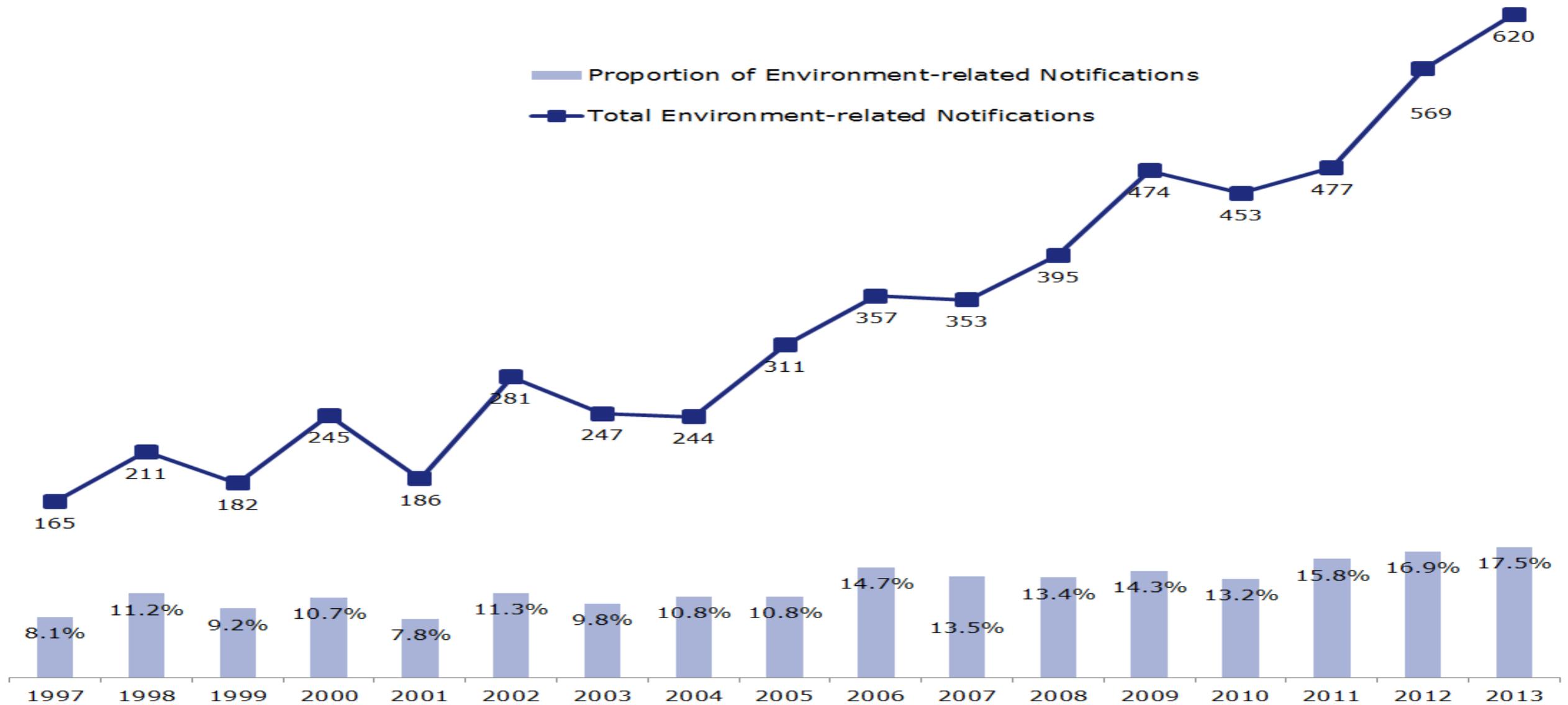


# Trade & Environment : Emerging Issues

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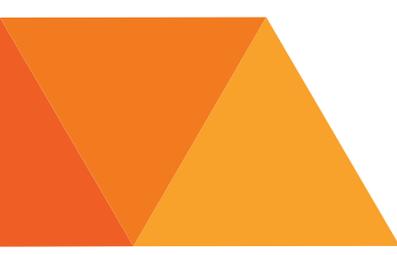


# Trade and Environment issues within WTO : substantial evolution



Source: WTO



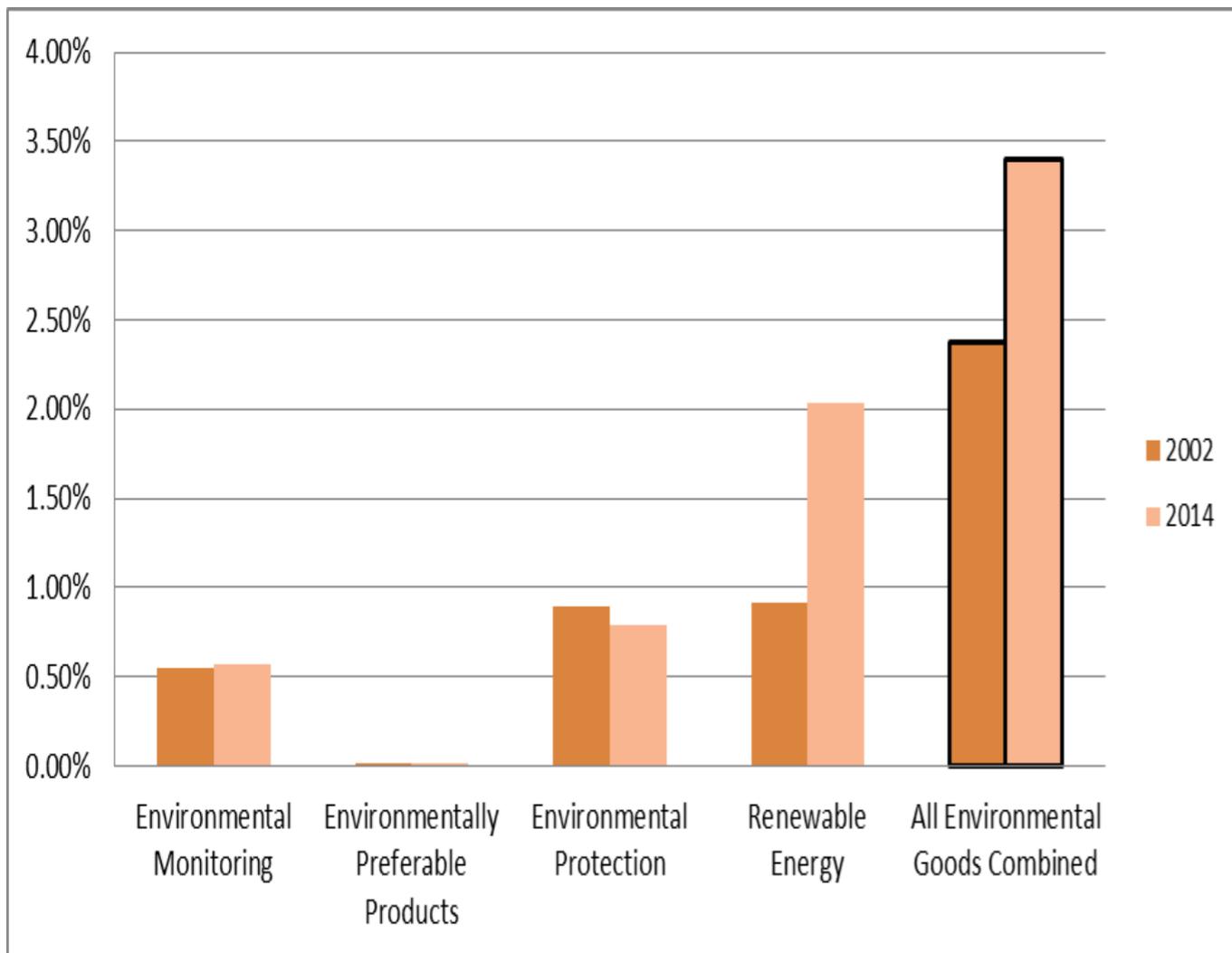


# Environmental Goods Agreement (EGA) Negotiations

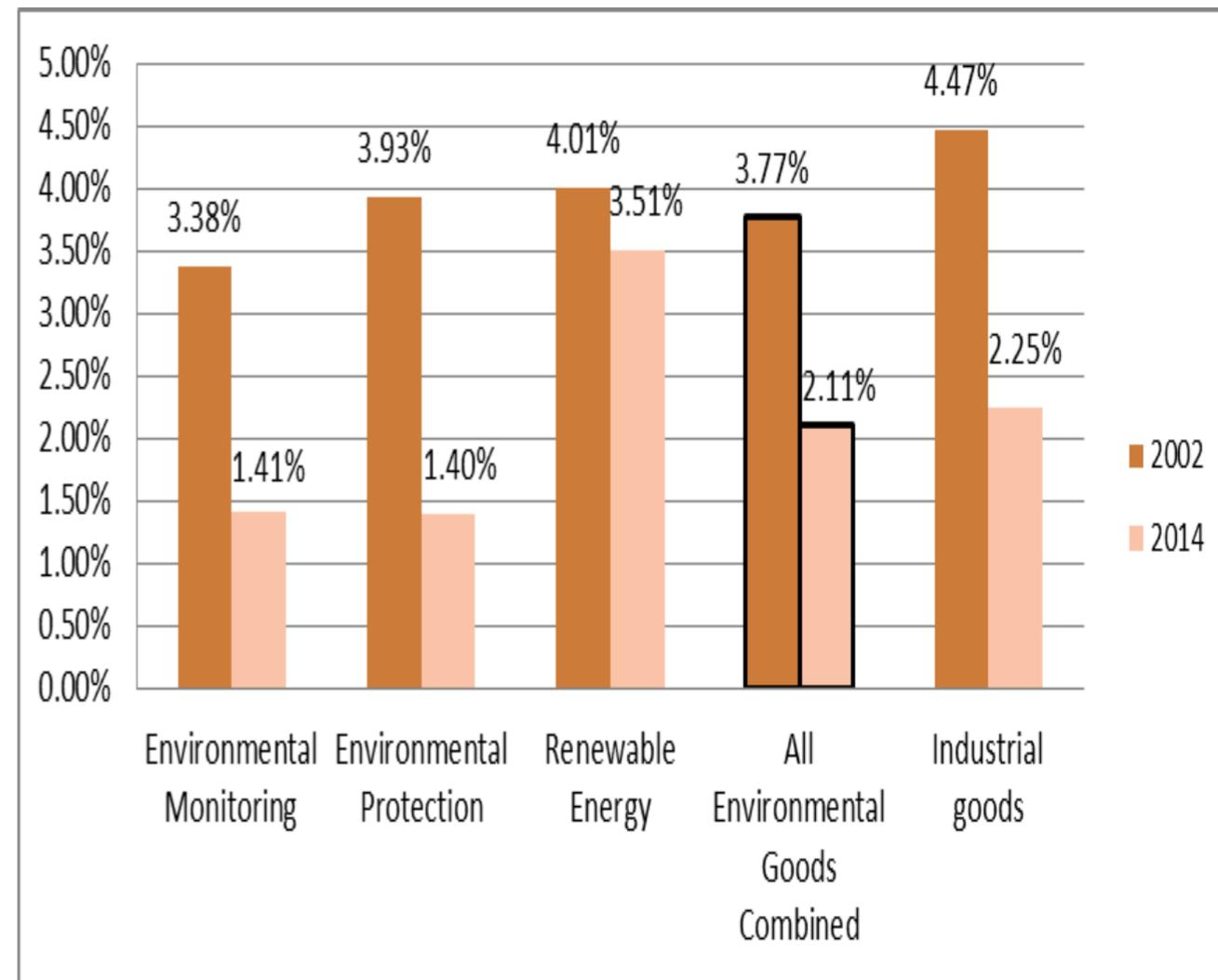
- “Plurilateral” negotiations started in July, 2014
- 17 economies (EU plus 16 others), representing majority of global EG trade
- Expands on the APEC (2012) initiative of reducing applied tariffs to 5 % or less on 54 EGs by 2015
- Targeting ‘full elimination’
- Landing zone of 304 goods identified, intention for it to remain a ‘living agreement’
- Expected to conclude negotiations in 2016
- Once a critical mass is reached, the benefits to be applied to all WTO members using MFN principle



# New ESCAP research insights on trade in EG\*



**Asia-Pacific EG exports to the world (as % of total exports)**



**Weighted average applied tariffs for EG categories in Asia-Pacific, compared to industrial goods, 2002 and 2014**



\*Source : Jacob and Moeller (2016)

## Comparison of Asia-Pacific EG exports to different country groups as % of total regional EG exports)\*

% of total EG export from the region		EGA	APEC	BRI/OBOR	ASEAN	RCEP	EGA+APEC
	2002	81.84%	87.26%	51.15%	12.56%	47.23%	97.78%
	2014	74.10%	74.10%	53.01%	11.19%	51.08%	87.57%
	2015	72.19%	74.82%	48.65%	9.19%	52.35%	87.06%

**EGA progress seems like good news for the region**



\*Source : Jacob and Moeller (2016)



# New ESCAP research insights on trade in EG\*

- Analyzed the current trade patterns in EG trade (54 goods in APEC list) using a gravity model on trade flows
- Shows that tariffs have non-significant or limited impact on EG trade in most specifications
- Non-tariff measures emerges as a bigger and significant impediment
- Liberalized service sector facilitates EG trade

**Highlights the need to focus on NTMs and Service sector liberalization as part of future EG negotiations**



\*Source: Jacob and Moeller (2016)



# Policy Implications for LDCs

- Identify how trade can facilitate the environmental dimension of SDGs in specific country context
- How can LDCs make use of EGA provisions ?
- Imports are important: address tariffs, service restrictions, NTMs that are impeding EG imports
  - Focus on partnerships for green technology and knowledge diffusion
- Sustainability impact assessment of trade patterns and trade policies
  - Is there capacity within the country to conduct such analyses ?





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**Thank you**



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