Promoting Sustainability on eWTP: A pathway for negotiating sustainability Provisions in trade agreement

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Outline

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Basics of Alibaba Group

- Founded in 1999
- Revenues: CN¥158.273 billion (US$23.82 billion, 2017)
- Net income: CN¥41.226 billion (US$6.2 billion, 2017)
- Total assets: CN¥506.812 billion (US$76.28 billion, 2017)
- Total equity: CN¥321.129 billion (US$48.33 billion, 2017)
- Employees: 50,092 (2017)

Subsidiaries:
- Alibaba.com,
- Guangzhou Evergrande Taobao F.C.,
- Taobao,
- Tmall,
- UCWeb,
- AliExpress,
- Juhuasuan.com, 1688.com, Alimama.com, Ant Financial, Cainiao, Lazada, Youku Tudou, Alibaba Cloud

Slogan: To make it easy to do business anywhere

Ambition: to be No. 5 in next 18 years, after now No. 23 in 2017 equivalent to economic size of Argentina.
Background

- eTrade and eWTP proposed by Jack Ma
  - Reducing transaction costs
  - Mobilizing SMEs
  - Let poor be engaged with globalized free trade to reduce poverty
- The question is what are the sustainability impacts of eTrade?
  - How to enlarge the positive impacts
  - How to mitigate/eliminate the negative impacts
- How Alibaba can contribute more to sustainable development?
  - To donate as a charity, Ali Foundation
  - To alleviate poverty, Micro-financing Corporate
  - To promote green consumption by green trade, 2016 Green Consumption Report released by Ali
  - And more???
Get credit where credit is due

Among the striking sales, a considerable portion was with green certification or environment-friendly products.

The efforts from perspective of promoting low carbon green product have not been acknowledged and credited.
TRAFFIC revealed in 2015 that China’s e-commerce platforms have become major channels for the sale of illegal wildlife products, with more than half of the trade involving elephant ivory items.

The illegal wildlife products trade is making a transition directly from e-commerce platform to other social media (i.e. WeChat) but still advertising on e-commerce platform.

The average monthly advertisements in 2015 was over 1700 on e-commerce platform.

Bluefin Tuna is still on Taobao.com

Bluefin Tuna is listed in the category of endangered species by IUCN and CITES Appendix II, which means it is not necessarily threatened with extinction, but in which trade must be controlled in order to avoid utilization incompatible with their survival.

JD gave up the fresh seafood supply chain specifically developed for bluefin tuna under the pressure of domestic as well as international NGOs in June 2017.

Jack Ma won the auction of Bluefin Tuna weighted 68 kg for nearly US$6,000 in the Singles’ Day of 2015.

Bluefin tuna can be still purchased from Taobao today.
Alibaba is willing to make sustainability rules to solve the problems:

- How to promote the public image by involving sustainability product sales?
- How to alleviate poverty effectively and efficiently?
- How to promote inclusive trade for social concerns?
- How to make e-commerce platform illegal products free?
- How could we avoid such Bluefin Tuna lessons in the future to avoid risks?
BACKGROUND

- Negotiations
  - Negotiation on WTO environmental goods under Doha Round is
    - Lack of coherence between trade and environment regime
    - Bottom-up consensus approach
    - As a result, WTO’s environmental goods negotiation has been held 16 years with little progress
  - Negotiation on inclusive trade in WTO?
  - Negotiation on inclusive trade in RTAs
    - Consensus approach
  - Negotiation on inclusive trade in FTAs
    - Easier by strong trade party?
      - Obama Administration but Trump Administration
Is promoting sustainability on eWTP a pathway for negotiating sustainability provisions in trade agreements?

- Fast rule making process
  - No negotiation at all
    - Board members agreement
  - Top-down approach
    - Rules being made by Ali and implemented by traders on the eWTP

- Spill effect by eWTP
  - Fast increasing proportion of eWTP in world trade
  - Demonstration of sustainability provisions
  - Partnership between WTO and eWTP during WTO Ministerial Meeting in Argentina, December 2017
  - Jack Ma, as Special Advisor to UNCTAD
How

- **Principles**
  - Maximizing sustainability benefits and minimizing sustainability risks
  - Dynamic livable improving

- **Roadmap**
  - Step 1: classifying products
  - Step 2: making pro-sustainability rules of trade
  - Step 3: ranking sustainability performance
HOW - Step 1

- Classifying and coloring products based their social and environmental impacts along supply chain
  - **GREEN PRODUCTS**
    - Good social and environmental impacts.
  - **GREY PRODUCTS**
    - Little/Unclear and unknown social and environmental impacts.
  - **BROWN PRODUCTS**
    - Bad social and environmental impacts but no legal ban.
      - Bluefin tuna in IUCN list Annex II.
  - **BLACK PRODUCTS**
    - Very bad social and environmental impacts with legal ban.
      - Tiger bone etc. prohibited by CITES Annex I.
GREEN PRODUCTS includes (but not limited to):

- Renewable energy products promoted by UNFCCC.
- EGA products list negotiating by WTO members.
- APEC List of Environmental Goods
- China Environment Labelling Products
- Energy-saving Products by the government of China
- Certified Organic/Green Foods labelled products by MOA
- Better Cotton Initiative (BCI)
- The Global Roundtable for Sustainable Beef (GRSB)
- The Roundtable on Sustainable Palm Oil (RSPO)
- The Roundtable on Sustainable Biomaterials (RSB)
- The Round Table on Responsible Soy (RTRS)
- BONSUCRO
- Marine Stewardship Certification (MSC) Programme and Aquaculture Stewardship Council (ASC)
- Others
BLACK PRODUCTS includes (but not limited to):

- All species and all parts and derivatives of the species listed in Appendix I and all parts and derivatives of the species at the request of China listed in Appendix III in the latest revision (Valid from 4 April 2017) of Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

- All species listed as Critically Endangered, Endangered and Vulnerable in the Red list of Biodiversity in China: Vertebrates and Red list of Biodiversity in China: Plants.

- All commodities that generate or consume substances listed in all groups in Annex A, B, C, E in Handbook for the Montreal Protocol on Substances that Deplete the Ozone Layer (Ninth Edition).

- All chemicals listed in the Annex A in the Stockholm Convention.

- Others
BROWN PRODUCTS includes (but not limited to):

- All species and all parts and derivatives of the species listed in Appendix II and species in the latest revision (Valid from 4 April 2017) of Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

GREY PRODUCTS (with little social and environmental impacts or unknow/unclear impacts) includes (but not limited to):

- The rest of products, except for
  - Green Products
  - Brown Products
  - Black Products
- Further work to clarify Grey products
  - Quantitative analysis of unclear and unknow products by the methodology of life-cycle analysis.
    - Environmental impacts rating based on the results of life-cycle analysis of products.
HOW - Step 2

▶ Pro-environmental rule making

- Incentivizing **Green** Products
- Dis-incentivizing **Brown** Products
- Let **Grey** Products Go
- Prohibiting **Black** Products
eWTP rule making

▶ Incentive policies often being used
   ▶ Direct subsidies. (i.e. 10% off on water-efficient faucets)
   ▶ Promotion discounts. (i.e. 10 yuan off if 50+ green products consumption, higher discount on remaining payment for higher energy efficient appliance.)
   ▶ Gaining “green” credit based on consumer’s green purchase performance with the support of Ali’s Ant Financial.
   ▶ Facilitating the authorize process for green products on platform.

▶ Disincentive policies to be used in the future
   ▶ Direct “tax”.
   ▶ Promotion fine/discounts on earth day, environmental day etc.
   ▶ Limiting the use of gift card on Brown and Black products.
   ▶ Losing “green” credit based on consumer’s green purchase performance with the support of Ali’s Ant Financial.
How - Step 3

- Rating and ranking groups of sustainability performance based on consumption big data in China
  - Green city ranking
  - Green university ranking
  - Green company ranking
  - Green product ranking
  - ...

- Rating and ranking group sustainability performance based on consumption big data in eWTP system
  - Green country ranking
The prevailing promotion of sustainable development by international organization
- SDG by UNDP
- Inclusive trade by UN ESCAP, ECA, ECLAC
- EGA by WTO
- Etc.

Sustainable Development by the government of China
- shifting the development scheme to be more greener and sustainable
- shifting from green production to green consumption (and will be green trade!)
- Green Belt and Road
- Common future for global community of mankind

E-commerce’s willingness to be green with CSR for competing with other e-commerce platforms, Ali, JD.com, Suning, Gomei etc.

The most important is the ambition and capacity of Alibaba!!!
SIGNIFICANCE

Social and environmental benefits for China and the world

Enhancing competitiveness and Building Green image for Alibaba

WWF as Solution provider to extend the model to others

Reshaping world trade system
- Greening WTO through eWTP
- Promoting sustainability provisions in trade agreement
Thank you!