

A WTO perspective on trade and the environment



WORLD TRADE
ORGANIZATION

Colombo, 18 September 2017

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WTO**

Overview

1) Trade and the environment: **3 common misunderstandings**

Trade is bad for the environment

Trade causes a race to the bottom in environmental standards

At the WTO, trade trumps the environment

2) How can we use trade to support the achievement of the **SDGs?**

Group exercise

Part 1

Trade and the environment: 3 common misunderstandings

Trade and the MDGs



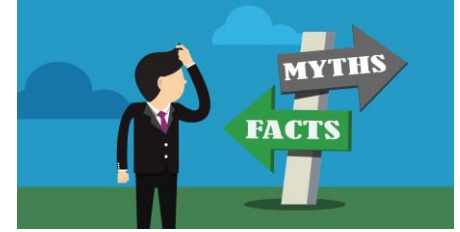
“Trade has proven to be one of the best anti-poverty, pro-growth and pro-development tools in history. We need trade to keep playing this positive role. ”

***Roberto Azevêdo
Director-General, WTO***

Towards a sustainable development agenda



Trade and environment: Separating fact from fiction



Misunderstanding #1

Trade is bad for the environment

Misunderstanding #2

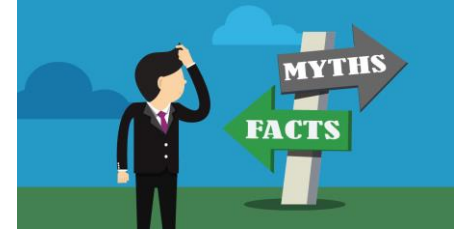
Trade causes a race to the bottom in
environmental standards



Misunderstanding #3

At the WTO, trade trumps the
environment

Trade and Environment: Separating fact from fiction



Misunderstanding #1

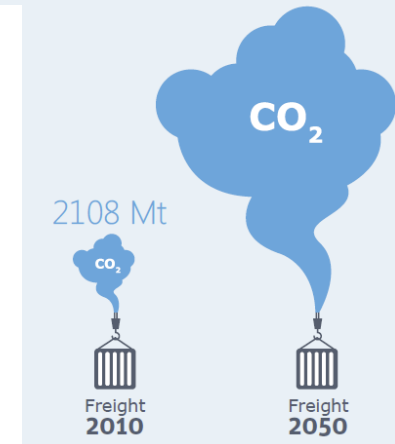
**Trade is bad for the
environment**

A closer look at trade and transport

CO₂ emissions
from trade
related
international
freight



**Trade-related freight transport
emissions are projected to increase
by a factor of 3.9 to 2050**



Source: ITF (2015)

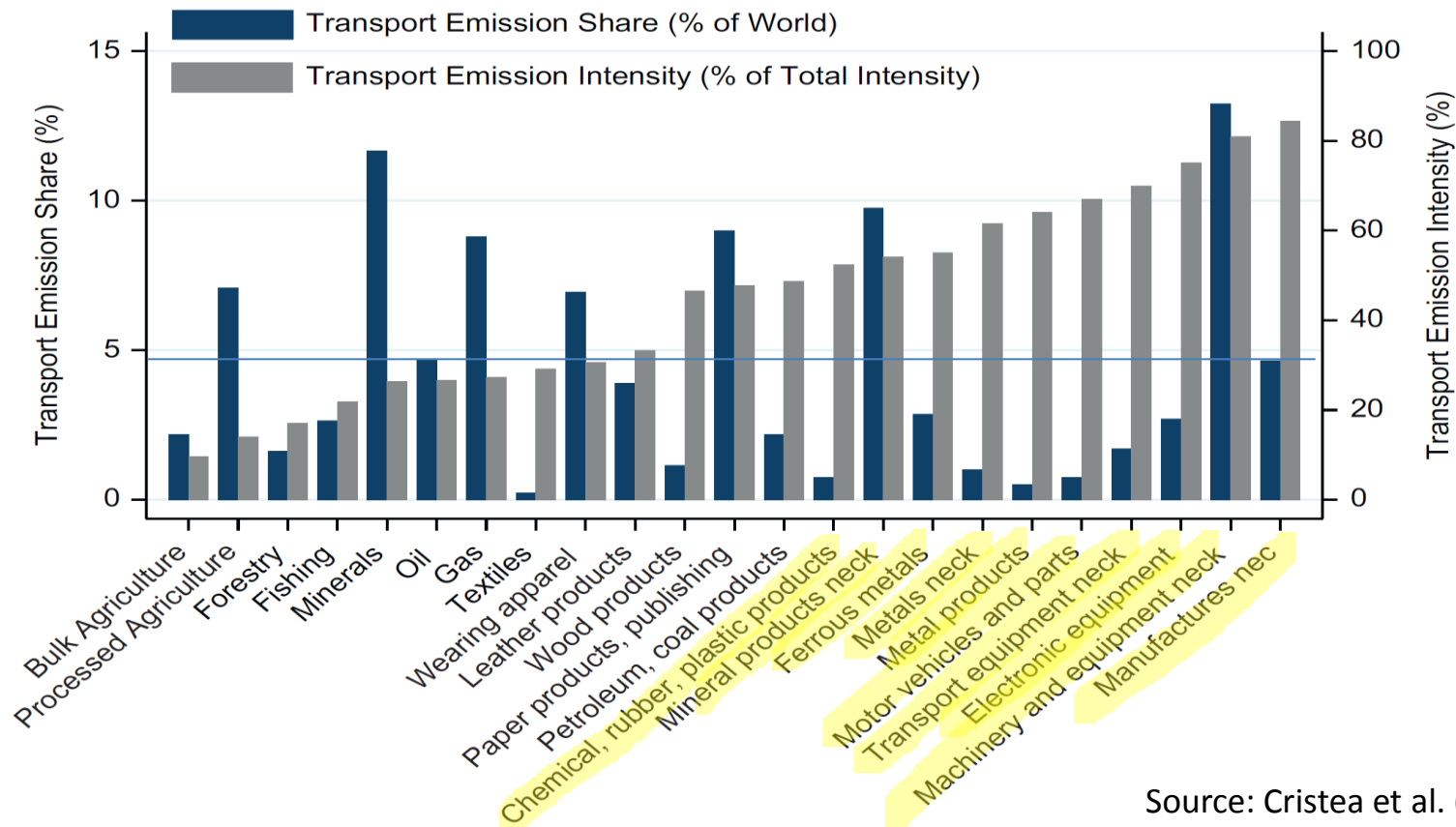
Roses from Kenya or Holland?



Source: Williams et al. (2006)

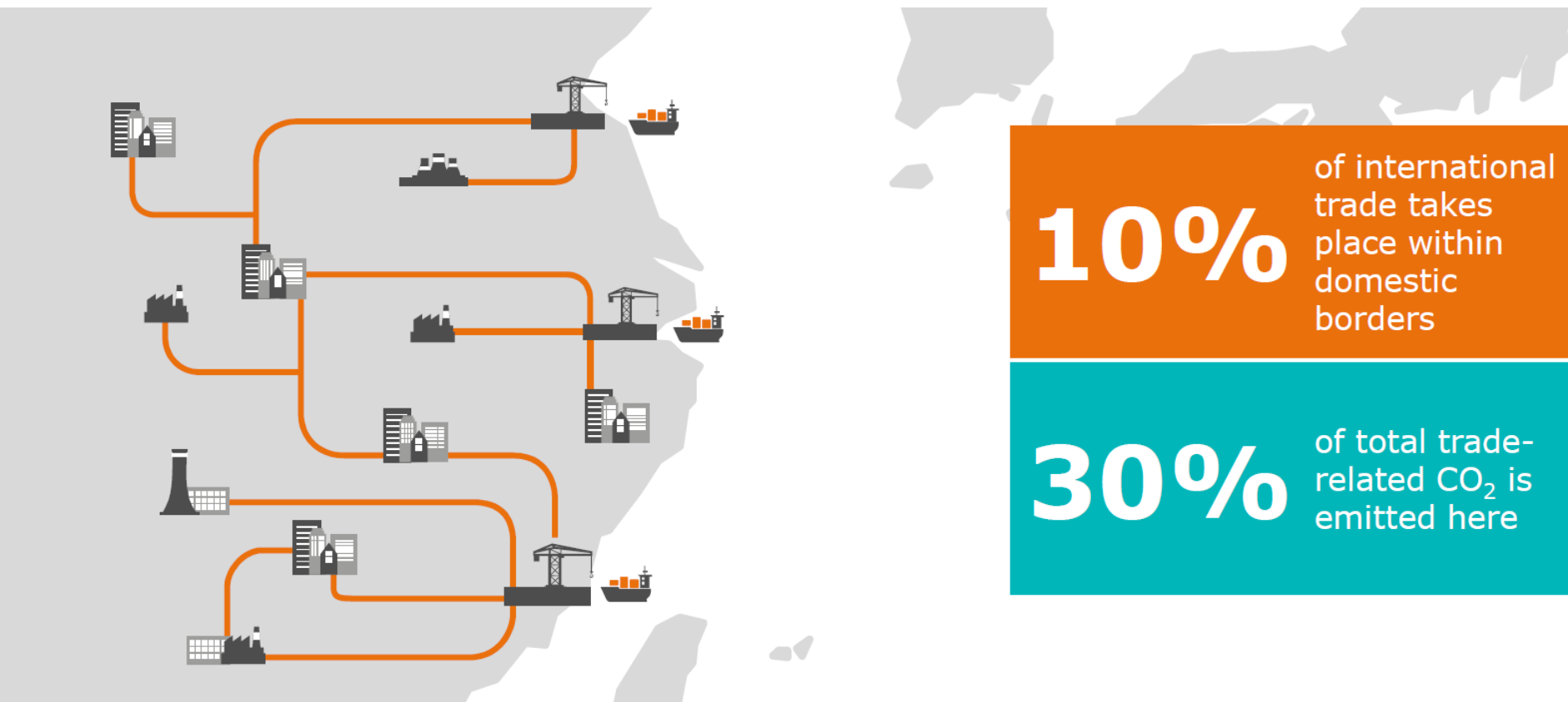
Estimating the “emissions intensity” of trade

Emissions intensity of trade = emissions from **production** of traded goods
+ emissions from **transport** of traded goods



Source: Cristea et al. (2012)

Domestic share of trade-related CO₂ emissions



Policies related to transport emissions

Level of governance

Multilateral



National

- Economic measures
- Regulation

- Infrastructure
- Land use planning

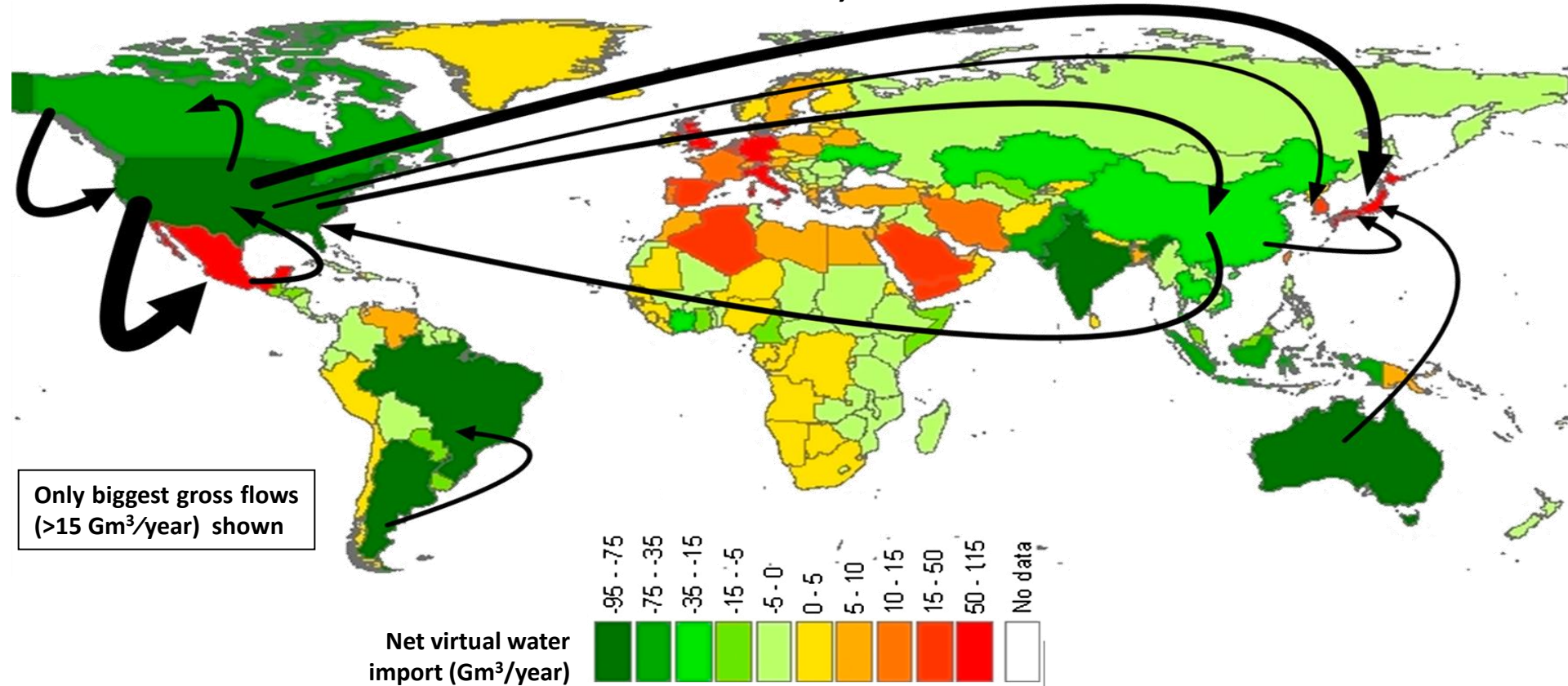
Industry

- Vehicle design
- Alternative fuels

- Optimizing supply chains
- Shared loading

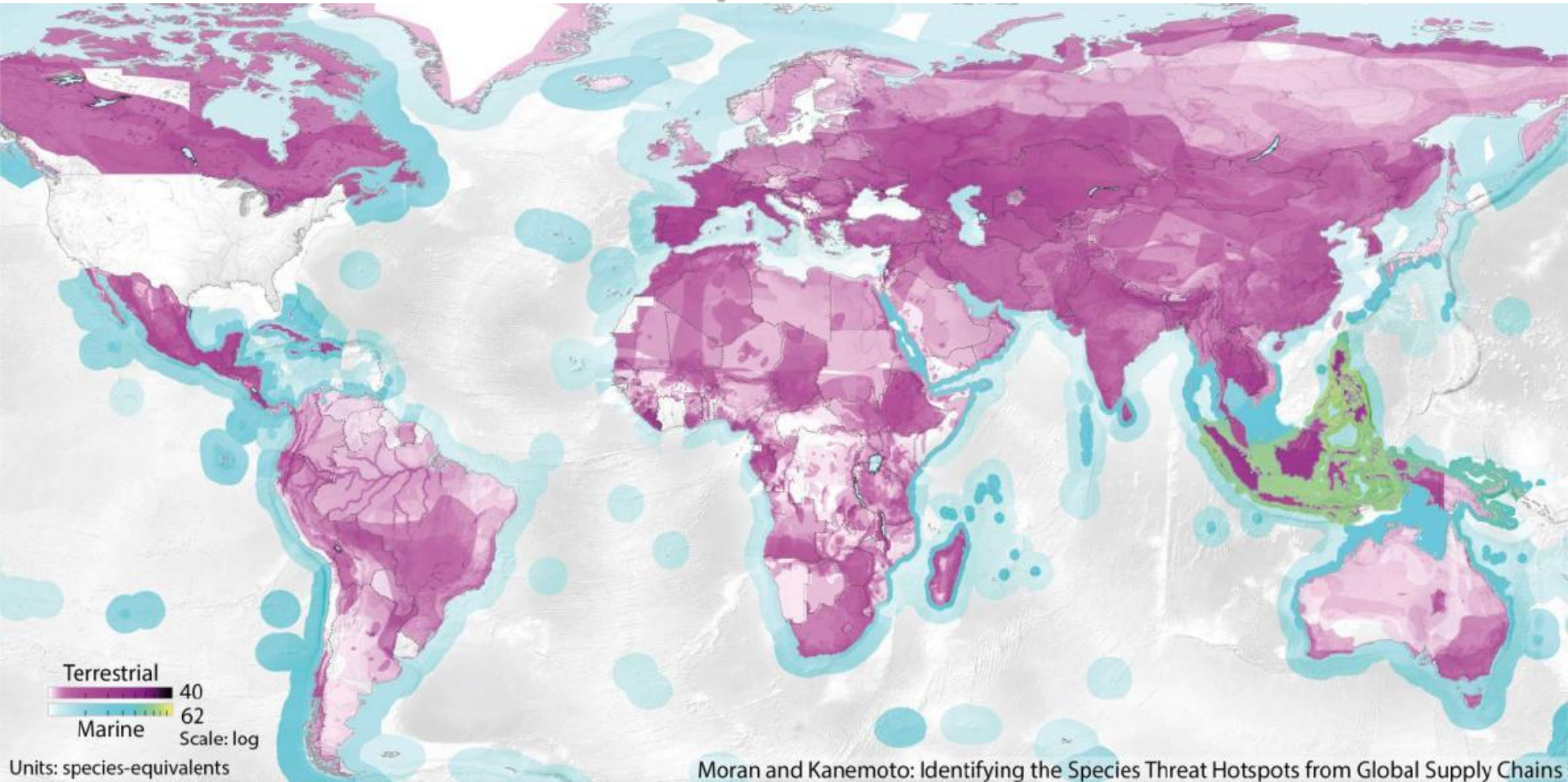
Can trade lead to water savings?

Trade in virtual water, 1996-2005



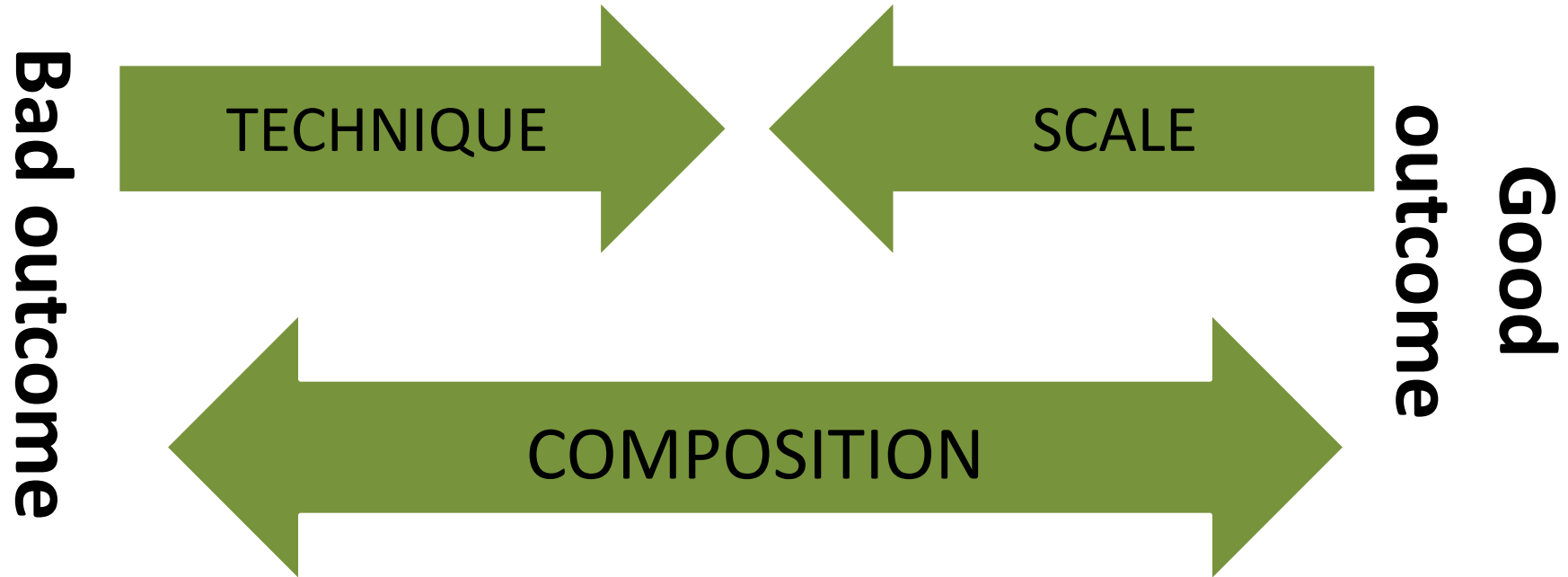
Source: Hoekstra and Mekonnen (2012)

Whose environmental footprint?



Source: Moran and Kanemoto (2016)

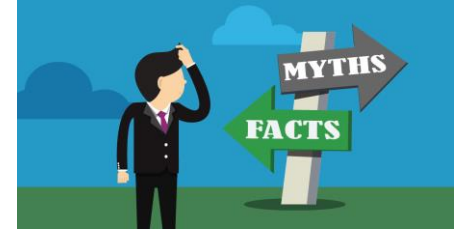
A conceptual framework to think about the environmental impact of trade



Summing up

- **Economic growth and trade** do not inevitably result in **environmental degradation**; but neither do they guarantee **environmental improvement**
- **Technological progress** is essential to achieve compatibility between economic growth, trade and environmental protection
- Through **trade**, countries **outsource** part of the environmental impacts of their consumption; this may or may not lead to a more **efficient global outcome**.

Trade and Environment: Separating fact from fiction

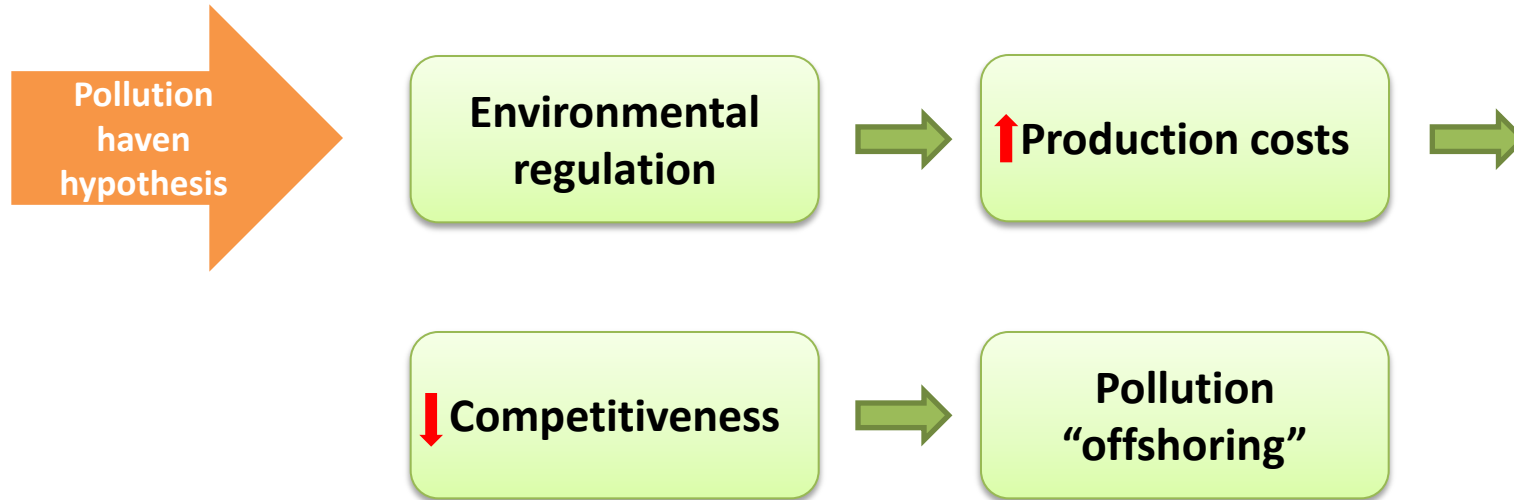


Misunderstanding # 2

Trade causes a race to the bottom on environmental standards

Misunderstanding #2

Trade causes a race to the bottom on environmental standards



Where's the race to the bottom? Kenya's ban on plastic bags

Kenya

+ myFT

Kenyans risk 4 years in jail for selling or using plastic bags

African nation imposes world's toughest law to reduce waste and pollution



The initial target of the law will be manufacturers and suppliers rather than consumers and retailers © AP



Save to myFT

Source: Financial Times,
28 August 2017

What do we know?

No strong consensus emerging from literature, but possibility of PHH cannot be ruled out

Risk of PHH could increase if environmental policies diverge widely across countries

Pollution
hypothesis

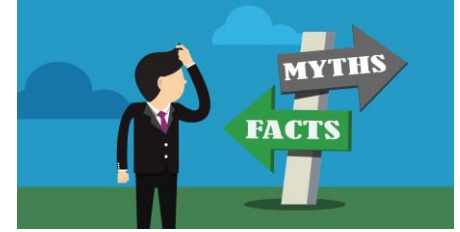
Compared with other factors, effect of environmental regulation on trade has been shown to be small

Loss in competitiveness of polluting industry does not imply a loss of competitiveness for the economy as a whole

Summing up

- **Environmental policies** are not a major driver of **international trade patterns**, even if they have some significant effects on **specialization**
- Increasing the stringency of domestic environmental policies does not have a significant effect on **overall trade** in manufactured goods, but tilts the **comparative advantage** away from pollution intensive industries and provides a corresponding advantage in “cleaner” industries; still, the **effects are small** compared to overall trade developments
- Green innovations reduce the cost of compliance with environmental policies and induce larger economic benefits than the dirty technologies they replace

Trade and Environment: Separating fact from fiction



Misunderstanding # 3

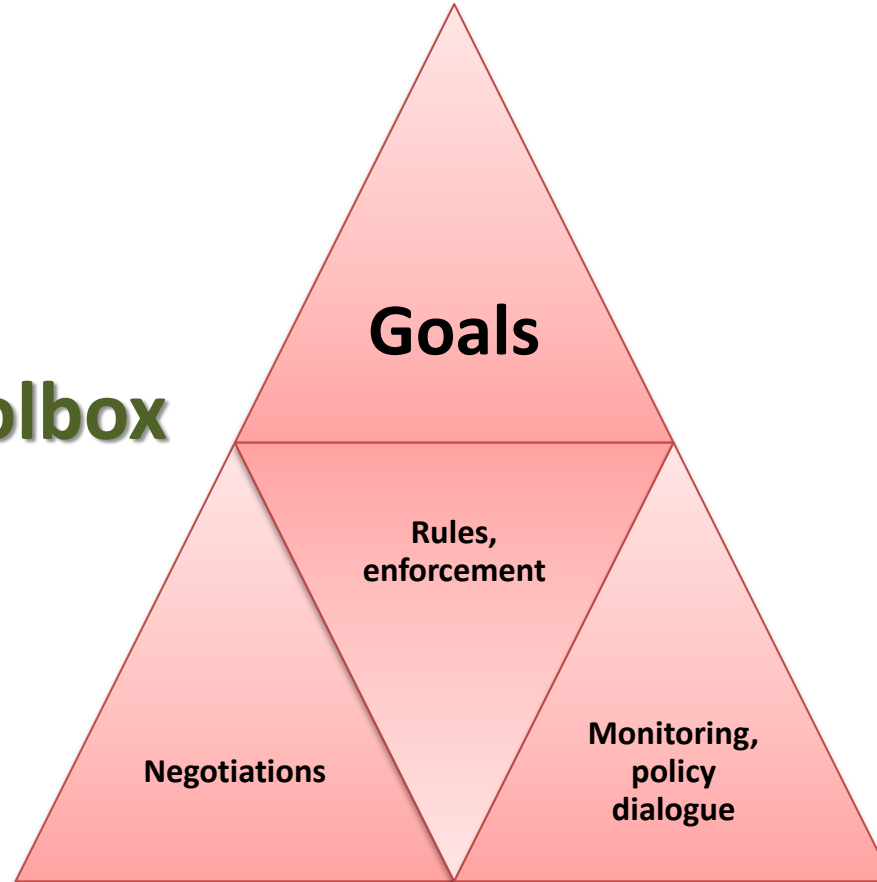
**At the WTO, trade trumps
the environment**

Misunderstanding #3

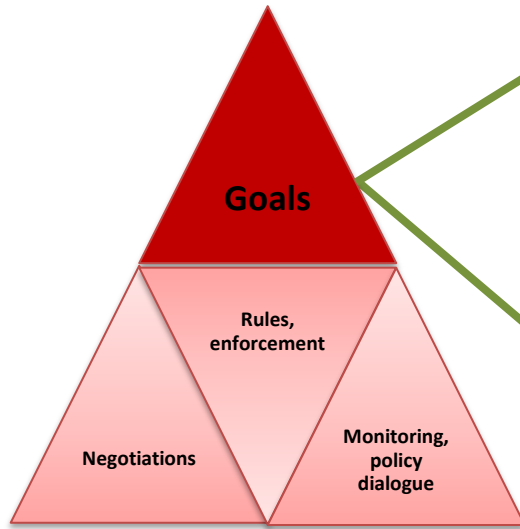
At the WTO, trade trumps the environment



The WTO toolbox



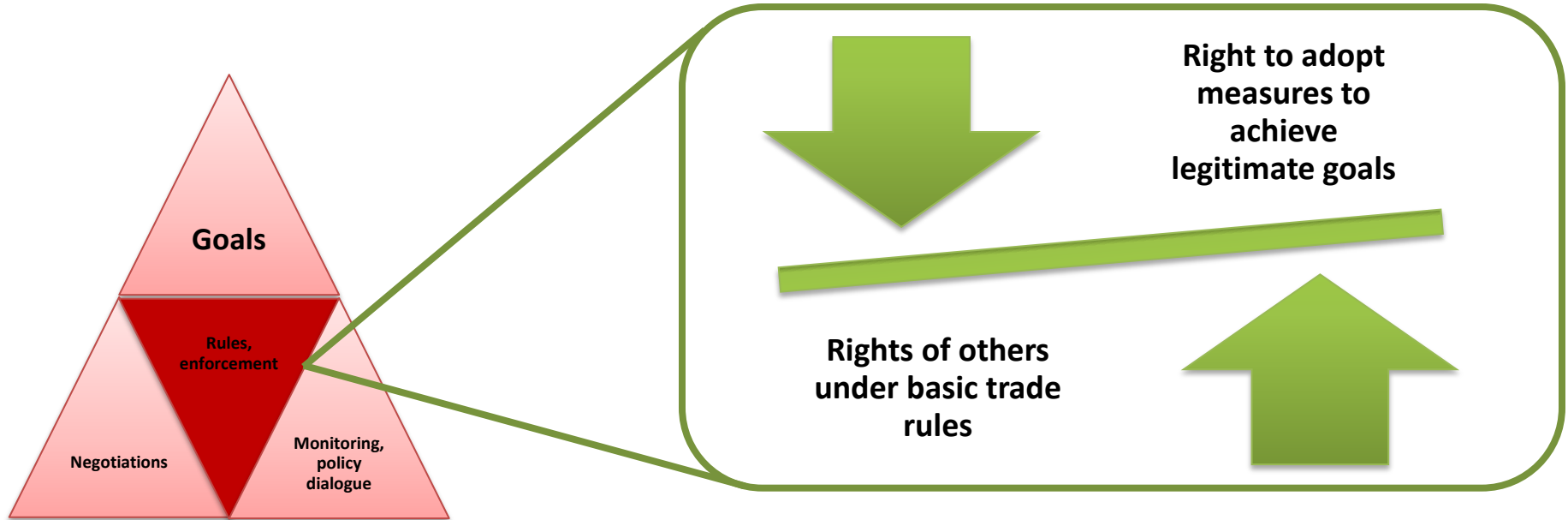
Sustainable development as the overarching goal



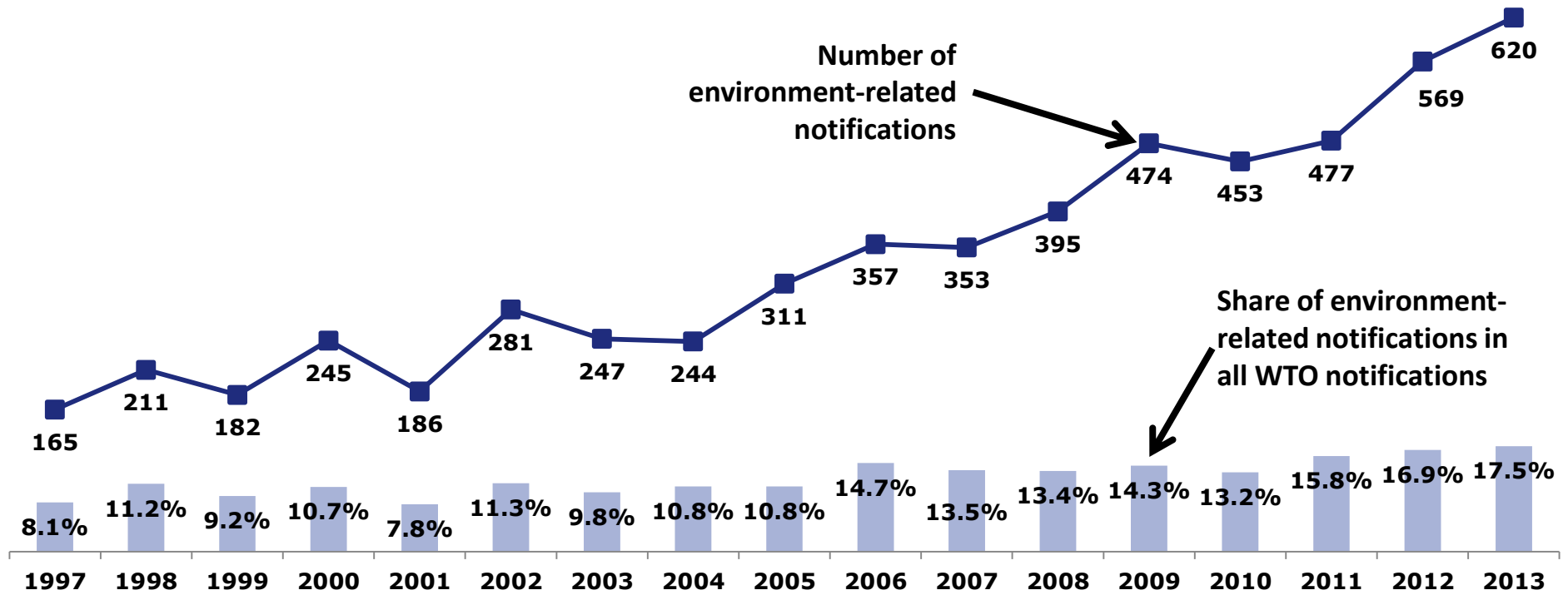
WTO Preamble

Trade is a means to
unleash **growth**,
alleviate **poverty**, raise
living standards and
ensure **full**
employment, while also
protecting the
environment

WTO rules: Strengthening policy coherence



A growing number of environmental measures notified to the WTO...



Source: WTO Environmental Database, 2013

Example of an environment-related notification: Eco-design requirements for certain types of light bulbs



G/TBT/N/EU/248

4 November 2014

(14-6394)

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Committee on Technical Barriers to Trade

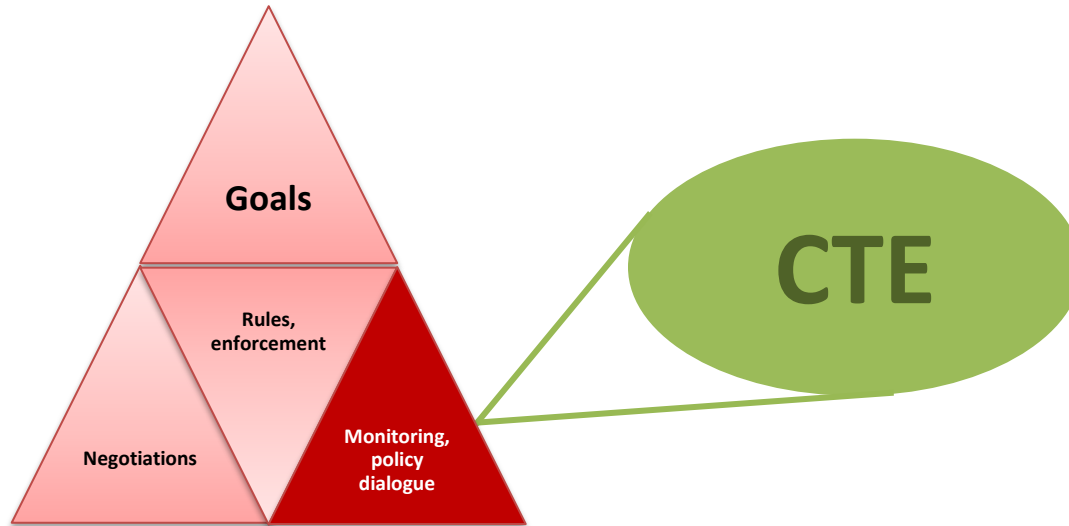
Original: English

NOTIFICATION

The following notification is being circulated in accordance with Article 10.6

1.	Notifying Member: <u>EUROPEAN UNION</u> If applicable, name of local government involved (Article 3.2 and 7.2):
2.	Agency responsible: European Commission Name and address (including telephone and fax numbers, email and website addresses, if available) of agency or authority designated to handle comments regarding the notification shall be indicated if different from above: European Commission EU-TBT Enquiry Point Fax: +(32) 2 299 80 43 E-mail: eu-tbt@ec.europa.eu Website: http://ec.europa.eu/enterprise/tbt/
3.	Notified under Article 2.9.2 [X], 2.10.1 [], 5.6.2 [X], 5.7.1 [], other:
4.	Products covered (HS or CCCN where applicable, otherwise national tariff heading. ICS numbers may be provided in addition, where applicable): Non-directional household lamps; Directional lamps, light emitting diode lamps, and related equipment.
5.	Title, number of pages and language(s) of the notified document: Draft Commission Regulation amending Regulation (EC) No 244/2009 with regard to ecodesign requirements for non-directional household lamps and Regulation (EU) No 1194/2012 with regard to ecodesign requirements for directional lamps, light emitting diode lamps and related equipment (9 pages, in English)
6.	Description of content: This draft Commission Regulation amends Commission Regulations 244/2009 and 1194/2012 by clarifying and aligning the definition of special purpose products, the timeline for some ecodesign requirements, and the compatibility requirements for external control gear. The draft Regulation is based on the findings of technical, environmental and socio-economic review studies, which have been carried out with involvement of stakeholders from around the world.

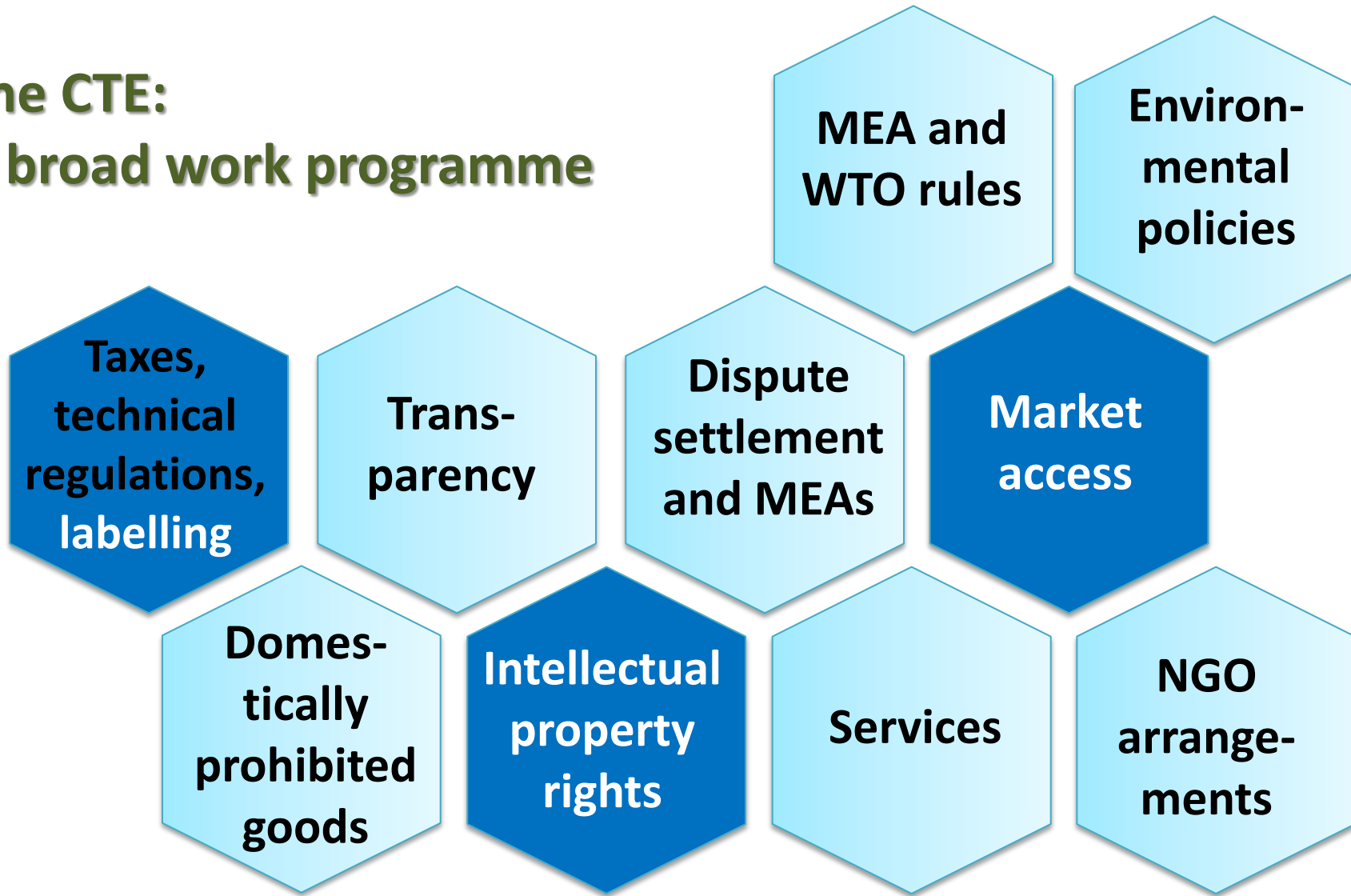
The Committee on Trade and Environment or CTE: A unique forum for policy dialogue



Supports WTO
members in:

- Understanding the **links between trade and the environment**
- Learning from **national experiences**
- Ensuring that **trade policies work for**, not against, **environmental protection**

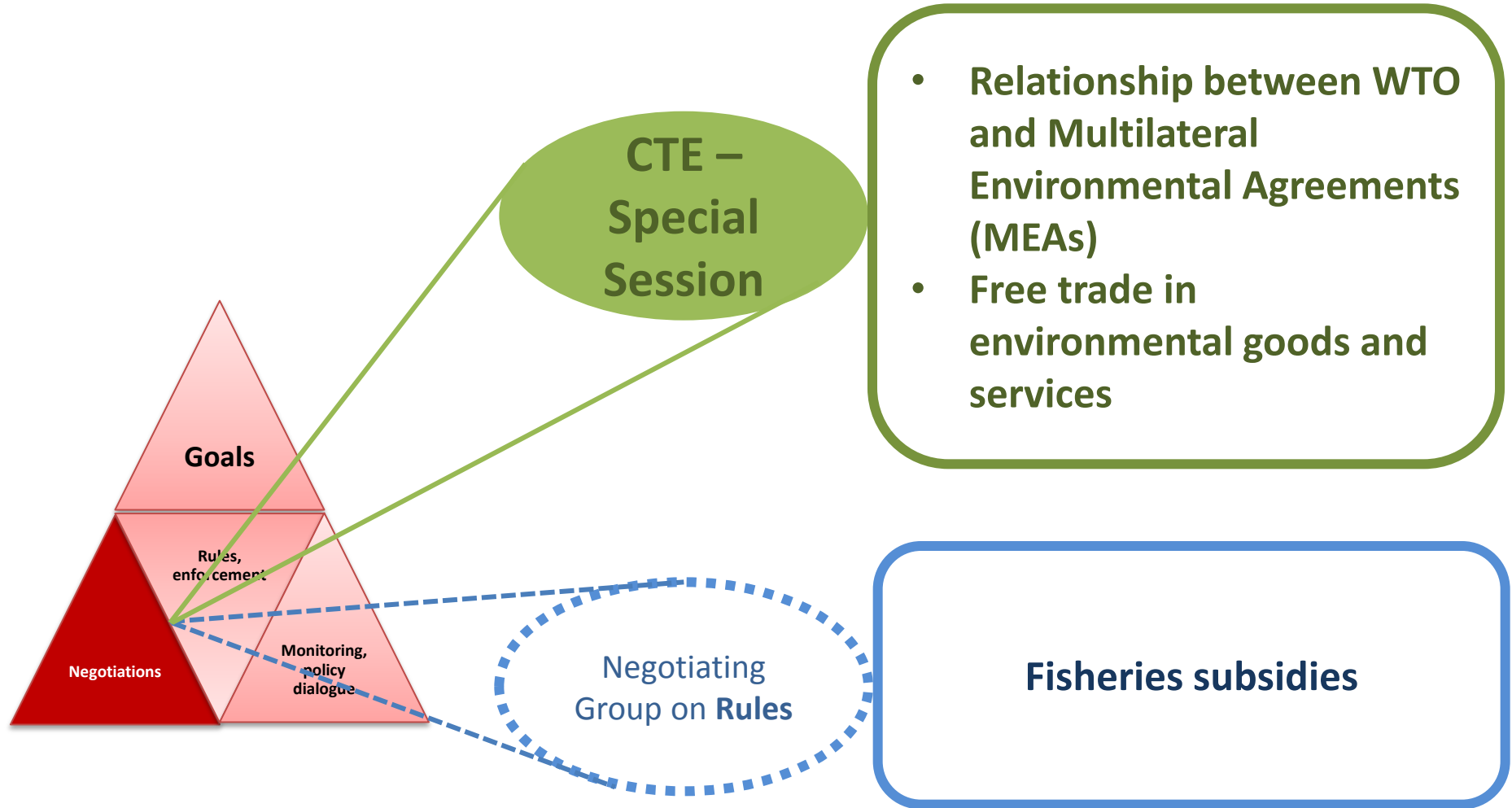
The CTE: A broad work programme



The CTE: Recent areas of work



WTO negotiations on the environment

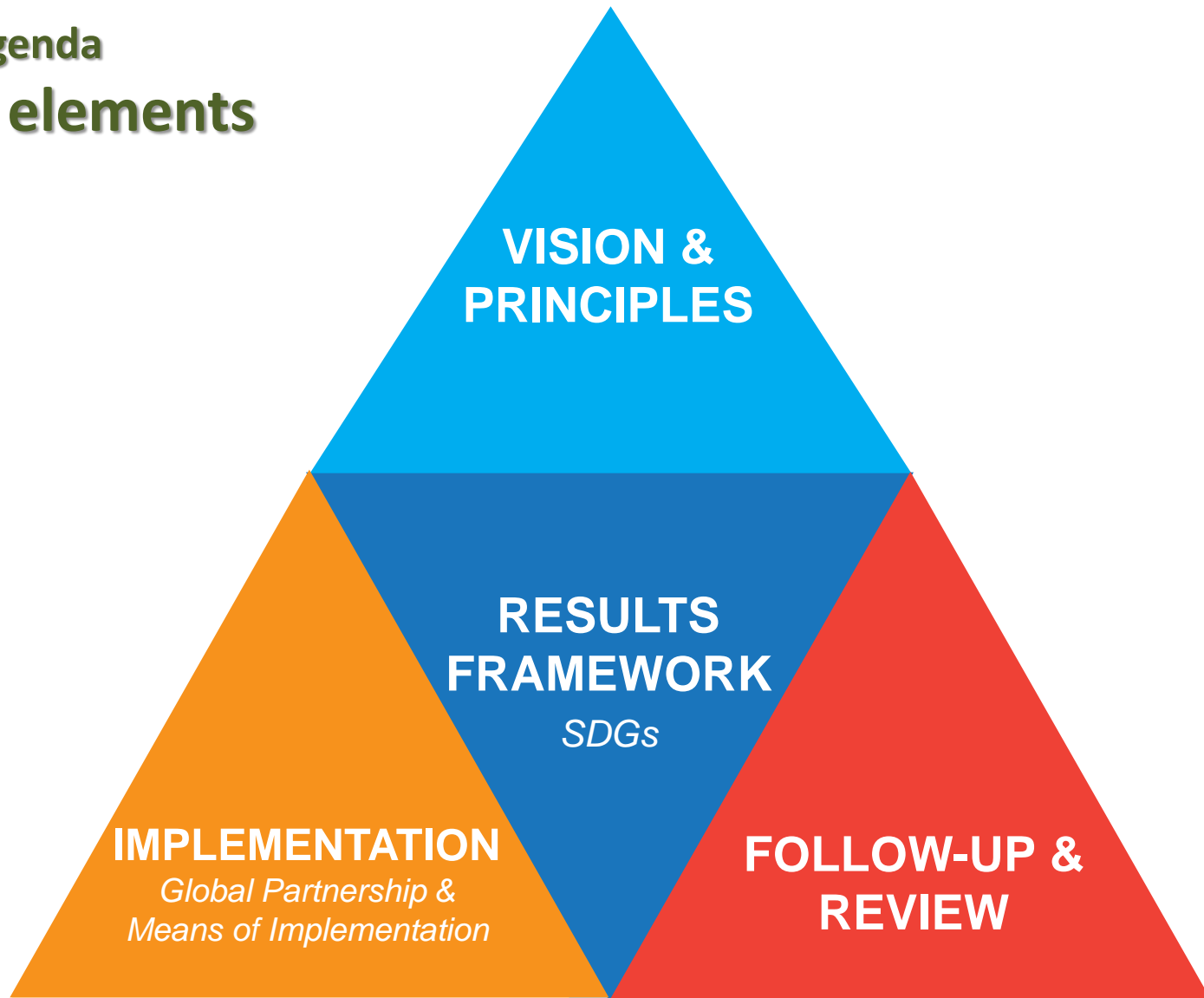


Part 2

How can we use trade to support the achievement of the SDGs?

2030 Agenda

Main elements



Agenda 2030

Reactions

“... a blueprint for a better future”

SG Ban Ki-Moon

“a historic agreement for humankind”

President of Mexico

“...pretty well written... pretty succinct”

Bill Gates

“...a mess”

Financial Times

“...worse than useless”

The Economist

“The SDGs should stand for Senseless, Dreamy, Garbled”

W. Easterly

THEN

Two parallel
processes

MDG TRACK

SUSTAINABLE DEVELOPMENT
TRACK

NOW

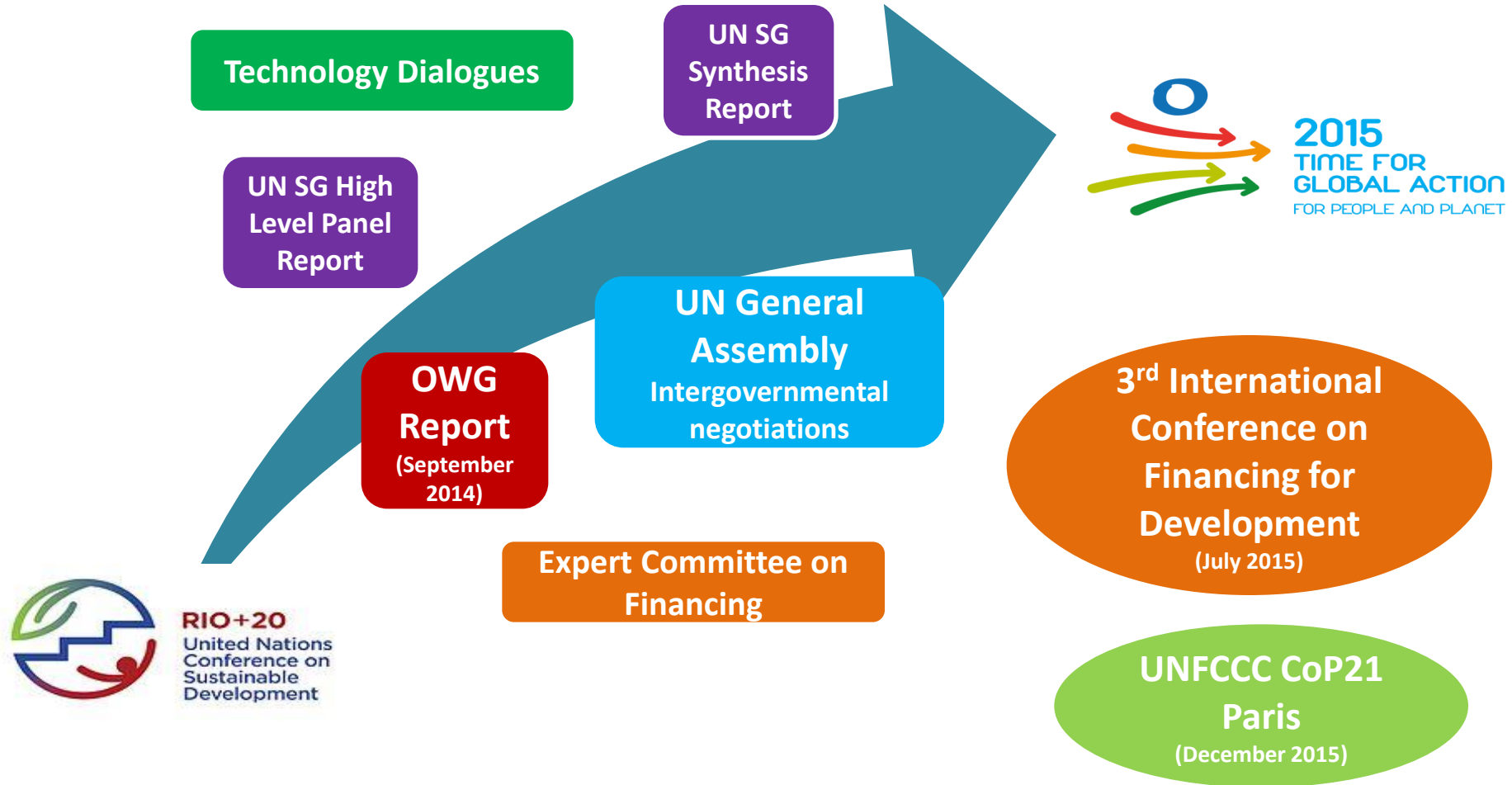
One holistic
agenda

Completing the **unfinished business** of the MDGs and
leaving no one behind

Strengthening **sustainable development** with an
integrated and balanced
view of all key dimensions



Towards the 2030 Agenda



Agenda 2030

SDGs



New agenda is:

- **Political** – result of 2.5 years of inter-governmental negotiations
- **Universal** – recognizes role of all countries and actors
- **Transformative** – guidance on “how”, not just “what”; recognizes importance of private and domestic resources, not just public and external financing
- **Integrated** – incorporates economic, social and environmental aspects

From MDGs to SDGs

MDGs

8 goals

18 targets

48 indicators

SDGs

17 goals

169 targets

230 indicators

2000

2015

2030



People

Planet

Prosperity

Peace

Partnerships



Follow-up and review framework

National level

Regional level

Global level

Voluntary national reviews

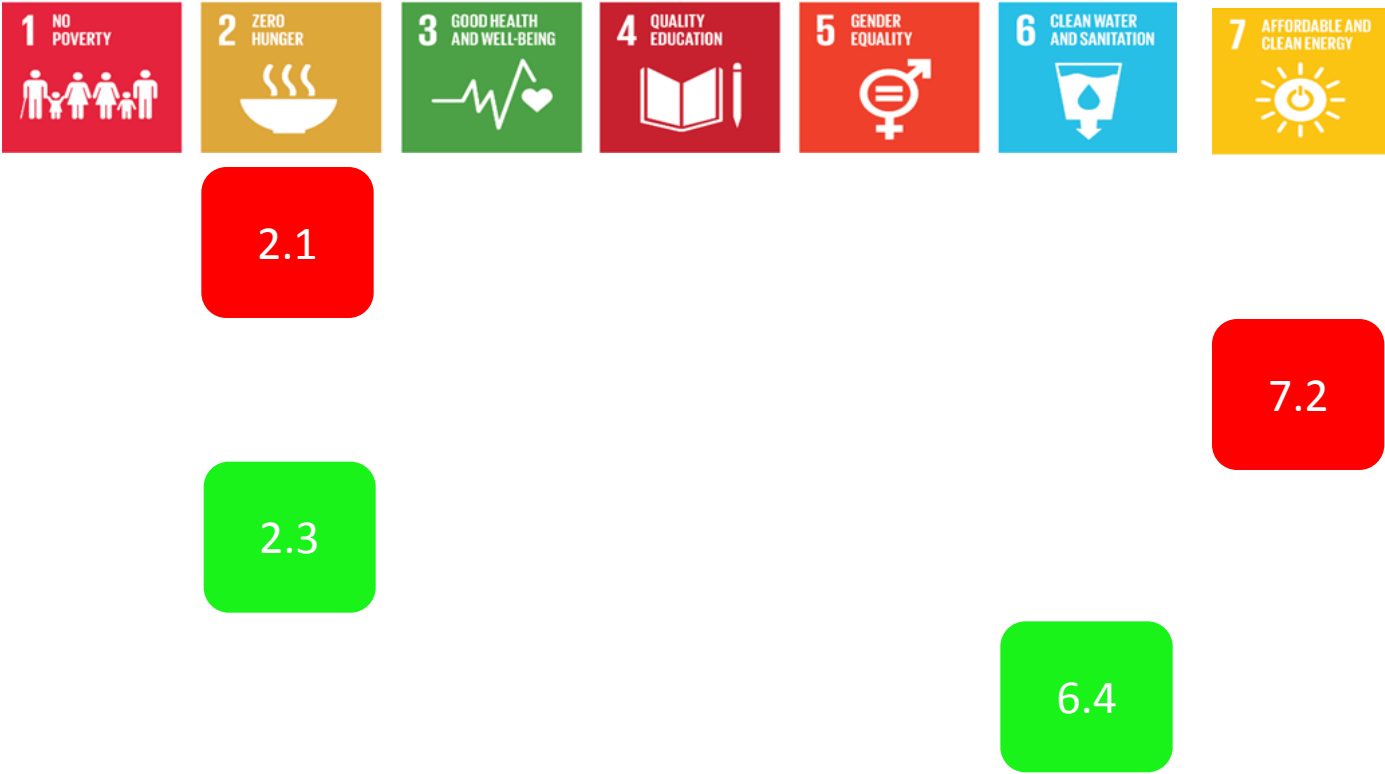
*Regional Reviews**

Thematic reviews

Means of implementation



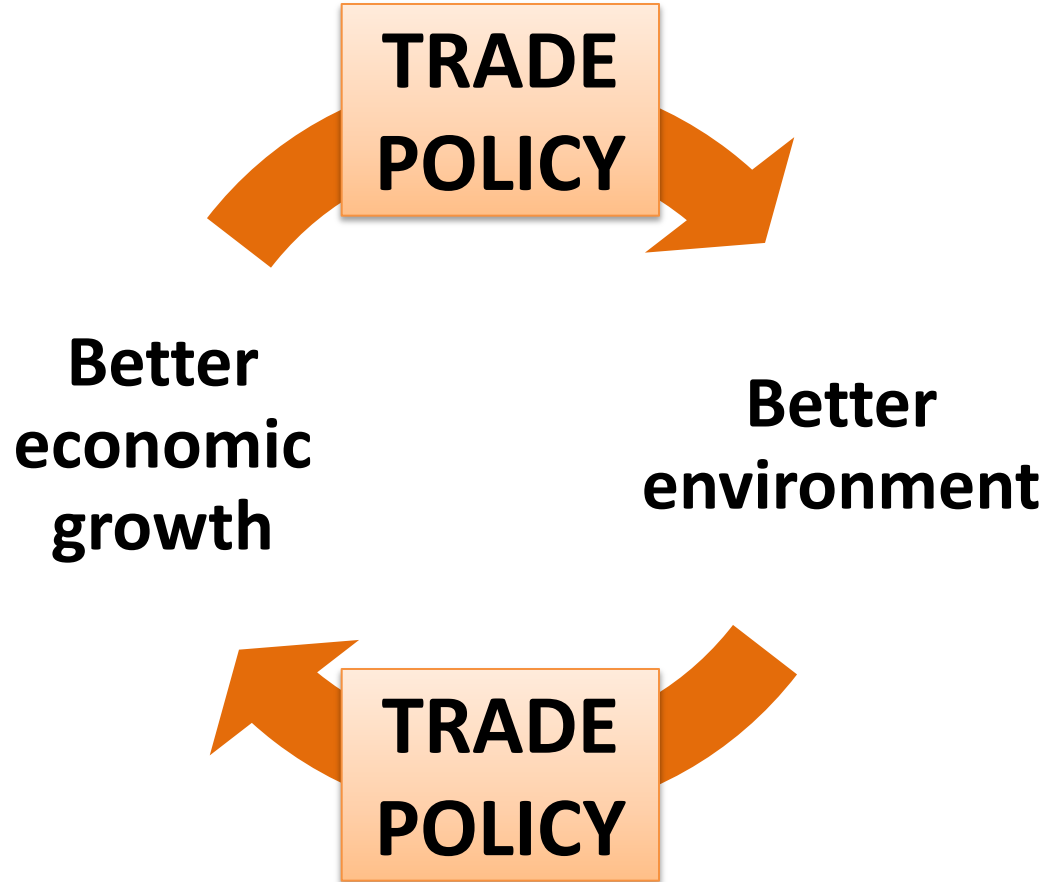
Synergies and trade-offs



Trade in the SDGs



Finding win-win opportunities between trade and the environment

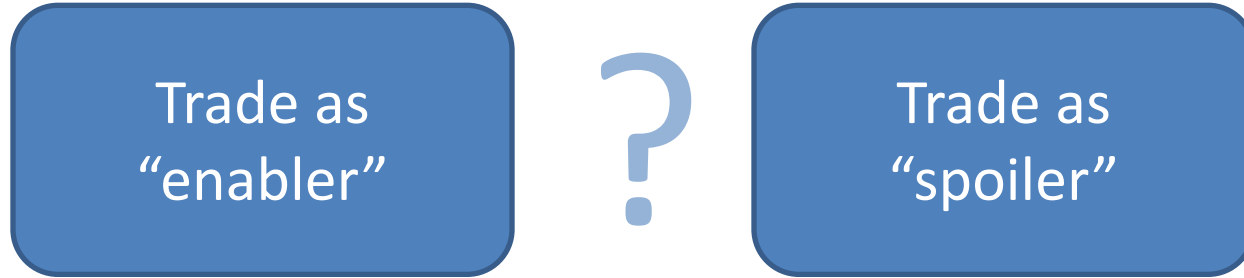


Exercise

Trade and SDGs:

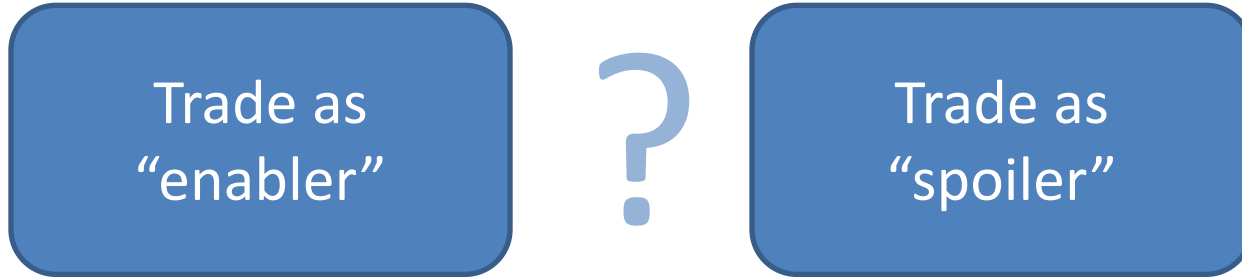
Identifying “win-win” opportunities

Exercise: Identifying “win-win” opportunities



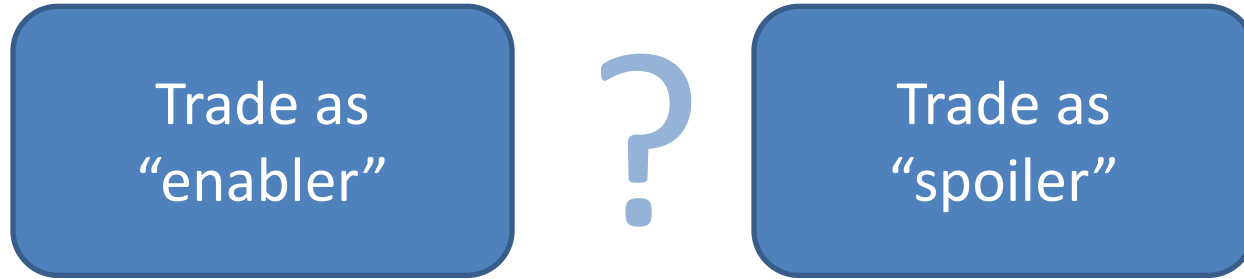
14.b Provide access for small-scale artisanal fishers to marine resources and markets

Exercise: Identifying “win-win” opportunities



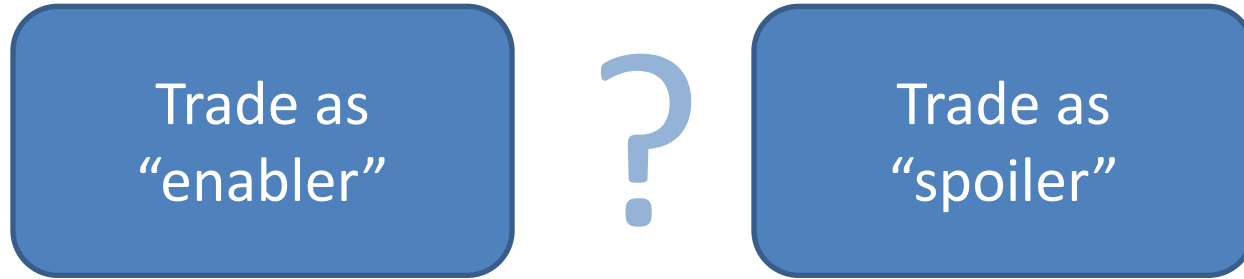
7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

Exercise: Identifying “win-win” opportunities



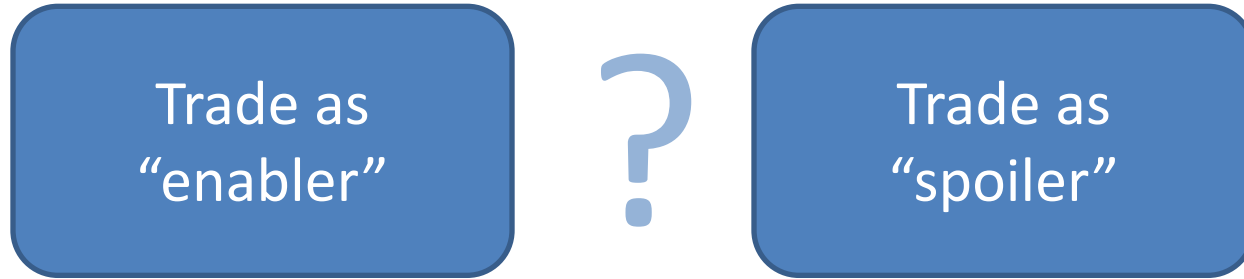
13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Exercise: Identifying “win-win” opportunities



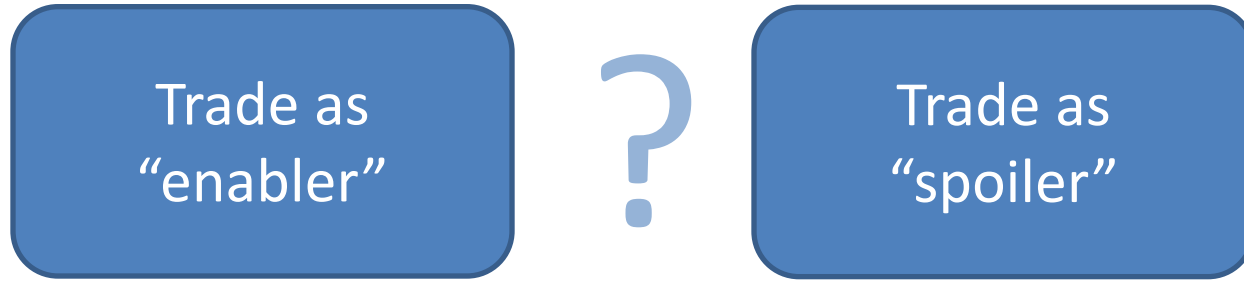
12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

Exercise: Identifying “win-win” opportunities



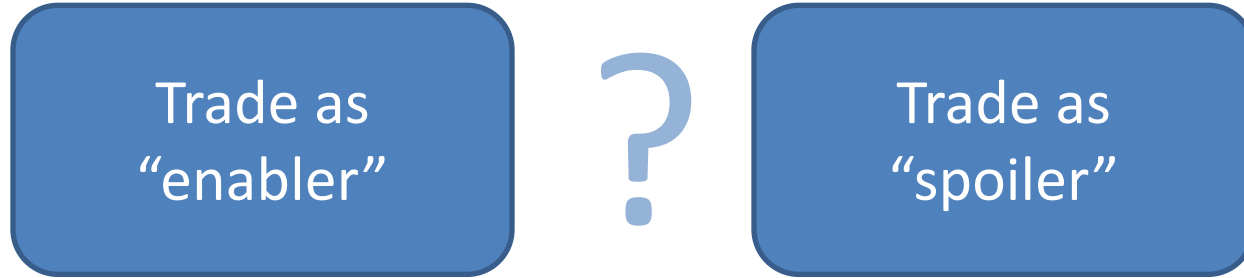
15.7 Take urgent action to end poaching and trafficking of protected species of flora and fauna and address both demand and supply of illegal wildlife products

Exercise: Identifying “win-win” opportunities



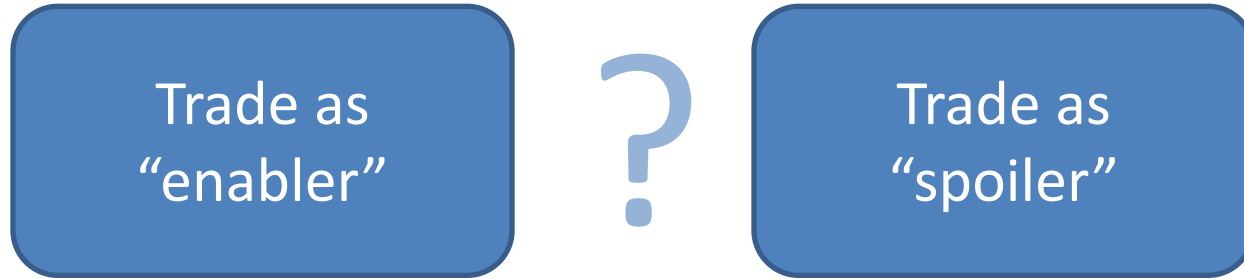
12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment

Exercise: Identifying “win-win” opportunities



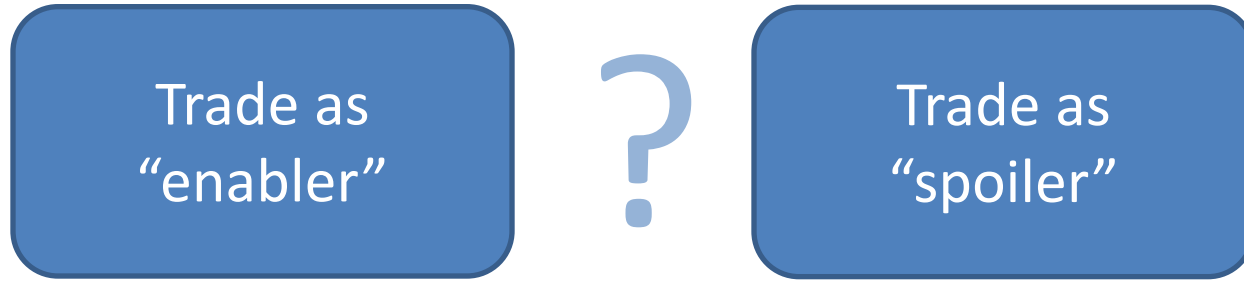
14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution

Exercise: Identifying “win-win” opportunities



15.2 Mobilize significant resources from all sources and at all levels to finance sustainable forest management and provide adequate incentives to developing countries to advance such management, including for conservation and reforestation

Exercise: Identifying “win-win” opportunities



14.4 By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics