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Promoting Trade in Environmental Goods and Technologies – Approaches in Recent Trade Agreements

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**Policy Discussions on Trade-Related
Policies to Promote Trade in Environmental
Products and Technologies Including
Regulatory Issues, Contributing to Global
Carbon Neutrality
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PROMOTING TRADE IN ENVIRONMENTAL GOODS AND TECHNOLOGIES – APPROACHES IN RECENT TRADE AGREEMENTS

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Summary

- 1. Trade regulation of EGTs – key issues for open regulatory frameworks**
- 2. Approaches in recent trade agreements – how are FTAs evolving to promote trade in EGTs?**
- 3. Moving forward – can FTA developments inform approaches in APEC?**



1. Trade regulation of EGTs

What issues are relevant for addressing NTMs and promoting trade in EGTs?



Key issues in trade regulation of EGTs

i. Wide regulatory reach

- EGTs form part of new industries for which specific regulation is not yet widely developed
- Many are captured by broader regulations, and thus are impacted by a wide range of NTMs
 - TBTs, import licensing, export controls, pre shipment inspection

ii. Whole of value chain impacts

- EGTs are not only final goods but also form critical inputs along value chains
 - Eg: Electric vehicles = regulation of source minerals, cells, batteries, vehicle parts and manufacturing
- Regulation along the supply chain – and therefore NTMs - impacts on trade
 - Production, manufacture, transportation, storage, assembly, distribution, sale, export

iii. Linkages with services, investment, intellectual property

- EGs are closely linked with services – in terms of their delivery, functionality and viability
 - Eg: transport, storage, access to electricity grids and infrastructure
- EGs are impacted by NTMs on access, supply, distribution, competition
- EGs are also impacted by regulations on investment, as value chains function across multiple jurisdictions
 - Eg: local content requirements, FDI controls
- IP is important for developing technologies – enforcement, technology transfer

iv. Importance of standards

- Differing standards and requirements across economies can create impediments to trade/technology
- Due regard should be given to international standards and development
- Options for recognition/equivalence can be explored



2. Emerging approaches in recent trade agreements

How are trade agreements evolving to promote trade in EGTs?



i. EG-specific provisions and commitments

i. Provisions to promote trade and investment in EGs

- CPTPP, USMCA, EVFTA – include provisions to ‘facilitate’ and ‘promote’ trade and investment in EGS
- ‘Best endeavours’ clauses rather than binding commitments

ii. Specific principles and commitments on EGTs

- EVFTA – includes a chapter focused on NTBs on trade and investment in generation of renewable energy:
 - Principles on NTBs – local content; authorization, certification, licensing; fees and charges; provision of services by suppliers
 - Disciplines on use of international standards and certification

iii. Consultation mechanisms on EGS barriers

- CPTPP, USMCA - establish mechanisms to address potential barriers to trade in EGS identified by the parties
 - CPTPP Committee on Environment is tasked with considering issues related to trade in EGS

iv. Cooperation mechanisms on EGS challenges

- Parties commit to work together in international fora to build regulatory cooperation to address environmental challenges; encourage plurilateral projects
 - USMCA, CPTPP, NZ/China FTA

ii. Other disciplines and approaches

i. Strengthened NTM provisions in FTAs

- 'Sectoral' TBT disciplines – address TBTs in areas of trade interest among parties
 - Annexes to TBT FTA chapters
 - Address authorization/regulatory compliance; improve transparency; encourage GMP; support standards recognition/equivalence
 - Scope differs among agreements
- Transparency and notification obligations for operation of NTMs
 - detailed disciplines on transparency, notification, publication of import licensing, export control measures

ii. Frameworks for trade in 'new' Economic Partnership Agreements (EPAs)

- Create frameworks for trade – broader than binding rules:
 - EG: DEPA – addresses range of areas to form a broad framework for digital trade activity.
 - Focuses on non-prescriptive principles to guide policy and regulatory frameworks for trade
 - Adopts some FTA rules
- Illustrative of an alternative approach to an 'FTA':
 - addresses complex regulation; across a wide range of economic activity and technology; in a developing area; involving competing policy interests

iii. Cooperation arrangements

Sit alongside or are integrated into trade agreements

- Establish institutional mechanisms; include built-in agendas to address NTBs, build regulatory cooperation, promote trade and investment
 - RCEP and IACEPA – include mechanisms for technical consultations, integrated economic cooperation program



3. MOVING FORWARD

Can elements in trade agreements inform future approaches to promote EGTs in APEC?



APEC approaches to promote trade in EGTs

APEC has an opportunity to forge a wholistic partnership to promote mutually beneficial EGT trade and investment:

- Recent agreements demonstrate some innovation in disciplines to reduce barriers, facilitate open trade, encourage best practice regulation in EGTs
- One possible policy instrument that can inform a broader and more wholistic approach



i. Borrowing FTA elements

Sector/issue specific approaches

- Provide scope for tailored outcomes to address particular measures/areas
- Combine rule making and cooperation mechanisms: support closer regulatory alignment (e.g.: with international standards); promote consistency in regulations; improve transparency and predictability in regulatory compliance
- May (as in EVFTA) have cross-cutting reach across goods, services and investment

Strengthened general provisions on NTMs

- Help ensure measures are not overly restrictive; support improved transparency across horizontal regulations

ii. Building trade frameworks

EPA approach

- Provides scope to link goods disciplines with regulation of services and investment and IP - supports a whole of value chain/wholistic approach to trade
- Can build convergence on common principles, rules and practices in a complex and emerging regulatory area - serve as 'pathfinder' or 'building block'
- Allows for flexibility among diverging regulatory approaches
- Expands through open plurilateralism

iii. Enhancing cooperation

Cooperation mechanisms and capacity building

- A key element alongside rules and practices
- Supports activity in desired areas, capacity building, information exchange and dialogue
 - e.g.: on standards recognition, technology adoption, regulatory reform





THANK YOU

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