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Economic Cooperation**

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Agenda Item: V a

Regional Trade Agreements and the Environment - Presentation

Purpose: Information
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**Third Committee on Trade and Investment
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Chiang Mai, Thailand
26-27 August 2022**



REGIONAL TRADE AGREEMENTS AND THE ENVIRONMENT

Shunta Yamaguchi

Policy Analyst

Environment and Economy Integration Division

Environment Directorate, OECD

APEC Information Sharing Mechanism on Trade and environment

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Outline

Regional Trade Agreements (RTAs) and the environment

- Policy landscape
- Typology of environmental provisions
- Implementation and effectiveness of environmental provisions
- Greening RTAs
- RTAs and circular economy

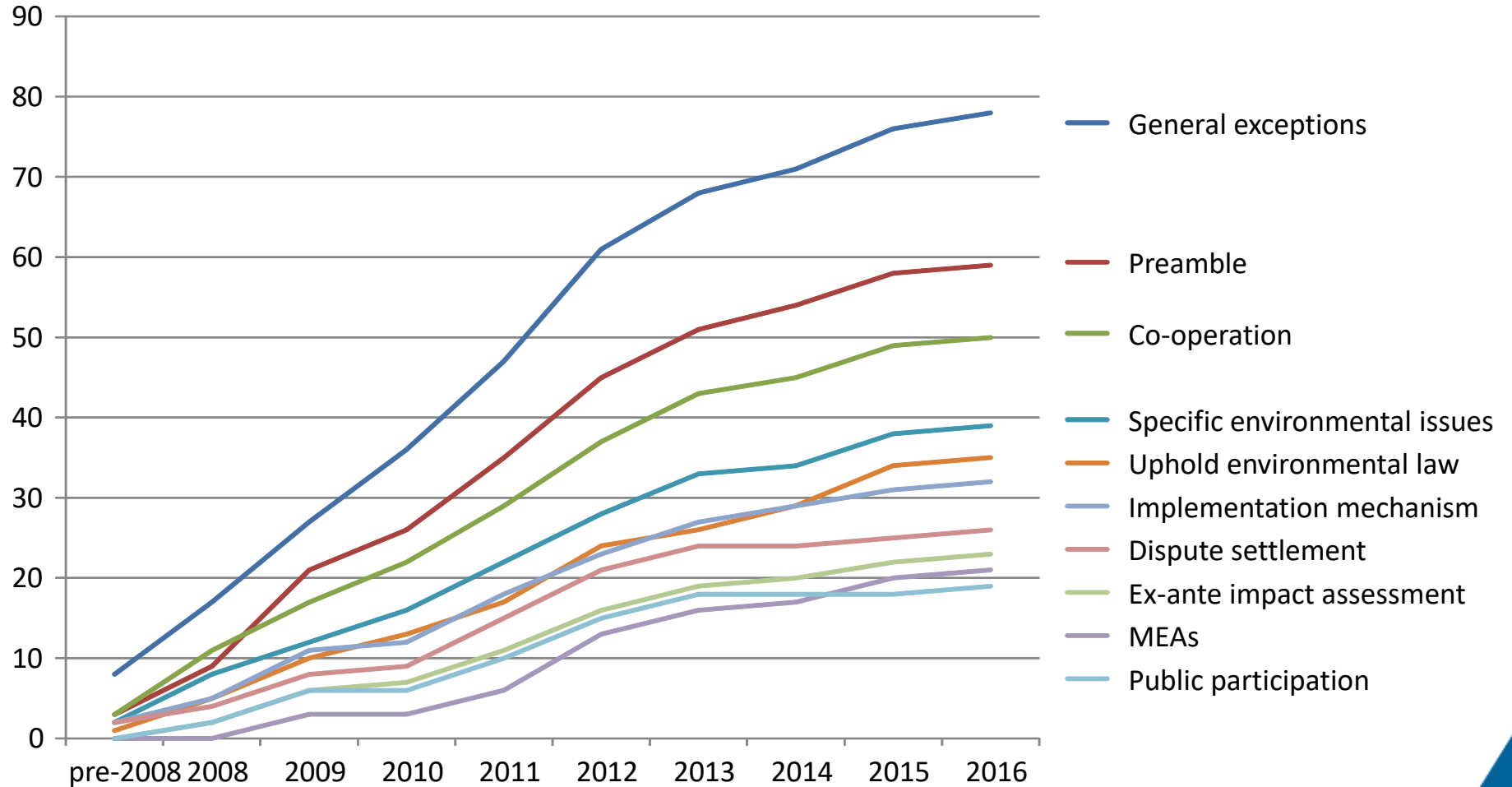


Policy Landscape

- **Environment and trade** concerns are linked to a greater degree as the world economy becomes increasingly integrated.
- Under the backlash of trade and globalisation, **public acceptability** of trade agreements and trading relationships is paramount.
- Role of trade to achieve **multilateral objectives** is also essential.
 - Sustainable Development Goals (SDGs)
 - COP21 Paris Agreement
 - Multilateral Environmental Agreements (MEAs)
 - Multilateral Trade Dialogues / Ministerial Statements (WTO–TESSD, IDP, FFSR)
- Important to secure the **mutual supportiveness** of trade and environment policies
 - Trade policies to support and do not harm the environment
 - Environmental policies do not act as disguised protectionist measures.



Evolution of environmental provisions in Regional Trade Agreements (RTAs)



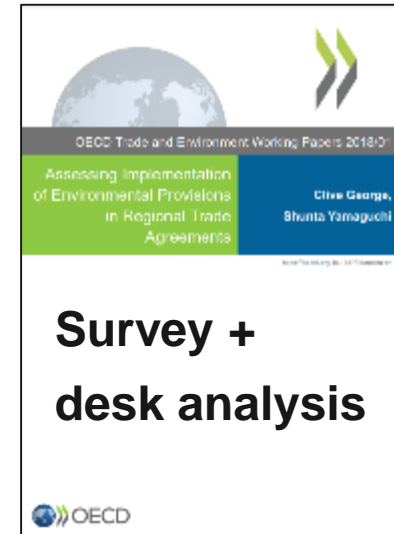


What are the outcomes?

Implementation of environmental provisions

Largely unknown but with some anecdotal evidence

- **Strengthening of environmental laws and regulations**
 - Adopting new environmental laws, US-Chile, US-Morocco
 - Adopting new EIA regulations, CAFTA-DR
- **Introducing new institutional arrangements**
 - Creating a Ministry of Environment, US-Chile, US-Peru, US-Jordan
 - Creating an Environmental Auditing Unit in Guatemala, CAFTA-DR
- **Providing co-operation on improving environmental law and enforcement**
 - Co-operation in creating a technical council on enforcement of env laws, CAFTA-DR
 - Co-operation in creating a national strategy in Honduras, CAFTA-DR
 - Co-operation with private sector on environmental standards, EU-Chile
 - Co-operation in pollutant registry programme, CAFTA-DR
- **Improving environmental awareness**
 - Uplifting public participation of Mexico's civil society, NAFTA

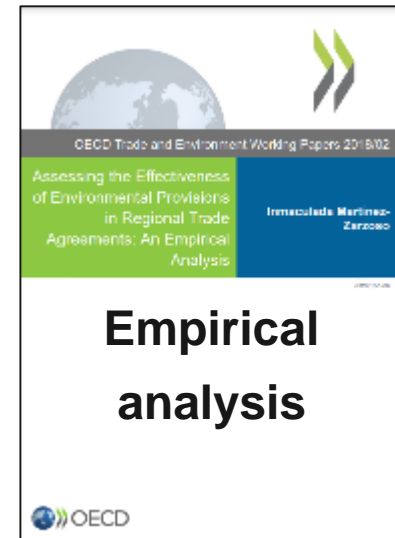




What are the outcomes?

Effectiveness of environmental provisions

- **Empirical analysis show that signing an RTA leads to:**
 - a decrease in SO₂ emissions
 - a decrease in NO_x emissions
 - no change in PM_{2.5} emissions
- **Emissions decreases are slightly larger for RTAs with environmental provisions than without them**
 - however the difference is not (statistically) significant
 - need more research, information, and data to confirm





Coherence with other chapters & articles

Regional Trade Agreement

Preamble

1. General Definitions and Initial Provisions
2. National Treatment and Market Access
3. Trade Remedies
4. Technical Barriers to Trade
5. Sanitary and Phytosanitary Measures
6. Customs and Trade Facilitation
7. Subsidies
8. Investment
9. Trade in Services
10. Government Procurement
11. Intellectual Property
13. Environment, Sustainable Development
14. Cooperation and Capacity Building
15. Transparency
16. Exceptions
17. Dispute Settlement
18. Final Provisions

ENVIRONMENTAL OBJECTIVES

Project on Greening RTAs

Investment

- Right to regulate for environment
- Green investment

Subsidies

- Environmentally supportive subsidies
- Environmentally harmful subsidies

Non-tariff measures

- Technical barriers to trade
- Regulatory co-operation

Trade in services

- Service schedules
- Regulatory co-operation



Greening Regional Trade Agreements

Some possible ways forward

Trade in environmental goods and services

- Holistic approach – environment and sustainable development chapters, tariffs, services schedules, regulatory co-operation, sector specific annexes
- Jointly address goods & services, ex-outs to avoid dual use

Subsidies

- Fossil fuel subsidy reforms / transparency
- Clarity on renewable energy subsidies (e.g. address local content requirements)

Investment

- Securing the right to regulate for legitimate public purposes (e.g. ISDS)
- Promoting green investment

NTMs, TBT and regulatory co-operation

- Minimise environmental risks – clear objectives, reflect in regulatory impact assessment/ex post evaluations, introduce non-regression clauses
- Maximise synergies - commitments to exchange information and improve mutual understanding, sector specific commitments (dedicated chapters / annexes)



RTAs and circular economy

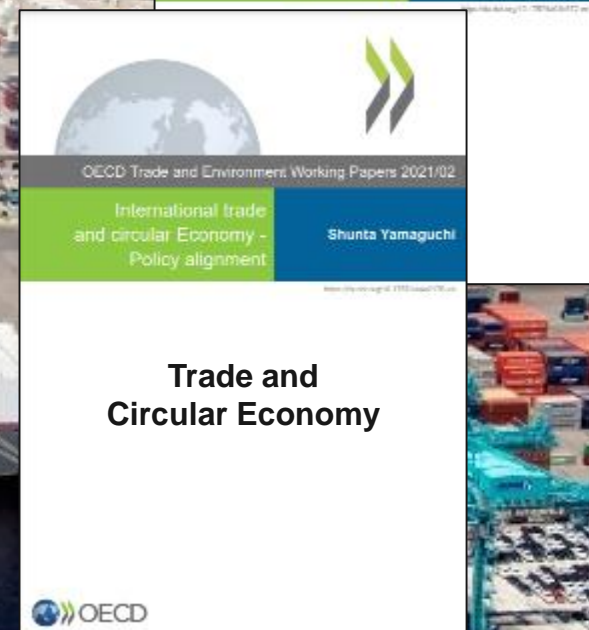
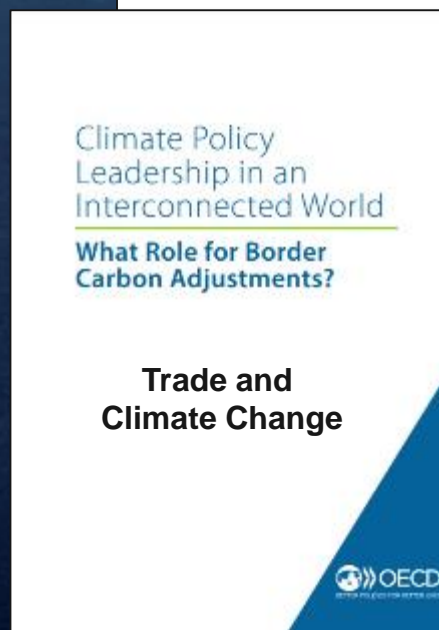
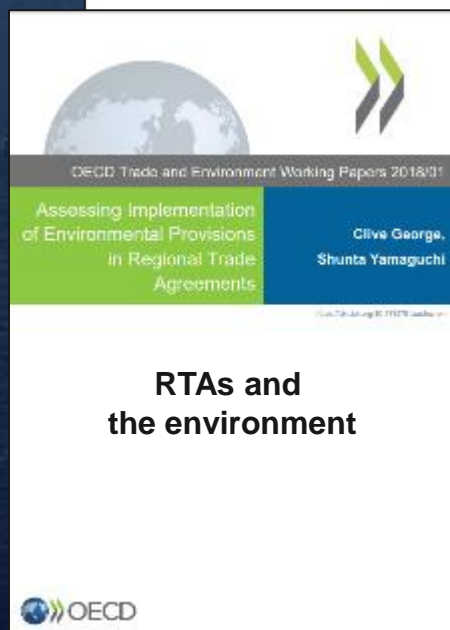
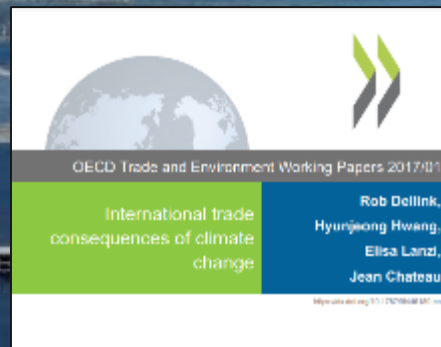
Specific provisions on circular economy so far found in 1 agreement + 5 drafts

- **EU-United Kingdom** Trade and Co-operation Agreement (MEA, Article 400)
- (Draft) **EU-Mexico** Global Agreement, Modernisation (TSD Chapter, Article 13)
- (Draft) **EU-New Zealand** FTA (TSD Chapter, Article 5)
- (Draft) **EU-Australia** FTA (TSD Chapter, Article 5)
- (Draft) **EU-Mercosur** FTA (TSD Chapter, Article 13)
- (Draft) **EU-Chile** FTA, Modernisation (TSD Chapter, Article 12)

Circular economy related provisions found more broadly:

- natural resources and waste management
- references to the Basel Convention
- specific provisions on food waste (i.e. USMCA)
- clarifying status of remanufactured goods (e.g. EU-Japan, EU-Vietnam FTAs)
- limit use of import restrictions for remanufactured goods (e.g. CP-TPP, USMCA)
- recycling services commitments (e.g. EU-Korea, EU-Singapore, EU-Vietnam FTAs)
- bilateral dialogues on raw materials (i.e. CETA)

Thank you for joining the discussion!



Reports: www.oecd-ilibrary.org/trade/oecd-trade-and-environment-working-papers_18166881

Website: www.oecd.org/environment/envtrade

For more information, contact: Shunta.Yamaguchi@OECD.org