



**Asia-Pacific
Economic Cooperation**

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Impacts of Environmental Provisions in Regional Trade Agreements (RTAs)

Submitted by: OECD



**Capacity Building Workshop on
Trade and Environment
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IMPACTS OF ENVIRONMENTAL PROVISIONS IN REGIONAL TRADE AGREEMENTS



APEC Capacity Building Workshop on Trade and Environment, Session 5

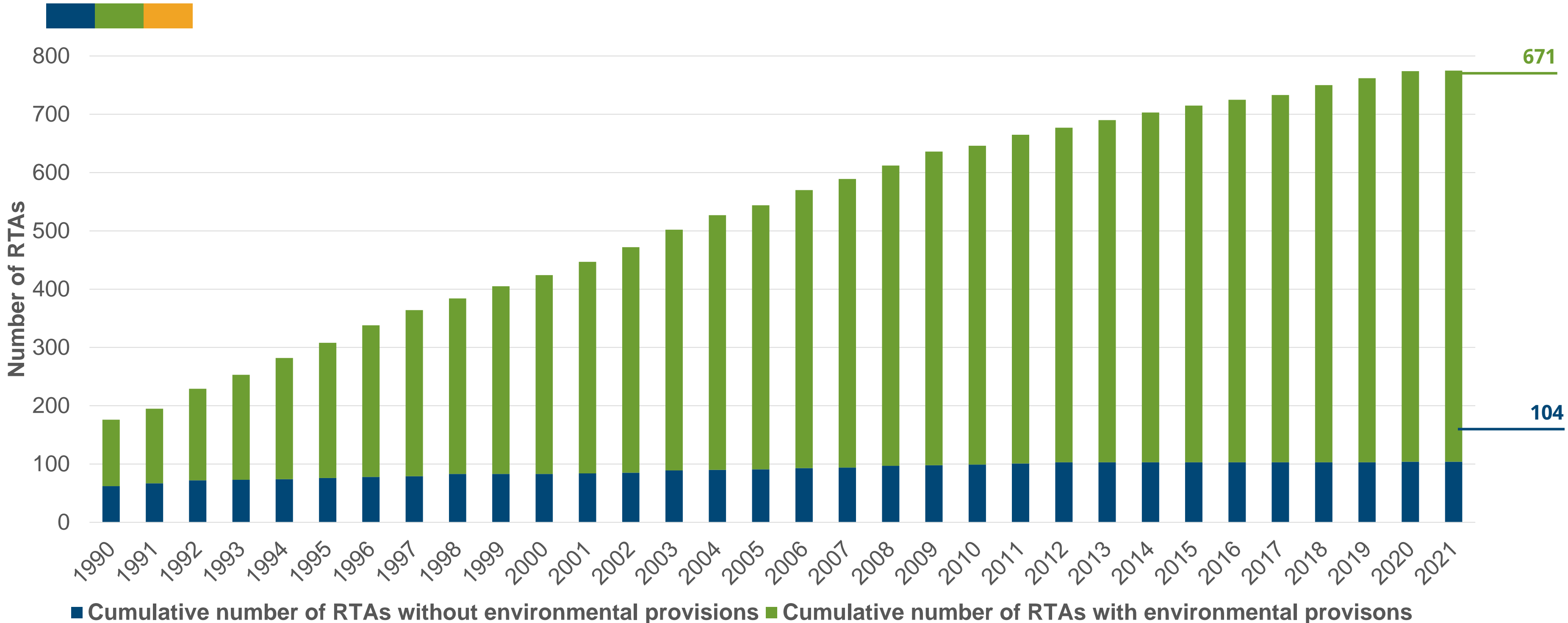
Dr. Shardul Agrawala

Head

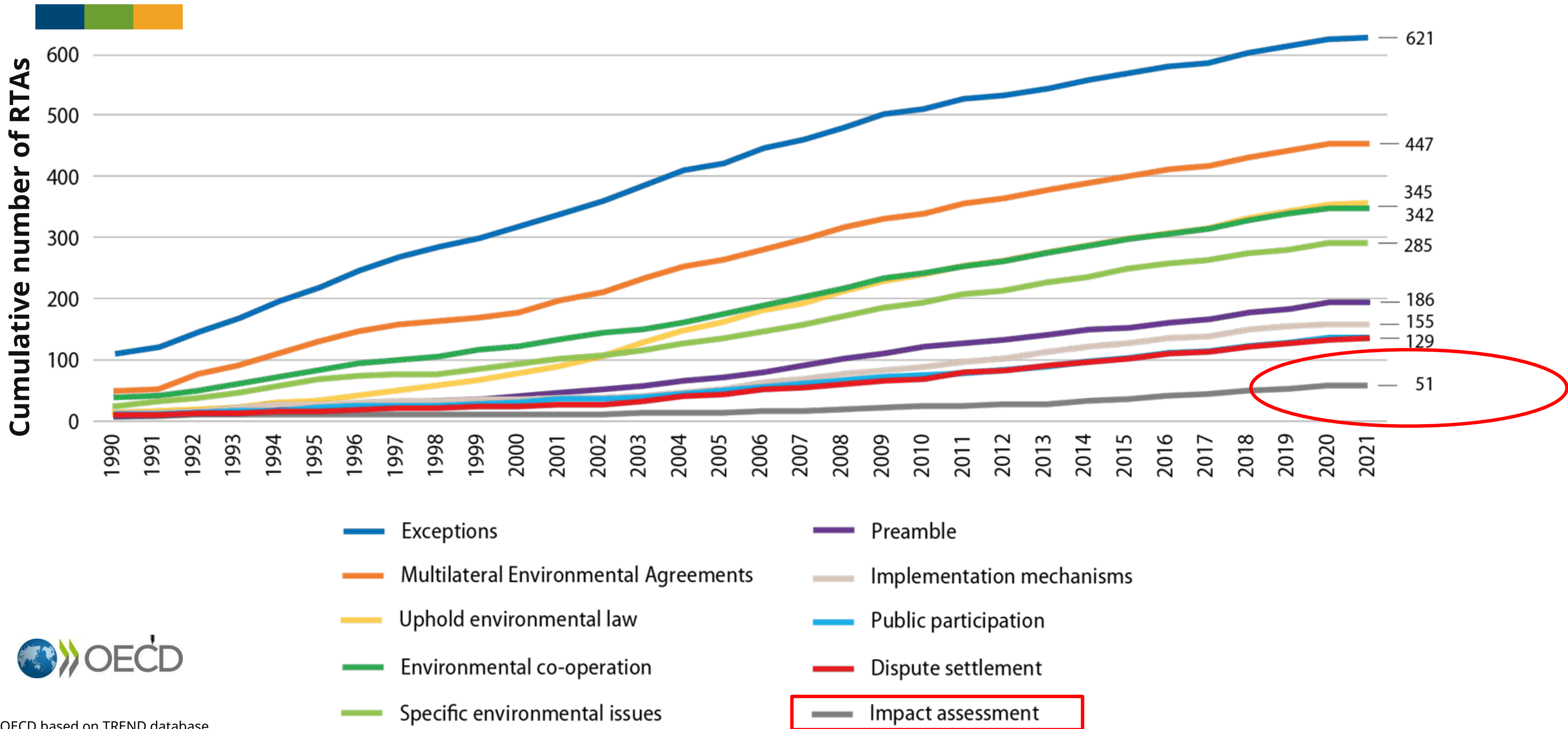
Environment and Economy Integration Division

Environment Directorate, OECD

MORE RTAS INCLUDE ENVIRONMENTAL PROVISIONS...

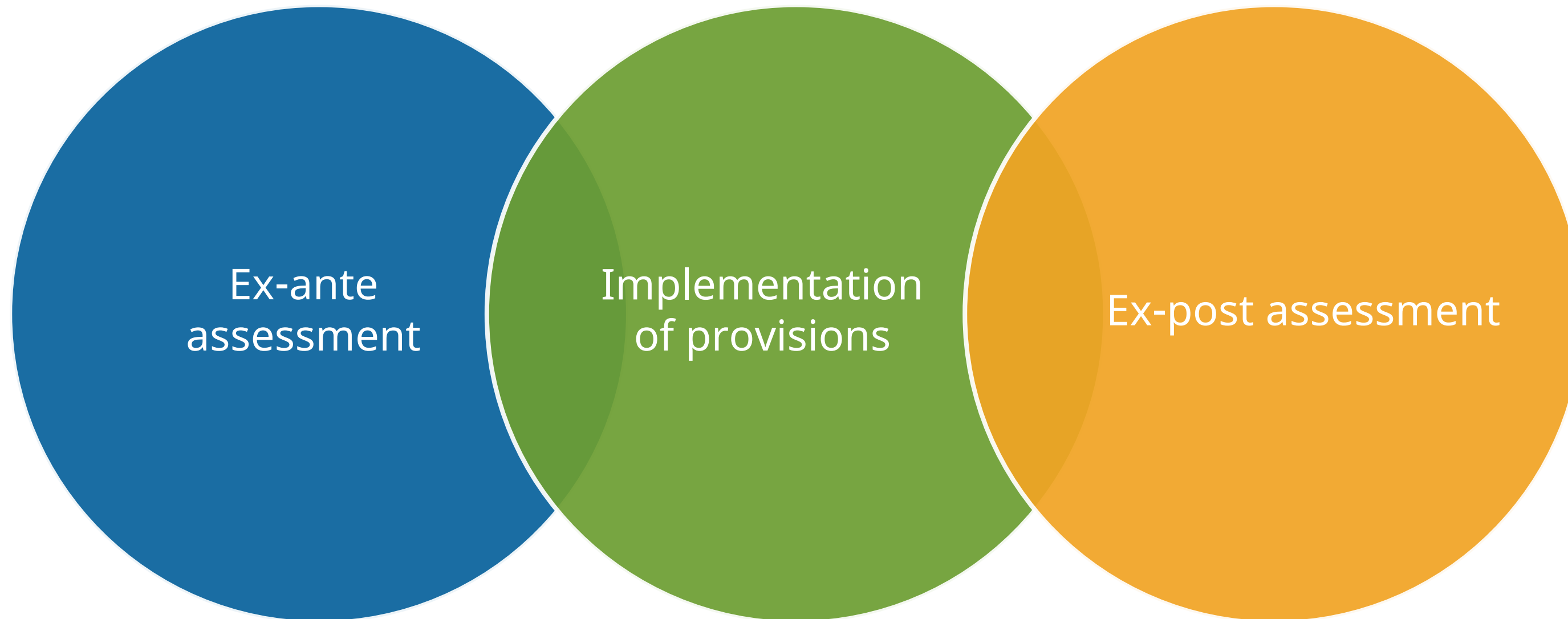


...BUT SOME PROVISIONS ARE USED MORE THAN OTHERS



Source: OECD based on TREND database

ASSESSING THE IMPACT OF ENVIRONMENTAL PROVISIONS



EX-ANTE ASSESSMENTS





- Identify which aspects of the RTA can support sustainable development outcomes
- Ensure that adequate safeguards are in place
- Increase transparency and provide stakeholder dialogue

Ex-ante assessments can vary in scope:

- Primarily cover domestic environmental impacts, or
- Cover environmental impacts both domestically and in partner economies

HOW ARE EX-ANTE IMPACT ASSESSMENTS CONDUCTED?



Timing

- Feeding into the negotiating process OR
- Following the conclusion of negotiations

Organisation

- Conducted by domestic administration OR
- Outsourced to independent consultants

Integration of issues

- Single issue assessments OR
- As part of broader assessments (e.g. sustainable impact assessment)



IMPLEMENTATION



IMPLEMENTATION OF ENVIRONMENTAL PROVISIONS

10



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

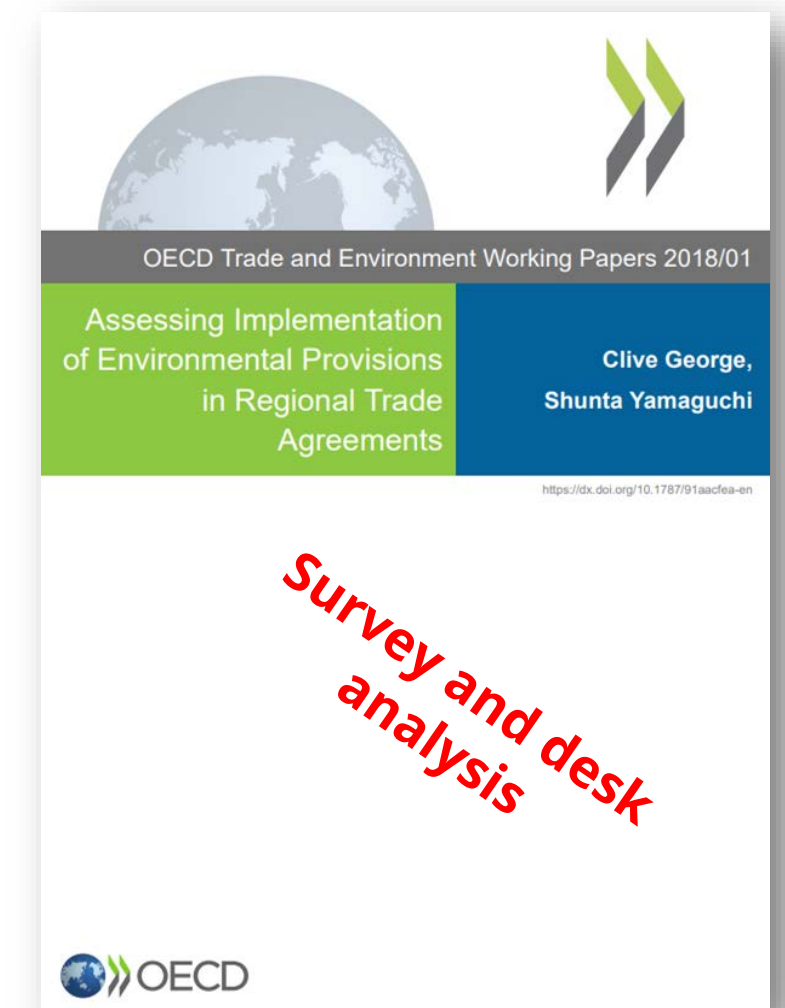
- Creating a Ministry of Environment, US-Chile; US-Peru; US-Jordan
- Creating an Environmental Auditing Unit in Guatemala, CAFTA-DR

•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 domestic 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



EXAMPLE: EU-CHILE RTA



The agreement supported the introduction of:

Standards in automotive sector and pulp production industry

Environmental certification

Enforcement of domestic environmental regulation

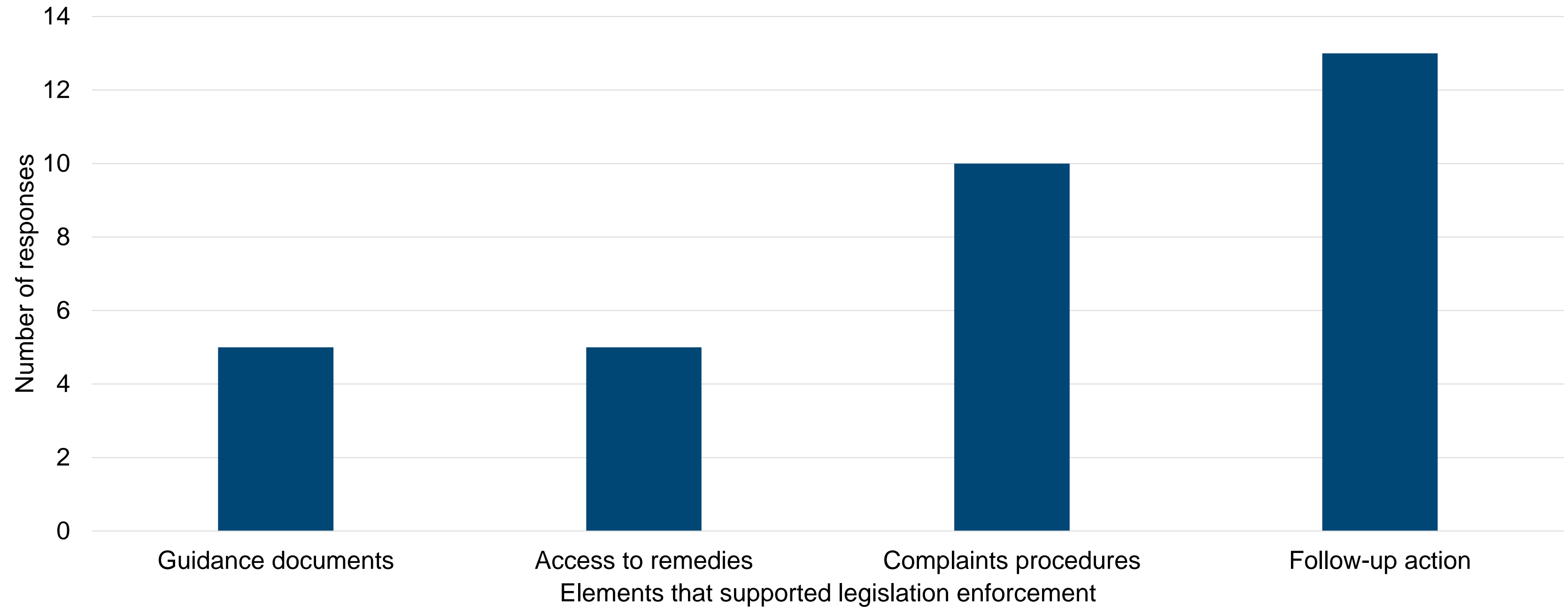
Support for Chilean firms



EXAMPLE: CAFTA-DR (GUATEMALA)



WHAT ELEMENTS ARE KEY TO SUCCESS?



Based on a survey of government officials, trade negotiators and other experts

Source: George, C. and S. Yamaguchi (2018), "Assessing Implementation of Environmental Provisions in Regional Trade Agreements", <https://doi.org/10.1787/91aacfea-en>.



EX-POST ASSESSMENTS



DO ENVIRONMENTAL PROVISIONS IMPROVE ENVIRONMENTAL QUALITY?

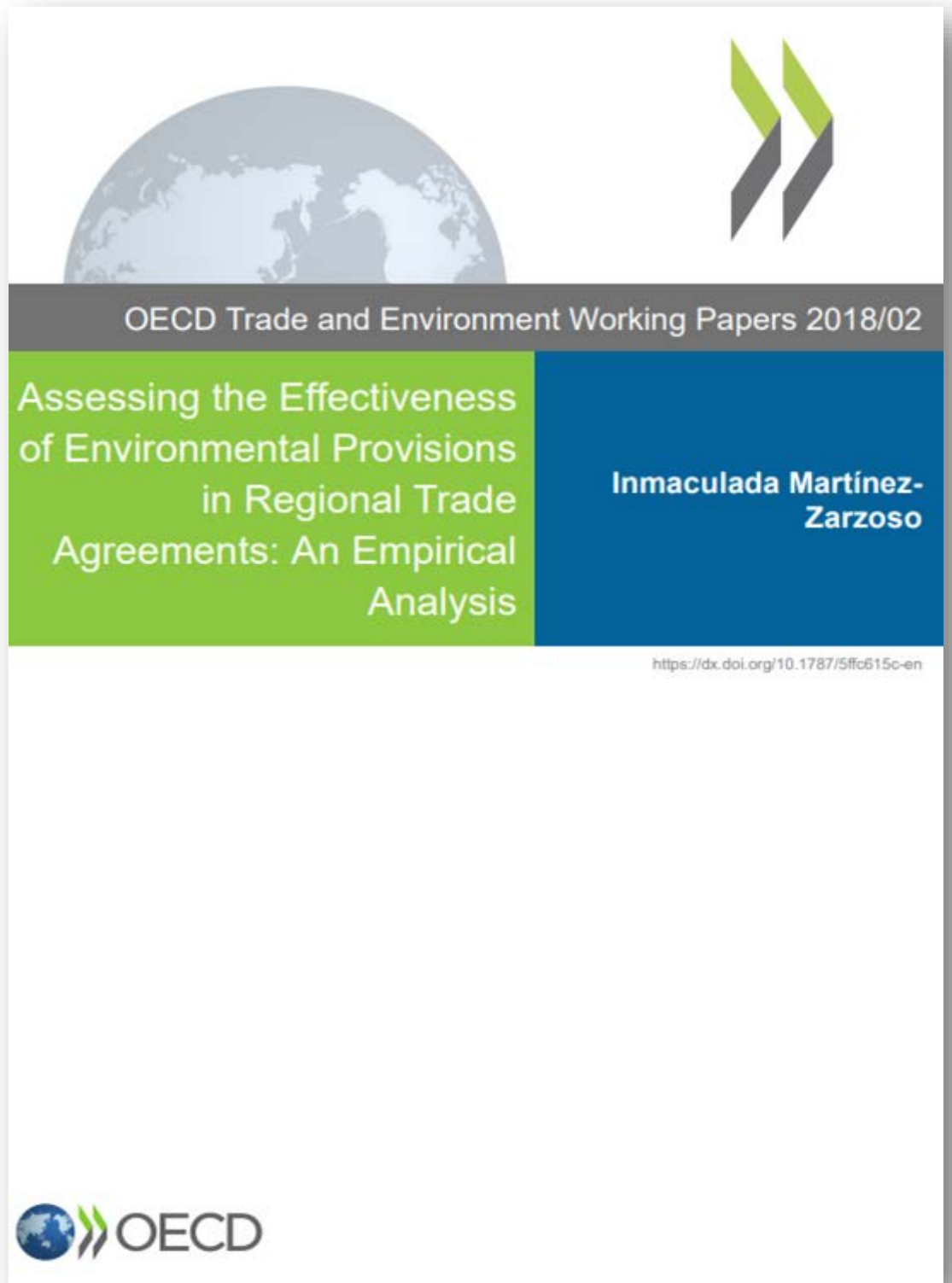


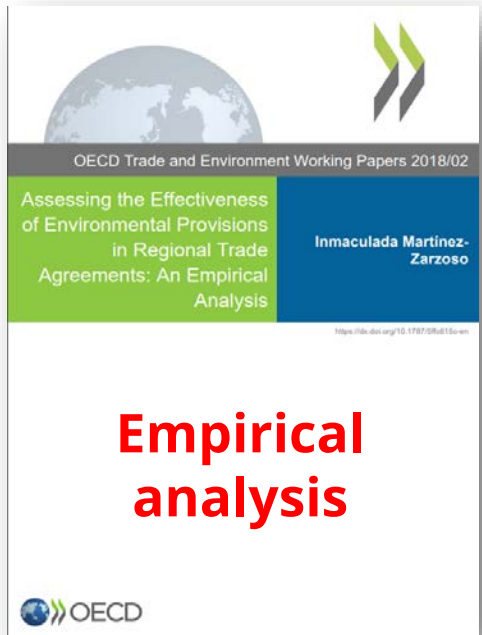
Very difficult to answer, because...

- Environmental quality is **multi-dimensional**
 - Greenhouse gases, deforestation, air pollutant, water quality, waste
- Quality is dependent on **multiple drivers**
 - Socioeconomic and regulatory
 - Environmental provisions in RTAs are only one potential contributing factor
- There are **time lags**
 - Timing of environmental quality changes



Assessed via OECD empirical analysis





TIME PERIOD

NUMBER OF RTAS

NO_x, SO₂

1970-2008

Without environmental provisions

108

With environmental provisions

51

PM_{2.5}

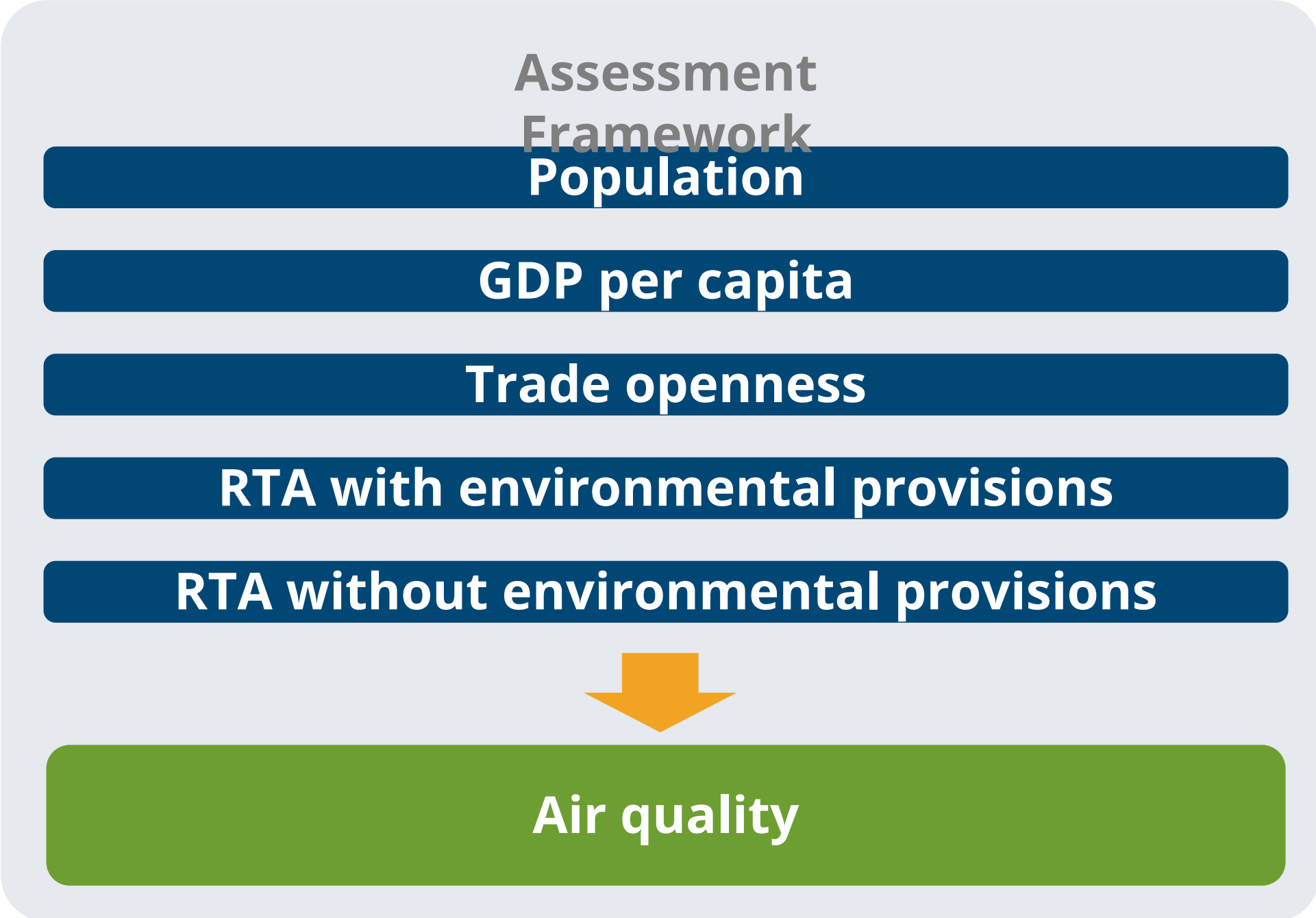
1999-2011

68

83



Source: Martínez-Zarzoso, I. (2018), "Assessing the Effectiveness of Environmental Provisions in Regional Trade Agreements: An Empirical Analysis", <https://doi.org/10.1787/5ffc615c-en>.

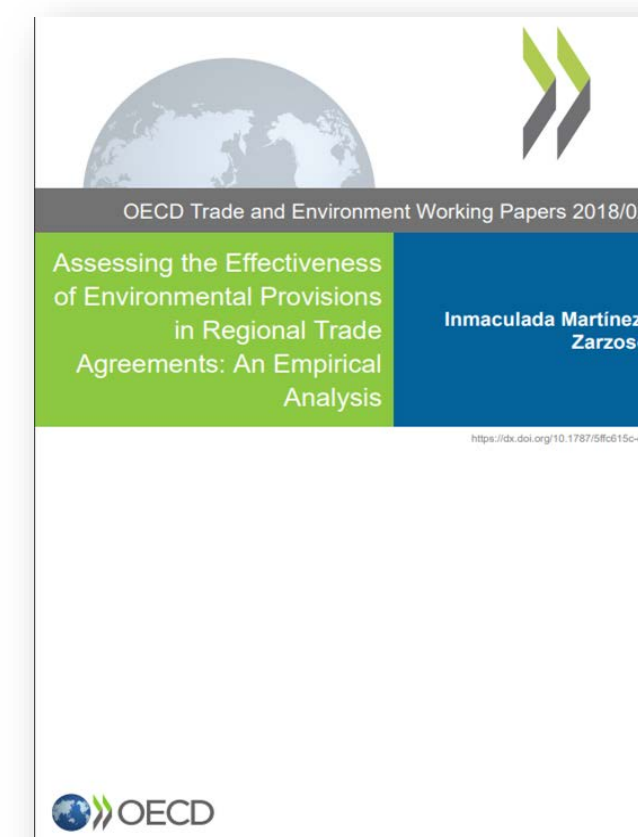


Source: Martínez-Zarzoso, I. (2018), "Assessing the Effectiveness of Environmental Provisions in Regional Trade Agreements: An Empirical Analysis", <https://doi.org/10.1787/5ffc615c-en>.



Main policy implications:

- RTAs **with and without environmental provisions** appear to have a statistically significant effect on improving air quality
 - SO₂; NO_x (not always PM_{2.5})
- Decreases in emissions are **slightly more strongly related** to the number of RTAs with environmental provisions than without
 - However, the effect is **not statistically different** for SO₂ and NO_x
- Some evidence that air quality improvements are more pronounced for developing economies





Environmental provisions have led to changes in regulations, improved co-operation and new institutional arrangements

However, we need further analysis on:

- **Channels** influencing domestic policy processes and outcomes
- Need more systematic tracking of implementation of environmental provisions
- Need more empirical assessments of impact on environmental endpoints on:
 - A wider range of **environmental indicators**
 - A wider range of **economies**

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