



Environment and Trade Hub Frequently Asked Questions

What is the mandate and mission of your work?

The mandate of UNEP is “to be the leading global environmental authority that sets the global environmental agenda, that promotes the coherent implementation of the environmental dimensions of sustainable development within the UN system and that serves as an authoritative advocate for the global environment.” (Nairobi Declaration adopted in 1997).

The Trade, Policy and Planning Unit serves as UNEP’s voice and representative on matters of international trade. The inherent work vision is for trade to be a driver of sustainability. This translates into the mission to actively shape global governance at the trade & environment nexus, and to provide authoritative research, capacity-building, and outreach that inform, inspire and support countries to develop trade-related policies and practices for a socially inclusive, greener economy and poverty reduction.

The bulk of UNEP’s trade related work is delivered through the UNEP Environment and Trade Hub, which is a partnership model aimed at assisting countries in building their capacities for using sustainable trade as a vehicle for achieving the 2030 sustainable development agenda and the SDGs. Through the Hub, UNEP works with partners in four key areas:

- enhancing trade and investment in environmentally sound technologies (EST);
- shaping governance at the trade, investment and environment nexus;
- greening global value chains to promote sustainable consumption and production; and
- reducing the footprint of trade and greening the brown. These four work areas are also reflected throughout UNEP’s trade related delivery under the Green Economy and Trade Opportunities Project (GE-TOP), the Partnership for Action on Green Economy (PAGE), the United Nations Forum on Sustainability Standards (UNFSS) and further global, regional and national project activities.

Why does trade matter for UNEP’s work?

Trade is indispensable for connecting national

production to international markets. Today’s agriculture, manufacturing, and services sectors feature global supply chains that span all countries, moving rapidly from the extraction of natural resources, to multiple processing and manufacturing steps, to final products, adding value at every stage. International trade grew on average 5 per cent a year between 2000 and 2011 and now represents nearly 30 percent of global gross domestic product (GDP). Trade can play an important role in allocating global resources more efficiently, fostering technology proliferation and innovation, alleviating poverty, creating jobs and driving the transition to a green economy. In the 2030 Agenda for Sustainable Development, trade has been identified as a cross-cutting means of implementation of SDGs.

Trade is a vital part of the global economy and interlinks with the environment at many levels. Trade liberalization impacts the environment, in negative or positive ways. The challenge is to augment positive environmental effects, while mitigating and minimizing negative impacts. If designed properly, trade policy instruments can contribute to the efforts of addressing and alleviating environmental problems. UNEP, as the UN organization with a mandate principally focused on environmental issues, cannot neglect the important links between the environment and trade. Addressing this nexus, UNEP remains vigilant of the additional stress that growing volumes of international trade have put on the environment, for example in terms of natural resource extraction and greenhouse gas (GHG) emissions. UNEP works to ensure that trade serves as a vehicle for achieving sustainable development and facilitates, rather than undermines, the Green Economy transition.

How can international trade enhance sustainable development and environmental protection?

The key to fostering a mutually conducive relationship between trade and environment is policy coherence, including the elimination of tariff and non-tariff barriers for environmental goods and ancillary services, the reform of environmentally harmful subsidies, the cost internalization of environmental externalities from production and consumption, and appropriate incentive schemes (e.g. feed-in-tariff for renewable energy). Policy analysis and advice, as well as technical assistance and capacity



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building, are therefore key areas of UNEP's Trade work, foremost delivered through the UNEP Environment and Trade Hub.

In practical terms, trade offers opportunities for greening international supply chains, diffusing green technology and innovation, and re-allocating unevenly distributed natural resources in an efficient way across the globe. In the same vein, sustainable development offers trade opportunities, including by opening new export markets for environmental goods and services and enhancing trade in sustainable goods through product certification.

How does your work link to the global agenda for environmental governance, like the Sustainable Development Goals or Financing for Development?

In light of the Paris Agreement on Climate Change, the WTO Ministerial Conference in Nairobi, the Sustainable Development Goals and the Financing for Development agenda, and negotiations for an Environmental Goods Agreement (EGA), the regulatory framework governing the trade-environment nexus is being decisively re-shaped. UNEP participates in the international decision-making processes, through:

- cutting-edge research outputs,
- inputs to draft negotiation documents for discussion, and
- membership in international policy fora, including the WTO Committee on Trade & Environment and the OECD Joint Working Party on Trade & Environment.

In regard to the SDGs, UNEP has contributed to analytical exercises of identifying the role of Trade for the SDGs agenda, thereby especially focusing on trade as cross-cutting means of implementation (see SDG 17). The key delivery mechanism for helping countries implement their objectives and commitments under the 2030 Agenda for Sustainable Development is the UNEP Environment and Trade Hub.

How can countries benefit from trading rather than pursuing regionalized and localized production and consumption?

UNEP promotes the mutual benefits trade offers for trading partners, while working towards minimizing environmental externalities. According to international trade theory, countries have a "comparative advantage" for those products and services that they can offer at lower (opportunity) cost compared to others; this depends on parameters like natural resource base, factor endowments, labor cost or technological progress. If countries focus on production of goods where they have a comparative advantage, while interacting in an open and liberalized international market, the cost-effectiveness of production is enhanced, and all parties gain from lower prices.

Specialization according to comparative advantage offers the additional benefit of scale, whereby producers lower marginal / unit costs through economy-of-scale production. Mutual trade also allows countries to benefit from joint use of infrastructure and to share commercial, regulatory and political risk, for example for cross-border electricity grid lines. UNEP supports trade liberalization to the extent that it serves socio-economic objectives and stewards the environment, for example through reduced resource intensity of production. This also ensures that realization of comparative production advantages does not lead to a "race to the bottom" (enhancing market competitiveness by lowering environmental and sustainability requirements). Of course, the trans-boundary trade of goods, as compared to localized production, also creates externalities from transportation (road transport, shipment) and logistics (cooling of goods etc.). Together with internal and external partners, UNEP Trade addresses the trade footprint from transportation under Work Area 4 of the Environment and Trade Hub, while assisting countries in identifying and enhancing their comparative advantage(s) in green sectors and reaping related export opportunities.

What about developing countries – can they also benefit?

The report "Green Economy and Trade – Trends, Challenges and Opportunities" (UNEP, 2013) finds that developing countries are especially well-placed to benefit from market liberalization and trade in environmental goods as they often have a comparative advantage in these segments and a rich endowment in natural



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resources. For example, Latin American countries feature rich biodiversity, while African countries have high solar irradiation levels for solar energy production. The UNEP report "South-South Trade in Renewable Energy" (2014) finds that the traditional South-North trade paradigm is increasingly replaced by a South-South trajectory, with emerging economies at the forefront of increased consumption. Already today, South-South trade accounts for one-third of global trade and is further increasing. This implies that developing countries increasingly identify and reap the benefits from trade. The challenge, that UNEP aims to help countries address, is to design development paths in a manner that enables economic growth while stewarding the environment and unlocking potential for sustainable, long-term development.

One particular example of an initiative that can offer triple-win opportunities for sustainable development, the environment and trade is the Environmental Goods Agreement (EGA). By participating in shaping the EGA, developing countries could benefit from enhanced development, deployment and trade of renewable energy technologies and other select environmental goods, including through access to new technologies and clean energy, participating in global value chains, building trade and productive capacity, and enhancing national skills development. The global environmental goods market offers vast opportunities; it accounts for a financial volume of USD 1 trillion annually and growing fast. Under Work Area 1 of the Environment and Trade Hub, UNEP, in cooperation with the EC and other partners, assesses challenges and opportunities for engagement of developing countries in the EGA process and offers related capacity-building and technical assistance.

Please give concrete examples of the work UNEP is doing at the trade – environment nexus.

Trade has enormous potential to facilitate the transition to a green economy and therewith to contribute significantly to sustainable development. However, trade policy is complex and requires careful stewardship to assure positive environmental and social outcomes. In this light, UNEP coordinates trade-related research and policy guidance, and offers policy support and capacity-building to national governments including developing countries.

UNEP also monitors high-level policy dialogues on trade and environment, including as an official Observer of the WTO's Committee on Trade and Environment. Through events, outreach, and a global network of trade and environment professionals in government, civil service, academia, NGOs, and private sector, UNEP aims to assure that trade policies are conducive to the green economy transition.

Concrete project activities at national, regional and global level span from enhancing regional clean energy integration in the West African Power Pool, to supporting the production and export of organic agriculture from South Africa, to promoting the uptake and compliance with sustainability certification in the aquaculture sector of Vietnam, to enhancing intra-ASEAN value chain integration and trade in clean energy technologies, to assessing the role of environmental provisions in regional trade agreements, to developing a global trade flow analysis for environmental goods, to name a few. For more information, see the UNEP Environment & Trade web page.

Talking about sustainability standards – in what way can trade enhance the diffusion and uptake of these?

Green markets are rapidly growing in countries worldwide as governments, the private sector and consumers become more informed about implications of consumption and increasingly demand healthy goods that are sustainably produced and traded. As a result, sustainability standards have proliferated in recent years, with market share for standard-compliant products projected to further grow across sectors. Sustainability Standards are non-obligatory market requirements informing consumers and producers about the environmental and/or social performance of a product or service, and reflecting certain health, environmental and ethical values.

Sustainability standards provide a vast opportunity for green trade in that they differentiate sustainable and unsustainable production, and reward sustainable practices through market access or premium prices. This creates an incentive for producers to adjust their production to sustainability criteria. In general, the production of certified products takes place in the global South, whereas the bulk of consumers is in developed



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countries. International trade has the crucial role of connecting consumer and producer markets. For example, in the organic sector, developing countries account for roughly 65% of production, while 90% (in terms of revenue generation) of the consumption takes place in developed countries.

Sustainability standards can provide new opportunities for countries to access international markets, potentially with higher price premiums for exports of environmentally preferred products (EPPs). Developing countries often have a natural comparative advantage in these markets. In cooperation with internal and external partners, and building on relevant prior work, Work Area 3 of the Environment and Trade Hub aims to use greener markets, trade and investment as vehicles for promoting sustainable consumption and production. This work stream includes inter alia projects on mapping drivers and export markets for certified production, on assessing the effectiveness and impact of sustainability standards, and on supporting countries to develop conducive policy frameworks; yet, various high-impact areas remain vacant for engagement at national and/or global level. For its activities in the field of green markets and sustainability standards, UNEP closely coordinates with its partner organizations in the UN Forum on Sustainability Standards (UNFSS).

Another example are environmentally harmful subsidies. How does UNEP help reduce, or even eliminate, those subsidies that encourage over-consumption of fish, fossil fuels etc.?

UNEP seeks to further the understanding and awareness of the negative impacts of environmentally harmful subsidies and contribute to the international discussion on subsidy reform by conducting analyses, facilitating international stakeholder consultations and enhancing the capacities of policy makers to develop the necessary reform policies. With a focus on the energy and fisheries sectors, UNEP has widely engaged in multilateral efforts for subsidies reform, including at the WTO.

For instance, the UNEP book on “Fisheries Subsidies, Sustainable Development and the WTO” provides a comprehensive reference manual for policy makers as well as academics. The documentary on “The Way forward

for Fishery Subsidies” draws attention on overfishing and the importance of fisheries subsidies reform. UNEP has also undertaken a series of country projects in Ecuador, Southern Africa and Vietnam with the objective of reforming trade and fishery policies and reshaping supply chains for sustainable fisheries management. For energy subsidies, UNEP has worked with the IEA on several thematic workshops which have served as a platform for dialogue among multiple stakeholders and for sharing of experiences among countries.

How do you perceive the link between trade and investment?

Trade policy affects market access for exports and imports of goods and services, generating higher earnings in some sectors and lower earnings in others. Thus, it has a direct impact on the basket of goods and services that each country produces. With around 30 percent of global GDP accounted for by exports, trade policy drives a significant portion of domestic production. As a result, trade policy also strongly impacts public and private investment, which tends to flow into the most productive sectors of the economy. International investment in particular may tend to target sectors with a high volume of international trade. The World Bank has estimated that around 55-60 percent of global trade volume is now intra-firm trade, that is, based on companies’ direct investment abroad.

Does UNEP feel that trade is always good for the environment? If not, what is UNEP doing about negative impacts from trade?

Emissions from international maritime and aviation transport have increased by 88 percent over the past 25 years, and trade-related increases in national production for export can strongly impact natural resource exploitation and the environment. Furthermore, trade could undermine global emission reduction due to relocation of production from countries with higher environmental standards to those with lower standards and rules. When improperly managed, trade can facilitate unsustainable extraction of natural resources and markets for illegal wildlife. This was elaborated in a recent report by the International Resource Panel.



Thus, while focusing on inclusive opportunities at the trade-environment nexus, it is important to remain vigilant against the potentially negative environmental and social effects of today's rapidly expanding trade. Under Work Area 4 of the Environment and Trade Hub, UNEP addresses these challenges by creating awareness and helping monitor the environmental footprint of trade, to reduce the environmental costs of economic activity.

12. How do trade and investment agreements impact how we govern the environment?

In recent years, regional trade agreements (RTAs) and investment treaties have rapidly proliferated and are becoming important tools for deepening global economic integration and liberalization, with profound consequences for sustainable development, consumption and production. RTAs and investment treaties often contain obligations that are wider in scope, deeper in commitment and significantly more sophisticated than what is being considered at the multilateral level. This trend has culminated in development of the "mega-regional" agreements, namely, the Transpacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). Incorporating, monitoring and evaluating the environmental, social and economic sustainability aspects of regional trade and investment agreements, based on a firm set of sustainability principles informed by MEAs and other mutual environmental commitments, is essential to assure that these agreements foster rather than impede the shift to inclusive greener economies. Under Work Area 2 of the Environment and Trade Hub, UNEP aims to promote sustainable growth and human well-being through monitoring and enhancing the development and implementation of environmental provisions in international and regional trade and investment agreements, to assess implications for other international agreements (including MEAs), and to firmly anchor environmental principles in national, regional and global governance.

How do you operate and who are your partners?

The bulk of UNEPs trade related work is delivered through the UNEP Environment and Trade Hub, which is a partnership model aimed at assisting countries in building

their capacities for using sustainable trade as a vehicle for achieving the 2030 Agenda for Sustainable Development. By working through a network of national, regional, and international partners, the Hub is able to offer interdisciplinary services that are tailored to local needs and circumstances while being delivered in an effective and demand-oriented manner.

The Hub's capacity building services include tailored technical trainings to support international, regional and national design and implementation of sustainable trade and investment policies; targeted stakeholder trainings; advisory services and assistance in designing trade and environment related agreements; development of tools, methodologies and indicators for sustainable trade; identification and dissemination of best practices; support to national, regional, and international dialogues on advancing the sustainable trade agenda; as well as the identification of sector – or region-specific sustainable production and trade opportunities. These services are delivered in four Work Areas, in direct alignment with particular elements of the SDG Agenda. These four work areas are also reflected throughout UNEPs trade related delivery under the Green Economy and Trade Opportunities Project (GE-TOP), the Partnership for Action on Green Economy (PAGE), the United Nations Forum on Sustainability Standards (UNFSS) and further global, regional and national project activities.

For its different activities, UNEP Trade works closely with national, regional and global implementation, advocacy and funding partners for effective and tailored delivery. These include partners within UNEP, national and regional research institutes and government bodies, and intergovernmental and non-governmental organizations. Examples are the partners under PAGE (ILO, UNIDO, UNITAR, UNDP) and UNFSS (ITC, FAO, UNCTAD, UNIDO), as well as the WTO, OECD, IISD, ICTSD, and many national and regional partners.