

ENVIRONMENT AND TRADE HUB

Focus Areas

Resources and Markets Branch
Economy Division

2018

OVERVIEW

Over the past decades, world trade has undergone vast change. The financial volume of international trade has more than tripled since 2002. Global exports amount to roughly US\$ 21 trillion or nearly 40% of global gross domestic product. Moreover, trade has been increasingly shaped through global value chains of production and globalised patterns of consumption. While production once took place mostly within a single country, today's operations span across international borders. Components and parts are imported and exported multiple times before a final good is produced and sold. Furthermore, emerging economies and developing countries are playing a growing role in international trade and value chains. The share of developing economies' exports in world trade expanded from 26% in 1995 to 42% in 2016. Today, South-South trade makes up one-third of world trade and continues to grow at a relatively high rate. More than half of developing country exports in value-added terms involve global value chains. In addition, developing country investments in key environmental sectors, such as the renewable energy sector, are on par with, or even exceed, investments in developed countries.

Trade and Sustainable Development

Trade, when accompanied by appropriate policies for the environment and society, can be a principal driver for the transition to greener economies and increased resilience. Environmental innovation is fostering dynamic new international markets. Trade plays an important role in allocating global resources more efficiently and in enabling countries to benefit from their comparative production advantages. Trade can open domestic production to larger and often completely new global markets for environmental goods and services, thereby encouraging or even providing the basis for investment and growth in green industries and building economic resilience.

The Rio+20 outcome document, *The Future We Want*, affirms that trade is an engine for sustained economic growth and development. The *2030 Agenda for Sustainable Development* identifies trade as a cross-cutting vehicle for

implementation. Particularly, Goal 17 of the Sustainable Development Goals calls for a universal rules-based, open, non-discriminatory and equitable multilateral trading system and increasing exports of developing countries and improving market access for Least Developed Countries. A number of other Sustainable Development Goals also have direct links to environment and trade, including goals on agriculture, food security, public health, fisheries and clean technologies.

This mandate was strengthened during the third United Nations Environment Assembly that took place in December 2017. Leaders of government and business called for joint action to unlock trade in clean technologies, remove barriers and foster partnership. This call was echoed in the resolutions stemming from the Assembly and provides an additional impetus for the Hub's work.

When not managed properly, however, trade can also accelerate environmental degradation and contribute to social inequity. Trade can lead to the exploitation of natural resources, grow industries relying upon unsustainable production methods, and increase pollution from international transportation. It is therefore crucial to align trade with the Sustainable Development Goals and the *2030 Agenda*. To ensure that trade, trade policies and governance promote inclusive development and sustainable production and consumption, capacity needs to be built at an international, regional, national and local levels. Trade should facilitate access to, and investment in, critical environmental goods, services and technologies, foster eco-innovation, contribute to achieving climate goals, and enable decent and inclusive job creation.

The Environment and Trade Hub Concept

To address this need, UN Environment launched the Environment and Trade Hub at the World Trade Organization Ministerial Conference in December 2015. The Hub offers capacity building and related policy advice on sustainable trade tailored to local needs and circumstances. This includes technical trainings to support international, regional

and national design and implementation of sustainable trade policies, targeted stakeholder trainings, 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 stakeholder consultations and 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.

Through the Hub, UN Environment, as the leading global environmental authority, and in partnership with other organizations, assists countries in strengthening their capacities to use trade as a driver for achieving the *2030 Agenda*. The Hub's work is closely coordinated with international and regional initiatives such as the Green Growth Knowledge Platform (GGKP), the Partnership Action on Green Economy (PAGE), the One Planet Network, and Sustainable Consumption and Production Unit.

The Hub offers services in the following four areas:

AREA I: TRADE IN ENVIRONMENTALLY SOUND TECHNOLOGIES

Scaling up Trade in Environmentally Sound Technologies



Trade in environmental goods and services is rapidly expanding. The market for environmental goods and services is expected to reach a financial volume of up to US \$2 trillion by 2020.

Definitions for environmental goods and services differ, but products can include pollution management products for air, water, waste, and noise, clean or resource-efficient products and processes and resource management products. This also includes mitigation and adaptation technologies, which are critical in building a country's environmental resilience and in ensuring disaster risk reduction. UN Environment's work on environmental goods and services focuses on trade and value chain integration opportunities, including South-South trade, and tariff and non-tariff barriers to trade in environmental goods and services. UN Environment is also engaged in generating analytical tools for mapping global trade flows of environmental goods to inform policy makers.

Furthermore, UN Environment helps countries to better understand and therefore assess, trade opportunities in environmentally sound technologies and associated trade agreements and negotiations. One example is the plurilateral initiative of the Environmental Goods Agreement, which would liberalize trade in environmental goods that could contribute to environmental protection and climate change mitigation.

UN Environment also supports pioneers and champions of clean technologies within both the public and private sectors, catalysing dialogue and multi-stakeholder platforms in order to advance the sustainable trade agenda and create triple-win outcomes for trade, environment and development.

Trade in Renewable Energy



Renewable energy goods and services are a critical cornerstone of the transition to greener economies. Decentralized energy systems such as smart grids furthermore increase a country's resilience to external shocks. Electricity generation from renewable energy supply products such as solar panels and wind turbines increasingly approaches cost parity with traditional production from fossil fuels, depending on the natural conditions, technological means, and regulatory framework of a country. UN Environment supports countries in shaping national and international policies and frameworks to deploy and produce renewable energy products while creating new market opportunities. Opportunities include greater participation in global value chains of renewable energy goods and services, export of renewably sourced electricity through enhanced integration of inter-state grid infrastructure, facilitating international transfer of technology and expertise, and enhancing access to reliable energy supplies through off-grid applications.

One example is UN Environment's research and publication on *South-South Trade in Renewable Energy*, which illustrates great potential for developing countries to benefit from enhanced development, trade and deployment of renewable energy technologies and other environmental goods.

Green Industry and Trade



The transition to an inclusive green economy offers enormous opportunities for green industry and trade. UN Environment, in cooperation with UNIDO, is working with countries to identify and assess priority sectors that offer opportunities for green industry and green trade. The cooperation resulted, for example, in the *Green Economy Industry and Trade Analysis*, which identifies numerous opportunities for green industrial development and trade at the country-level, putting forward key sectors.

As an analytical resource for policy advice across country contexts, UN Environment and UNIDO recently developed a *Toolbox for Green Industrial Policy and International Trade*. The toolbox assists policy makers and trade negotiations to navigate the complex interrelationship between green industrial policy and trade law. It serves as a guide on trade-related green industrial policy tools, including border measures, trade agreements, but also support schemes, standards, sustainable public procurement and manufacturing, as well as employment-related schemes, that

countries can use to shift their economic production capacity towards a more sustainable pathway.

AREA II: GOVERNANCE AT THE TRADE AND ENVIRONMENT NEXUS

UN Environment and the World Trade Organization



At the World Economic Forum in January 2018, the leaders of UN Environment and the World Trade Organization (WTO) committed to strengthening their partnership and to providing a platform for interested stakeholders from all sectors to collaborate and work together to make trade work for the environment and sustainable development.

The WTO stands at the centre of global trade governance, and plays a leading role in international rule-making, monitoring and dispute settlement with regard to trade. The goal to achieve sustainable development and to protect and preserve the environment has been enshrined in the preamble of the Marrakesh Agreement establishing the World Trade Organization. There is no specific agreement at the WTO on the environment; however, WTO / General Agreement on Tariffs and Trade (GATT) rules are closely related to environment, including the GATT itself, rules on Technical Barriers to Trade (TBT), Intellectual Property Rights (IPR), subsidies (SCM), and trade in services (GATS). The Doha Development Agenda also includes specific negotiations on trade and environment that provide an opportunity to pursue triple-win results for trade, environment and development. Negotiations on trade rules, particularly related to fisheries subsidies, as well as on Multilateral Environmental Agreements (MEAs), are expected to improve the mutual supportiveness of trade and environment. UN Environment supports the World Trade Organization's work on environment-related trade rules and promotes the design and adoption of advanced environmental and sustainability provisions in trade agreements.

UN Environment is an official observer to the WTO's Committee on Trade and Environment and regularly engages WTO members to identify trade and green economy interlinkages and to bolster policy support. UN Environment has worked with International Institute for Sustainable Development (IISD) on a *Handbook on Trade and Green Economy*, which illustrates legal and policy linkages between trade, environment and green economy. UN Environment, together with United Nations Institute for Training and Research (UNITAR), also developed an e-learning course on trade and green economy, which focuses on synergies and conflicts between the trade and environment regimes.

Environment in Regional Trade and Investment Agreements



Recent years have witnessed a boom of regional trade and investment agreements, a growing number of which have important implications for the environment. UN Environment supports trade and investment agreements that increasingly facilitate countries' mutual pursuit of environmental, economic and social priorities. Its work aims to help countries to better understand, draft and negotiate provisions in trade and investment agreements by providing toolkits and manuals for trade negotiators, as well as by undertaking analysis to help guide trade and investment negotiations.

In collaboration with IISD, UN Environment published a *Sustainability Toolkit for Trade Negotiators* that includes examples and best practices for guiding environment-related provisions in trade and investment negotiations. The Hub also produced a policy note on international investment agreements and the inclusive green economy.

Trade and Climate Change



Trade intersects with climate change in a multitude of ways. In part, this is due to the innumerable implications that climate change may have, both in terms of its potential impacts and in terms of the profound regulatory and economic changes that will be required to mitigate and adapt to these impacts and build resilience. UN Environment's work aims to assist policy-makers in better understanding the policy interlinkages between trade and climate action, and how they can be more coherent and mutually supportive.

UN Environment and the World Trade Organization have jointly published a report on *Trade and Climate Change*, which explains the connections between the two and offers insights into how trade and climate policies can be more coherent.

Reforming Harmful Subsidies



Reforming harmful subsidies has been a common goal of the trade and environment communities and features strongly in the WTO's Doha Agenda. UN Environment has long engaged in multilateral efforts for subsidies reforms, including at the WTO. UN Environment supports phasing out subsidies for fossil fuels, unsustainable fisheries, and other environmentally and socially harmful activities. UN Environment assists governments and other stakeholders to develop national and international reforms that are socially inclusive and sustainable. Shifting fossil fuel subsidies to renewable energy and reforming subsidies leading to overproduction,

for example, are important means to align fiscal incentives with the objectives of sustainable development.

UN Environment also actively supports international efforts to address harmful fisheries subsidies. In 2017, the United Nations Conference on Trade and Development (UNCTAD), the Food and Agriculture Organization of the United Nations (FAO) and UN Environment issued a Joint Voluntary Commitment to support states in designing and implementing trade-related policies for sustainable fisheries.

Trade and MEAs



Multilateral Environmental Agreements (MEAs) represent the aspirations, commitments and obligations of their signatories for protecting the global environment. UN Environment's trade-related work in this area aims to enhance synergies and reduce potential conflicts between relevant MEAs and trade rules at both the multilateral and regional levels. UN Environment also aims to build trust between trade and environment officials to ensure the development of mutually supportive trade and environment policies and offer information and knowledge on implementation of trade-related measures in MEAs.

AREA III: GREEN MARKETS AND GLOBAL VALUE CHAINS

Green Global Value Chains



UN Environment identifies trade opportunities in green global value chains through research and advisory services. In its policy, outreach and training efforts, it supports "greening" global value chains and reducing barriers to trade in related goods and services.

UN Environment conducted several country projects on biotrade, organic agriculture and certified aquaculture to help countries identify and harness trade opportunities in green global value chains. Through this process, the Environment and Trade Hub supports dialogue with relevant government ministries and facilitates multi-stakeholder workshops. The Hub also collaborates with units across UN Environment, including Sustainable Consumption and Production, Chemicals, and the Life Cycle Initiative, to deliver on activities related to *Green Markets and Global Value Chains*.

Standards, Certification and Eco-Labeling



Standards are essential to production, trade and consumption of most goods and services, especially in the agriculture and manufacturing sectors, where sustainability standards have proliferated, at times acting as *de facto* market requirements. In recent years, international markets for certified goods and services have expanded as national regulators, private companies, and consumers increasingly demand higher environmental and social standards. The Hub focuses on the market opportunities arising from environmental and social standards, certification, and eco-labelling. It helps partner countries to identify economic sectors where domestic compliance with international standards can increase market access and improve the value of exports while enhancing sustainability and social development. One example is the Hub's assessment of a national eco-labelling programme in Chile and related opportunities for sustainable export.

Additionally, UN Environment partners with several organisations, including under the UN Forum on Sustainability Standards (UNFSS) – comprised of five UN agencies – which serves as a platform to stimulate dialogue between trade, environment and sectoral policy makers and stakeholders on the benefits and challenges of sustainability standards and related trade implications.

AREA IV: REDUCING THE FOOTPRINT OF TRADE AND GREENING THE BROWN

The Footprint of Trade



In pursuing trade-related green economy opportunities related to trade, it is important to acknowledge negative environmental and social effects from rapidly expanding trade. For example, greenhouse gas emissions from international maritime and aviation transport have increased by 88% over the past 25 years. Furthermore, the production and trade of chemicals pose risks to both human health and the environment. Thus, enabling policies to offset the environmental and social footprint of increased production and trade are required. UN Environment supports initiatives to pursue sustainable consumption and production strategies and to sustainably manage trade in natural resources.

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