



Ten “Quick Wins” for
**Trade and the
Environment**



TRADE
EXPERTES



TEN “QUICK WINS” FOR Trade and the Environment

This report outlines ten deliverables that can be implemented to advance the trade and environment agenda. It includes actions that countries can take on their own, as well as areas that could benefit from international cooperation.

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Ten “Quick Wins” for Trade and the Environment

QUICK WIN NO. 1

Make trade green again by rebooting negotiations on environmental goods and services

QUICK WIN NO. 2

Adopt rules on subsidies to address overcapacity and overfishing

QUICK WIN NO. 3

Rethink WTO subsidies rules for an equitable green transition

QUICK WIN NO. 4

Negotiate new rules to phase out harmful fossil fuel subsidies

QUICK WIN NO. 5

Harness the power of multilateral and regional trade agreements to drive climate action

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Leverage investment financing to assist developing countries with the green transition

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Build on existing trade agreements to support multilateral discussions on trade and environment

Foreword

The linkages between trade and environment are both complex and diverse. While trade has enabled the rapid development of technological advances to help governments achieve their environmental goals, the deployment of those innovations is not always financially accessible or produced at the scale needed to address urgent challenges. As a result, nations face persistent obstacles to tackling environmental degradation in all of its forms. From water pollution to the depletion of fish stocks, deforestation to biodiversity loss, and soil contamination to desertification, the path to a sustainable future often appears bleak.

But hope remains, as new tools to combat environmental degradation and climate change emerge around the world. These include the growth of environmental goods and services that are being used to address some of the most pressing environmental threats. While access may not be as widespread as governments wish, the key constraints, such as a lack of investment or financing, the inability to take advantage of economies of scale, information gaps, and government interventions that distort market signals, are well understood.

The range of activity on trade and environmental issues is vast and continually growing. At the national, regional, and multilateral level governments are adopting various instruments that use trade as a tool for climate adaptation and sustainable development, as well as environmental cooperation. For example, governments are developing new policies and regulations that target deforestation, provide subsidies to advance specific environmental goals, and create cross-national carbon reduction strategies. Trade agreements are also being employed to broaden the reach of environmental legislation and to coordinate regulatory approaches. Multilateral Environmental Agreements have also adopted trade measures as a way to address global environmental challenges, such as the transboundary movement of hazardous waste. And, the World Trade Organization (WTO) has also made strides to advance the trade and environment agenda, including through the successful negotiation of new rules on harmful fisheries subsidies, the first WTO deal that is explicitly linked to the United Nations Sustainable Development Goals.

But there is still much more that could be done, and trade could play an even greater role in the global fight against environmental degradation and climate change if governments are willing to seize the opportunity. For example, they could negotiate new rules to facilitate trade in environmental technologies and services, such as wastewater treatment, renewable energy, recycling, and air pollution control. Governments could also take action to foster transparency in the area of subsidies and industrial policy to support data-driven analysis of the costs and benefits of particular interventions and to aid in the coordination of similar efforts. In addition, efforts to support developing countries, especially the least developed among them, to ensure technological access and to develop their own capacities, are essential to the attainment of global environmental goals. Rules and resources should therefore be responsive to global inequities that inhibit environmental progress.

Since the signing of the Marrakesh Agreement, WTO members have recognized the important linkage between trade and the environment, and committed to “the optimal use of the world’s resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development.” Environmental sustainability is a goal that remains deeply embedded in the multilateral trading system, but greening that system has not been an easy task. One obstacle seems to be a reluctance to engage in the creation of new rules, particularly on the part of developing countries, with some fearing hidden protectionism in the environmental agenda. Others worry that stringent new rules would preclude their economic development by limiting their ability to pursue development strategies that wealthier countries benefited from in the past, such as the use of fossil fuels. Striking the right balance will undoubtedly

be a challenge, and the WTO has a critical role to play here.

One way the WTO has addressed many of these concerns is by allowing countries interested in advancing the trade and environment agenda to make progress through plurilateral discussions as well as dialogues that include the entire membership. Examples include the Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade and the broader Trade and Environmental Sustainability Structured Discussions (TESSD) that complement the efforts of the Trade and Environment Committee, among other working groups. By 2016, a group of countries made significant progress towards negotiations on an Environmental Goods Agreement (EGA), which later stalled. Rather than a failure, this should be seen as an opportunity to build on the existing groundwork and restart talks to increase the global availability and affordability of environmental goods and services.

For the third year in a row, the TradeExpertettes called on a diverse set of experts from academia, think tanks, international organizations, and the private sector to contribute to the annual “Quick Wins” report, which offers practical suggestions for policy makers to address modern trade issues. This year’s report, Ten “Quick Wins” for Trade and the Environment, includes concrete actions that countries can take on their own to advance the trade and environment agenda, and identifies areas that could benefit from international cooperation.

As WTO members prepare for the next Ministerial Conference, they have the opportunity to advance the goals expressed in the Marrakesh Agreement by putting the ideas contained in this report into action. Other institutions are well positioned to support this work by cross-pollinating efforts to facilitate the green transition. Sir David Attenborough once said that “it’s easy to feel overwhelmed or powerless by the scale of the issues facing our planet, but we have the solutions.” The stakes may be high, but the steps that need to be taken to ensure a sustainable future for all is right before us. We must seize it.

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Quick Win No. I: Make trade green again by rebooting negotiations on environmental goods and services

| Cecilia Malmström

Humanity must change its consumption patterns to limit greenhouse gas emissions and achieve the goals set out in the Paris Climate Agreement. This requires effort from all market participants, from producers to end-users, to accelerate the adoption of green products and services in all areas, such as energy, infrastructure, transport, and household consumption. The primary challenge is how to make these products and services available to all market participants, including ordinary citizens and small businesses. One thing is certain—the world cannot decarbonize without trade. Countries should make efforts to agree on joint green standards and eliminate tariffs and other trade barriers globally on “green” goods. This is possible with the revival and modernization of the stalled negotiations for an Environmental Goods Agreement (EGA).

The EGA talks are plurilateral negotiations involving 18 participants representing 46 WTO members, including the European Union (EU), the United States (US) and China. It was foreshadowed in the 2001 [Doha Ministerial Declaration](#) which called for the “reduction, or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services.” Negotiations were launched in 2014 and, at that time, the participant countries accounted for nearly 90% of global trade in environmental goods. The aim of the talks is to eliminate tariffs from goods listed as “green” with the goal of making the list organic and open to the inclusion of additional products. Negotiations were well advanced but collapsed in December 2016. There were many reasons for the failure. One was that China introduced a revised list of environmental goods containing several controversial products at a [late stage](#) in the negotiations. Another reason was that the EU did not want to include bicycles on the list of “green” goods because of fears of Chinese overproduction of bicycles and intensive pressure from industry. With some effort, a compromise could have been reached, but with the election of Donald Trump as President of the United States in 2016, negotiations stalled. Now is the time to restart them.

Facilitating trade in technologies related to carbon capture, sewage systems, solar panels and wind turbines should be easily achievable, especially as it is in line with the [Technology Mechanism](#) of the United Nations Framework Agreement on Climate Change. Several countries have expressed interest in giving the EGA negotiations a new impetus. What complicates matters is not only current US-China tensions, but the challenge of balancing the different industrial policy interests of members and the complexity of the interface between trade and environmental policies. There are, however, signs of progress. Recently, all Republican members of the House Ways and Means Committee [urged](#) the US Trade Representative, Ambassador Katherine Tai, to resume the EGA negotiations for the sake of reducing global emissions and promoting American jobs.

A group of WTO members should explore the possibility of resuming talks on environmental goods and, importantly, [include](#) non-tariff barriers and environmental services in the mandate. A more ambitious EGA agenda would help to better align climate change and trade policies. To encourage negotiation on the basis of objective criteria, an [external body](#) or scientific advisory group could help define the scope of green products, green technologies and environmental services. The successful negotiation of a plurilateral agreement on environmental goods would be an important contribution to the fight against climate change. It would strengthen the connection between trade and climate, a link many members would like to see made more explicit. And finally, it would show that the WTO is still a vibrant international organization that can facilitate trade and combat climate change through the conclusion of important agreements.

Quick Win No. 2: Adopt rules on subsidies to address overcapacity and overfishing | Alice Tipping

Overfishing is a major sustainable development challenge. The [Food and Agriculture Organization \(FAO\)](#) [estimates](#) that over 35% of assessed fish stocks are over-exploited. This creates an imbalance in marine ecosystems and undermines the livelihoods of communities that depend on fishing for their food and income. Subsidies are a big part of the problem. When they reduce the cost of fishing they enable vessels to catch more than would otherwise be economically feasible and often more than fish stocks can sustain. Subsidies can also deepen inequality: [researchers estimate](#) that around 80% of fisheries subsidies go to large-scale fishing, and only 20% to small-scale or artisanal fishing.

The problem of subsidies to fishing has been understood for a long time. As part of the Doha Round of negotiations, WTO members gave themselves a mandate to negotiate new subsidy rules, including a prohibition on “certain subsidies that contribute to overcapacity and overfishing,” along with special and differential treatment for developing country members. After many long years of work, and active engagement and support from civil society and leaders around the world, members reached an [agreement](#) on key fisheries subsidy disciplines at the WTO’s 12th Ministerial Conference (MC12) in June 2022. These rules on subsidies to illegal fishing, to overfished stocks, and to unregulated high seas fishing, which are set out in the WTO Agreement on Fisheries Subsidies, are the first multilateral trade rules focused on the environment. They are a major achievement. While members did not reach an agreement on all of the rules on the table, they committed to concluding additional disciplines, if possible, by the WTO’s 13th Ministerial Conference (MC13), on those subsidies that contribute more broadly to overcapacity and overfishing.

It is hard to call the conclusion of over 20 years of work a quick win, but agreement on additional rules is absolutely within reach. Achieving this will require balancing a number of factors. Demands for flexibility to subsidize artisanal fishers where they have few livelihood options need to be balanced against the imperative of preserving the sustainability of the fisheries on which artisanal fishers depend directly for food and livelihoods. Demands for more flexibility on subsidies for current fishing fleets need to be balanced against demands for the same flexibility for aspiring fishing fleets. Both of these demands need to be balanced against the reality that governments must manage shared resources responsibly if their fleets are to be able to continue fishing. The rules would ideally be flexible enough to meet short-term political imperatives but also firm enough to set global fisheries on a track to sustainable profitability.

A key challenge members face is in fact the “quickness” of this win. They have only a few negotiating weeks before MC13 to finalize the text of these additional rules. Although this seems like a barrier, the deal that was eventually concluded at MC12 took shape in the same amount of time. There are already proposals on the table, and negotiators are familiar with the issues, the data and the trade-offs. They are working with pieces of a puzzle they know well, as do their capital-based officials. They have an epistemic community of researchers, campaigners and fishers representatives who know the issues and the politics and can be called on for support and advice.

Members are already doing what needs to be done. They have rolled up their sleeves and are actively negotiating the shape and content of new rules. What they need now is positive political pressure and technical support to help them get over the finish line again.

Quick Win No. 3: Rethink WTO subsidies rules for an equitable green transition | Jennifer A. Hillman & Inu Manak

Industrial policy is increasingly the tool of choice for major economies seeking to address pressing global concerns such as fighting climate change, pandemics, or supply-chain vulnerabilities. While some WTO members view current rules as limiting government action, others are concerned that existing rules are insufficient to avoid subsidy wars or trade conflicts. Both are right. There are several ways that rethinking these rules could balance out these competing priorities and ensure a more equitable, resilient, and sustainable trading system.

WTO members should revisit what constitutes good and bad subsidies, put strict limits on overall subsidy levels, and carve out limited space for some subsidies. To do this, members should borrow from the WTO Agreement on Agriculture, and limit financial support for trade-distorting subsidies (the amber box), identify minimally trade-distorting subsidies (the green box), and identify a category of subsidies not subject to a cap on total spending (the blue box).

Green box subsidies should be narrowly defined, and include research and development, and disaster response spending. This is not a novel idea, but rather is modeled on the expired Article 8 provisions of the WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement). Blue box subsidies could include those that advance climate change mitigation and adaptation, such as carbon sequestration and storage, and renewable energy. To ensure developing countries are not left behind, blue box subsidies should require support for a fund that provides technical assistance and ensures some form of technology transfer.

The discussion on what could be included in the green and blue box categories should begin at the technical level within the SCM Committee and take members' experiences and best-practices into account. To prevent abuse, there should be an overall cap on industrial subsidies, calculated as a percentage of total industrial output, with stricter limits on wealthier countries. There should also be some sub-limits within that cap in those product sectors and supply-chain points with an observable concentration of subsidies. These efforts will also need to be supported by improved subsidy notifications and transparency.

Finally, remedies for violating subsidies rules should be strengthened. This can be achieved through permitting more immediate demands for compensation or retaliation. Essentially, members should not have to wait to take measures that respond to the market imbalances created by unlawful subsidization. In addition, when found in violation, members should be required to repay the full value of those subsidies, thus increasing the costs of violation. At the same time, challenges to green or blue box subsidies should be prohibited for one year after the new rules come into effect to encourage information sharing and coordination.

The recent growth of subsidies adopted as part of a WTO member's industrial policy threatens to destabilize the balance established by existing rules that draw the line between those subsidies which are acceptable and those which are not. Updating those rules to reflect current realities can ensure the benefits of these investments are shared by WTO members and directed at efforts that genuinely support global needs.

Quick Win No. 4: Negotiate new rules to phase out harmful fossil fuel subsidies | Marion Jansen

Every year, governments across the world provide large amounts of support to the fossil fuel industry. The [OECD and the IEA](#) estimate that, in 2021, fossil fuel support amounted to almost 700 billion USD among the major economies. These policies raise trade and environmental concerns because they give a cost advantage to certain domestic firms (typically operating in emissions-intensive industries) to the detriment of foreign firms that produce like products using more costly unsubsidized inputs. By incentivizing the production and consumption of fossil fuels, such government support also undermines national and international efforts to reach the goal of net-zero emissions in 2050.

Governments have committed to phasing out fossil fuel subsidies on many occasions, including in the [Glasgow Climate Pact](#) signed by 197 countries at COP26 in 2021. This decision calls for “accelerating efforts towards the phasedown of unabated coal power and [the] phase-out of inefficient fossil fuel subsidies.”

There are two main stumbling blocks to progress on such international action. First, there is no agreed international method for measuring and monitoring fossil fuel subsidies, nor clear agreement between countries on what is considered a fossil fuel subsidy. Second, there is a lack of transparency regarding government funding that may be tantamount to these types of subsidies.

However, the WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement) offers a framework that can help address this double definition-transparency issue. For instance, Article 1 of the SCM Agreement provides a definition of what constitutes a subsidy that can provide a starting point for discussion. In addition, Article 25 of the SCM Agreement requires all WTO Members to “notify any subsidy as defined in paragraph 1 of Article 1” with information relevant to assessing the effects of the subsidy (e.g. form of the subsidy, policy objective, duration, and other statistical data). These disciplines should be utilized to report fossil fuel subsidies.

But there are also additional policy tools developed by other international organizations that can assist in reaching such an agreement, starting with [transparency](#). For instance, the [OECD Inventory](#) of support measures for fossil fuels provides detailed information on more than 1,500 government measures that encourage fossil fuel production or consumption in OECD and partner economies. The information provided by the inventory can be used to identify the most harmful fossil fuel supports (both in terms of trade and environment) that WTO members would commit to phase out.

Combining these efforts, WTO members should do two things: make sustained efforts to increase transparency by reporting all government interventions that may be considered fossil fuel subsidies; and work towards a new agreement to phase out the most harmful fossil fuel subsidies following a process similar to the [WTO Agreement on Fisheries Subsidies](#), which prohibits harmful fisheries subsidies. Targeting the definitional and transparency issues of fossil fuel subsidies in a new WTO agreement can help meet the real economic and climate-related challenges of these subsidies.

Quick Win No. 5: Harness the power of multilateral and regional trade agreements to drive climate action

| Euijin Jung & Leila Aridi Afas

Climate change is a pressing global challenge that demands collective efforts and innovative solutions. Trade provides multiple pathways to address the profound impacts that climate change will have on people's lives. In particular, multilateral and regional trade agreements can help protect and preserve the environment in three ways: by catalyzing cooperation among countries, accelerating access to environmental goods and services (EGS), and ensuring equity towards developing countries.

Regional FTAs offer immense opportunities to develop integrated climate resilience strategies among their members. These agreements can facilitate collaboration among neighboring countries, which often face similar climate-related challenges. They can also encourage the exchange of best practices and technical expertise in addressing climate risks and building resilience. Participating countries can jointly develop adaptation plans, establish early warning systems, and implement disaster risk reduction measures that are tailored to the region's unique characteristics. By pooling resources and coordinating efforts, regional FTAs enable countries to enhance their collective capacity to adapt to the impacts of climate change, ensuring the sustainability and resilience of their shared ecosystems and economies.

Multilateral trade agreements can also play a key role in helping countries reduce emissions by increasing the availability and affordability of environmental goods and services. They can facilitate the flow of low-carbon and environmentally friendly products by defining environmental goods and services and reducing or eliminating tariffs and non-tariff barriers on a global scale. By driving down the costs of renewable energy technologies, energy-efficient appliances, and pollution control equipment, multilateral rules can spur the adoption of clean technologies worldwide. This is the clearest path towards a low-carbon economy that supports sustainable development objectives. Expanding access to EGS benefits for both importing and exporting countries fosters innovation and collaboration towards achieving climate targets, and promotes a greener global economy.

As concerns about climate change grow, countries are rightfully implementing rules to prevent trade and other activities from negatively impacting the environment. Government regulations are a critical component in a comprehensive carbon reduction strategy, but it is vital that governments avoid trade restrictive measures that undermine the ultimate goal of reducing carbon emissions as much and as quickly as possible. Discrepancies between carbon standards and labels create high costs of compliance for exporters as they must adjust their production to comply with standards and conformity assessments of different markets. These unintended barriers to entry prevent small firms, especially those in developing countries, from accessing certain markets and achieving the necessary scale to be cost competitive. Multilateral disciplines can incentivize member countries to adopt or harmonize regulations to ensure a level playing field for businesses operating across borders. A WTO-compliant, environmentally effective and equitable approach to technical regulations is critical for the widespread adoption of low emission products and technologies.

Multilateral and regional trade agreements offer distinct opportunities for addressing climate change. Multilateral rules can accelerate access and ensure equity, while regional FTAs catalyze cooperation for integrated climate resilience strategies among neighboring countries. Importantly, both types of agreements facilitate sustainable trade in environmental goods and services, driving the transition to a low-carbon economy. By leveraging the power of these approaches, we can forge a path towards a low carbon future for all.

Quick Win No. 6: Empower farmers to help address the climate crisis | Bogolo Kenewendo & Golesego Mongale

The global challenge of climate change severely threatens the agriculture sector, particularly in developing countries. Over 2 billion people in these nations depend directly on agriculture for their livelihoods, which is highly vulnerable to climatic shifts. Rainfall variability, increasing temperatures, and extreme weather events are compromising **food security** for countless communities. Climate change poses **additional risks** such as reduced crop yields and increased pestilence, which affects the livelihood of millions of small-scale farmers in developing countries.

Traditional farming practices may not be well-equipped to combat these new climate-related threats, which lead to decreased food security. This is a challenge, but it presents an opportunity: by **leveraging** sustainable and resilient farming techniques, farmers can not only combat climate change but also enhance food production.

Countries such as **Kenya** and **Bangladesh** have started implementing agroforestry practices, integrating trees on farms to enhance productivity, biodiversity, and soil health, all while storing carbon. In India, the government promotes the **System of Rice Intensification** (SRI), which uses less water and seeds, yet produces more rice, proving particularly valuable in drought-prone areas.

Conservation agriculture - promoted by the Food and Agriculture Organization (FAO) - is a method where farmers are trained to minimize soil disturbance, rotate crops, and maintain soil cover. This technique not only boosts yields but also increases resilience against extreme climatic events. Moreover, think tanks such as the World Resources Institute **highlight** the potential of regenerative agriculture, wherein farming can act as a carbon sink.

The promotion of sustainable farming practices in developing countries can help build resilience against the impacts of climate change. By offering incentives for methods like agroforestry, conservation agriculture, and regenerative farming, governments can encourage a shift towards more resilient agricultural systems.

One way to create these incentives is through the establishment of partnerships and collaboration among governments, NGOs, and businesses. In addition, multilateral aid-for-trade policies that support research and development initiatives for climate-resilient agricultural practices, as well as technology transfer to developing countries could also play an important role. In particular, this could assist with the implementation of capacity building programs related to sustainable agriculture for farmers and other actors involved in the supply chain can also contribute to green agricultural goals. These measures would not only bolster food security but also empower farmers to be at the frontline in the fight against climate change.

The WTO has a key role to play in these efforts, by serving as a forum to share best practices, and to identify areas where additional financial and technical assistance is needed. Members should use the various WTO committees to support this important dialogue and coordinate efforts to address agricultural vulnerability and sustainability worldwide.

Quick Win No. 7: Coordinate multilateral efforts to tackle plastic pollution | María Belén Gracia

The plastics crisis is a major crisis of our time. Plastic production has [increased](#) more than 200% in the last decade, and the United Nations [estimates](#) that approximately 75% of all plastic produced since 1950 has become waste. The way we produce, use and dispose of materials in the current linear economy is [directly linked](#) to plastic pollution. Studies [show](#) that a business-as-usual approach would triple the annual flows of plastic into the ocean by 2040. Adopting a [circular economy](#) for plastics can be a solution to this crisis but it requires substantial international coordination and alignment.

Global exports of plastics or goods produced with plastic [reached](#) 1.2 trillion USD in 2021, doubling in value since 2005. However, there are still [“hidden” plastics](#) volumes in international trade that escape the statistics due to deficiencies in the tariff classification rules, which do not distinguish between recycled and non-recycled plastics, and difficulties over border controls. Moreover, the [lower cost](#) of primary plastics, associated partly with fossil fuel subsidies, compared to recycled ones, often disincentivizes the consumption of recycled plastics. Although trade in plastic waste is thoroughly regulated by the Basel Convention and its Plastics Amendments, exports of plastic waste and scrap from developed economies to developing and least developed countries that lack the resources to adequately and safely process them [continue](#). Conversely, the implementation of stringent regulations in exports of plastic waste might create barriers for trade in recycled materials, although experts and activists [claim](#) that recycling cannot be the sole solution to the plastic pollution crisis. Measures that tackle the upstream part of its value chain, such as a cap on the production of virgin plastics, and the elimination of fossil fuel subsidies, also need to be implemented.

A holistic approach that strikes a balance to address plastics pollution across the [whole value chain](#) (upstream, midstream, downstream, including the management of their disposal) needs to be adopted. With that aim, under the auspices of the United Nations Environment Programme (UNEP), countries are [negotiating](#) a Global Plastics Treaty that seeks to incorporate circular economy approaches and include provisions to promote sustainable production and consumption of plastics. At the same time, a group of WTO members are leading an [Informal Dialogue on Plastics Pollution](#) and Environmentally Sustainable Plastics Trade (IDP) to explore how multilateral trade rules can contribute to these efforts. The participation of the private sector and civil society in these discussions has been key to identifying issues and possible solutions across the life-cycle of plastics.

A circular economy in trade in plastics requires coordination at the multilateral level. It is important that new international rules related to plastic pollution are aligned with multilateral trade rules, but also that the latter have the necessary flexibility to guarantee more circular and sustainable trade in plastics, in line with UN [Sustainable Development Goals](#). WTO members should [continue](#) to work closely with the UNEP processes in identifying and promoting agreement on trade policy measures that are conducive to this goal, such as bans on certain products or polymers and the simplification of border measures for alternative and recycled products. A coordinated approach at the international level can help achieve the balance needed to tackle plastic pollution and ensure circular trade in plastics.

Quick Win No. 8: Green supply chains through capacity building and trade policy measures

| Penny Naas & Shiumei Lin

Several international crises, from COVID-19 to the war in Ukraine, have laid bare the challenges of an interconnected global economy. Governments are increasingly taking action to make supply chains more resilient to vulnerabilities but also thinking through how to improve the sustainability of current production and consumption patterns. While many businesses have also been proactive in taking steps to “green” their supply chains, not all are equipped to make the shift. Governments can accelerate this green transformation through targeted capacity building that makes sustainable solutions more accessible and commercially viable. Trade and multilateral cooperation play critical roles in this endeavor.

Depending on where they are on their sustainability journey, businesses of all sizes face several challenges to “greening” their supply chains. For instance, some may not even know the carbon footprint of their supply chain, or the means to evaluate it. Others may have a better sense of this, but lack access to sustainable solutions, such as technology or know-how. Still others may not have the financial resources to pursue the goals they want.

Importantly, the main obstacle is not just a knowledge problem. For example, even upon understanding how its manufacturing, packaging, transportation, and distribution processes contribute to its carbon footprint, a retailer may not have ready access to sustainable solutions, such as sustainably sourced raw materials, warehousing powered by renewable energy, recyclable packaging, and/or carbon neutral shipping solutions. In some cases, such solutions might be available, but too cost prohibitive to take on or to pass through to consumers. This is where governments can step in. Not only can they provide analytical platforms for businesses to evaluate their carbon footprint and to understand the key levers for mitigating emissions, but also help them appropriately track their progress. For instance, public-private partnerships supporting capacity building initiatives such as UPS’s [Green Exporters Program](#) and the UPS-ICC [SME360X](#) tool can help small businesses assess and measure their footprint.

Governments can also support the adoption of sustainable solutions through trade policy measures. Businesses need a menu of options to help mitigate their carbon footprint. While there are a number of voluntary standards, the plethora of options can be challenging to navigate. Governments can advance work on good regulatory practice and the development of international standards that can improve transparency in the regulatory process and also enhance coordination on the creation of green standards. The WTO has a critical role to play here, such as through its committees on trade and environment and technical barriers to trade. Other initiatives, such as the Organisation for Economic Co-operation and Development’s [network of economic regulators](#) regulators can support these efforts.

Moreover, making the business case for the use of environmental goods and services can be the most challenging part of the sustainability journey, largely due to the costs of the green transition. Here, governments should eliminate tariffs and quantitative restrictions to lower the cost of producing, transporting, and distributing environmental goods and services to enable their uptake and provide opportunities to take advantage of economies of scale. . Additionally, governments should aim to streamline and harmonize complex regulations such as taxation, certification standards, and credit schemes to ease additional barriers to the green transition. Governments have a major role to play in assisting businesses in their sustainability journeys. The promotion of public-private partnerships supporting capacity building initiatives and the support of sustainable solutions through international trade are two feasible avenues to green global supply chains and support a more sustainable future.

Quick Win No. 9: Leverage investment financing to assist developing countries in the green transition

| Hanna C. Norberg & María Victoria Bruno

Tackling climate change is the most pressing issue of our time. To solve it, we need to change our traditional patterns of production, as well as our networks of economic cooperation. While everyone is impacted by climate change, developing countries are currently set to carry the brunt of the crisis by being both disproportionately vulnerable to its impacts and having less access to financial resources to shift to green technology. Investment in developing country economies is needed to ensure that the green transition proceeds equitably around the globe.

According to UNCTAD estimates, we are facing a whopping [4 trillion USD](#) annual gap to finance the Sustainable Development Goals (SDGs) in developing countries. The optimism behind the [“sustainability boom”](#) following the Paris Agreement did not move the needle for developing countries. Much of the international investments for the green transition were made in high-income countries and large emerging economies. At the half-way mark between 2015 and 2030, the gap between the funds needed and the funds available has actually [expanded](#) by 60%. This gap is wider than what development aid can bridge and is ten times larger than current total flows of foreign direct investment to developing countries. However, according to the OECD, if investment in global financial assets shifted [a mere 1%](#) in support of the SDGs in developing countries this gap could be closed.

Above all, it is imperative to support developing countries to leverage investment financing in areas critical to the green transition. While there is no apparent single best solution, working to find innovative uses of public financing mechanisms has the potential to unlock private capital and catalyze climate-aligned investment flows. Key examples of this are partnerships between the public sector, multilateral development banks and international financial institutions, and private investors, as well as the use of [blended finance](#) models or instruments for green investments, including through the [Green Climate Fund](#) and other initiatives, such as the [Global Innovation Lab for Climate Finance](#).

The regulatory environments of developing countries also have a role to play. The [OECD](#) report indicates that developing countries with clean energy policies are seven times more likely, on average, to attract investments in that area than those countries without such policies in place. Developing countries can work to promote and facilitate investments for the transition to a low-carbon, climate-resilient and resource-efficient economy through identifying investment barriers and strengthening their domestic regulatory environments. The [recently concluded](#) text of the WTO Agreement on Investment Facilitation for Development, by over 110 WTO members, provides a global framework to assist developing economies in their efforts to facilitate sustainable investments.

These mechanisms and tools can help to de-risk green investments in developing countries and significantly contribute to reducing financing costs – which are the major obstacles to attracting these kinds of investments – and consequently mobilize additional funds and private capital to assist in the green transition.

Quick Win No. 10: Build on existing trade agreements to support multilateral discussions on trade and environment

| Elitsa Garnizova & Johanna Hill

The role of trade in improving the environment and supporting the sustainable development goals has increasingly come into focus. The recent conclusion of the WTO Agreement on Fisheries Subsidies, the first multilateral agreement that made a significant contribution to advancing one of the SDGs, has shown what is possible when members align their efforts on trade and sustainability. Meanwhile, several free trade agreements (FTAs) have made considerable progress in incorporating environmental or sustainable development chapters which support greener trade. These avenues to advancing trade and environmental goals not only complement each other, but can also advance innovative rulemaking and dialogue.

Countries vary in their approaches on the nexus between trade and the environment, mainly due to a few key differences: how environmental goals are conceived, both prior to and after trade agreements are signed; the process of treaty ratification or implementation; the nature of the agreement's enforcement mechanisms; and cooperative relationships forged between governments, international organizations and domestic regulators. At the same time, governments have tried to overcome these differences at the multilateral level in the WTO Trade and Environment Committee and some WTO members have also joined forces to advance work on sustainable supply chains, climate change, environmental goods and services and plastics pollution.

As these discussions evolve, there is plenty that can be learned from recent FTAs to guide these efforts. For example, in the United States–Mexico–Canada Agreement (USMCA), individuals and organizations of either party can file complaints to the North American Commission on Environmental Cooperation (NACEC) for alleged breaches of the agreement. The United States–Central America–Dominican Republic Free Trade Agreement (CAFTA-DR) adopts a [similar approach](#), allowing for broad participation in the promotion of the enforcement process. In addition to enforcement, other FTAs have developed sector-specific rules to address particular environmental concerns. For example, the revised FTA template of the European Free Trade Association prioritizes sustainable management of trade in forestry products, fish, and wildlife, with precise commitments on certification schemes. This has spurred broader dialogue on the scope and design of sustainability provisions, in addition to their unintended consequences, such as trade diversion. Notably, the diffusion of environmental rules through FTAs is most effective in agreements involving developing countries. Since these countries require greater financial and technical support for environmental adaptation and mitigation, many FTAs have negotiated parallel cooperation agreements focusing on capacity building.

A [recent study](#) by the London School of Economics (LSE) Trade Policy Hub found that FTAs are a powerful channel for the diffusion of environmental norms and with a [strong potential](#) for further diffusion to the multilateral level. However, power asymmetries between countries can lead to the adoption of suboptimal policies that favor some markets over others. Therefore, while experimentation in FTAs is a valuable exercise, all innovations are not created equal. This is where the WTO comes in – it should continue to strengthen its role in sharing regional and bilateral experiences, and identifying best practices that could help inform plurilateral or multilateral efforts. In addition, members should pay attention to the experiences of developing countries and LDCs to better understand existing capacity constraints and fill the gap when necessary. Tackling trade and environmental challenges is a global problem, but solutions may emerge from trial and error. All efforts offer an opportunity to learn, and the WTO is best situated to collate those experiences and develop a broader agenda for sustainable trade.

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