

A Ministerial Declaration on Environment and Trade at the 2020 WTO Ministerial Conference

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INTRODUCTION

Faster progress on a more environmentally sustainable global economy is a central priority. In both developed and developing countries, a growing number of voters recognize the economic importance and environmental urgency of more integrated economic and environmental policymaking.

The 2020 WTO Ministerial Conference in Nur Sultan, Kazakhstan, offers WTO Member States a critical opportunity to respond to demands for more coherent economic and environmental policymaking by upgrading their political commitment to a multilateral trading system that better supports environmental sustainability and advances swifter progress on the UN Sustainable Development Goals (SDGs).¹ Central to this effort must be stronger leadership on an inclusive, forward-looking multilateral environment and trade agenda.

In Nur Sultan, WTO Member States should adopt a Ministerial Statement on Environment and Trade that underscores the importance of action at the WTO on pressing environmental concerns and opportunities. At a time of mounting questions about the WTO's role and relevance, more proactive attention by WTO Member States to environmental sustainability could provide a much-needed lever for building public confidence in the multilateral trading system's ability to deliver on its core objective of sustainable development (as called for in the Preamble to the 1994 WTO Agreements).

Moving ahead will require political leaders to re-engage on *multilateral* approaches to environment and trade issues. To inspire their attention to achieve meaningful outcomes – both for trade and for the environment – an environment and trade

SUMMARY

- The 2020 WTO Ministerial Conference in Nur Sultan, Kazakhstan, is a critical opportunity for WTO Member States to signal their commitment to a multilateral trading system that better supports environmental sustainability.
- In Nur Sultan, WTO Member States should adopt a Ministerial Statement on Environment and Trade that bolsters existing work and updates their shared agenda to reflect contemporary environmental concerns. The SDGs and developing country priorities must be at the heart of this renewed environment and trade agenda.
- At the Ministerial Conference, like-minded WTO Members should also announce special joint initiatives on topics of shared interest, such as the climate crisis and plastic pollution.
- At a time of uncertainty about the WTO's role and relevance, political momentum on environmental sustainability could help build public confidence in the multilateral trading system's ability to deliver on its core objective of sustainable development

2.0 agenda is needed. Learning from the experience of over 30 years of environment and trade debate, and especially in light of the SDGs, developing country concerns must be at the heart of the agenda. It must also be able to motivate environmental ministries and environmental constituencies to engage. And it must be able to inspire the engagement, support and leadership of businesses – small and large, establishing and emerging – from

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across the world that will be central to the practical task of delivering on sustainability goals. To do so, these businesses need stable, coherent and enabling policy frameworks, including on trade.

Beyond oft-repeated assurances that environment and trade are and should be mutually supportive, an environment and trade 2.0 agenda¹ must advance a vision of the WTO as a vehicle for supporting transformation toward a more environmentally sustainable economy. Alongside this vision, a practical, concrete agenda that builds on existing efforts is needed.

To this end, in a Ministerial Statement at Nur Sulstan, WTO Members should agree to reinforce and update existing efforts on environment and trade, including the work of the WTO's Committee on Trade and Environment, to focus on contemporary policy agendas such as the transition to a more circular economy. An essential priority is for Member States to be able to conclude a comprehensive and meaningful agreement on fisheries subsidies. They should announce a shared commitment to Greening Aid for Trade and to a concerted effort to determine how concretely the WTO can better help advance implementation of the SDGs. To accompany the Ministerial statement, like-minded members states should advance a set of special joint initiatives that address pressing environment-trade topics of shared interest – such as the climate crisis and plastic pollution.

1. A SUSTAINABLE AND RESILIENT GLOBAL ECONOMY: A SHARED OBJECTIVE

All WTO Member States share the need for a more environmentally sustainable and resilient global economy. The mounting climate crisis, the collapse of biodiversity, escalating land, air and water pollution, and unsustainable natural resource use all underscore that business as usual is not tenable. At this critical time, no country can avoid our shared global environment challenges and international cooperation is vital.

Stronger environmental performance is needed not only because of the breadth, intensity and urgency of the world's environmental challenges but also because livelihoods, food security and human health are at stake as well. Inaction is already generating enormous externalities in terms of economic costs across the world, especially for the world's poorest people, for whom the multiple burdens of environmental degradation are greatest.

2. WIDE SUPPORT FOR A GREENER GLOBAL ECONOMY

A groundswell of support for a greener global economy is spurring new business opportunities estimated to reach US\$12 trillion or more by 2030.¹ A growing number of pioneer companies view a greater focus on sustainability as central to competitive advantage and profitability, and are adjusting their business models accordingly, including through attention to more sustainable products and sourcing in their supply chains.

There has been a proliferation of practical trade-environment efforts from a growing range of business and civil society groups including public-private partnerships, corporate social responsibility initiatives and voluntary standards and labels on a broadening array of sustainability criteria. The 'trade for sustainable development' community is actively working to support developing country businesses of the future to invest in more sustainable supply chains and greener exports, and respond to growing consumer interest in how sustainably the goods they buy are produced.

Many governments too are taking note that a greener economy could boost employment through green jobs that revitalize ailing economic sectors and regions, while aiding progress on development, inclusiveness and poverty reduction. Across the world, there are governments working to adopt economic policies that can promote a more circular economy (i.e., that is less resource-intensive, lower-carbon and less wasteful), decarbonisation, green finance, sustainable industry, sustainable infrastructure and sustainable transport, as well as green new deals that can help both propel the transformation and support transition.

2. A WTO DISCONNECTED FROM ENVIRONMENTAL CHALLENGES AND OPPORTUNITIES

At the WTO, concerns about 'falling further behind' (on development and inclusiveness) and the need for 'catching up' (on the digital economy) abound. On the environment and trade front too, the WTO is out of step.

On the one hand, the leaders of the WTO and UN Environment argue that greater coherence between trade and environmental

1. Deere Birkbeck, C. (2019) [Environment and Trade 2.0](#), Hoffmann Centre for Sustainable Resource Economy, Chatham House

2. Business & Sustainable Development Commission (2017), [Better Business Better World Report](#), Business & Sustainable Development Commission.

policymaking is vital for boosting sustainable trade; promoting innovation and markets in sustainable goods, services, technologies and business models; and securing ‘win-win’ solutions where trade policy rules can be harnessed to advance environmental goals.

On the other hand, WTO Member States routinely fail to turn their rhetoric in favour of sustainability into concrete actions. The pace and ambition of their collective deliberations are disconnected from the dynamism of the ‘willing world’ of businesses, citizens, and governments committed to economic transformation for sustainability.³

Even where WTO Member States are working to address environment and trade intersections, political engagement and determination lags well behind the necessity of urgent action. The fate of WTO fisheries subsidies negotiations is a stark case in point. Despite over 18 years of negotiations, governments are still struggling to reach a meaningful comprehensive agreement. Much proclaimed negotiations on environmental goods have floundered. And the voice of the smallest, poorest countries that most urgently need action on the SDGs and on the world’s climate emergency is missing.

Too few trade policymakers embrace the notion that trade, and trade policy, are vehicles through which sustainability could be actively promoted. Sustainability concerns are rarely central to the heart of commercial bargaining; even where present, they remain a secondary, side issue for most trade negotiators or captured by commercial and mercantilist preoccupations. At the national level as well, too few trade policymakers are doing the political work necessary to grapple with the political economy of promoting economic transformation in favour of greater environmental sustainability.

The WTO’s Committee on Trade and Environment (CTE) has long been the host of a broad work programme on a set of important environment and trade issues – from environmental labeling to environmental taxes. Although the topics on the CTE’s agenda remain important and relevant, they were adopted 30 years ago and framed in a way that fail to resonate with national environmental ministries or stakeholders whose engagement will be vital to progress. While the CTE has proven flexible enough to accommodate discussion of ‘other’ issues not on its long-standing agenda, its approach to the most critical and contentious contemporary environment and trade issues – like climate – the political attention, visibility or scope for dialogue they merit.

In short, the work of Member States at the WTO is out of touch with the bubbling of activity among forward-looking businesses and governments on the sustainability-economy interface. Even finance ministers, central bank leaders and the International Monetary Fund – hardly previously known for their environmental activism – are now actively working to see how their institutions can support action on the climate crisis. By contrast, most trade ministers are embarrassingly silent on how the WTO and its Member States can better address the world’s pressing environmental challenges.

3. BUILDING ON PROGRESS

This assessment does not deny that important progress has been made on environment and trade over the past 30 years. The debate has matured enormously: the range of issues under discussion has expanded, stakeholder engagement and expertise have grown, and the priorities, strategies and diversity of actors have evolved considerably. Debate on broad legal questions that previously dominated the environment and trade agenda has given way to a focus on specific problems, such as fisheries subsidies. Rulings on WTO trade and environment disputes over the past decades have affirmed that trade rules do not prevent governments from adopting and enforcing carefully crafted environmental measures that respect core trade principles such as non-discrimination.

Today, most WTO Member States recognize that:

- Trade rules and flows can be harnessed to support environmental agendas and there are vast commercial opportunities on the environmental front. Global trade in green technologies is, for instance, projected to reach US\$2-3 trillion by 2020.
- Environmental considerations and requirements can constrain the commercial prospects and competitiveness of some players.
- Absent effective environmental management, trade flows, rules and policies can exacerbate environmental challenges. In a globalized economy, consumers regularly purchase goods produced or disposed of in unsustainable ways in other countries, therefore ‘exporting’ environmental costs.

3. Bacchus, J. (2018), *The Willing World: Shaping and Sharing a Sustainable Global Prosperity*, Cambridge: Cambridge University Press.

Among WTO Members, there is now broad recognition that international trade flows, rules and policies are directly and deeply relevant to environmental performance. Most developing countries are open to discussion of environment-trade intersections at the WTO, although views vary on approaches and priorities according to the environment-topic at hand, and many countries express frustration at their constraints in terms of their capacity to engage proactively. And, while the WTO is not an environmental organization, most WTO Members accept that there is a need for attention to trade-related environmental challenges and opportunities at the WTO.

There is no dispute that the core focus for greater coherence on environment and trade must be at the national level. However, experience has confirmed that international cooperation is needed both to make national trade-related environmental measures effective and because adequate national environmental protections are so often not in place. Over the past 30 years, we have seen that many environment-trade issues can be addressed through adjacent international processes, organisations and treaties, such as multilateral environmental agreements; through action at the regional and bilateral level; or through stakeholder initiatives. Here too, however, there are still areas where multilateral action on trade flows and rules – and on transparency, information-sharing, capacity building and policy dialogue – has a unique contribution to make.

3. LEARNING FROM THE PAST: A MORE INCLUSIVE ENVIRONMENT AND TRADE 2.0

Looking forward, how can we translate the growing political awareness that making trade work for the environment is vital into concrete decisions and action? How can we draw together a vibrant but dispersed array of trade and environment initiatives into a compelling agenda that is greater than the sum of its parts? More ambitiously, what is required to move beyond the accommodation of environmental concerns toward the deeper economic transformations that sustainability demands?

First, a revived, forward-looking environment and trade agenda at the WTO must be inclusive. It must be able to attract and retain the political engagement of developing countries, which have the strongest interest in finding multilateral solutions to environment and trade tensions, especially at a time when developed country governments face mounting calls from frustrated environmental constituencies to wield trade policy more aggressively to ensure environmental protection. Developed countries need to engage and make space for developing countries to lead the way on environment and trade

priorities in light of wider sustainable development concerns, the costs of environmental degradation, and their competitiveness concerns. Critically, the smallest and poorest countries – most immediately affected by many of the environmental challenges at hand – must have a stronger voice on how to ensure greater coherence on trade and sustainability.

Already, changing economic opportunities in global value chains, growing awareness of the economic potential of greener exports, and capacity building to meet higher environmental standards are spurring many developing countries to actively favour sustainable trade. Costa Rica, for instance, was a leading force for the creation of the Friends of Sustainable Trade (FAST). Many developing countries support calls for new WTO disciplines on fisheries and there is growing support from some developing countries for action at the WTO on fossil fuels subsidies. Ghana and Namibia are among the countries supporting discussion on how trade policy frameworks can support transition to more circular economies and greater circularity in global value chains. China will be a vitally important player to the future of the trade-environment agenda, and along with developing countries such as Morocco and Sri Lanka, is taking leadership on helping Members to consider how the WTO can help address plastic pollution.

Second, making trade more environmentally sustainable will demand grappling with the political economy of change. It will require concerted action within and between countries to tackle vested interests and to address trade-offs and share burdens in ways that ensure a just transition.

Third, to inspire political leadership on environment and trade by a sufficiently large coalition of WTO members, a forward-looking agenda at the WTO must build on what is already on the table while also being open to new approaches and issues that can galvanise interest and action. Strengthening the work of the WTO's Committee on Trade and Environment, and updating its work programme, is vital, but not sufficient, not least because environment issues appear across the work of the WTO's regular committees, in numerous negotiations, and in many of its activities.

From the long list of environment-trade challenges and intersections, strategic priorities should be those for which there is a clear need for multilateral approaches, the environmental pay-off is high, and there are concrete ways in which the WTO's toolkit could be used to make a positive difference. A forward-looking environment and trade agenda will not be one limited to negotiations, whether for market access or new rules. While

both of these may be vital to address some key environment-trade intersections, an Environment and Trade Agenda 2.0 must also seek to harness the other functions in the WTO's tool kit (see Box 1).

BOX 1. NEW APPROACHES TO THE WTO ENVIRONMENT AND TRADE AGENDA

A revived environment and trade agenda at the WTO should:

- Promote system-wide efforts that harness the WTO's range of functions to boost attention to environmental priorities – from rulemaking to transparency, monitoring, information exchange, policy dialogue, assessment, capacity building, technical assistance and training.
- Move beyond silos embedded in existing trade rules and negotiation approaches to explore new ways to address the complexity and intersection of multiple environmental and trade challenges.
- Support dynamic formats and processes within and outside the WTO to enable deliberation, dialogue, information-sharing, and problem-solving that is transparent, engages relevant stakeholders, and benefits from their input.
- Embrace a diversity of approaches – from top-down negotiation of international trade rules to voluntary commitments, public-private partnerships, and greener aid for trade – and seek to bridge efforts across these difference governance approaches.
- Explore and advance new approaches to cooperation among international organizations, processes, initiatives and stakeholder efforts to promote coherence around shared sustainability goals.
- Spur greater consultation and dialogue within national governments in favour of policy frameworks that integrate the priorities of trade and non-trade ministries (such as those responsible for environment and natural resources, development and industrialisation, agriculture, and health) and with the diversity of relevant stakeholders.

4. THE 2020 WTO MINISTERIAL CONFERENCE

A Ministerial Statement on Environment & Trade

WTO Member States should harness the forthcoming 2020 WTO Ministerial Conference to adopt a Ministerial Statement on environment and trade in which they:

- recognise the need for stronger, swifter action on environment sustainability; and
- commit to a number of existing and new environment and trade priorities of shared interest to both developed and developing countries that would advance progress on the SDGs.

Such a statement would send a firm, high-level signal that Members understand the importance of ensuring the WTO does its part to promote an environmentally sustainable and inclusive global economy. It should set out a forward-looking agenda that builds on the organisation's existing work programme and adds vital new dimensions.

High-Level Agenda on Trade and SDGs

WTO members should commit to a systematic assessment of how trade can contribute concretely to the achievement of the SDGs, identifying concrete trade-related actions that can be taken at the WTO and by Member States, including in the context of ongoing or future negotiations.

Negotiations

Key negotiation priorities are to:

- conclude a comprehensive, meaningful agreement on fisheries subsidies;
- relaunch negotiations on environmental goods and services; and
- reframe negotiations on agricultural trade to support more sustainable agriculture.

Greening Aid for Trade

Members should commit to boosted financial support through Aid for Trade for practical initiatives to:

- promote opportunities for developing countries in more sustainable trade;
- enable developing country participation in green global value chains and green exports;
- assist developing countries to implement sustainability standards and participate in their development
- support sustainable and climate-resilient trade infrastructure.

Bolstering the Role of the Committee on Trade and Environment
WTO Member States should commit to:

- More proactive engagement in sharing information on priorities, experiences and innovations in the CTE;
- Updating the CTE's work programme to reflect prevailing trade-related environment concerns and make its work more visible and understandable to non-trade specialists;
- Support monitoring, research and a structured series of multi-stakeholder dialogues on:
 - trade policy dimensions of the promotion of more circular economies and green new deals;
 - the potential to harness 'Fourth Industrial Revolution' trends to trace, optimize and bring transparency to environmental performance across global value chains;
 - the effectiveness and development dimensions of using trade policy and measures to promote action on multilateral environment agreements;
 - the scale effects of trade on biodiversity and ecosystem health and ways to address them; and
 - the implications of consumption-based national ecological accounting for international cooperation on trade, especially in regard to sharing the economic costs of environmental damage and protection.

System-wide reporting on the WTO's environment activities

Members should call on the Secretariat to report annually to the General Council and to future Ministerial Conferences on the environmental issues arising in the WTO's Regular and Negotiating Committees, and its other environment-related activities - thus providing an organisation-wide picture of the environmental dimensions and implications of the WTO's work.⁴

Joint Special Initiatives on the Environment

WTO Member States should also advance a set of special joint initiatives on topics of interest to like-minded groups of developing and developed countries. These initiatives would serve as platforms for advancing shared goals, approaches and work programmes, drawing on the range of the WTO's functions and tools, and could involve work in collaboration with other IGOs and stakeholder groups.

- An Initiative on Climate and Trade – as a platform for action on fossil fuel subsidy reform; dialogue, research and

information-exchange on trade issues related to carbon pricing and leakage; liberalisation of climate-friendly technologies, goods and services; transportation and climate emissions; climate-related standards and labelling; and trade impacts of climate change and natural disasters.

- An Initiative on Plastic Pollution and Trade – as a platform for efforts to promote coherence between domestic restrictions and trade measures on certain types of plastics; transparency, effectiveness and WTO consistency of trade-related measures on plastic pollution; reduced trade barriers for products and services that reduce plastic pollution; voluntary commitments and targets to reduce trade in certain plastics; information-sharing and dialogue on sustainability standards and development considerations; monitoring of trade flows across the life cycle of plastics; support for other inter-governmental efforts to reduce plastic pollution; and improved trade-related capacity building related to plastics pollution.

5. WHAT NEXT?

The current political climate and uncertainty surrounding the WTO should not deter governments from looking forward. Rather than presenting yet another set of challenges for an already beleaguered WTO, a Ministerial Statement on Environment and Trade in 2020 should be viewed as one of several much-needed strategies for helping to restore the WTO's relevance and credibility. Making trade and trade policy a stronger part of the answer to the environmental challenges we face – instead of avoiding them – could be a catalyst restoring and building support. Thinking bigger on environment and trade front may help garner a critical mass of political support for the multilateral trading system *within* key countries, both from growing environmental constituencies and also from businesses keen to advance a more sustainable economy, but in need of a transparent, coherent and stable global policy environment.

As the WTO struggles to reassert its relevance and role, a high-level signal of engagement to promote the environmental sustainability of trade could be a vital lifeline. Ministers of both trade and environment, along with stakeholders from business and civil society should re-engage now to strategize on concrete next steps to move a revived multilateral environment and trade agenda forward.

4. Deere Birkbeck, C. (2019), 'WTO Reform: A Forward-looking Agenda on Environmental Sustainability', in Soobramanien, T., Vickers, B. and Enos-Edu, H. (eds), *WTO Reform: Reshaping Global Trade Governance for 21st Century Challenges*. London: Commonwealth Secretariat.