



# OECD WORK ON REGIONAL TRADE AGREEMENTS AND THE ENVIRONMENT

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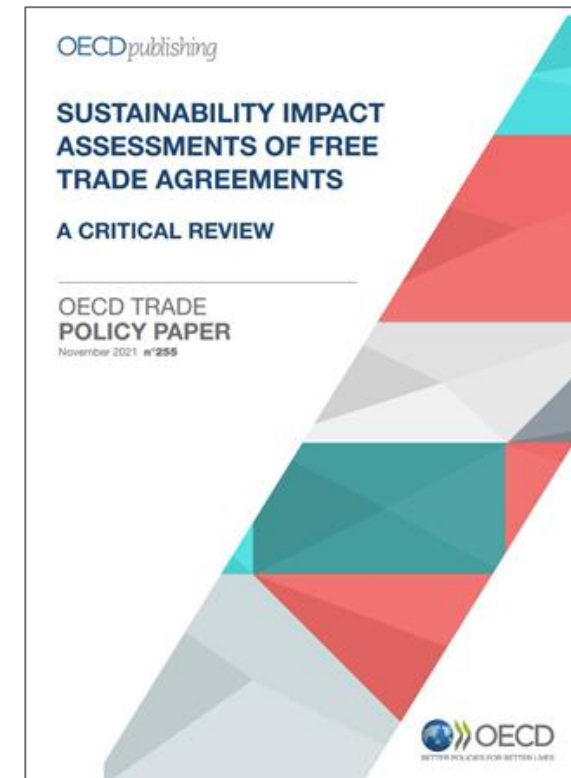
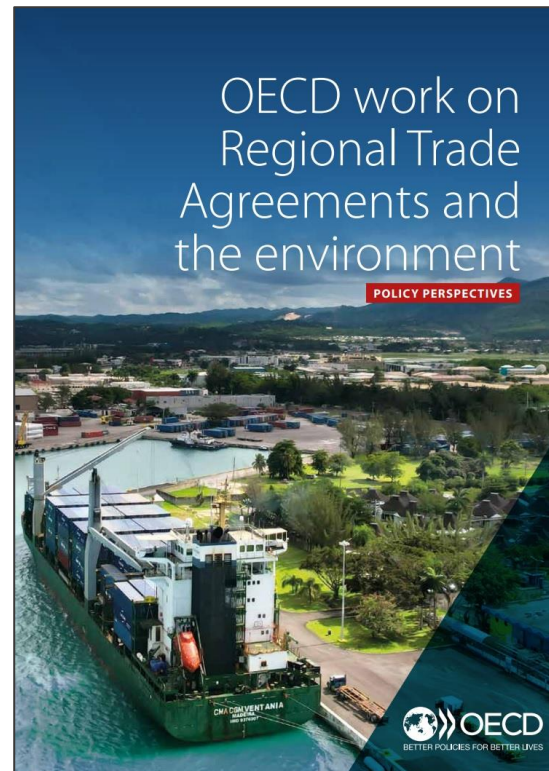
Canada-Chile Knowledge Exchange on Environmental  
Assessment of Free Trade Agreements  
13 September 2024



# Regional Trade Agreements (RTAs) and the environment

## Today's outline

- Policy landscape of environmental considerations in RTAs
- Typology of environmental provisions
- Environmental assessments
  - Ex-ante assessments
  - Ex-post assessments







# Policy landscape





# Why do Regional Trade Agreements incorporate environment objectives?

- **Environment and trade** concerns are linked to a greater degree as the world economy becomes increasingly integrated.
- Growing awareness that trade agreements should not only contribute to economic growth but also to **greater prosperity**.
- Role of trade to achieve **overarching goals of sustainable development** and to support an **international environmental agenda** is also essential.
  - SDGs, Paris Agreement, MEAs, WTO Ministerial Statements and Dialogues etc.
- Trade agreements as a vehicle to enhance **environmental co-operation** and to ensure a **level playing field** among trading partners.
- Under the backlash of trade and globalisation, **public acceptability** of trade agreements and trading relationships is paramount.
- Important to secure the **mutual supportiveness** of trade and environment policies
  - Trade policies to support and do not harm the environment
  - Environmental policies do not act as disguised protectionist measures.





# Typology of environmental provisions in RTAs

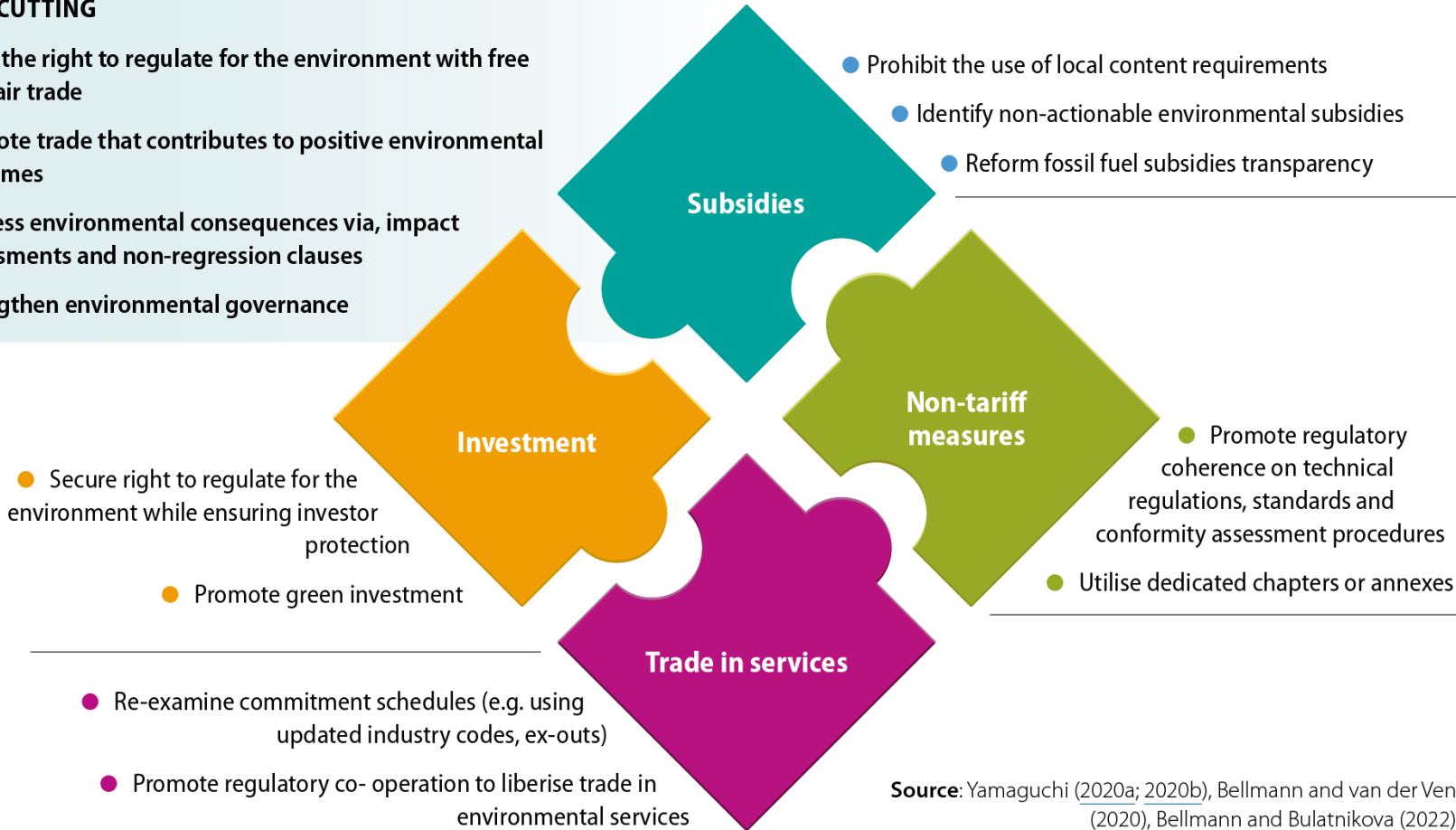




# Tracking typology of environmental provisions in RTAs

## CROSS-CUTTING

- Align the right to regulate for the environment with free and fair trade
- Promote trade that contributes to positive environmental outcomes
- Address environmental consequences via, impact assessments and non-regression clauses
- Strengthen environmental governance



Source: Yamaguchi (2020a; 2020b), Bellmann and van der Ven (2020), Bellmann and Bulatnikova (2022)

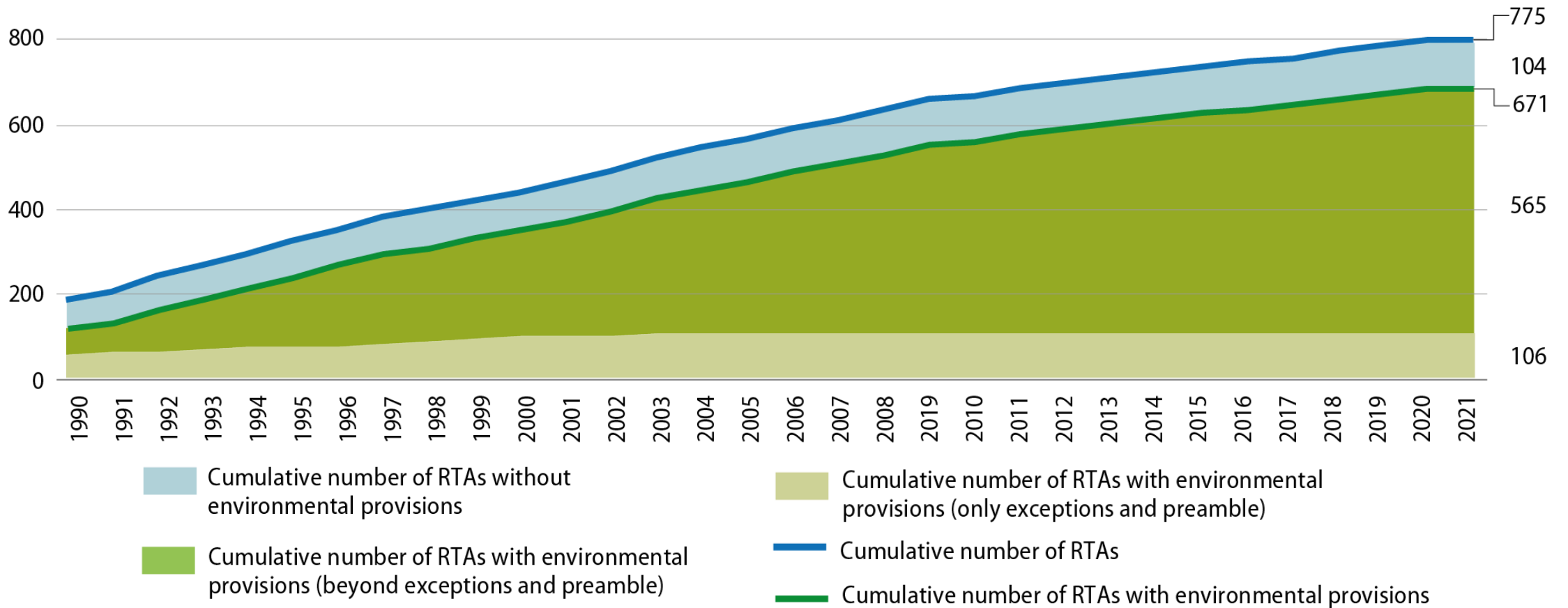
## Data from TREND database

- Covering 775 RTAs signed between 1959-2021
  - Based on WTO notifications, plus info from OAS, Asia Regional Integration Centre, World Bank
  - Includes RTAs (in-force, inactive, and accession)
- Tracking 300 different types of environmental provisions



# Evolution of RTAs and environmental provisions

Cumulative number of RTAs with environmental provisions

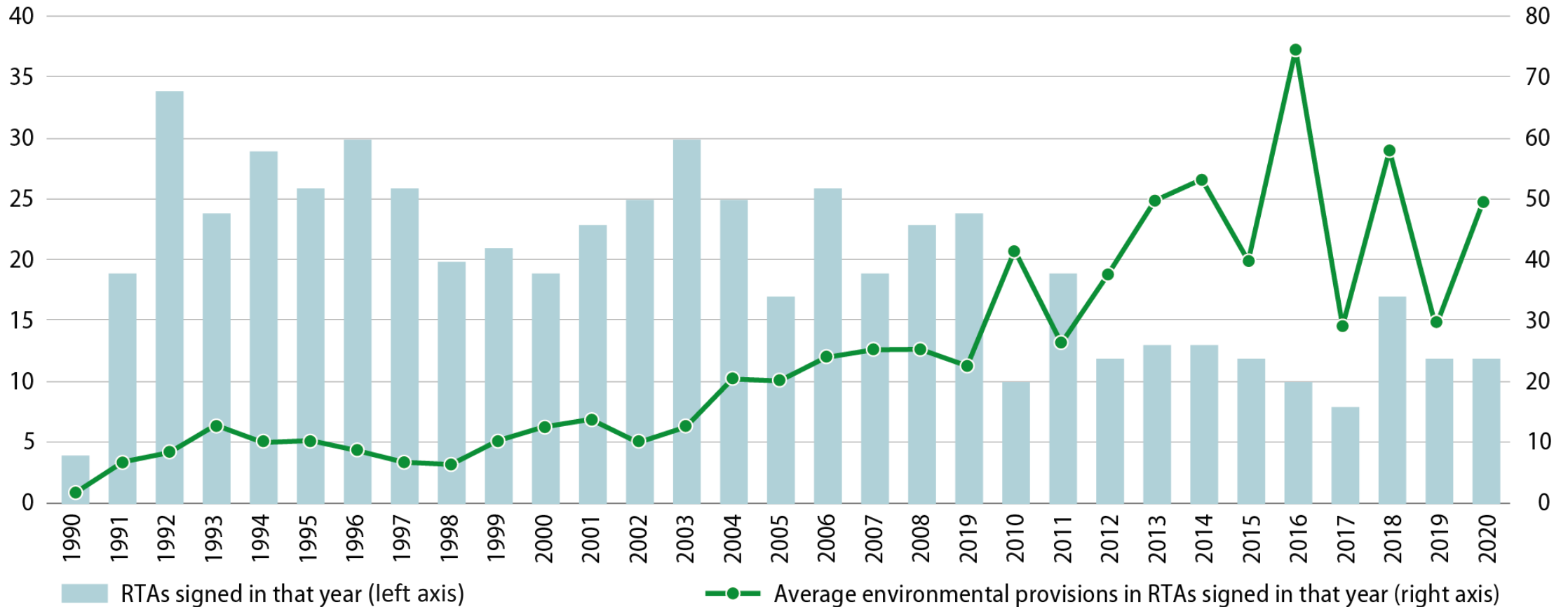


Source: OECD based on TREND database by Morin, JF, A. Dür and L. Lechner (2018), "Mapping the trade and environment nexus: Insights from a new dataset", Global Environmental Politics, vol. 18, No 1.



# Evolution of RTAs and environmental provisions (cont....)

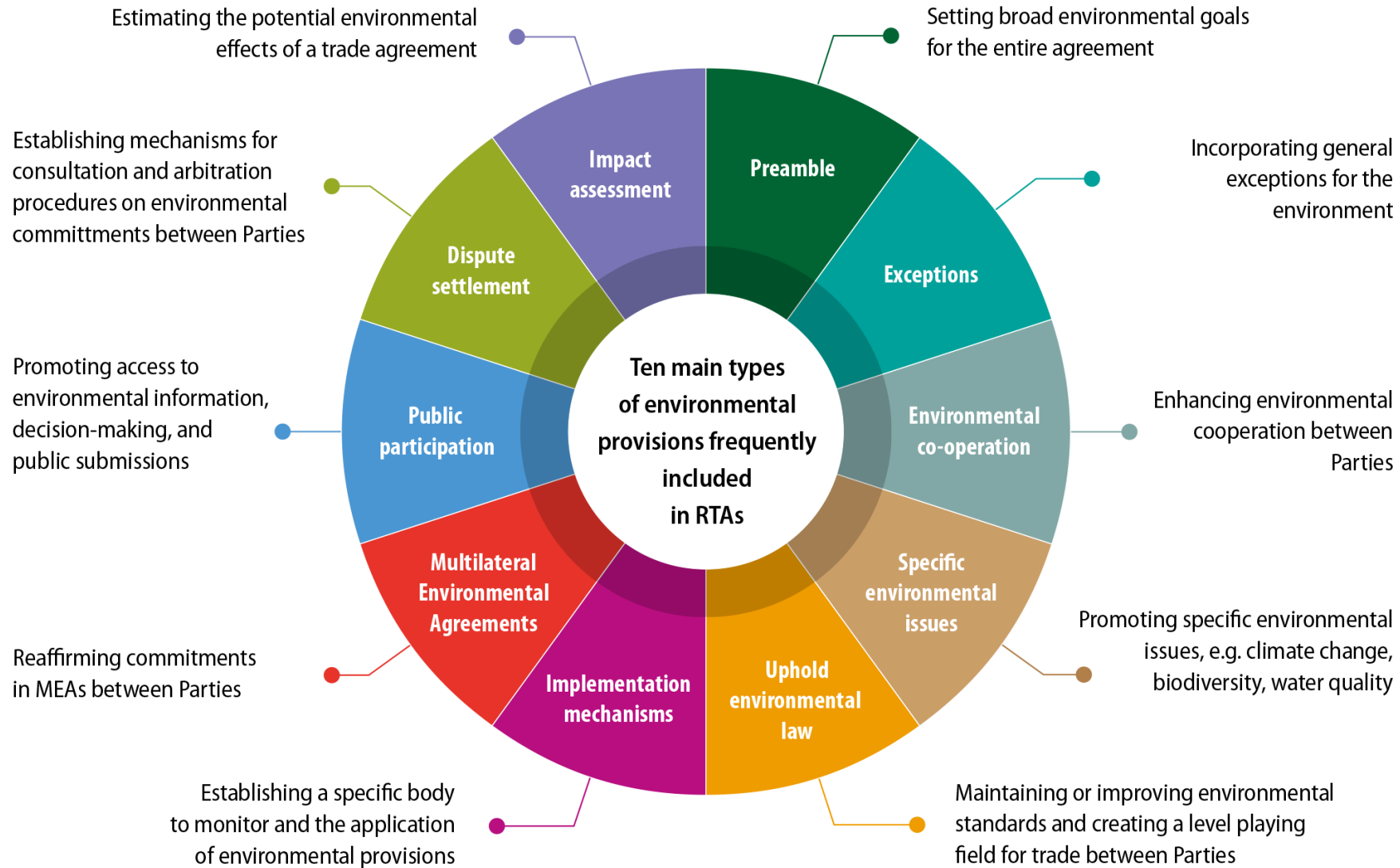
Number of RTAs and environmental provisions on average (by year of signature)





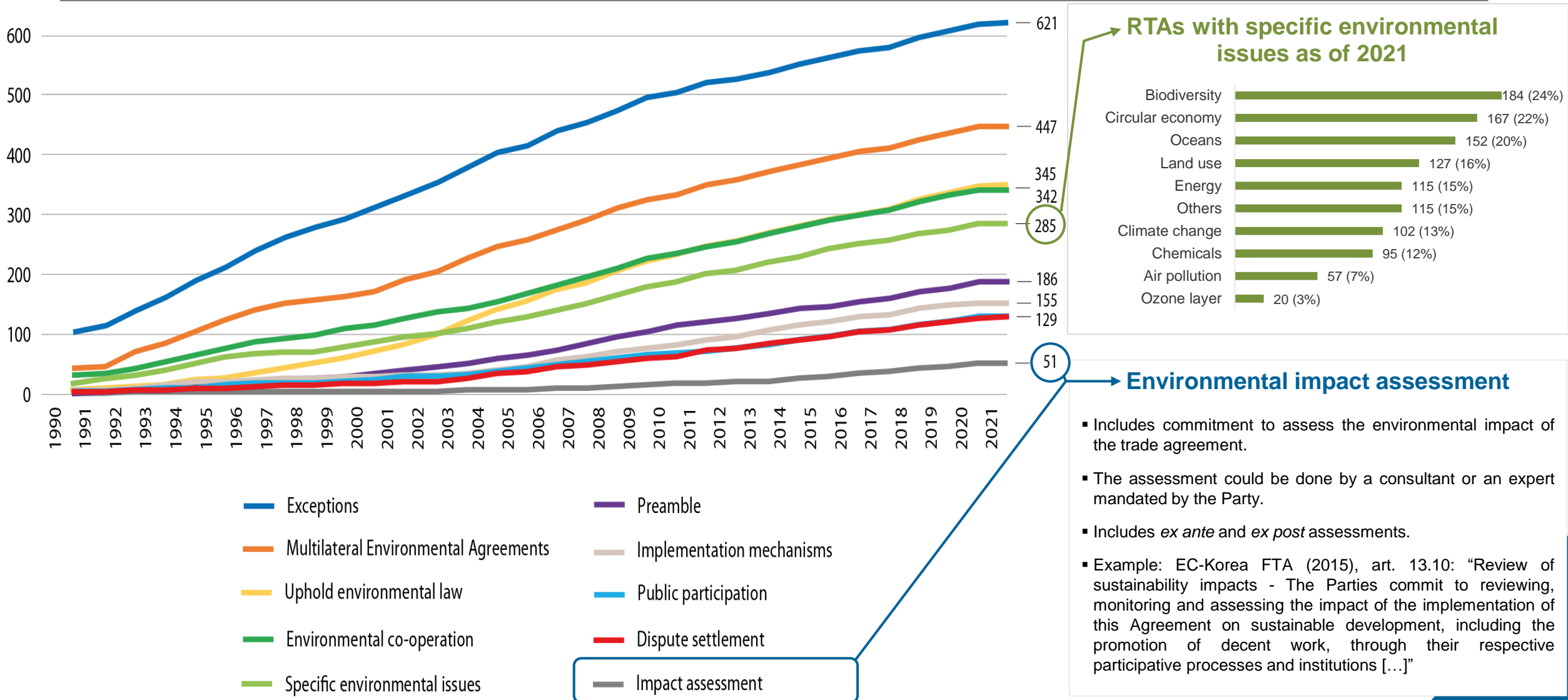


# Typology of environmental provisions





# Cumulative number of RTAs with environmental provisions by category



### Environmental impact assessment

- Includes commitment to assess the environmental impact of the trade agreement.
- The assessment could be done by a consultant or an expert mandated by the Party.
- Includes *ex ante* and *ex post* assessments.
- Example: EC-Korea FTA (2015), art. 13.10: "Review of sustainability impacts - The Parties commit to reviewing, monitoring and assessing the impact of the implementation of this Agreement on sustainable development, including the promotion of decent work, through their respective participative processes and institutions [...]"

Source: OECD based on TREND database by Morin, JF, A. Dür and L. Lechner (2018), "Mapping the trade and environment nexus: Insights from a new dataset", Global Environmental Politics, vol. 18, No 1.





# Environmental impact assessments - ex-ante -



# Rational of ex-ante environmental impact assessments

- **Ex-ante assessments are important mechanisms**
  - to identify which aspects of the trade agreement support sustainable development outcomes
  - to ensure that adequate safeguards are in place for environmental risks that are identified in the reviews, and to determine any necessary accompanying policies or reforms
  - to increase transparency and provide opportunity for dialogue among stakeholders and policymakers
- **Different approaches are applied for these ex-ante assessments:**
  - primarily cover environmental impacts in the home country (e.g. those involving the US), or
  - cover impacts in both the home and host country (e.g. those involving the EU).





# Ex-ante environmental impact assessments, as a part of sustainable impact assessments

## Environmental issues

- > Air pollution
- > Climate
- > Natural resources use
- > Water pollution
- > Biodiversity
- > Waste generation
- > ...

## Social issues

- > Income inequality
- > Poverty
- > Unemployment
- > Labour rights
- > Gender inequality
- > Vulnerable populations
- > ...

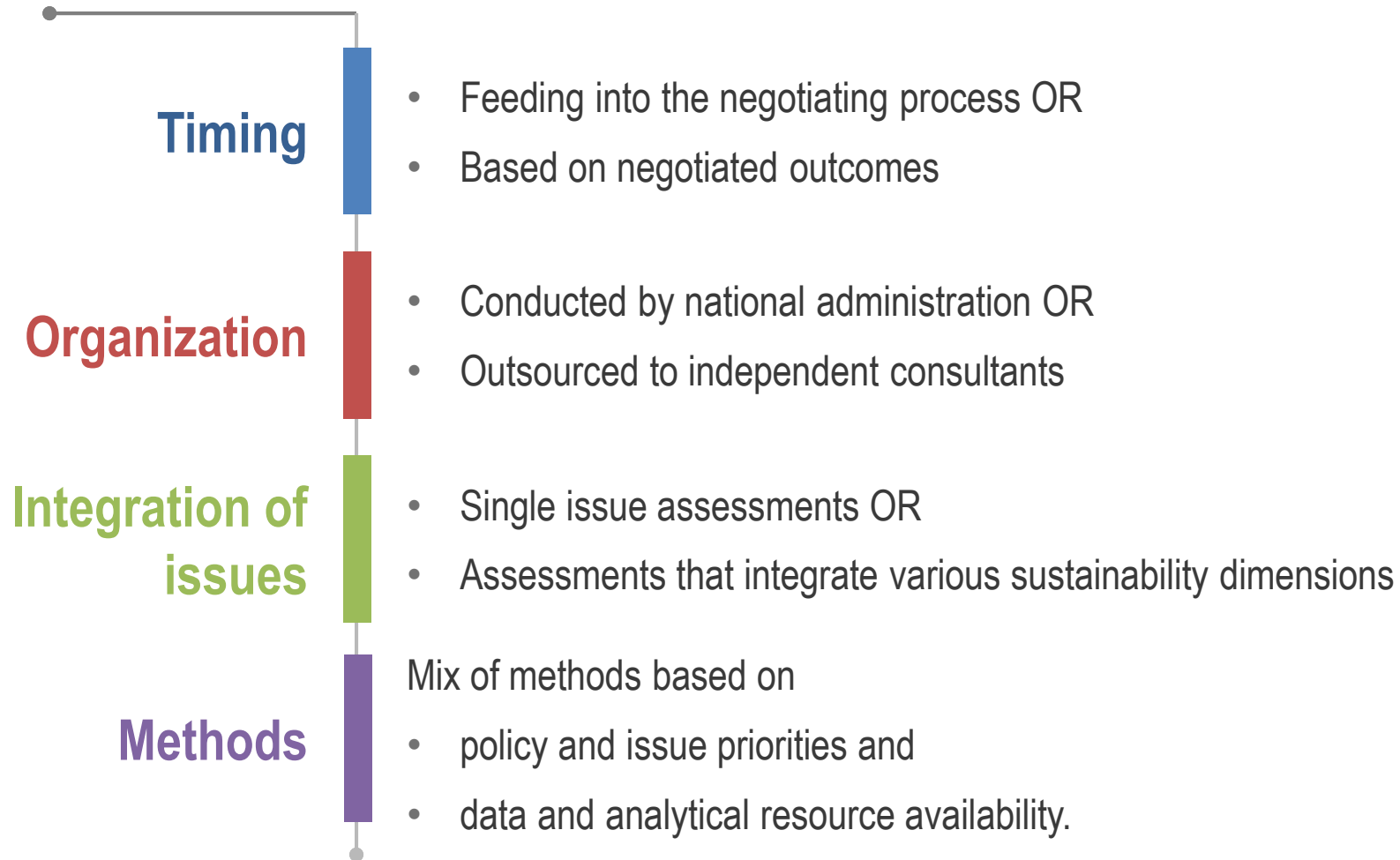
## Human rights

- > Right to health
- > Right to education
- > Right to food
- > Right to development
- > Equality and non-discrimination
- > Right to an adequate standard of living
- > ...

Geographical scope – national, transboundary or global impacts  
Policy questions – screening and prioritization of most salient issues



# How are ex-ante impact assessments conducted?







# Methods

## Quantitative

- > Computable General Equilibrium (CGE) Models
- > Partial Equilibrium Models
- > Input-Output Analysis
- > *Ex post* Econometric Analysis

## Hybrid

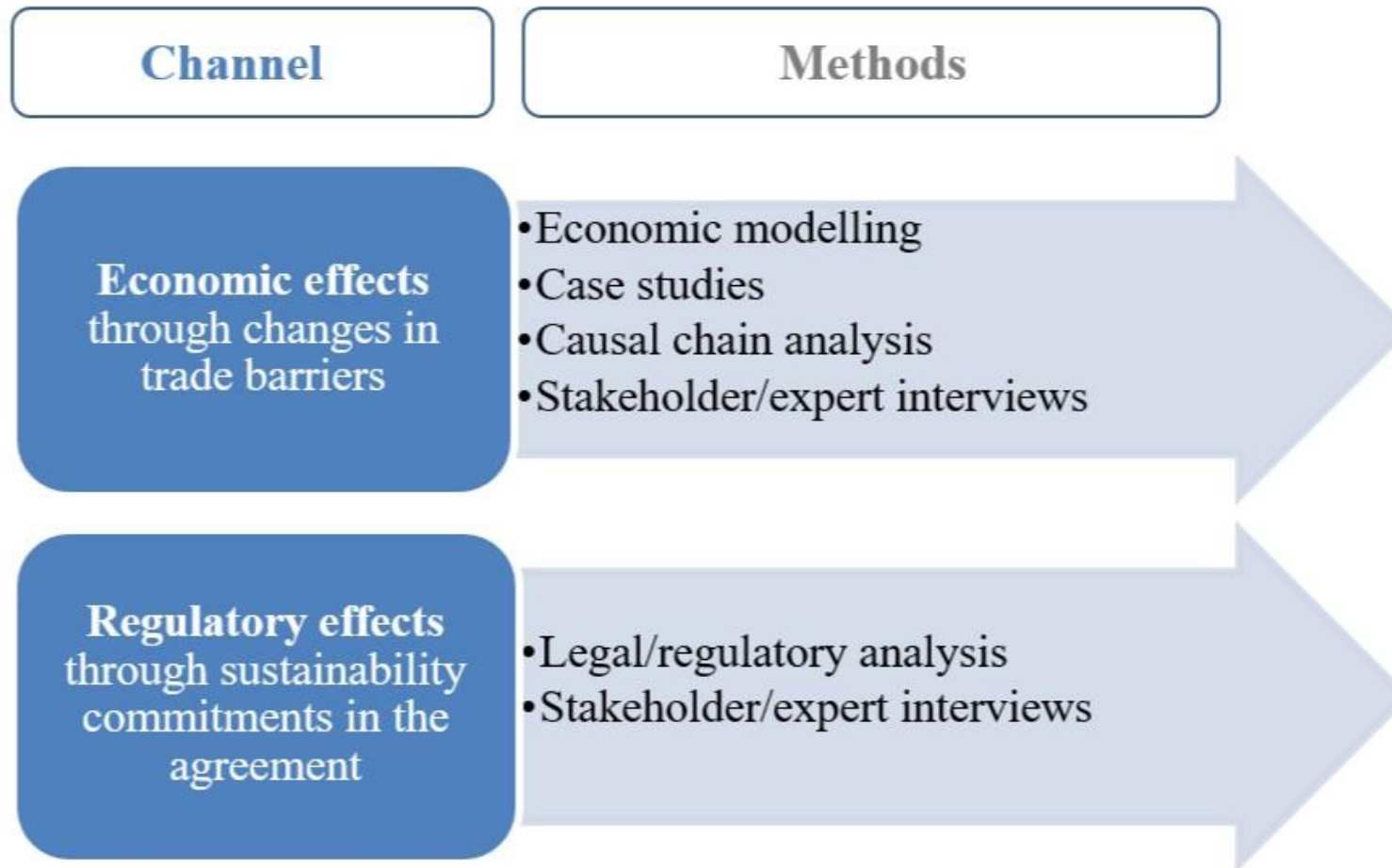
- > Causal Chain Analysis
- > Case Studies and Sector Studies
- > Field Research
- > Quantitative and Qualitative Surveys

## Qualitative

- > Regulatory and Legal Analysis
- > Stakeholder Consultations
- > Public Participation



# Methods selection







# Strengths and limitations of ex ante SIA methods

Is the method...	CGE Models	Partial Equilibrium Models	Input-Output Analysis	Econometric Analysis	Causal Chain Analysis	Case Studies & Sector Studies	Field Research	Regulatory/Legal Analysis	Stakeholder Consultations
<b>Data Intensive</b>	Red	Orange	Orange	Orange	Green	Green	Green	Green	Green
<b>Costly</b>	Red	Orange	Orange	Orange	Green	Orange	Red	Orange	Red
<b>Broad</b>	Orange	Orange	Red	Green	Green	Green	Green	Orange	Green
<b>Comprehensive</b>	Green	Green	Orange	Green	Orange	Red	Red	Red	Red
<b>Policy-relevant</b>	Green	Green	Orange	Orange	Orange	Green	Red	Orange	Green
<b>Transparent</b>	Red	Orange	Green	Orange	Green	Green	Orange	Green	Orange
<b>Objective</b>	Green	Green	Green	Green	Orange	Orange	Orange	Orange	Red





# Environmental impact assessments - ex-post -







# Environmental impact assessments ex-post assessments

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- **Ex-post assessments remain limited**
  - mainly available for several agreements concerning Canada, EU, and United States
- **Ex-post analysis have been conducted by**
  - an independent office,
  - dedicated secretariats, or
  - outsourced to a third party.
- **Common elements of ex-post analysis of RTAs include assessing their:**
  - effectiveness;
  - efficiency;
  - relevance;
  - coherence;
  - sustainability, and
  - comparisons to a non-FTA scenario and ex-ante analysis.





# Effectiveness of environmental provisions

## Assessment Framework

Population

GDP per capita

Trade openness

RTA with environmental provisions

RTA without environmental provisions



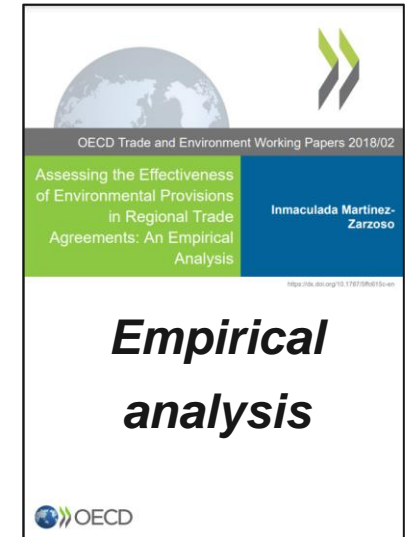
Environmental quality  
(SO<sub>2</sub>, NO<sub>x</sub>, PM<sub>2.5</sub>)

## Results show that signing an RTA leads to

- a decrease in SO<sub>2</sub> emissions
- a decrease in NO<sub>x</sub> emissions
- no change in PM<sub>2.5</sub> emissions

## Emissions decreases are slightly larger for RTAs with environmental provisions than without them

- however the difference is not (statistically) significant
- need more research, information, and data to confirm

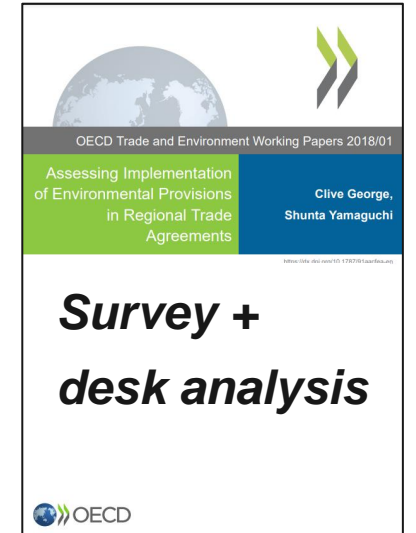




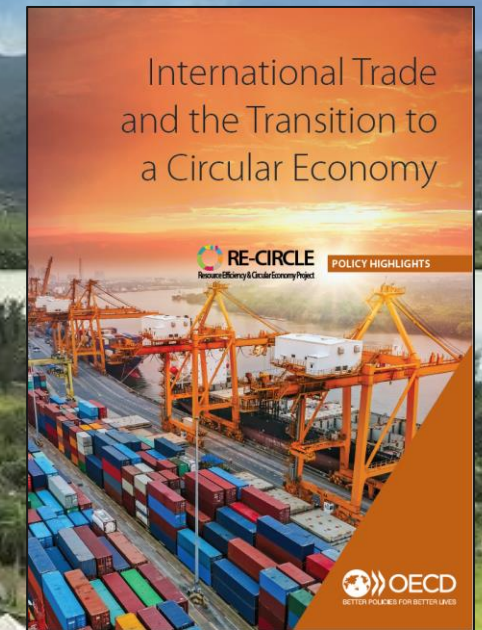
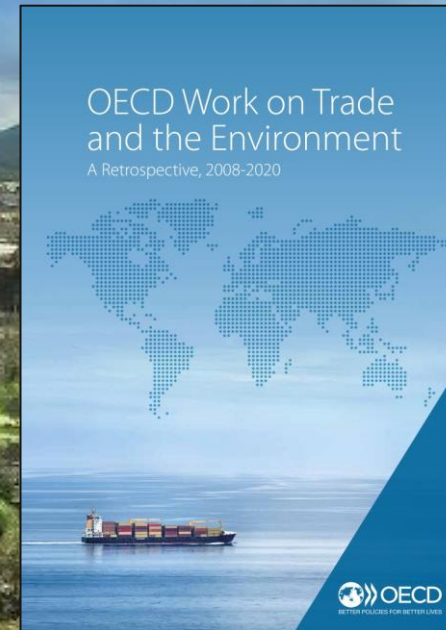
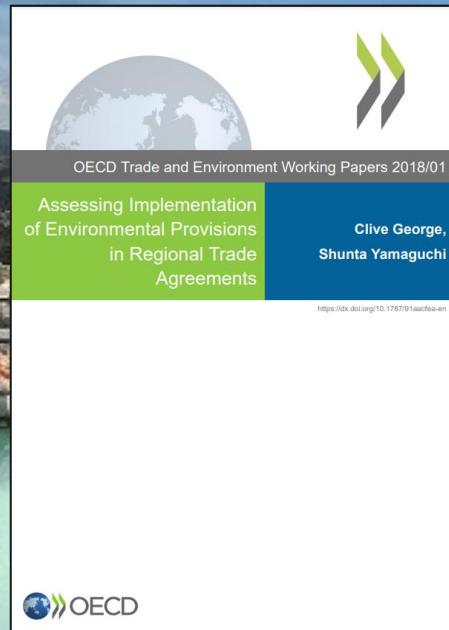
# Implementation of environmental provisions

## Largely unknown but with some anecdotal evidence

- **Strengthening of environmental laws and regulations**
  - Adopting new environmental laws, US-Chile, US-Morocco
  - Adopting new EIA regulations, CAFTA-DR
- **Introducing new institutional arrangements**
  - Creating a Ministry of Environment, US-Chile, US-Peru, US-Jordan
  - Creating an Environmental Auditing Unit in Guatemala, CAFTA-DR
- **Providing co-operation on improving environmental law and enforcement**
  - Co-operation in creating a technical council on enforcement of env laws, CAFTA-DR
  - Co-operation in creating a national strategy in Honduras, CAFTA-DR
  - Co-operation with private sector on environmental standards, EU-Chile
  - Co-operation in pollutant registry programme, CAFTA-DR
- **Improving environmental awareness**
  - Uplifting public participation of Mexico's civil society, NAFTA



Thank you for joining the discussion!



Reports: [www.oecd-ilibrary.org/trade/oecd-trade-and-environment-working-papers\\_18166881](http://www.oecd-ilibrary.org/trade/oecd-trade-and-environment-working-papers_18166881)

Website: [www.oecd.org/env/environment-and-regional-trade-agreements.htm](http://www.oecd.org/env/environment-and-regional-trade-agreements.htm)

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