



Seeking Synergies: Environmentⁱ, Climate and Trade Policy

Introduction

Governments and business share an urgent and imperative focus on addressing environmental and climate challenges, which are in many instances transboundary in nature. Both governments and the private sector also understand that advancing rules-based trade is necessary to achieve global and inclusive growth and the Sustainable Development Goals (SDGs).

Developments in environment, climate and trade policy spheres – each of which is complex in its own right – and the understanding that these 3 areas are inter-connected leads USCIB to launch this discussion of constructive solutions that deliver environmental protection and stewardship alongside the wide deployment of goods and services multilateral trade makes possible.

The powerful political focus on climate action and other environmental issues has led governments and civil society to explore a wide range of regulatory tools to achieve ambitious environmental and climate goals, including policies that have an impact on trade or that are by their nature trade policiesⁱⁱ. USCIB recognizes the importance of appropriate policy action to protect the environment – including market- and economic-oriented policy – as an option to address complex transboundary environmental challenges, while ensuring rules-based inclusive trade.

With cooperative effort and creativity, trade and environment policy goals can be harmonized. While tensions have been encountered, conflict between increased trade and stronger environment protection is not inevitable. In fact, in many situations, trade can support and accelerate climate objectives, and free trade agreements (FTAs) have been used to advance environmental objectives, e.g., FTAs referencing the importance of implementation and enforcement of multilateral environmental agreements (MEAs), and the potential of lowering tariffs on environmental technologies and good.

There are more such opportunities on the horizon, including a proposed agreement to limit subsidies that result in overfishing and deliberations to streamline trade in materials being moved for efficient recycling and recovery.

Open trade advances economic prosperity and SDGs, and it is an essential vehicle to achieve widespread and rapid deployment of climate-related investments and cleaner and more efficient technologies and forms of energy. To meet the commitments and objectives of the SDGs, the United Nations Framework Convention on Climate Change (UNFCCC), and the Paris Agreement, it is clear that more trade will be needed.

While there are differences across environment, climate and trade policy regimes, there are 3 characteristics they share:

- **Scale:** Their potential benefit is greatest with participation of all governments concerned;

- **Multilateral Synergies:** Their positive impact will be increased through multilateral synergies rather than unilateral actions;
- **Sustainable Development:** They are fundamental to the pursuit of sustainable development.

As governments consider trade and trade-related measures to achieve environmental goals, business urges them to design synergistic policies that support best environmental and climate outcomes and capture the benefits of strong and inclusive trade flows. USCIB calls for a systems thinking approach to converging trade, climate and environmental policy regimes that emphasizes opportunities to deploy innovative technology and open new market and trade opportunities, especially for developing countries.

A Systems Thinking Approach is Required

Governments, Intergovernmental Organizations (IGOs) (including the World Trade Organization (WTO), UNFCCC, and G20) need to seek a balanced and shared synergy to advance sustainable development in the context of open trade. USCIB members call on governments, UNFCCC, the WTO and other multilateral forums to work with business to identify and actively pursue synergies in environment, climate and trade policy.

A combination of substantive measures, new processes and frameworks should be considered to respond to new challenges and engage relevant stakeholders. The following should form the basis for developing approaches to find solutions for pre-empting conflict, advancing strong environmental outcomes, while avoiding unnecessary restrictions on trade:

1. **Policies least disruptive to trade:** Governments should move quickly to:
 - Promote and facilitate trade that supports cleaner energy options and sustainable livelihoods and eliminate barriers to beneficial environmental trade.
 - Avoid policies that unnecessarily disrupt trade.
2. **Multilateral Approaches:** To tackle transboundary environmental challenges, USCIB calls on governments to pursue multilateral approaches, working with existing trade rules. In instances where trade-offs may have to occur across policy areas to accomplish an environmental objective, we encourage policymakers to pursue consultation and dialogue with trading partners and economic stakeholders.
3. **Coordination:** USCIB calls on governments to engage in deeper coordination between trade and environment experts and with business to design a next generation of trade and environment policies that can achieve these vital goals cooperatively.
4. **Engage Stakeholders:** In the event that it should become necessary to restrict trade in order to achieve an environmental policy goal, governments should work together and with key stakeholders including business, to identify:
 - Opportunities to advance environmental objectives via the least-trade-restrictive option.
 - Ensure maximum coordination and compatibility.

Mutually beneficial and integrated policymaking

There are broad areas of substance and process where mutually beneficial dynamics can be found and should be prioritized. There will certainly be specific circumstances and issues across the wide range of environment and climate change areas that will necessitate tailored individual approaches, but in general there are win-win opportunities to be gained, and consideration must be given to risks of counter-productive outcomes in the absence of cooperative approaches.

USCIB encourages government policymakers to pursue balanced integrated policymaking that:

- Advances economic growth and sustainable development, in particular to help deliver implementation of the Sustainable Development Goals (SDGs)
- Strengthens climate policy effectiveness (including cost effectiveness) through the use of market-based measures and instruments
- Deploys innovative technologies and investment that offer solutions to environmental challenges, expand clean energy access, advance climate action, contribute to reducing wastes and improve resource efficiency
- Fosters trade in cleaner greener goods and energy

Build on Existing Foundations of Cooperation

There are existing foundations on which to build in pursuing greater synergy across trade and environmental policy. USCIB calls on governments to pursue continuous improvement towards integrated trade, climate and environment policy in these existing and evolving processes.

Trade, climate and environment regulations and treaty regimes each present complex, distinct, evolving architectures that have been built up and extended over many years. While they share participation by a common set of governments, they have been developed in their own separate and independent arenas. Therefore, adjustments to eliminate barriers and improve synergies in these interlocking frameworks is a delicate enterprise. However, they also already include procedures and precedents that can be applied to a facilitative approach to strengthen environmental policy alongside trade.

Some MEAs, such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), already successfully embed trade measures to achieve their objectives – indeed CITES represents a collaborative multilateral agreement (as opposed to a unilateral policy) specifically to tackle trade in endangered species. Moreover, FTAs are embedding environmental policies, cooperation and dispute resolution in cases where implementation of environmental policies is lacking.

UN Environment and a variety of MEAs are also critical nodes of commitment, cooperation and action, each with their defined rules and governance. These different institutions can all play a role in contributing to harmonization of goals and optimizing outcomes across institutions, capitalizing on opportunities for “horizontal” deliberations – such as the High Level Political Forum and UN Environmental Assembly, among others.

USCIB welcomes the partnership announced between UN Environment and the WTO with the stated intention to align trade with sustainable development, and we hope this paper will help inform those discussions. We welcome efforts at the WTO to conclude an agreement on fisheries subsidies, and we

are encouraged by the recent initiative by several countries to develop an Agreement on Climate Change, Trade and Sustainability (ACCTS) which seeks to pursue multilateral rather than unilateral measures to pursue vital objectives.ⁱⁱⁱ The annual WTO Public Forum also provides for consideration and dialogue on solutions to cross-cutting trade, environment and sustainability issues.

Innovate and Seek New Opportunities for Progress Towards Integrated Trade and Environment Policy

We need systems thinking and continuous improvement in new frameworks and interactions to effectively respond to new environmental and climate challenges.

Today, larger, more economy-wide challenges are becoming evident in the context of addressing environmental and sustainability concerns, such as climate change, biodiversity loss, water and food insecurity, and materials movement, among others.

Political will and effort will be required to anticipate and resolve conflicts. The current political climate in some countries and stresses on the multilateral trade system – and on multilateral institutions in general – mean the opportunity to integrate and strengthen environmental and trade policy will need to be actively pursued.

In anticipation of these new challenges, USCIB encourages innovation in trade and environment policymaking through integrated and facilitative approaches.

Next Steps

USCIB recommends improving coordination and interactions across the WTO, UN Environment, UNFCCC and other MEAs. The announced UN Environment and WTO cooperative discussions are an important first step. In addition, USCIB recommends the following procedural and substantive steps:

Trade Policy

- The WTO General Council should affirm that international trade mechanisms can and should play a part in supporting international environmental cooperative action and dispute resolution to address environment and climate issues.
- WTO members should facilitate the trade of cleaner and lower-carbon products and activities in the world, including by Reducing/removing tariffs on environmental goods and services and renewing efforts to pursue an Environmental Goods Agreement (EGA) and other relevant plurilateral agreements to advance environment and climate objectives.
- WTO members should conclude the WTO fisheries subsidies agreement.
- All trade agreements should include strong environment chapters similar to those found in the USMCA and CPTPP.

Environment Policy

- As Article 6 of the Paris Agreement is elaborated, encourage and enable the use of market mechanisms and market-based instruments with integrity, transparency and reliability.
- At the 26th session of the Conference of the Parties (COP 26) to the UNFCCC, parties should agree to implement Paris Agreement Article 6 in a manner that favors least trade restrictive approaches, consistent with existing multilateral trade rules, and encourages and enables the use of market mechanisms and market-based instruments with integrity, transparency and reliability.
- In UNFCCC and at UNEA meetings, convene periodic trade and climate change roundtable or “Talanoa” dialogues.
- Encourage review of trade impacts of differentiated Nationally Determined Contributions (NDCs) as they are strengthened through the 2020 Paris Agreement cycle.
- Review positive lessons from trade measures in MEAs as a means to consider pursuing them in other treaties and their evolution (Paris Agreement, Oceans, etc.).

Joint Efforts and Synergies:

- Bring climate, environment and trade experts together during policy formation to avoid trade barriers and disputes in the formulation of climate and environment policies and look for opportunities for trade mechanisms to support environment and climate policy goals. USCIB recommends reinstating trade and environment ministers’ meetings at UNFCCC COPs, and including them at UNEA meetings.
- Build climate markets and policies that work with trade to encourage innovation and deployment of existing and future solutions throughout the world.
- Encourage and step up cooperation on carbon pricing for those countries and regions that choose to use them and avoid border adjustments that do not comply with WTO obligations.
- Where countries choose to establish “carbon clubs,” they should encourage participation by providing benefits to members, rather than by punishing nonmembers.
- USCIB regards proposals for a waiver from WTO obligations for certain unilateral climate response measures taken in furtherance of the UNFCCC and Paris Agreement as an unnecessary step that would be counter-productive pursuing synergistic measures.

Conclusions

The globally agreed set of objectives under the UN 2030 Agenda for Sustainable Development recognizes trade as a vital vehicle to mobilize implementation and resources in SDG17. Trade, climate and environmental policies must work in concert to advance solutions. Governments, business and

international bodies must consider ways to enhance synergies and develop integrated and facilitative approaches to further the SDGs, the UNFCCC and other MEAs.

The bottom line is that business has a sizeable stake and interest in practical and policy synergies between current climate, environment and trade regimes, avoiding unilateral showdowns and measures and heading off climate disputes at the WTO that may lead to unpredictable or negative outcomes in environment, climate and trade negotiations. Uncertainty regarding procedures and timing to resolve issues adds another layer of complexity and risk. USCIB believes such synergies are possible, but also understands conflicts that may arise will require workable solutions.

Member states that participate in multiple trade, environment and climate forums have the main responsibility to seek alignment and synergy across the WTO, UNFCCC and MEA structures, and business is ready to assist in that cooperative effort. There are many options for national and global action on climate, transboundary environment and SDG implementation within the agreed multilateral trade system, and these should be favored over unilateral measures that run afoul of established trade rules.

USCIB calls on governments and business to pursue dialogue on practical ways to expand trade opportunities that are good for the economy and for the environment, such as in the proposed ACCTS. Any accommodation between the WTO and other environmental structures should come in the same way that it has come for other regulatory areas: by requiring governments to find the regulatory approaches that are the least trade restrictive. Both environment and trade policies are necessary to ensure continued economic growth and development for American companies. USCIB stands ready to engage in this vital dialogue on these urgent issues.

ⁱ Transboundary environmental challenges are diverse in nature, and will require tailored consideration and responses, bearing in mind economic and political contexts that may pertain. This paper intends to provide an overview of this important issue and begin a discussion of synergies and facilitative solutions.

ⁱⁱ For example, the European Union is elaborating a package of policies known as the “The Green Deal,” which will likely include border tax adjustment measures relating to climate change, and which may also include other trade-related features.

ⁱⁱⁱ Launched by New Zealand on the sidelines of the UN General Assembly (UNGA) in September 2019, the ACCTS effort intends to (1) remove tariffs on environmental goods and make new commitments on environmental services; (2) establish concrete commitments to eliminate fossil fuel subsidies; and (3) develop voluntary guidelines for eco-labeling programs and mechanisms. New Zealand is joined in this effort by Norway, Iceland, Costa Rica, and Fiji.