

January 26, 2007 at MOFA

# **Regional Trade Agreements (RTA) and Environment**

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# RTA and Environment

## A Flagship Publication

- The project was launched at the initiative of Japanese Government
- May become landmark publication of OECD Environment Directorate
- Equivalent to OECD's "Extended Producer Responsibility, a guidance manual for governments" published in 2001, funded by Japanese Government

# Advantages

- **Timing** (Many RTAs are negotiated)
- **Can be a useful guidance for governments**

Why include environmental considerations in RTAs

What types of environmental issues are included

What are main difficulties

(Ref. Cristina's presentation)

- **Full of useful information and experience**

Through, for example, workshop June 2006

Annex includes samples of environmental charters in RTAs and environmental side agreements

- **Cristina's efforts should be highly appreciated**

# Advantages -- continued

- Well balanced and shrewd analysis (examples)

"It is also important that the environmental commitments in the agreement be balanced and realistic, and take account of the economic and political realities in the countries which are Parties to the agreement" (para 17)

"Indeed, it is striking that countries which have shown leadership in their regions by including environmental provisions in RTAs, do not seem ready to accept similar progress in discussions held at multilateral level" (para 25)

"Many countries do not consider the inclusion of environmental considerations in trade agreements to be a priority. This does not mean that they do not consider environmental protection and international environmental cooperation a political priority - they may simply not consider that trade agreements are a good place to deal with environmental issues". (para. 366)

# For further improvements

In addition to “something of everything”, it would be better to contain “everything of something”.

- Not all RTAs have same importance with respect to trade & environment.
- For better understandings, trade volume of RTAs should be added.
- Exception clauses related to environment in selected RTAs are missing.
- NAFTA side agreement is missing in Annex 2 (environment side agreement).

# Japanese position on RTAs (1)

- Japan was the last country adhering to multilateral trade agreement (GATT/WTO)
- Delayed start forced Japan to negotiate and conclude many RTAs in a short period
- Hence time constraint was one of the major barriers for inclusion of environmental provisions.
- Essentially, Japan is a polytheistic society, whereas western countries are monotheistic societies. There is a big difference.

## Japanese position on RTAs (2)

- Ministers' meeting in 2004

Basic policy to promote RTAs were agreed. (NAFTA 1992)

As of January 2007, RTAs were concluded/under negotiation/agreed to start negotiation with 12 countries and 2 regions (ASEAN, GCC).

- Environmental Provisions were inserted in all the RTAs so far concluded (Singapore, Mexico and Malaysia).

- All of Japan's proposal to include environmental provisions were accepted with a minor amendment in investment chapters. (See next slide)

# Example of amendment

- Japan's basic position

Each Party recognizes that it is inappropriate to encourage investments by investors of the other Party by relaxing its environmental measures. To this effect each Party should not waive or otherwise derogate from such environmental measures as an encouragement for establishment, acquisition or expansion in its Area of investments by investors.

- Agreed wording

Each Party shall not encourage investments by investors of the other Party by relaxing its environmental measures.

## Japanese position on RTAs (3)

- Inclusion of environmental provisions is not the priority, however.
- Difference of nuance between MoE and other ministries.
- MoE must demonstrate that the inclusion of such provisions are beneficial for both parties.
- Just advocating a concept is not enough.
- Coming OECD publication and following workshops may play an important role.

# What Japan should do?

## My proposal

- To establish close communications and discussions among Ministries.
- To share common view of the advantages in including of environmental provisions.
- Continuity of Government officials and/or good use of experts.

- Advantages; Mutual interests

Environmental improvement through trade of environmental friendly goods, services & technologies.

Contribute to sustainable development of developing countries,

- a) through capacity buildings in general and technology transfer
- b) by promoting CDM projects through capacity buildings (Japan/Mexico, Japan/Malaysia).

# What Japan should do? Continued

## My proposal

- To inform partner countries of our past experience and let them enjoy late comer's advantages.

How we have suffered from air/water pollution? How we have concurred those situation without adversely affecting economic growth? etc. etc.

- To show mutual supportiveness of trade and environment (environment Kuznets curve)
- But be careful to avoid interference with other countries environmental jurisdiction.
- How about sponsoring coming workshop?

# Other Issues, Rise and fall of JWPTE

- Relationship between WTO and OECD

Discussions at OECD should not be strictly bound by WTO agenda. (Doha Ministerial Declaration, Nov. 2001)

- 1) Effect of environmental measures on market access
- 2) Trade-Related Aspects of Intellectual Property Rights
- 3) Environmental Labelling

Many delegates attend both WTO/CTE and JWPTE

- “RTA and environment” was one of breakthroughs at JWPTE agenda

# Rise and Fall at JWPTE

- Rise

Early 1990s, Discussions on PPM issues

Tuna/Dolphin case (1991)

Shrimp/Turtle case (1998)

(many Japanese Government officials attended)

- Fall

Doha Ministerial Declaration (2001)

(very few attendants from the Capital)

- Need to discuss on what will be next subjects.

# What should be the next subjects

## Climate Change and Trade

- Cost of Implementing Kyoto target is increasing and competitiveness issues invite keen concerns
- There is a consensus that substantial reduction of global GHG emissions is definitely necessary in a long run.
- Many countries have already introduced stringent policies and measures that may cause trade concern (example; Japanese top runner fuel efficiency approach).
- 1<sup>st</sup> generation bio-fuel trade may cause trade issues.

Climate Change will be a litmus test for JWPTE

**FORUM MOVERS AND SHAKERS**



**Angela Merkel**, German chancellor, will outline her goals as European Union

president, focusing on how to improve Europe's energy security, avert climate change and boost trade with the US, to the need for better international environmental, social and legal standards as a way for old industrial nations to maximise the benefits of globalisation



**John Lipsky**, deputy managing director of the IMF



**Robert Kimmitt**, US Deputy Treasury secretary



**Paul Wolfowitz**, World Bank president



**Sir Nicholas Stern**, author of the Stern Review on the economics of climate change

# Deals that matter are done off piste

F.T. Jan. 23 07

Climate change and international trade are the issues expected to attract the most attention during this year's talks. But any real breakthroughs are more likely to take place behind the scenes, writes Alan Beattie

It's claustrophobic and intense. The Indian presence invokes badly-concealed envy and fear. Reputations are made and broken, advertising deals won and lost. When it comes to reality shows, *Big Brother* has nothing on Davos.

Davos is rarely if ever the setting for a landmark breakthrough in business or politics, however. The open sessions and seminars on Olympian subjects such as 'A Developing World'



## Big re on the at ulti netwo occasi

By Andrew Edgecliffe-Johns

A year ago, Cynthia Car sat down next to a stranger sitting alone at a breakfast table in Davos and introduced herself. Nine months later, he appointed her chief executive of Anglo-American, the third largest mining company in the world.

The tale of the chance encounter between the American-born geologist and Sir Mark Moody-Stuart Anglo-American's chairman has helped burnish the World Economic Forum's reputation as an unique environment for network and deal-making.

The guest list alone is dream for the investment bankers and senior management consultants who flock to the event. It five days each January, Swiss mountain resort pl host to an unmatched concentration of corporate leaders.

Unlike some assemble power brokers from a sin industry, such as Allen & Co's Sun Valley retreat where the seeds of Walt Disney's acquisition of A were sown a decade ago, relatively few mergers or acquisitions can be traced directly back to plans hatched in the Hotel Belvedere.

Lakshmi Mittal flew by

## Some other issues

- Language barriers and our experience at the workshop in June 2007
- NGO consultation is a NGO Consultation of developed countries
- Japanese Government should propose Japanese language to be upgraded to official OECD language in view of our budget contribution and also in order that we can participate in OECD discussion more constructively and aggressively
- Japan should send messages globally in English  
(at least on Government's web-site)