



# GREEN economy

## Briefing Paper

## Trade

### Overview

Trade has the potential to drive a green economy by fostering the exchange of environmentally-friendly goods and services, increasing resource efficiency, generating economic opportunities and employment, and contributing to poverty eradication. If managed poorly, however, unrestrained trade can contribute to environmental degradation, unsustainable resource use, and increased wealth disparities, all of which hinder a green economy transition and sustainable development objectives.

The impact of trade on a green economy transition depends in large part on how trade policies are designed and applied and whether an adequate national institutional infrastructure exists to manage the impact of trade liberalization. Likewise, the impact of green economy policies on trade can vary considerably. In discussions leading up to the United Nations Conference on Sustainable Development (Rio+20), a number of countries have voiced concern that green economy policy measures might be used to restrict international trade. Again, how these measures are designed and applied is of critical importance.

This note provides an overview of the issues at the interface of trade and a green economy and suggests concrete actions that can be taken to ensure that opportunities for both trade and a green economy are maximized and risks mitigated.

### Trade opportunities in a green economy

Trade can be an overall driver of transitions to greener economies by helping to create and strengthen markets for sustainably produced goods and services. These transitions present numerous trade opportunities for developing countries in particular, and it is important to identify these opportunities, together with the policy reforms and instruments that can create and strengthen developing country capacity to benefit from the opportunities.

The following are some of the areas in which significant trade opportunities are likely to exist in a transition to a green economy:

**Agriculture.** For developing countries, important trade opportunities lie in the growth of the global market for sustainable agriculture as well as organic agriculture products (see Figure 1). Global trade in organic food, drinks, fibre and cosmetics is over USD 60 billion per year. Major (developed country) export markets for organic products are growing at rates of between 10 and 20 per cent per year. Whilst most of organic agriculture production takes place in developing countries, most of the consumption is in developed countries, creating significant growth opportunities for developing country exports.

**Biodiversity and business.** Biodiversity businesses include biodiversity friendly production of commodities (food, timber, fabrics) or the sustainable use of ecosystems (tourism,

*UNEP defines a **green economy** as one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities.*

extractives, cosmetics, pharmaceuticals). These businesses are being increasingly recognized as a means of providing incentives for the sustainable management of biodiversity, while simultaneously creating employment opportunities and livelihoods. The demand for many biodiversity-based products such as natural cosmetics, medicines, food and food ingredients has grown significantly and shows considerable potential for further growth. Consequently, profits from these developments can be significant: for example, the value of anti-cancer agents from marine organisms was estimated at up to USD 1 billion in 2006.

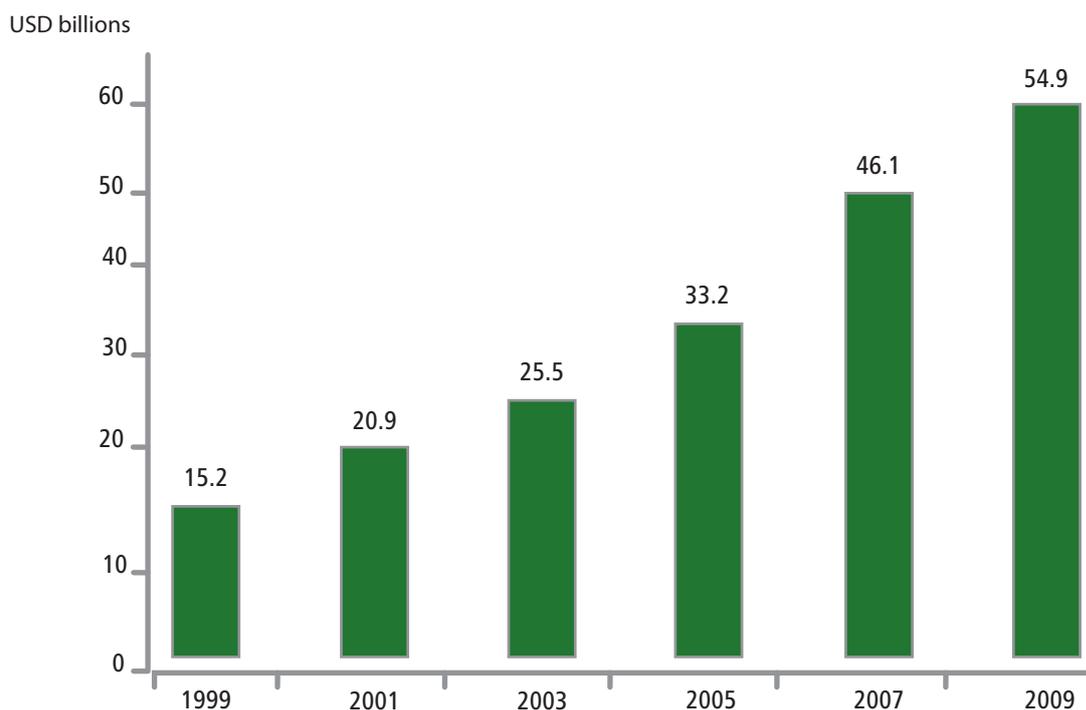
**Certified timber.** The expansion of the market for certified wood, driven mostly by demand in the United States and the European Union, creates export opportunities for many developing countries. Certification schemes for the forestry sector include the Forest Stewardship Council (FSC), the Programme for the Endorsement of

Forest Certification Scheme (PEFC), and the Rainforest Alliance. By May 2009, the global area of certified forest endorsed by FSC and PEFC amounted to 325.2 million hectares, approximately 8 per cent of global forest area.

### Trade-related challenges in a green economy

In the context of the Rio+20 preparations, much of the discussion on trade and green economy has focused on the risks and challenges associated with a transition to a green economy. The predominant concern is that the concept of a green economy, and international approval of it as an objective of national policy, might provide cover for unjustified protectionist measures or restrictions on international trade for a particular good or service if the good or service is not deemed "green". The concerns relate to a number of specific policy measures,

Figure 1. Global trade in organic food and drinks (1999-2009)



*UNEP launched its Green Economy Initiative in 2008, and is currently supporting over 20 countries around the world in their transition towards a green economy.*

such as standards, intellectual property rights or subsidies, which may be implemented to protect the environment and to stimulate markets in sustainable goods and services or innovation in environmentally friendly technologies, but which can also protect domestic industries from foreign competition. This can lead to concerns that the real objective of these measures may be trade protectionism.

Some countries are also concerned that international and bilateral efforts to support the transition to a green economy in developing countries could involve conditionalities on various forms of public financing and development aid.

These trade concerns are understandable and highlight the need for further efforts by governments and the international community to analyse the links between trade and green economy, ascertain the nature and magnitude of the risks, and act to ensure any identified risks are avoided or mitigated. The following section provides some suggestions on a way forward.

## The way forward

A number of actions at the international and national level can create the right conditions to harness trade opportunities in a green economy and mitigate potential risks.

**Conclude the WTO Doha Round.** An open, rules-based multilateral trading system is the best means of ensuring that measures taken to promote green economy objectives are not applied in a manner that unjustifiably restricts trade. Moreover, the successful conclusion of the ongoing World Trade Organization (WTO) Doha Round of negotiations offers a number of potential opportunities to support a green economy transition, including by agreeing on the reduction or elimination of harmful fisheries

subsidies, the reduction of tariff and non-tariff barriers on environmental goods and services, and the strengthening of the relationship between the WTO and multilateral environmental agreements.

**Harmonize environmental standards.** The current proliferation of standards can inflict high costs on businesses, particularly in developing countries, hindering access to lucrative markets in developed countries. There is a need for the international community to work towards harmonizing environmental standards, to the extent possible, across countries. In addition, the design of international standards and labels should involve both producers and consumers, and in particular producers from developing countries interested in accessing the markets where the standards or labels apply.

**Trade facilitation and capacity building.** The transition to a green economy will create a number of new trade opportunities, and in some cases, will also create trade challenges. Increased support for trade capacity building and facilitation will be critical for ensuring developing countries are able to seize new export opportunities provided by a green economy transition. One of the most effective means of achieving this is by strengthening domestic institutions and regulations that govern and manage trade liberalization processes.

## What UNEP is doing

UNEP actively contributes to the international dialogue and analysis on the relationship between trade and green economy. UNEP also provides related support at the national and regional levels to build capacity to identify trade opportunities in a green economy.

Some examples of UNEP's recent activities on trade and green economy are:

*The Green Economy Report, published by UNEP in 2011, makes a compelling economic and social case for investing two per cent of global GDP in greening 10 central sectors of the economy.*

- Joint report by UNEP, the United Nations Conference on Trade and Development (UNCTAD) and the UN Department of Economic and Social Affairs on the benefits, challenges and risks of a green economy transition for developing countries, including trade issues.  
(<http://www.uncsd2012.org/rio20/greeneconomy.html>)
- Joint side events organized by UNEP and the International Centre for Trade and Sustainable Development at the Rio+20 Regional Preparatory Meetings, providing a platform for stakeholders to engage in an open dialogue on trade and green economy related issues in a regional context with a view to contributing to the Rio+20 discussions.
- Biotrade capacity building project by UNEP and UNCTAD to strengthen trade in biodiversity based products in three pilot countries – Namibia, Nepal and Peru.
- Participation in the Steering Committee of the United Nations Forum on Sustainability Standards, which is a newly established platform that seeks to facilitate the effective and active participation by developing countries in the dialogue on voluntary sustainability standards.
- Going forward, UNEP plans to provide national-level trade and green economy advisory services to assist developing countries maximize benefits from trade opportunities in a green economy. This work, which will involve a broad range of stakeholders, will help identify trade opportunities, and minimize any negative impacts.

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