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Regional Trade Agreements
and the Environment:
Monitoring Implementation
and Assessing Impacts:
Report on the OECD
Workshop

Clive George

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Abstract

REGIONAL TRADE AGREEMENTS AND THE ENVIRONMENT: MONITORING IMPLEMENTATION AND ASSESSING IMPACTS

REPORT ON THE OECD WORKSHOP

by

Clive George, University of Manchester, United Kingdom

How are environmental provisions incorporated in regional trade agreements (RTAs)? What are the environmental impacts of RTAs? How can RTAs contribute to green growth? These questions were discussed at the fourth OECD Workshop on Regional Trade Agreements and the Environment, held by the OECD Joint Working Party on Trade and Environment (JWPTE) in Paris on 1-2 June 2010. Participants included JWPTE delegates and other representatives from OECD members and other countries, and representatives from intergovernmental organisations, non-governmental organisations and academia.

Participants discussed characteristics of RTAs, free trade agreements and other trade arrangements, including co-operation activities and capacity building, public participation, consultation mechanisms and dispute settlement. The workshop also reviewed experiences in assessing the environmental impacts of such agreements, looking at *ex ante* as well as *ex post* evaluations.

This document presents the main outcomes of the workshop.

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Keywords: Regional trade agreements, free trade agreements, environmental provisions, trade and environment, trade policy.

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Report on the OECD Workshop Regional Trade Agreement and the Environment: Monitoring Implementation and Assessing Impacts

1. Background

Since 2007, the OECD Joint Working Party on Trade and Environment (JWPTE) has been analysing the way in which the increasing number of bilateral and regional trade agreements (RTAs) deal with environmental issues (OECD 2007, 2008a, 2008b). The JWPTE regularly provides updates on environmental provisions in RTAs (OECD 2008c, 2009 and 2010). It also organises regional workshops where experts from both OECD and non-OECD countries can discuss their experiences with the negotiation and implementation of environmental provisions in trade agreements (OECD, 2008d and 2008e).

RTAs constitute a dynamic, fast-moving field.¹ As more agreements are being signed, experience in implementing provisions on environment in RTAs is receiving increasing attention. Further work in this area has been identified by the group as a particularly timely topic and a workshop on "Regional Trade Agreements and the Environment: Monitoring Implementation and Assessing Impacts" was organised in June 2010 (Annex I). This report reviews the main outcomes of this workshop.

The 2010 Workshop was the fourth in a series organised by the JWPTE for the purpose of monitoring trends in RTAs and the environment, and promoting policy dialogue on issues of mutual interest. It followed a first workshop held in Paris in 2006, and regional workshops in Tokyo in 2007 and in Santiago in 2008. The Workshop took place over one and a half days on 1-2 June 2010, at OECD Headquarters in Paris.

The Workshop was attended by JWPTE representatives from OECD countries, and was also open to the countries in the process of accession to the OECD, the countries with which the OECD has committed to enhanced engagement (China, India, Indonesia, South Africa), and regular observers to the JWPTE (Brazil, and Hong Kong China). The audience also included other representatives from OECD and non-OECD countries, intergovernmental organisations, non-governmental organisations and academia.

^{1.} For the purposes of this report, the term RTA includes bilateral and regional trade agreements, free-trade agreements (FTAs), economic partnerships and other arrangements aiming at trade liberalisation between the Parties. Environmental concerns might be addressed through the provisions of the agreement itself or through complementary side agreements.

Three documents provided background material for the Workshop:

- a checklist for negotiators of environmental provisions in RTAs (OECD, 2008b);
- an overview of recent developments in RTAs with environmental provisions (OECD, 2010);
- a work-in-progress document setting out a framework for evaluating the implementation of environmental provisions in RTAs.

2. **Purpose of the Workshop**

In view of the increasing number of agreements and the growing body of experience with their implementation, a review of experience and a discussion on best practices was identified as a particularly timely topic for the Workshop.

The Workshop aimed to encourage substantive information exchange, dialogue and collective learning. It focused on three key areas:

- Issues relating to the implementation of RTAs with environmental provisions.
 - What are the main approaches used to incorporate environmental provisions in RTAs?
 - What are the main lessons learned?
 - What are some of the characteristics of agreements to be examined (e.g. cooperation activities and capacity building, public participation and transparency, institutional arrangements, consultation mechanisms and dispute-settlement)?
- Experiences in assessing the environmental impacts of such agreements.
 - What is the state of play with respect to ex-ante and ex-post evaluations of RTAs?
 - What are the effects of these RTAs in terms of environmental impacts?
- Contributing to global trade and environment objectives through RTAs.
 - How can RTAs contribute to a better environment for the future and to green growth?

The agenda of the Workshop is provided in Annex 1.

3. Opening session

The Workshop was opened with introductory remarks from the co-chairs of the JWPTE and from a representative of the OECD Secretariat.

The number of RTAs has been steadily increasing since the Uruguay Round of multilateral trade negotiations in the World Trade Organisation (WTO) was completed in 1994. As of February 2010, some 462 RTAs had been notified to the WTO, of which 271 were in force.² It was estimated that about 40-50% of world goods trade is now covered by RTAs.

Several possible explanations for the proliferation of RTAs were suggested. First, the smaller number of partners included in an RTA makes it easier to achieve consensus than in the WTO. Second, new trade-related disciplines such as environment, labour, competition or e-commerce can be introduced more readily. Third, regulatory coordination is easier. Finally, for RTAs that are formed within geographical regions, proximity is an important factor.

While it was noted that RTAs can be both building blocks and stumbling blocks towards multilateral trade liberalisation through the WTO, it was recognised that they present significant opportunities for innovation with respect to "environmental content".

Session 1. Implementing RTAs with environmental considerations: experiences and lessons learned

Session 1.1 Incorporating environmental considerations in RTAs: development and implementation

The discussion was preceded by presentations from individuals in their personal capacity from New Zealand, Chile and the European Commission. It was argued that multilateral solutions are the best option where practicable, particularly for some environmental issues such as fisheries subsidies. However, RTAs offer several advantages. The political economy issues are simpler than in the WTO, and the level of interest expressed by the public and by environmental NGOs is often higher. RTAs have also been able to include a number of innovative elements, such as on environmental cooperation, which help to build confidence for multilateral action on trade and environment. However, the diversion of human resources into numerous RTAs can be a significant problem.

The environmental provisions in regional agreements vary in both form and substance. In some trade agreements (particularly early ones) the environment is covered only in the preamble. In some cases the environmental provisions take the form of a separate side agreement, with or without an overall framework agreement, while in others an environmental chapter is included in the trade agreement. In some recent EU agreements environmental and social issues are combined in a separate sustainable-development chapter. Some trade agreements include specific environmental provisions in relevant sections of the main text. Variations in substance include whether or not dispute settlement is included, the level of emphasis on environmental co-operation and

^{2.} These numbers present a somewhat inflated picture, since goods and services RTAs are notified to the WTO separately even when they are covered by the same agreement.

consultation mechanisms, and the extent to which explicit linkages are made between trade and environment.

The extent to which trade and environment chapters and provisions are legally binding proved subject to various interpretations, with some participants arguing that this depended essentially on whether such chapters and provisions were subject to dispute settlement and others saying that that was not the decisive factor. In any case, participants were not aware of any cases where dispute settlement had yet been invoked. However, the inclusion of specific commitments was considered to be an important factor in the effectiveness of an agreement. In most cases the provisions need domestic measures to support them.

The variations in form and substance are partly determined by the political mandates of the negotiating parties. US trade agreements are required by Congress to include commitments on the implementation of Multilateral Environmental Agreements (MEAs) and the enforcement of environmental legislation, subject to the same dispute-settlement procedures and sanctions as the commercial provisions. In other countries, such as New Zealand, the environment provisions contained in RTAs are given treaty status and treated accordingly for ratification and implementation purposes. Having a legally binding treaty-status outcome can be an important factor in raising finance for environmental co-operation programmes.

It was argued that the inclusion of environmental provisions within the main text of the trade agreement (be it in specific trade and environment chapters or mainstreamed in other chapters) has become increasingly important, since many sectors can have highly specific environmental implications (such as sanitary and phyto-sanitary measures, technical barriers to trade, intellectual property rights, government procurement, investment, energy, and market access for environmental goods and services). By contrast, the practical aspects of environmental co-operation may be handled more readily in a separate chapter or parallel agreement.

The proactive engagement of stakeholders was considered to be critical in the development of effective programmes for environmental co-operation, covering NGOs, the private sector (on issues such as Corporate Social Responsibility and Environmental Management Systems), and all relevant government departments (to promote policy coherence). The incorporation of strong institutional mechanisms was considered to be a key factor, particularly in allowing work programmes to adapt organically to evolving needs. Existing institutional structures should be used where practicable.

Not all environmental provisions in trade agreements and their side agreements pick up on specific trade and environment linkages, but instead promote stronger environmental conservation or co-operation measures in more general terms. In doing so they have taken advantage of the high priority attached to trade agreements by both governments and civil society to achieve environmental benefits that might not otherwise have been possible. Nonetheless, participants also identified many instances where trade agreements explicitly addressed beneficial or adverse environmental effects resulting from trade liberalisation. As well as trade in environmental goods and services (EGS) such effects include for instance the carbon emissions embedded in industrial and agricultural products, effects on biodiversity, energy efficiency, renewable energy, transboundary impacts and impacts from the extraction of minerals and other natural resources.

Explicit links to such effects have been made in the co-operation programmes associated with some trade agreements, for instance in strengthening environmental legislation and technical assistance for particular exported products and co-operative management of traded natural resources. Environmental authorities generally favour removing barriers to trade in important EGS, but may also promote the use of barriers to limit exports of goods whose production has significant adverse environmental effects.

There was general agreement that one size does not necessarily fit all. Although certain universal principles have been established and a number of core elements can be identified, each party brings its own approach and priorities to the negotiating table.

Session 1.2. Promoting environmental co-operation activities and capacity building

The discussion was preceded by presentations from individuals in their personal capacity from Peru, New Zealand, China, Morocco and the United States. There was considerable commonality among the approaches that had been used, and many lessons had been learned from the experience that had been accumulated.

In most cases, environmental co-operation mechanisms are negotiated in concert with the environmental provisions of an RTA. Successful enforcement of an RTA can boost confidence in the co-operation mechanism and vice versa. Co-operation within a bilateral agreement is often easier, but plurilateral co-operation can sometimes be more effective. To achieve co-operation objectives funding can be an important element, in which case the signing of a formal co-operation agreement may be necessary.

A key principle identified was that co-operation should give a mutual benefit to each of the parties in terms of its own national interest. National interest does not exclude the global interest, but is of prime importance in successful co-operation. Some agreements focus on priority issues as identified by a partner country, while others have a stronger focus on environmental issues that are directly trade-related.

Creating appropriate institutional mechanisms was generally regarded as important, with a clear definition of priorities. Typically this involves appointing national contact points and establishing regular meetings of the parties, generally yearly, with frequent additional informal contact. Some agreements have created Environmental Co-operation Commissions to oversee the whole process, or Joint Forums involving a wide range of stakeholders from both NGOs and the private sector, or both. Communication with stakeholders is an essential component and may include regular public meetings, open calls for inputs or both.

Detailed development and implementation of co-operation activities is typically done through working groups, meeting regularly, with sufficient capacity to adapt to changing circumstances. The development of work programmes, country plans and other action plans needs to reflect national priorities, and be based on research and analysis of programmes that are already in place. Proposals for individual co-operation projects may then be put forward for funding, typically with capacity building as one of the main aims.

It was also argued that the institutional framework should include some form of monitoring and follow-up, with the provision of the necessary resources. This may, for example, include surveillance of the implementation of co-operation projects, performance monitoring and evaluation for individual projects or the entire program, and overall review or assessment by or on behalf of the joint supervisory body.

Among many lessons that have been learned with respect to this type of environmental co-operation, it was seen as important to establish effective engagement with stakeholders in the public and private sectors, and to maintain a good and fluid coordination between sectors. Co-ordination between trade ministries and environment ministries is particularly crucial. It was reported that in some of the countries in which the inclusion of environmental provisions is new this has yet to be achieved, with the result that trade officials and environment officials have had little interaction even in the negotiation of environmental side agreements. It was suggested that in cases where environmental objectives and trade objectives may conflict with each other, co-ordination needs to be raised to the highest levels of government.

Another key lesson is that programmes need sufficient flexibility to adapt to changing circumstances, often through a process of learning-by-doing. Political commitment is essential, and generally entails having a strategic focus and familiarity with the cultural and governance context.

A common problem identified was having sufficient resources to deal with the cooperation aspects of an increasing number of RTAs. Experience has shown that efficiency gains can be made by focusing on targeted priorities and tapping into the resources of other stakeholders.

Many positive outcomes were identified, particularly in relation to strengthening institutional and human capacity for environmental conservation. The US-Morocco agreement was cited as an example of where co-operation established through the environmental chapter had made an important contribution to developing new legal standards, guidance documentation, technical assistance and training programmes, with a clear focus on the potential impact of the trade agreement (e.g. increased exports in the textile sector). Evidence was cited of significant subsequent improvements in the environmental performance of several companies within the sector.

In general, it is harder to substantiate the ultimate outcome for environmental quality, since causal links are complex, and the attribution of observed effects to a wide variety of potential causes may not be practicable. Some countries are involved in even more environmental co-operation agreements than trade agreements, creating difficulties in identifying the specific outcomes of each. For China it was reported that most of the significant outcomes for the environment have come from non-RTA co-operation mechanisms, particularly for technology transfer. However, the inclusion of environmental provisions in China's RTAs is still fairly new.

Most of the beneficial outcomes identified relate to the strengthening of relevant institutional frameworks and processes. Benefits that were reported included improved mechanisms for transparency and public participation, initiatives on cleaner production and sustainable agriculture, exchange of experience between countries, improved coordination between national sectors, between the public and private sectors and between environment and trade authorities, and additional support for national sustainabledevelopment initiatives.

Co-ordination with other co-operation programmes and aid programmes is essential for avoiding duplication of effort and ensuring added value. This typically involves drawing a clear distinction between co-operation and aid, close collaboration with other agencies and donors active in the country, and extensive sharing of information. There needs to be a focus on agreed themes and priorities, with the emphasis on trade and environment where practicable. In cases where there is a common interest, a co-operation programme may be able to draw on existing budgets and make use of other agencies' resources. Further added value can be achieved through co-ordination with regional organisations and linking to existing regional initiatives.

Session 1.3. Mechanisms to monitor the implementation of RTAs: public engagement, dispute settlement and other arrangements

The discussion was preceded by presentations from the CAFTA-DR Secretariat for Environmental Matters, the Organisation of American States and individuals in their personal capacity from the United States and the European Commission.

The CAFTA-DR agreement between Central America, the Dominican Republic and the United States uses similar mechanisms to Article 14 and 15 of the North American Agreement on Environmental Cooperation (NAAEC) for submissions on enforcement matters from members of the public. The Chile-Canada trade agreement includes a similar mechanism. Some Trade and Sustainable Development Chapters in recent EU agreements foresee the establishment of a joint civil society forum, along with a domestic Consultative Committee to promote dialogue with civil society organisations and a joint Trade and Sustainable Development Board composed of senior officials of the parties to the Agreement. The OAS has undertaken overall evaluations of CAFTA-DR with the involvement of key stakeholders.

As with the NAAEC, information on CAFTA-DR submissions can be made publicly available, with the aim of raising awareness of citizens' rights and obligations. An outreach programme was launched in March 2009, aiming to engage key citizen groups including indigenous peoples. While only 3 submissions were received up to 2009, a further eight have been received since the outreach programme began. A range of stakeholders has made submissions, including NGOs, property owners and individual citizens. Submissions have raised issues on the enforcement of environmental laws covering areas such as minerals extraction, property development and species conservation. One of these was withdrawn following the response of the country's Environment Minister. To date only one has proceeded to the stage of full investigation and the preparation of a factual record for submission to the joint Environmental Affairs Council.

Both the NAAEC ³ and CAFTA-DR include a dispute-settlement mechanism. This begins with consultation, and if this fails to resolve the issue the formal dispute-settlement procedure of the trade agreement is invoked. Members of the dispute-settlement panel are drawn from an environmental roster of individuals with appropriate expertise.

The EU's new generation of RTAs aim to combine social and environmental issues in a sustainable-development chapter, although in some cases (e.g. the Agreements between the EU and CARIFORUM countries) separate environmental and social chapters have been agreed. The EU wants such chapters to reaffirm the commitment by parties to give effective implementation to relevant international conventions. It also aims at including specific commitments to enforce domestic legislation and not lower the level of protection for competitive purposes. The environmental, social and sustainable-development provisions may be excluded from the agreement's formal dispute settlement procedures or from some of its provisions. However, submissions may be made by any of

^{3.} See Part 5 Articles 22-36.

the parties to the agreement, and are referred initially to consultation. If need be an expert panel may be established (from an agreed list of individuals) to give advice on the matter.

No environment-related cases have yet been referred to formal dispute-settlement mechanisms, but their mere existence was considered to give additional weight to the commitments made under the agreements and help ensure that trade officials take environmental provisions seriously.

The reviews of CAFTA-DR undertaken by the OAS aim to monitor the impact of the Agreement on the achievement of long-term goals. These include compliance with the obligations of the environment chapter of the agreement, improved environmental protection and conservation, transparency and public participation in decision-making, and improved compliance with environmental legislation. The first evaluation was completed in October 2009, covering institutional strengthening, biodiversity and conservation, market-based conservation and private-sector environmental performance. Field visits, interviews and surveys were conducted with the participation of key stakeholders, including indigenous peoples. A second evaluation is due for completion in November 2010, using a set of indicators and a performance measurement framework for giving quantitative results.

During the discussion it was noted that provisions on domestic environmental legislation may have asymmetrical effects when one or more of the parties is a federal state or community of member states (as the EU), and others are unitary states. In one case the agreement may apply only to federal or community law, while in others it would apply to all environmental legislation. It has been proposed, for example, that provisions in the trade agreement under negotiation between Canada and the EU should apply to provincial as well as national Canadian environmental law. The issue was considered to be fairly unimportant for the United States and the EU, where federal or Community law sets binding standards for individual States or Member States.

Session 2. Assessing the environmental impacts of RTAs: experience, trends and challenges

Session 2.1 Experience with ex ante impact assessments and lessons learned

The discussion was preceded by presentations from individuals in their personal capacity from the European Commission, Canada and the UN Economic Commission for Latin America and the Caribbean (ECLAC).

The United States, Canada and the EU all undertake ex-ante impact assessments of the RTAs in which they are involved, and ECLAC has undertaken numerous ex-ante impact studies of RTAs in support of the Chilean and other Latin American governments. The US and Canadian studies are led by trade negotiators, while the EU studies are commissioned from external consultants. The focus of the US and Canadian assessments is primarily on environmental impacts in the home country, whereas the EU's sustainability impact assessments examine environmental, social and economic impacts also in all the partner countries. The ECLAC studies have examined the economic, environmental and social impacts in Chile. It was reported that a similar approach may be adopted in China, through a planned extension of environmental impact assessment legislation to the policy level, including trade policy.

All of the studies involve a high degree of transparency and extensive stakeholder consultation, including government officials, civil society groups and academic and professional institutes. The EU studies consult stakeholders in partner countries as well as domestically. All use a combination of qualitative and quantitative analysis to give an indication of the significance of potential impacts, and to identify options for mitigation and enhancement.

Five types of trade-related effects are generally considered: scale effects relate to changes in the amount of economic activity; structural effects relate to changes in the patterns of activity; product effects relate to changes in the availability and flow of products; technology effects relate to changes in the availability and flow of technology; regulatory effects relate to legal and policy effects of the agreements. Most of the studies consider impacts in the short, medium and long term, taking into account the dynamic nature of economic, environmental and social processes.

The EU has introduced two main changes to its studies in the light of experience. First, the time taken to complete the studies has been reduced, so that results are available at an earlier stage in the negotiations. Second, the consultation procedure has been extended, in particular to strengthen consultation in partner countries.

The findings of the ECLAC studies, in common with many of the others, have generally indicated that short- to medium-term effects on economic welfare are fairly small, while composition effects on economic structure can be big. Environmental impacts associated with scale effects tend to be negative, those due to structural and compositional effects are ambiguous, and those associated with technical effects are usually positive. For some types of impact, the effect of tariff reductions is less significant than those associated with changes in regulations affecting services, investment and other trade-related measures.

It was pointed out in the discussion that some of the most significant impacts come in the longer term through dynamic effects, with an RTA forming a step in the transformation of a country's economy. These effects are not well handled by economic models, and are generally assessed qualitatively. It was also noted that economic modelling cannot readily include the informal sector, which is large in many of the countries studied. Changes in trade flows and associated economic gains generally occur in the formal sector, while a large proportion of employment is in the informal sector. Associated changes in land use can have significant impacts on both social and environmental issues. These effects also tend to be assessed qualitatively.

While all of these impact assessments examine domestic environmental impacts, not all have assessed transboundary and global impacts such as greenhouse-gas emissions and biodiversity. Where they have done, they have often identified relatively small incremental impacts without assessing cumulative effects. This was seen as a weakness in many other environmental impact assessments as well as those of RTAs.

Evidence on the extent to which the findings of *ex ante* assessments has been incorporated into the negotiation of trade agreements is largely anecdotal; clear and convincing examples appear to be scarce. It was noted in the discussion that the responses of the European Commission services to the impact studies have generally stated that the mitigating or enhancing actions recommended by the studies were already being taken. However, these responses may present a limited account of the actual process of negotiating a trade agreement and its associated environmental co-operation measures. In some cases, such as with the US-Morocco trade agreement, co-operation has been specifically targeted at mitigating particular potential impacts of the agreement.

There has been very little experience with ensuring that impacts identified through ex ante impact assessments will be monitored over time, i.e. once FTA have entered into force. The Canadian system includes a follow-up and monitoring phase, with provisions for review of any mitigation and enhancement actions during implementation of the agreement. However, no experience with such reviews has yet been accumulated. Some of the EU assessments have included proposals for similar monitoring mechanisms, but these too have yet to be applied. However, an expost impact assessment of the European Union-Chile agreement is now planned, which is expected to serve a similar purpose. The new generation of EU FTAs include a general commitment to assess the impacts of the agreements particularly on social and environmental issues.

Session 2.2. Reviewing and expost assessments: experience and lessons learned

The discussion was preceded by presentations on reviews of NAFTA-NAAEC ex post assessments (USEPA and USTR) of the US-Jordan, US-Singapore, US-Chile and US-Morocco trade agreements (GAO), and of the Environmental Co-operation Agreement of the Trans-Pacific Strategic Economic Partnership or P4 Agreement (New Zealand).

The assessments of NAFTA organised by the Commission for Environmental Cooperation (CEC) under the NAAEC are the only systematic ex post assessments of the impacts of trade agreements that have been undertaken to date. An ex-post assessment of the EU-Chile agreement has recently been initiated, and is expected to provide welcome extra documentation of experience. The NAFTA assessments draw mainly on the academic community through research papers and symposia, occurring throughout the life of the agreement. A recent change to CEC embraces a strategic plan for new priorities such as the green economy, and other new cooperative initiatives. A ten-year review of the implementation and effectiveness of the NAAEC has been undertaken by an independent committee appointed by the Council of the CEC (the Ten-Year Review and Assessment Committee, TRAC). Its key messages were that the CEC has played an important role through which the three parties have benefited significantly, but with a need for greater engagement of ministries, the private sector and other stakeholders.

The US Government Accountability Office (GAO) is an autonomous body supporting Congress in helping to improve the performance of government and assure its accountability. Trade is one of six major topics handled by its international team, which was asked by the US government to undertake a review that focused on four RTAs: US-Jordan (in effect since 2001); US-Chile (2004); US-Singapore (2004); and US-Morocco (2006). The review examined the economic benefit and the environmental and labour commitments, in relation to the environmental provisions in the trade agreements, their co-operative side agreements and associated action or work plans.

A review of the first three years of operation of the Trans-Pacific Strategic Economic Partnership Agreement (TPSEP) has been undertaken by a joint working group of the parties, as mandated under Article 4 of the agreement. A joint report based on selfassessment and agreed by all parties was submitted to the TPSEP Commission in March 2010, covering the objectives of the agreement, commitments, co-operation activities, institutional arrangements, consultation and information disclosure.

The main findings of the NAFTA review were evidence of convergence of environmental standards, and that the trade agreement had not produced a "race to the bottom" as had been forecast by some commentators. It was not possible to compare outcomes with any formal predictions, as no ex ante assessment had been done. The GAO review found several examples of planned actions being implemented. Jordan had established a Ministry of Environment, Chile had created the new position of Minister of Environment, Singapore had amended its National Endangered Species Act, and Morocco had created a new Framework Law on Environmental Protection. Both Jordan and Chile had implemented many of the planned activities, although in Chile the impact was limited by lack of funds. Very few of the activities planned in Singapore and Morocco had been implemented, because of limited assistance and funds.

The review of the TPSEP found good progress toward meeting the objectives, with no reported instances of non-compliance with commitments (although no monitoring had taken place). Several bilateral and a few plurilateral co-operation programmes had been established with successful outcomes. Institutional arrangements had been put in place that exceeded requirements, with the creation of a Secretariat and the establishment of a website. No requests for information disclosure had been received, and there had been no cause to invoke the consultation provisions. The review was accepted by the TPSEP Commission as satisfying the provisions of the co-operation agreement, and provided a useful and transparent basis for reporting to third parties. It was, however, seen as a first attempt with potential for improvement.

Several issues were highlighted by these reviews. The review of NAFTA *ex post* impact assessments showed how hard it is to attribute observed effects to a trade agreement or any other specific cause. The GAO review identified several challenges in implementation and in the enforcement of environmental laws, with limited or unknown impact for some of the activities, largely due to limited resources and funding for activities. The main exception was where funds had already been committed. Lack of funding was also an issue in monitoring and oversight, along with the absence of *ex ante* assessment and a lack of any internationally recognised baseline for assessment. The TPSEP review suffered from lack of Terms of Reference and limited resources, did not explore stakeholder views, and did not address policy relevance or generate strategic guidance for the parties.

It was suggested that independent review might be more objective than self-reporting, with different perspectives generating new ideas, and that evaluation might give more useful information than review. Several participants commented on the difficulty of undertaking reviews or evaluations with existing resources, and expressed the need for a special fund. A more formal, systematic approach may be needed.

Session 2.3. Assessing the impacts of environmental provisions in RTAs and lessons learned

The discussion was preceded by presentations from the Sustainable Chile Program giving an NGO perspective, from the Philippines on the Japan-Philippines Economic Partnership Agreement (JPEPA), and from Canada on reviews of the North American and Canada-Chile Agreements on Environmental Co-operation (NAAEC and CCAEC). The first of these was particularly welcomed by several participants. It was suggested that more contributions from NGOs, the private sector and other civil society representatives should be invited in the future.

The presentation from the Sustainable Chile Program made many critical observations about the environmental provisions of RTAs and associated co-operation agreements. These are often very general, with no clear relationship with the trade and investment provisions, and no real co-ordination of policies and institutions. Specific environmental provisions are not linked to the implementation of the trade-and-investment provisions, and are not based on ex-ante assessments of projected impacts. No

specific environmental actions are defined for the different components of the RTA, which presents an increasing challenge, since many RTAs now cover services, investment and other trade-related issues as well as trade in goods. Environmental co-operation agreements generally do not include specific action plans with concrete funds, and no concrete funds are provided for public-sector capacity building, for NGO involvement or for the provision of public information. Monitoring and reporting procedures are often weak, with little or no public involvement.

It was also argued that the recognition of governments' autonomy to set their own environmental and labour standards entails a compromise with requirements to enforce and strengthen those standards. It was suggested that governments often maintain discretion in the application and enforcement of national and international environmental and labour standards in key export industries, particularly when aiming to attract foreign investment. Critical environmental and social issues associated with these industries are often not exposed. Several examples were cited of transnational corporations exerting pressure to prevent stronger implementation of standards. In summary, it was argued that the current situation is one of learning and confidence-building, from which it is now necessary to move on. In particular it was argued that that voluntary compromises need to be replaced by obligatory rules. Clear links are needed between specific trade-andinvestment provisions of an RTA and corresponding environmental and labour provisions. Key issues for which links need to be established include carbon emissions, energy and water efficiency, and certification standards for sustainable management of natural resources.

During the discussion it was noted that pressure from civil society had been instrumental in creating strong environmental law in the United States and other OECD countries, and that their engagement could have important long term effects in other countries.

In the presentation on JPEPA, it was suggested that the agreement is arguably the Philippines' most important bilateral economic agreement in many years. It is expected to deliver significant benefits to exporters and to the economy as a whole. The principal environmental issue raised by stakeholders related to trade in hazardous waste. The Philippines has ratified the Basel Convention, and hazardous-waste imports are prohibited under Philippine law. Nonetheless, the presence of these materials in the Harmonised System of classification used in JPEPA raised concerns that the agreement might force imports to be accepted. Clarification of the actual terms of the agreement failed to allay these fears. The issue was finally resolved by assurances from the Japanese Prime Minister that trade in hazardous waste was prohibited under Japanese as well as Philippine law, and that no such trade would take place.

The four-year and ten-year reviews of NAAEC provided an assessment of implementation of the agreement, and of the impacts of the various programs of the CEC.⁴ The First Review presented a review of the co-operative activities and citizen submission processes in the first seven years of implementation up to 2004, while the Second Review presented a discussion of the lessons learned from implementation from 2004-09.

From these reviews, it was concluded that it is possible to conduct a meaningful results-oriented co-operative program on a modest budget by leveraging contributions

^{4.} See CEC(1998 and 2004).

from technical experts and NGOs and by identifying strategic synergies with other international fora. However, it is increasingly important to establish consistent reporting tools and procedures. Measuring results and tracking progress requires streamlining consultations and project management tools, particularly when a country is implementing many environmental agreements at once. Flexibility and creativity are necessary to adapt to changing public interest as the RTA and political contexts change, so as to maintain public participation on key issues. A flexible, phased approach to the work program with multiple-phase initiatives can be beneficial in the long term, with systematic monitoring systems to ensure accountability.

Session 3. RTAs and the environment: looking forward

The discussion was preceded by presentations from Malaysia, the International Centre for Trade and Sustainable Development (ICTSD), Peru, Australia and the Sustainable Chile Program. It focused on six main issues: the effectiveness of RTAs in reducing suspicion of trade and environment commitments; the potential for trade and environment to progress through RTAs and back into the WTO negotiations; the scope for liberalising trade in environmental goods and services in RTAs; the role of regional organisations in a broader trade-and-environment agenda; the contribution of RTAs to ensuring the mutual supportiveness of the trade regime and MEAs; and the contribution of RTAs to green growth.

It was felt that RTAs had been fairly effective in building confidence in trade and environment-related commitments. They have enhanced co-operation in environmental matters of shared interest, acted as a driver for reforms, and created obligations for both co-operation and stronger environmental legislation. However, the size and economic weight of the country wishing to include environmental considerations in the agreement has a significant influence on outcomes.

It was also felt that RTAs offer a way forward on trade and the environment, but not necessarily in a way that can move back into the WTO negotiations. The smaller number of parties in RTAs allows achievements that are more difficult in the multilateral arena. It was suggested that a parallel process may be appropriate, with the WTO addressing big issues such as subsidies, and RTAs taking more practical action. However, small countries struggle to cope with all the different negotiations and standards at the WTO, regional and local levels.

The scope for liberalising environmental goods and services in RTAs was felt to be fairly strong, although clear definitions are needed. Regional organisations such as APEC may be able to contribute to this by developing common criteria for classification. Regional organisations may also be able to contribute to improving the efficiency of negotiating multiple parallel agreements, for example through sharing of resources with a focus on targeted priorities.

Ensuring the mutual supportiveness of the trade regime with MEAs was seen as a major challenge that has not yet been faced, neither in the WTO nor in RTAs. The trade-and-environment agenda has helped to focus attention on sustainable development, but has made little progress in integrating economic and environmental considerations. It was suggested that the fundamental purpose of trade and environment provisions needs to be revisited. For example, one of the aims might be to ensure that any increases in carbon emissions as a result of the trade agreement are offset in a way so as to make the net effect carbon neutral.

It was generally felt that a great deal more could be done to ensure that RTAs contribute to green growth, although some participants suggested that different terminology should be used. Conservation and sustainable growth might be a better description, or green development rather than green growth. Liberalisation of trade in environmental goods and services was seen as making a useful contribution, mainly by stretching environmental conservation and protection budgets further. However, the lack of a clear relationship between trade provisions and environmental provisions was seen as a severe constraint on other potential contributions. It was suggested that sustainabledevelopment priorities should have a direct influence on trade policy, for example on issues such as biodiversity conservation. The relationship between intellectual property rights and technology transfer was seen as another key issue in this respect.

4. **Concluding discussion**

Members of the JWPTE welcomed the workshop as having offered a unique opportunity to share experience and ideas and to stimulate new thinking. It had been particularly helpful to hear from civil society representatives. It was suggested that more such representatives should be invited to future meetings, from the business sector as well as NGOs. The promotion of public participation and transparency was identified as a key aspect of the contribution being made in the development and implementation of tradeand-environment provisions.

A great variety of experience and approaches had been discussed, of which much is still at an early stage. It was widely agreed that "one size does not fit all" in the development of environmental provisions in RTAs but that certain principles have been established. Most agreements include a broad spectrum of provisions between firm commitments and co-operative mechanisms. RTAs are broad, complex agreements covering many different aspects of trade and investment, and it is critical to take this into account in the development and implementation of environmental provisions and in exante and ex-post impact assessments. Further discussion of ex-post assessment and sustainability impact assessment would be welcomed in future meetings, particularly in relation to how their outcomes are used. It was stressed that many components of the negotiation agenda have positive as well as negative environmental consequences, both of which need to be more fully understood.

One of the issues that was only briefly touched on in the meeting that warranted further discussion was whether the disappointment that the WTO had not concluded the Doha Round of multilateral trade negotiations has driven countries to seek bilateral and regional arrangements, including in the context of RTAs. Another such issue was the potential place in RTAs of certification systems for the sustainable use of natural resources. Most importantly, the discussion of how the trade and environment component can contribute to "green growth" did not go as far as it needs to. It was suggested that future meetings should address this in a more focused way, including discussion of the extent to which the current model needs to re-packaged or a new model needs to be developed. The JWPTE could be very important forum for such debates.

The Workshop addressed many of the components of the framework for evaluating the implementation of environmental provisions in RTAs developed under the guidance of the JWPTE. The checklist for review of implementation provisions included in the framework is summarised in Table 1, along with reference to the workshop sessions in which issues related to the evaluation questions were discussed.

Table 1. Checklist for review of implementation provisions

Table 1. Checklist for review of implementation provisio	113
1 Co-operation activities	Workshop discussion
Co-operation between Parties to the RTA	
Does the agreement specify the organisations or entities responsible for implementing programs of co-operation?	Session 1.2. Identified as a key factor
Is funding available for private co-operative activities including those involving the Civil Society Organisations?	Session 1.2. Identified as a key factor
How is information about co-operative activities and funding for co-operation disseminated to the public?	Session 1.2. Identified as a key factor
Co-operation in the MEAs	
Have the parties collaborated in the MEAs since reaching agreement and were the subjects of MEA collaboration related to the content of the agreement?	Session 2.3.
Did this collaboration mark a new level of joint activity or were the parties already collaborating closely in MEAs before the entry into force of the agreement?	Session 2.3.
2 Provision of facilities and funds for capacity-building	
Does the agreement provide for funded co-operation on implementation and/or capacity building? Are the terms and volumes of funding specified in the agreement?	Session 1.2. Identified as a key factor
What is the term of the funding commitments?	Session 1.2.
Have specific funding commitments been met?	Session 2.3
How are the funding commitments monitored?	Session 2.3
Are funded programs subject to public assessment or assessment by a joint institution of the agreement?	Session 2.3. Identified as a key factor
3 Creation of public access to implementation	
Are the parties obliged to issue public reports on the implementation of the environmental provisions of the agreement? Are these reports subject to public response? Are the parties obliged to publish responses to submissions?	Sessions 1.3, 2.3. Identified as a key factor
Are the parties to the agreement required to seek or consider submissions from their own citizens or firms, or from the citizens or firms of other parties concerning the agreement?	Sessions 1.3, 2.3.
4 Monitoring systems and dispute settlement procedures	
If the agreement provides for joint institutions to resolve disputes such as panels or standing rosters of experts, have these been established? How many disputes have been notified to, resolved by, the joint institutions of the agreement?	Sessions 2.2, 2.3.
Do private individuals or firms have access to the domestic institutions or regulatory agencies of the parties to seek remedies in accordance with their domestic laws or in accordance with obligations under the agreement?	Session 1.3, 2.3.
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5 Monitoring and assessment	
Does the agreement provide for specific provisions relating to the ex-post monitoring environmental impacts? Are there some areas excluded from review?	Session 2.2.
Have any <i>ex post</i> assessments analysing the actual effects of the agreement been carried out? What are the main issues raised and how might these processes be improved?	Session 2.2.
6 Environmental laws and standards	
How is the compliance of Parties with their own laws to be monitored? Who would be responsible for it?	Session 2.2.
Is there a list of exceptions or non-compliant laws, regulations or government agencies exempted from the relevant provision of the agreement?	
Is there a public submission procedure on compliance?	Session 1.3
Have any claims of non-compliance been made? How were they dealt with?	Session 1.3
Commitment to raise environmental standards	
Does the agreement provide for Parties to report on improvements in environmental standards?	Sessions 2.2, 2.3
Have there been any reports on improvements in environmental standards?23	Sessions 2.2, 2.3
Harmonisation of standards	
Does the agreement provide for joint action to enhance environmental standards or regulations?	Session 1.1.
Have there been any joint actions?	Sessions 2.2, 2.3.
Do the provisions for harmonisation concern objective standards and outcomes? Are they related to procedures?	
Are the provisions for harmonisation specific and obligatory or are they a general aspiration of the parties?	Session 2.3.
7 Promotion of voluntary and private action	
Does the agreement encourage voluntary or private action to enhance environmental standards or regulations? Does the agreement provide funding or specific support for such actions?	Session 2.3.
Who is responsible for monitoring voluntary action? How many actions have the Parties reported? What is their scope?	
Do voluntary actions include the creation of environmental product or process standards?	
8 Promoting the development of environment-friendly technologies	
Does the RTA include reference to environmentally-friendly technologies?	Session 3.
Does the RTA promote trade in environmental technologies, renewable- and energy-efficient goods and services?	Session 3.
Does the RTA stipulate exchange of information on policies, laws, regulations, and technology related to the implementation of sustainable development?	Session 3.

Annex 1.

Workshop Agenda

	DRAFT AGENDA	
DAY 1 – Tuesday 1 June 2010, starting at 2:00 pm		
13:45 – 14:00	Welcome Coffee	
14:00 pm	OPENING SESSION	
	Introduction	
	 Julius LANGENDORFF (European Commission, DG Environment, Belgium) and Vangelis VITALIS (Ministry of Foreign Affairs and Trade, New Zealand) - Co-chairs of the OECD Joint Working Party on Trade and Environment 	
	Dale ANDREW (OECD Trade and Agriculture Directorate, France)	
SESSION 1: IMPLE	EMENTING RTAS WITH ENVIRONMENTAL CONSIDERATIONS: EXPERIENCES AND LESSONS LEARNED	
14:15 – 15:30	Session 1.1: Incorporating environmental considerations in RTAs: Developments and implementation aspects	
	Chaired by Joe FERRANTE (US Environmental Protection Agency)	
	Countries have chosen different approaches to incorporating environmental provisions in RTAs. While environmental issues are sometimes addressed in side-agreements (some of which are treaty-status, while others are 'arrangements' and not of treaty-status), there is a growing trend to include environmental provisions in RTAs (in a range of chapters) and to include specific chapters on trade and environment in the agreements. This introductory session will examine the evolution of environmental provisions in RTAs. Selected countries will be invited to present their experiences of addressing environmental concerns in RTAs and to discuss the recent trends.	
	Questions for discussion in this session could include:	
	What are the main approaches and broad differences in the scope and ambition of environmental commitments negotiated to date?	
	What is the experience of negotiating different types of trade and environment-focused outcomes?	
	Is the form of the agreement important when it comes to implementation?	
	- Where are the trends and possible impacts in terms of implementation of trade and environment-related outcomes?	
	Speakers:	
	Vangelis VITALIS (Ministry of Foreign Affairs and Trade, New Zealand)	
	Edda ROSSI (Ministry of Foreign Affairs, Chile)	
	Luis PORTERO SANCHEZ (European Commission, DG Trade, Belgium)	

15:30 - 17:00 Session 1.2: Promoting environmental co-operation activities and capacity building Chaired by Nicole DISPA (Ministry of the Economy, Industry and Employment, France) Most recent RTAs dealing with environmental issues also contain provisions on environmental co-operation and capacity building; but technical assistance and funding are often provided through a separate instrument (e.g. a co-operation agreement). Participants will discuss the different approaches which have been used for co-operation and capacity building in RTAs. Questions for discussion in this session could include: What are the different approaches used to promote co-operation and capacity building? What is the experience of applying such approaches? What are the lessons learnt? What has been the outcome of RTAs in terms of cooperation including on technology transfer? How might one best co-ordinate these processes, including to avoid duplication of efforts with domestic development-focused agencies and other international donors? Speakers: Ernesto GUEVARA (Ministry of Foreign Trade and Tourism, Peru) Brett LONGLEY (Ministry for the Environment, New Zealand) Tao HU (Ministry of Environmental Protection, China) Bouzekri RAZI (Environment Department - SEEE, Morocco) Robert WING (Department of State, United States)

Coffee break

17:00 - 17:15

17:15 - 18:15

Session 1.3: Mechanisms to monitor the implementation of RTAs: Public engagement, dispute settlement and other arrangements

Chaired by Edda ROSSI (General Directorate for International Economic Relations, Chile)

This session will examine some of the main monitoring mechanisms and institutional arrangements established by countries to facilitate the implementation of RTAs and how they have evolved over time. The role of public engagement will be examined and the variety of mechanisms used by countries to seek public input on environmental issues in the context of regional trade agreements.

Different approaches to ensure compliance will also be examined and the role of dispute settlement and enforcement mechanisms will be discussed. Some countries, such as the United States, use binding dispute settlement processes, while others have a range of options from binding treaty status outcomes with prescriptive consultative mechanisms (e.g. New Zealand-China, New Zealand-Philippines, P4 partners) to non-binding arrangements (e.g. New Zealand-Thailand).

A range of approaches have been used for institutional arrangements on trade and environment related outcomes in RTAs. Participants will consider the range of approaches being adopted (i.e. from formal Committees, through to contact points) and discuss their utility going forward.

Questions for discussion in this session could include:

- What are the main approaches applied for public engagement and what lessons have been learned in using them both in the negotiation and implementation of RTAs?
- To what extent have stakeholders been involved in co-operation activities and how useful has this been, both to the partner Governments, and to the relevant stakeholders? What have been the key priorities of stakeholders?
- What are the main types of formal dispute settlement mechanisms and what value do such mechanisms have?
- What alternatives to formal dispute settlement are being used in the context of RTAs?
- What are the key requirements in terms of institutional arrangements and what kinds of issues have arisen in the implementation of such institutional arrangements?
- In countries' experience, which institutional arrangements and associated mechanisms work best?

Speakers:

- Jorge Mauricio GUZMAN (CAFTA-DR Secretariat for Environmental Matters, Guatemala)
- European Commission
- Oscar CEVILLE (Organization of American States, U.S.)
- David BROOKS (Office of the US Trade Representative, USTR)

18:15 - 19:30

Reception

	DAY 2 – Wednesday 2 June 2010		
ESSION 2: ASSESSING THE ENVIRONMENTAL IMPACTS OF REGIONAL TRADE AGREEMENTS: EXPERIENCE, TRENDS AND CHALLENGES			
9:15 – 9:30	Welcome coffee		
9:30 – 10:30	Session 2.1: Experience with ex-ante impact assessments and lessons learned		
	Chaired by Julius LANGENDORFF (European Commission, DG Environment, Belgium)		
	Ex-ante assessment of the environmental effects of RTAs often contributes to the preparation of an agreement. The EU's Sustainability Impact Assessments provides an example, as well as ex-ante assessments mandated in New Zealand, Canada and the United States. Other governments, such as Chile, Columbia and Peru, have also participated in extensive assessments in their RTA negotiations.		
	Questions for discussion in this session could include:		
	 What is the state of play of ex-ante evaluations of environmental impacts of RTAs? What are the main methods used and recent approaches for strengthening environmental assessments? 		
	 What experience do we have so far in terms of carrying out ex-ante evaluations and their effects? Are there some areas excluded from review? Why? 		
	- How were findings from such assessments incorporated into the negotiation of agreements? If not why not?		
	- How can monitoring processes be built in? What are the main issues raised and possible improvements?		
	<u>Speakers:</u>		
	Delphine SALLARD (European Commission, Belgium)		
	Jean BOUTET (Environment Canada, Canada)		
	Carlos de MIGUEL (ECLAC, UN Regional Commission, Chile)		
10:30 – 10:45	Coffee break		
10:45 – 12:15	Session 2.2: Reviewing ex-post assessments and lessons learned		
	Chaired by Mitsutsune YAMAGUSHI (University of Tokyo, Japan)		
	Ex-post assessments analysing the actual effects of an agreement are still rare. The review of the North American Agreement on Environmental Cooperation (NAAEC) is one of the first few comprehensive ex-post assessments of environmental provisions associated with an RTA on public record. The review of the CAFTA-DR agreement is another example. However, it is interesting to note that there are a number of very recent initiatives such as the 2009 review of four free-trade agreements by the U.S. Government Accountability Office (GAO) and the report on the Environmental Cooperation Agreement (ECA) of the Trans-Pacific Strategic Economic Partnership Agreement (P4).		
	Questions for discussion in this session could include:		
	– What experience do we have in terms of carrying out ex-post evaluations? What are the main findings and implications?		
	- Who uses these findings and how can we ensure that these are policy-relevant?		
	- What are the main issues raised and how might these processes be improved?		
	Speakers:		
	Joe FERRANTE (U.S. Environmental Protection Agency) and David BROOKS (Office of the US)		

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	Trade Representative – USTR) - Ex post evaluation of the NAAEC by the Commission for Environmental Cooperation Secretariat (CEC)
	 Francisco M. ENRIQUEZ (U.S. Government Accountability Office - GAO) – Review of the effect of 4 FTAs: Jordan, Singapore, Chile and Morocco
	Brett LONGLEY (Ministry for the Environment, New Zealand) - Report on the Environmental Cooperation Agreement of the Trans-Pacific P4
12:15 – 14:15	Lunch break
14:15 – 15:45	Session 2.3: Assessing the impacts of environmental provisions in RTAs and lessons learned
14.10 - 10.40	Chaired by Robert WING (Department of State, United States)
	RTAs can include specific environmental provisions such as clauses which seek to ensure that there is no weakening of domestic environmental legislation for a trade or investment advantage, or conversely that environmental standards should not be used as a market access barrier. Some RTAs also incorporate commitments related to the effective implementation of Multilateral Environmental Agreements (MEAs). In addition, sometimes provisions refer to specific environmental issues, such as biodiversity and illegal trade, climate change and energy efficiency or waste and recyclable materials. The key question is whether these provisions have led to positive environmental outcomes or not. Questions for discussion in this session could include:
	- How are specific environmental provisions implemented?
	 How are particular environmental issues being dealt with in the context of RTAs? How do countries look to address not only trade and environment-related issues, but also investment and environment issues
	- What can be learned from implementation?
	Speakers:
	Sarah LARRAÍN RUIZ-TAGLE (Sustainable Chile Program, Chile)
	Samuel R. PENAFIEL (Department of Environment and Natural Resources, Philippines)
	Brett LONGLEY (Ministry for the Environment, New Zealand)
15:45 – 16:00	Coffee break

SESSION 3: RTAs AND THE ENVIRONMENT: LOOKING FORWARD		
16:00 – 17:30	RTAs and the Environment: addressing trade and environmental objectives in the future and contributing to green growth?	
	Chaired by Vangelis VITALIS (Ministry of Foreign Affairs and Trade, New Zealand)	
	This session will look at how RTAs might usefully contribute to addressing trade and environment objectives in the future and to green growth. It will also provide an opportunity to discuss how RTAs can support and complement multilateral efforts in the areas of trade and the environment.	
	Delegates will be invited to take part in a roundtable discussion and may wish to consider the following issues:	
	How effective are RTAs in building confidence and reducing suspicion of trade and environment-related commitments?	
	Do RTAs offer a way forward on trade and environment that will eventually find its way back into the WTO negotiations?	
	- Is there scope to liberalise environmental goods and services in RTAs?	
	- What role can regional organisations, like APEC, play in building confidence in a broader trade and environment agenda?	
	- How can RTAs ensure the mutual supportiveness of the trade and environment regimes vis-à-vis MEAs?	
	- What more can be done to make sure that RTAs contribute to green growth?	
	Panellists (including):	
	Azimuddin BIN BAHARI (Malaysia)	
	El Hadji DIOUF (ICTSD)	
	Ernesto GUEVARA (Ministry of Foreign Trade and Tourism, Peru)	
	Peter KOMOCKI (Australia)	
	Sarah LARRAÍN RUIZ-TAGLE (Sustainable Chile Program, Chile)	
17:30 – 17:45	Concluding session	
	Concluding remarks and end of workshop.	

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