



Committee on Trade and Environment

REPORT OF THE MEETING HELD ON 23 JUNE 2021

NOTE BY THE SECRETARIAT¹

The Committee on Trade and Environment (CTE Regular) met on 23 June 2021, chaired by H.E. Mr Manuel A.J. Teehankee (The Philippines). The Committee adopted the Airgram, WTO/AIR/CTE/15, dated 4 June 2021. The Report of the last CTE meeting, held on 30 March 2021, is contained in WT/CTE/M/71.

Contents

1 ADOPTION OF THE AGENDA4
2 ENVIRONMENTAL MEASURES AND MARKET ACCESS, PARAGRAPH 32(I) OF THE DOHA MINISTERIAL DECLARATION – ITEM 6 OF THE CTE WORK PROGRAMME.....4
2.1 Sustainable development and food production.....4
2.2 Circular economy and plastics6
2.2.1 Briefing by Barbados and Ecuador on the Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade (IDP).....6
2.2.2 Briefing by Canada on developments on trade and circular economy 11
2.2.3 Presentation by the WTO Secretariat on the WTO e-Learning course on Trade and Circular Economy 12
2.3 Sustainable fisheries 13
2.4 Fossil Fuel Subsidy Reform (FFSR) 14
2.5 EU Green Deal 16
3 RELEVANT PROVISIONS OF THE TRIPS AGREEMENT, PARAGRAPH 32(II) OF THE DOHA MINISTERIAL DECLARATION – ITEM 8 OF THE CTE WORK PROGRAMME21
4 TECHNICAL ASSISTANCE AND CAPACITY BUILDING, PARAGRAPH 33 OF THE DOHA MINISTERIAL DECLARATION23
4.1 Update on seminars and webinars 23
4.1.1 Report from Barbados on an event entitled "COVID-19 and Green Economic Recovery: What Role for Sustainable Tourism?" 23
5 MULTILATERAL ENVIRONMENTAL AGREEMENTS (MEAS), ITEMS 1 AND 5 OF THE CTE WORK PROGRAMME24
5.1 The United Nations Framework Convention on Climate Change (UNFCCC) 24
5.1.1 Update from the United Kingdom on COP 26, including on the Forest, Agriculture and Commodity Trade (FACT) Dialogue..... 24

¹ This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights and obligations under the WTO.

5.1.2 Update from New Zealand on the Agreement on Climate Change, Trade and Sustainability (ACCTS).....	26
6 MEMBERS' SUGGESTIONS AND PROPOSALS	26
6.1 Update on Trade and Environmental Sustainability Structured Discussions (TESSD)	26
7 RELATIONS WITH INTERGOVERNMENTAL AND NON-GOVERNMENTAL ORGANIZATIONS, ITEM 10.....	29
7.1 Briefing by New Zealand on trade and environment initiatives by APEC	29
7.2 Briefings by other Observer Organizations	30
7.2.1 Briefing by the World Bank	30
7.2.2 Briefing by the United Nations Industrial Development Organization (UNIDO)	32
8 CTE CHAIR'S BRIEFING ON INFORMAL CONSULTATIONS.....	33
ANNEX 1: ITEMS OF THE CTE WORK PROGRAMME (1994).....	35
ANNEX 2: DOHA MINISTERIAL DECLARATION PARAGRAPHS	36

ACRONYMS

ACCTS	Agreement on Climate Change, Trade and Sustainability
APEC	Asia-Pacific Economic Cooperation
Basel Convention	Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal
BCA	Border Carbon Adjustments
BRS Conventions	Basel, Rotterdam and Stockholm Conventions
CAS	Southern Agricultural Council (<i>Consejo Agropecuario del Sur</i>)
CBAM	Carbon Border Adjustment Mechanism
CBD	Convention on Biological Diversity
CCAP	Climate Change Action Plan
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COP	Conference of the Parties
CPC	Central Product Classification
CTE	Committee on Trade and Environment
EGS	Environmental goods and services
ESTs	Environmentally sound technologies
EU	European Union
FACT	Forest, Agriculture and Commodity Trade dialogue
FFS	Fossil Fuel Subsidies
FFSR	Fossil Fuel Subsidy Reform
GHGs	Greenhouse Gases
GPAP	Global Plastic Action Partnership
HS	Harmonized System
IDP	Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade
IISD	International Institute for Sustainable Development
ITC	International Trade Centre
IUU	Illegal, unreported and unregulated
LDCs	Least developed countries
MC	Ministerial Conference
MEAs	Multilateral Environmental Agreements
MSMEs	Micro, Small and Medium-sized Enterprises
NDC	Nationally Determined Contribution
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
SIDS	Small Island Developing States
TPR	Trade Policy Review
TESSD	Structured Discussions on Trade and Environmental Sustainability
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UK	United Kingdom
UN	United Nations
UNEA	United Nations Environment Assembly
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
UNWTO	World Tourism Organization
WEF	World Economic Forum
WCEF	World Circular Economy Forum
WIPO	World Intellectual Property Organization

1 ADOPTION OF THE AGENDA

1.1. The representative of Canada highlighted the importance of the CTE to provide transparency and understanding of issues at the nexus of trade and the environment. The active participation of Members was crucial to maximizing the effectiveness of Committee meetings. He noted his delegation's regret for the late circulation of the meeting's agenda, giving delegations only four working days to prepare. This short turn-around time negatively impacted Canada's ability to prepare high-quality instructions which, in turn, had a negative effect on how his delegation interacted in this Committee. Going forward, Canada hoped that agendas for future CTE meetings would be circulated no less than 10 working days before meetings. Canada was grateful for the agenda change to give the floor to member-led initiatives before Observer updates.

1.2. The representative of the European Union supported adopting the agenda as proposed. Her delegation expressed regret about the late circulation of the agenda. The Rules of Procedures stated that the "Meetings of the Committee shall be convened by a notice, issued not later than 10 calendar days before the date set for the meeting". The late circulation of the agenda left insufficient time to review it and to carry out internal consultations. It was important to respect the rules and to give all Members the necessary time to prepare.

1.3. The Chair invited newly appointed DDG Jean-Marie Paugam and former Chair of the CTE for some remarks.

1.4. DDG Jean-Marie Paugam said that the issues discussed at the CTE were outstandingly important for the Organization; not only civil society but also businesses looked at what the WTO might produce or discuss in terms of sustainability in international trade. He encouraged Members to intensify these discussions with the view of tangible progress on the road to MC12.

2 ENVIRONMENTAL MEASURES AND MARKET ACCESS, PARAGRAPH 32(I) OF THE DOHA MINISTERIAL DECLARATION – ITEM 6 OF THE CTE WORK PROGRAMME

"The effect of environmental measures on market access, especially in relation to developing countries, in particular the least-developed among them, and those situations in which the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development".

2.1 Sustainable development and food production

2.1. The representative of Paraguay, on behalf of Argentina, Brazil, Chile, Paraguay, and Uruguay, introduced the submission "Principles and Values of the Region for Food Production in the Framework of Sustainable Development at the XLII Regular Meeting of the Southern Agricultural Council (CAS)"², adopted jointly by the Ministers of Agriculture at the XLII Ordinary Meeting of the Agricultural Council of the South, held on 4 May 2021.

2.2. This declaration reflected some of the challenges faced in international negotiations related to sustainable development, including the shared values of Ministers of Agriculture in the region. The Ministers had called on the international community to agree on mechanisms and global values dealing with food security, sustainable development, common but differentiated responsibility, local communities, gender and indigenous communities, international cooperation and trade. Food production systems were particularly vulnerable to the adverse effects of climate change. Efforts for climate adaptation were vital to improve the resilience of food production systems and global food security. Producing more food, sustainably, in line with the Sustainable Development Goals (SDGs) and guaranteeing access to it was required.

2.3. All countries needed to cooperate to preserve the environment, bearing in mind the historical responsibilities and the local needs for economic and social development. As the United Nations Framework Convention on Climate Change (UNFCCC) recognized, both historically and currently, most of the world's greenhouse gas (GHGs) emissions had originated in developed countries. Countries with historical responsibility for environmental degradation should provide the appropriate economic and technological tools to allow developing countries to improve the sustainability of their

² See document [WT/CTE/GEN/24](#).

production systems. A transition towards sustainability in productive systems needed to be gradual and determined by the countries themselves according to their economic and social development needs. Local realities in different regions and their specific productive, social and environmental characteristics had to be respected. Latin America and the Caribbean were major providers of global ecosystem services, with more than half of the world's primary forests and biodiversity.

2.4. The international community needed to have an in-depth discussion to urgently put in place efficient systems to quantify and capitalize global positive externalities resulting from the ecosystemic services created in agricultural or agroforestry systems. International cooperation was key for sharing experiences, transferring knowledge and technology, and creating positive synergies for climate action and environmental sustainability.

2.5. Agriculture had to be part of the solution. It was vital to have a fair, transparent and predictable international trading system. Production and trade-distorting subsidies, para-tariff barriers, had a negative impact on consumers and producers. Proponents called on WTO Members to limit and reduce by at least half, by 2030, the total current global agriculture trade- and production-distorting domestic support entitlements. This was part of the multilateral system's response to environmental and sustainable development challenges. The contributions by individual WTO Members for these reductions needed to be proportional to their current entitlements and the potential repercussions on global markets considering the development needs of the different Members. Open trade played a fundamental role in ensuring and strengthening global food security and compliance with the SDGs. Proponents insisted on the need to move forward decisively with the WTO agricultural reform process.

2.6. The representative of Brazil said that CAS's latest declaration introduced by Paraguay illustrated Brazil's efforts to ensure that the policies and practices of other Members did not undermine the right and ability to foster agribusiness with social and environmental responsibility. Brazil was attentive to domestic support policies and tariff and non-tariff trade-distorting practices that undermined export capacity or threatened the use of agricultural techniques and technologies. His delegation also paid attention to narratives seeking to link sustainability to an exclusive form of production, ignoring the challenges of tropical agriculture and the plurality of existing solutions to agribusiness problems around the world. Brazil's commitment to sustainable development was reflected in the Low-Carbon Agriculture Plan (ABC+) and in its commitment to food security, which sought to contribute to the production of safe and healthy food in sufficient volume and at affordable prices in order to feed current and future generations in Brazil and across the world.

2.7. The representative of Uruguay noted that the declaration reflected principles and values widely recognized at the international level, including the SDGs, the principle of common but differentiated responsibilities, just transition and respect for local diversities, payments for ecosystem services, gender and indigenous communities, international cooperation and international trade. The declaration was extremely important, especially in the context of the pandemic. It also reflected regional principles and values whose operationalization would be important for the future and the sustainability of the environment. There was no single development model with an inclusive vision of the sustainability of production systems with solutions that were adapted to local realities and needs and based on solid scientific principles. In this context, it was vital to have a fairer, more transparent and predictable international trading system. This would play a very important role in supporting global food security and meeting the SDGs.

2.8. The representative of Chile noted that sustainability was a key element in the agricultural sector, which was particularly important for Chile. Further work advancing food security and food safety was needed. The declaration supported that message and agreed that the WTO had a role to play in this area. Her delegation called on Members to join that effort. Clear and predictable trade rules that supported the efforts to achieve sustainable development were needed.

2.9. The representative of the Russian Federation noted that the declaration raised important issues related to international trade, the preservation of the environment, sustainable development, agriculture, and food security. It was necessary to promote international cooperation aimed at solving the problems of climate change and promoting sustainable development of the agricultural sector while considering the interests of all WTO Members. It was important to look at the issue of reducing trade-distorting domestic support in agriculture, which could not only address the problem of market distortions but also avoid subsidization that could negatively affect both trade and the environment. It was also important to look closely at subsidies aimed at enhancing the sustainability

of the agricultural sector and reducing its negative impact on the environment. His delegation stood ready for further engagement on these issues with interested delegations.

2.10. The representative of the United Kingdom (UK) said that supporting the sustainability of agricultural production and commodity supply chains was a priority for the United Kingdom and its consumers. The United Kingdom was engaged in several programmes both domestically and internationally to aid a global transition towards using sustainable commodities. The global community needed to ensure a just and fair transition. Efforts to promote sustainable supply chains needed to take full account of the interests of small and vulnerable producers, including women and indigenous farmers. The Forest, Agriculture and Commodities Trade Dialogue, part of the United Kingdom's COP26 presidency work, was an example of how producing and consuming countries could work together. His delegation looked forward to working with the authors of the paper to further explore how the WTO could help nations towards sustainable supply chains.

2.11. The representative of Argentina joined previous speakers and highlighted the importance of promoting sustainable development, food production and food security. Progress towards a fairer and more predictable international trading system was required.

2.12. The representative of the United States said that the role of international trade could not be overlooked as the global community worked to address climate change and transition to net-zero-emission economies by 2050. Agriculture, fisheries, aquaculture and sustainable forestry were critical to achieving net-zero ambitions. His delegation supported consideration of the nexus between trade and agricultural sustainability. It was important to ensure that policies taken to address food security and promote sustainability were mutually supportive. Thus, the United States welcomed exploring the nexus between these issues and that of international trade and welcomed the proponents' efforts in this regard.

2.2 Circular economy and plastics

2.2.1 Briefing by Barbados and Ecuador on the Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade (IDP)

2.13. The Ambassadors of Barbados and Ecuador reported on the third meeting of the Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade (IDP), held on 21 June 2021 and co-chaired by Barbados and Ecuador. The goal of the IDP, launched during the CTE's Trade and Environment Week in November 2020, was to provide a dedicated platform where Members could explore – through the exchange of ideas, information, and insights – how the WTO could contribute to domestic, regional, and global efforts to tackle plastics pollution and transition to a more circular and sustainable plastics trade.

2.14. The IDP's third meeting focused on the topics of policy coherence, capacity and technical assistance needs, and collective approaches. The meeting marked an important milestone for the IDP as it provided an opportunity to hear delegations, international institutions, and other invited stakeholders on their efforts regarding the three remaining topics suggested in the IDP initial communication. Currently, together with similar discussions in the CTE, there had been substantive interventions from more than 50 Members and 20 relevant stakeholders on the different aspects of the plastics' life cycle and global value chain. The wealth of information exchanged had provided a view of where trade intersected with the plastics pollution challenge, where there could be opportunities to promote environmentally sustainable plastics trade, as well as insights on what further work could be done to identify the value that the WTO could add to ongoing and future domestic, regional, and international efforts on the topic.

2.15. As several Ambassadors and delegations had noted at the meeting, 2021 was a pivotal year as it related to climate, biodiversity, and sustainable development action. Several opportunities for meaningful reform and action would take place this year, including the UNFCCC COP26, COP15 of the Convention on Biological Diversity (CBD); and the upcoming Fifteenth Session of the United Nations Conference on Trade and Development (UNCTAD 15), and the UN Environment Assembly (UNEA) in 2022. It also included the twelfth WTO Ministerial Conference (MC12), and many delegations had noted the importance of the work under the IDP to lead to a meaningful outcome by the end of the year. As the WTO Trade and Environment Division Director, Mr Aik Hoe Lim, had noted in his remarks, discussions among delegations and stakeholders on trade-related aspects of

the plastic pollution challenge had more than quadrupled since last November when the Informal Dialogue was launched. This indicated the value of the initiative.

2.16. During the IDP's third meeting, delegations were briefed on key efforts relating to the three topics of focus. First, in collaboration with Fiji, Dr Sascha Fuller and Dr Trisia Farrelly had presented a recent study entitled "Plastic pollution prevention in Pacific Island Countries: Gap analysis of current legislation, policies and plans".³ Due to the transboundary flows of plastics and their limited capacity and economic clout, island nations would require significant support of the international community to close the gap in the necessary policy framework. The researchers had also noted the importance of global efforts to support regional action.

2.17. Next, the European Union had presented its experience with the transition to a Circular Plastics Sector. It included a host of holistic policies and specific measures, including the 2019 plastics strategy, the single-use plastics and waste directives, the 2020 Circular Economy Action Plan, as well as other measures in discussion such as definitions on plastics biodegradability. These measures operated in different stages and aspects of the plastic pollution challenge and sought to achieve varying but complementary objectives such as informing consumers about plastics content in products, absolute and relative plastic recycling targets, and avoiding the export of waste that caused negative environmental and health impacts, while enhancing the EU market for secondary raw materials. The European Union had noted that it was strongly committed to a global agreement on plastics, as plastics had to be addressed globally.

2.18. On collective approaches, Ms Ingeborg Mork-Knutsen, Senior Adviser at the Ministry of Climate and Environment of Norway had presented a recent study examining the role of regional instruments in strengthening cooperation in marine plastic pollution. It included the analysis of regional seas conventions and action plans, large marine ecosystem activities, regional economic organizations and regional fisheries bodies, and a case study on the Mediterranean. The study found that there was a substantial role at the regional level in combatting marine plastic litter although there was great variation in the level of implementation measures across different regions. Ms Mork-Knutsen had also invited participants to examine the Nordic report containing possible elements for a new global agreement to prevent plastic pollution.

2.19. Next, Mr Clem Ugorji and Ms Colette van der Ven had presented their study under the World Economic Forum's (WEF) Global Plastic Action Partnership (GPAP) entitled "Trade and Plastics pollution work in Ghana". The study was the result of an on-the-ground GPAP project looking at the challenges and opportunities of using trade and trade policy as enablers for a more circular and sustainable plastic economy in Ghana. The researchers had presented a series of trade-related recommendations that supported Ghana's efforts, including enhancing control and implementation of the Basel Convention Plastic Waste Amendment, identifying and facilitating safe trade in relevant upstream and downstream inputs, attracting key investment and services through proactive services negotiations, and developing export markets. They had also included specific bilateral and regional trade instruments that could be explored.

2.20. Finally, Ms Kristin Olofsson had presented the International Organization for Standardization's (ISO) work on plastics-related standards in support of greater policy coherence and efficiency. She had noted the various working groups focusing on different standardization aspects of plastics circularity, including biodegradability, bio-based plastic alternatives, microplastic leakage into the environment, and mechanical and chemical recycling. She had noted that the topic was high on the agenda of many countries and stakeholders and that multi-stakeholder efforts, such as the Circular Plastics Alliance, were driving the necessary standardization on the topic.

2.21. Cabo Verde and the Central African Republic were welcomed as co-sponsors of the Dialogue. During the open discussion at the IDP's third meeting, delegations had underscored the importance of addressing plastics at the national, regional, and international level. They had mentioned that many Members were adopting measures regarding the production, logistics, and handling of plastics, which had an impact on the plastics trade. Given different national experiences, delegations had stressed the importance of sharing good practices and finding ways to improve coherence between these measures.

³ <https://reports.eia-international.org/wp-content/uploads/sites/6/2020/09/Plastic-Prevention-Gap-Analysis-2020.pdf>.

2.22. On the issue of cooperation and policy coherence, delegations had indicated that there was a large gap in international cooperation and trade-related aspects. Several delegations had reiterated the importance of the Basel Convention as the only international convention explicitly addressing trade in plastics and plastic waste. They had noted that many countries would need technical assistance and support to implement the 2019 amendment. Delegations had underscored that technical assistance, capacity building, technology sharing, and innovation had to be a key part of future discussions, especially for Least Developed Countries (LDCs) and Small Island Developing States (SIDS).

2.23. Several delegations had stressed the specific needs of developing countries and LDCs and had stated that the IDP could help identify solutions to address the issue of plastics in these countries. Several delegations had pointed to the need for collective and coordinated approaches to address plastics and avoid duplication of efforts. Delegations had underscored the important role of the WTO in exchanging good practices and promoting the coordination of national and regional efforts.

2.24. Several delegations had pointed out the efforts to reach a global agreement on plastics, an issue to be addressed in the framework of the UNEA sessions in February 2022. They had highlighted the quality and relevance of the information shared within the IDP's framework, and how trade and trade policy needed to reinforce and complement the potential outcomes of the two processes. Some delegations had noted that the IDP was part of broader discussions on environmental sustainability at the WTO. They had underscored the importance of ensuring synergies and coherence amongst these discussions, including with the Trade and Environmental Sustainability Structured Discussions (TESSD).

2.25. Relevant institutions had also been invited to the meeting. They had provided valuable information and perspectives on the IDP's work, including UNCTAD, the Basel Convention, the United Nations Environment Programme (UNEP), the Latin American Integration Association, the Center for International Environmental Law (CIEL), the International Institute for Sustainable Development (IISD), the Forum on Trade, Environment and the SDGs (TESS) and the Ellen MacArthur Foundation. In particular, Ms Leticia Carvalho, Head of UNEP's Marine Water and Fresh Water Division, had briefed delegations on UNEA's discussions on marine litter and plastic pollution and had highlighted the importance of the IDP's discussions and actions in the WTO as a support to the outcomes of UNEA 2022.

2.26. The IDP website contained all the contributions of the multiple actors who had participated in this discussion. The work carried out by the WTO in this area could contribute to positive synergies of ongoing international processes, such as those in the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention) and UNEA. In addition, various delegations had indicated that there were enough elements to focus on a possible ministerial declaration at the next MC12. Some delegations had already put forward specific ideas about outputs, including elements for a post-MC12 work programme. These elements included specific action points under the six topics discussed in the IDP. He urged all interested delegations to join the IDP to move towards discussions focused on the outcome at MC12.

2.27. It was clear that the work undertaken by WTO Members could be a positive factor that contributed to the solution for global issues in which trade played a fundamental role. It was also clear that there were key business opportunities and areas where WTO Members could make a significant contribution. Australia would be chairing the next IDP meeting, which would focus on achieving an outcome looking towards MC12.

2.28. The representative of the United Kingdom (UK) said that the United Kingdom had attended and welcomed the discussion. Plastics pollution was a transboundary issue that required collective approaches. The United Kingdom would be pleased to share some of its efforts to enhance national and international policy coherence in this area, including its work with the Waste and Resources Action Programme on the UK Plastics Pact, which acted as a blueprint for new plastics pacts globally, at national and regional levels. There was room for multilateral trade cooperation in this area.

2.29. Her delegation looked forward to progress on discussions regarding the liberalization of environmental goods and encouraged the inclusion of circular economy principles (reduce, reuse, repair, recycle) as discussions developed regarding objectives, definitions of "green goods", and specific goods and services lists. Other collective approaches could include international standards

or mutual agreements on the elimination of unnecessary single-use plastics, which the IDP could champion. The multilateral trading system could reassess rules or HS classification codes that did not currently allow for effective distinction between virgin and recycled plastics.

2.30. Given the broad scope of trade in plastics, it would be crucial to moving away from general discussions of "sustainable plastics trade" and instead set out clearer and specific objectives. Industry and international organizations were best placed to help define the scope of the problem and identify some of the key trade barriers and solutions for tackling this issue. Her delegation encouraged engagement with industry stakeholders through the various WTO fora, including the IDP. The work of the IDP and TESSD were complementary on these issues and the UK urged Members to join both initiatives to enable broad discussion on achievable goals ahead of MC12.

2.31. The representative of Canada said these discussions were important for identifying where the WTO could have the greatest impact. Presentations had highlighted various trade barriers that needed to be addressed. Members should explore how to bring these issues into the relevant WTO Committee. Canada saw the potential for synergy between the IDP and TESSD and Members that participated in both initiatives needed to consider how the groups could support each other. Plastic pollution required efforts at the domestic, regional, and international level and policy coherence was critical to ensure all initiatives push in the same direction.

2.32. Policy statements, studies, reports, or guidance material on the benefits of addressing plastic pollution in the context of international trade would support discussions between partners and stakeholders. They would do so by helping establish a baseline understanding of the issues, and the legitimacy of potential policy responses, while recognizing that different countries may use different legislative or regulatory means to achieve the same outcome. Institutions like the WTO could focus efforts to improve policy coherence by providing clear guidance to stakeholders on how to meet similar obligations in different jurisdictions.

2.33. Over the long term, the WTO could also seek to harmonize technical differences, in particular, product performance standards (e.g. for compostability, reusability) and key definitions (e.g. what was "single-use"), but in a way that would neither slow nor impede policy responses currently under development in different countries. His delegation encouraged IDP Members to raise awareness of the trade policy implication of tackling plastic pollution in other fora. For instance, IDP Members could consider how the WTO could be more involved in discussions with the Basel Convention. This was an important step in breaking silos between trade and environment discussions among experts.

2.34. The representative of the United States recognized the extensive ongoing work and discussions in many fora to address plastic pollution. To avoid duplicating efforts, the United States encouraged the IDP to focus primarily on the WTO's key competency and the trade-related aspects of this topic. The United States also welcomed further clarity from IDP organizers regarding the specific, concrete outcomes they were seeking to achieve with this initiative concerning trade.

2.35. Trade could and needed to play an important role to support post-consumer materials recovery and recycling. The United States encouraged Members to fully consult with WTO Members and industry before implementing restrictive actions, such as bans or recycled content requirements for plastic products, to ensure the market could meet those demands. Trade in plastic was essential for the broader adoption of more circular economy approaches to resource efficiency. Facilitating trade in plastic scrap reduced the demand for virgin material, was an economic opportunity for recyclers, and returned plastic materials to productive use. Restrictions on imports limited these opportunities and could result in materials being directed to landfills rather than sent to facilities capable of processing materials to a suitable feedstock for manufacturing.

2.36. He reiterated his delegation's interest in trade facilitative approaches for all post-consumer materials and other related goods, such as reverse supply chain products and intermediaries. These products had inherent economic and commercial value and supported greater resource efficiency and circularity. Trade policies that facilitated rather than impeded their movement were needed to close the loop and keep these materials in the economy, out of landfills, and out of the oceans.

2.37. His delegation had noted a trend in which requirements for certain plastic products were being adopted without the following key considerations: a science-based risk assessment or other assessment of available scientific and technical information, adequate domestic recycled content

supply to meet production targets, cost-benefit analysis, evaluation of the cost, suitability and environmental impacts of alternative products, or sufficient time for supply chain adjustment. These were necessary considerations to ensure that regulatory requirements were both implementable and met the desired objectives.

2.38. The representative of Guatemala asked whether the delegations of Barbados and Ecuador would circulate a draft declaration to Members and whether they could provide more clarity.

2.39. The representative of the Philippines said the Philippines was exploring how to achieve zero waste in its waters by 2040. Efforts were also ongoing on harmonizing the local level ordinances banning single-use plastics at the national level. To further support these efforts, the Philippines was banning single-use plastics in all government offices. The Philippines was likewise exploring possible participation in the WEF-led GPAP. His delegation looked forward to further discussions on how to include environmental concerns at MC12.

2.40. The representative of Costa Rica said her delegation was following the IDP with great interest and recognized the efforts made by the organizers. This was a global challenge with legitimate objectives at stake. Her delegation would continue to follow discussions closely because there were opportunities for synergies and complementarity with TESSD. Costa Rica supported dialogues and configurations that would allow better understanding of issues related to trade and the environment.

2.41. The representative of the Kingdom of Saudi Arabia said that effective plastic waste management practices, including trends and responses, along with the role of international cooperation and trade, would be more beneficial in addressing plastic waste pollution. Her delegation encouraged further knowledge and information-sharing in this area.

2.42. The representative of the Central African Republic noted that his delegation was a member of the IDP. At the national level, there were actions and initiatives undertaken to transform plastic waste into other products that continued to circulate in the economy. The issue of plastic pollution was important. The WTO had a key role to play in ensuring coherence between trade and environmental policies. His delegation supported the initiative but noted the need to ensure that there were no overlapping responsibilities and duplication of effort.

2.43. The representative of Australia noted that Australia was an IDP co-sponsor. Addressing trade in plastics and the impacts it had on sustainability was an important part of the work at the WTO going forward. At the most recent IDP meeting, conversations had turned to potential outcomes and practical elements of possible contributions on this issue. These included transparency, the sharing of best practices, developing customs procedures that could contribute to greater understanding of the problem and the ability to respond to it, challenges and work on standards. Australia looked forward to chairing the next session of the IDP. On the question of preparing a potential ministerial statement, he noted that the co-conveners, China and Fiji, had been working on a potential draft outcome document that they intended to share in due course for Members' comments ahead of the next IDP meeting. His delegation encouraged all WTO Members to co-sponsor this initiative and engage in discussions.

2.44. The representative of the Russian Federation said his delegation recognized the importance of the issue of plastic pollution and fully supported international cooperation and efforts promoting sustainable development and more environmentally sustainable plastic trade while considering the interests of all WTO Members. Regarding Members' attempts to find effective tools, measures, and best strategies for adaptation and climate change mitigation, the Russian Federation noted that the circular economy was useful for achieving relevant SDGs, including economic and environmental ones. It was important to continue exchanging views, knowledge, and best practices on this issue.

2.45. The representative of Ukraine emphasized that countries would not be able to achieve the SDGs and effectively address the problem of plastic pollution alone. These were global issues that required global responses. WTO bodies needed to be seen as a platform that could provide the space to understand Members' particular challenges in tackling plastic pollution and to explore together ways of addressing such problems. Her delegation would continue to work towards a transition to more sustainable production and consumption processes at a national level and would be monitoring discussions on this topic closely at the WTO.

2.46. The representative of Chile said that the IDP had allowed Members to look at the different matters and areas in which the WTO could address the issue of plastic pollution.

2.47. The representative of China said that plastic pollution was an important issue for both developing and developed Members. Addressing the issue could demonstrate that the WTO was still relevant for emerging topics of concern for stakeholders. He invited Members to work together and engage in discussions at the WTO. His delegation looked forward to more Members joining this initiative and jointly working towards achieving a tangible result at MC12.

2.48. The representative of Turkey said these were useful presentations and discussions for understanding the current situation in plastics trade and the role of multilateral and regional platforms. Plastic pollution was a planetary threat, affecting nearly every marine and freshwater ecosystem globally, and thus it was important to explore what could be done at the WTO level. Turkey would continue to observe all WTO discussions related to the plastics trade and especially the IDP process. Finally, echoing Guatemala, Turkey asked how the IDP envisaged going forward with the preparations for MC12.

2.2.2 Briefing by Canada on developments on trade and circular economy

2.49. The representative of Canada briefed delegations on developments in trade and the circular economy. Canada would host the World Circular Economy Forum 2021 (WCEF) with the Finnish Innovation Fund, Sitra, and in collaboration with partner organizations, virtually, from 13-15 September 2021. The Forum was a global event that brought together business leaders, policy makers, and experts to present circular economy solutions to accelerate the global transition to a circular economy. It sought to drive ambitious action over the next five years to accelerate the circular economy transition, focusing on concrete actions. Hosted in North America for the first time, WCEF-21 would build on previous fora events, including April's WCEF+Climate, hosted by the Government of the Netherlands. The European Commission, the Government of Finland, and the Government of the Netherlands were partner organizations collaborating with Canada and Sitra. The programme would explore cross-cutting issues such as leadership for the circular economy, the circular economy as a solution to the biodiversity and climate crises, and the role of small and medium-sized enterprises and rural and remote communities in accelerating the circular economy transition.

2.50. The International Chamber of Commerce (ICC) and the Organisation for Economic Co-operation and Development (OECD) would host a session exploring the role of international cooperation and policy coordination in overcoming barriers to the global circular economy transition. The Government of Finland's Ministry of Foreign Affairs would host a session on harnessing the Canada-European Union Comprehensive Economic and Trade Agreement to advance the circular economy. Circular Economy Leadership Canada would host a session on transborder challenges for circular plastics. The forum would contribute to the global momentum on environmental action in the lead-up to the meetings of the CBD's COP15 and UNFCCC's COP26. It would also convene a high-level meeting of the Global Alliance on Circular Economy and Resource Efficiency, to discuss priorities to catalyse a just transition to a circular economy, including opportunities to contribute to the UN SDGs and the Paris Agreement. Attendance at the virtual forum was open to all and free of charge.

2.51. The representative of Chad, on behalf of the LDC Group, said that Barbados' and Ecuador's interventions and Canada's briefing were useful in showing the collective work that was required. Plastic pollution was a major concern in LDCs. Technical assistance, capacity building, and technology transfer would be vital for LDCs to help manufacturers and producers meet environmental standards in export markets. The circular economy was key for achieving SDGs. There were some excellent LDC examples in the area of the circular economy. Reuse, recycling, and reprocessing were important concerns and the private sector had an important role to play in the circular economy. Information about the circular economy had made governments think more carefully about the need to incorporate these aspects into policies aimed at achieving the objectives of the Paris Agreement.

2.52. Trade had a role to play in implementing the Paris Agreement. Many of the proposals considered at the WTO, such as on the circular economy and plastic pollution, encouraged further progress on environmental issues. Dealing with trade and environment issues and interaction

between WTO rules and the provisions of the Basel Convention also needed to be taken into account. Coherence of the relationship between existing WTO rules and specific trade rules in Multilateral Environmental Agreements (MEAs) was also required. The LDC Group was interested in pursuing discussions on plastic pollution and the circular economy. LDCs had low levels of income and structural challenges that impeded their growth. Thus, LDCs had special recognition within the WTO and needed to benefit from specific flexibilities in implementing WTO agreements, for instance, through provisions on special and differential treatment. LDCs needed technical assistance and capacity building and counted on the membership for support in this regard.

2.53. The representative of Norway said that it had finalized the strategy for a green, circular economy. This strategy outlined how to move towards a circular and more resource-efficient economic development and demonstrated that circularity was good for the environment and for businesses. The strategy presented concrete measures in areas with potential for circularity such as bio-economy, processed industry, building, construction, and real estate and services sectors. Her delegation informed the Committee that Norway was finalizing and updating a revised strategy on plastics.

2.54. The delegation of Ecuador, as IDP co-coordinator and co-sponsor, welcomed Members' interest. The purpose of its third meeting was to continue the discussions with a view to preparing inputs for MC12. The IDP's work could contribute to positive synergies with the Basel Convention, UNEA, and TESSD.

2.2.3 Presentation by the WTO Secretariat on the WTO e-Learning course on Trade and Circular Economy

2.55. The representative of the WTO Secretariat presented the new WTO e-Learning course on Trade and Circular Economy. The course, developed with the support of the WTO's Institute for Training and Technical Cooperation (ITTC), sought to introduce the concept of circular economy and its contact points with trade. An effort was made to be as concrete as possible by focusing on specific examples. The course explored the concept of circular economy, its interface with trade, including some of the risks and concerns related to policies that had been raised in the Committee. It used data on relevant notifications from the WTO's Environmental Database (EDB). It presented the tools available at the WTO to support the transition to a circular economy, including transparency, policy dialogue, peer review, negotiations, and Aid for Trade. The course contained interactive exercises and was available in English, with Spanish and French translations available soon.

2.56. This course was the latest in a series of Trade and Environment e-learning courses. The Secretariat first updated the course on Trade and Environment, which was now available in the three WTO official languages. In collaboration with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) Secretariat, the WTO Secretariat had also developed a course on CITES and the WTO, which was available in the three WTO official languages and focused on the connecting points between the two institutions and their agreements.

2.57. The representative of the European Union noted that the importance of the circular economy was rising in the WTO. This e-learning tool would contribute to explaining the links between trade and circular economy.

2.58. The representative of Chad noted that the course was very useful, especially for LDCs, which were looking for concrete results at the WTO on trade and environment. He asked about the course's format and criteria for participation, plus whether it would further evolve and how it would be integrated into the broader e-learning range.

2.59. The representative of Switzerland shared the positions expressed by Canada and the European Union on the importance of circulating the agenda in a timely manner. Switzerland was an active member of the IDP and looked forward to contributing to the preparation of concrete elements for the next Ministerial Conference and to discussing them with all WTO Members. Her delegation thanked the Secretariat for setting up a new training module that contributed to a better understanding of the issues at stake in the field of trade and the environment.

2.60. The representative of Guatemala noted that the topic of circular economy was evolving quickly and asked whether the course would be updated in accordance with such developments.

2.61. The Chair noted that he would work with the Secretariat to ensure that a list of available trade and environment courses would be circulated.

2.62. The delegation of Ecuador welcomed the work of the WTO Secretariat on the new WTO e-learning course on Trade and Circular Economy.

2.63. The representative of the Kingdom of Saudi Arabia said that the Circular Carbon Economy (CCE) framework, introduced by the Kingdom of Saudi Arabia and endorsed by the G20 leaders in 2020, was inclusive, integrated, and holistic. The CCE covered not only materials waste but also emissions by fully utilizing all technologies to address these challenges. Rather than top-down, it was an approach that captured national circumstances and needs and encouraged cooperation.

2.64. The representative of the WTO Secretariat responded that the course was organized by modules, which could be completed at the participant's own pace. WTO e-Learning courses were open to delegates in Geneva and in capitals via registration on the e-learning site. Some advanced courses and certain regional and national activities required participants to do online courses. While it was important to keep courses up to date, it was difficult to provide a precise schedule of updates as this depended on staff availability and resources.

2.3 Sustainable fisheries

2.65. The Ambassador of the Maldives made a presentation on obstacles for sustainable fisheries and how to overcome them. As a SIDS, fisheries was an important area of economic activity for the Maldives. The Government of the Maldives recognized the importance of fisheries as an export sector and had put in place several policy interventions to further develop it. In the Maldives, the dominant type of fisheries was pole and line-fishing, widely regarded as a sustainable fishing method to catch tuna.

2.66. One major obstacle for sustainable fisheries was the issue of overfishing. Sustainable fisheries management would maintain fish stocks and reduce overfishing and bycatch. The proliferation of industrial fishing in the global oceans was another issue. Industrial fishing methods were prohibited by law in the Maldives as these methods also caught non-target bycatch species resulting in wider damage to the ocean ecosystem. Despite best efforts, overfishing often happened due to strong economic incentives. This had important implications on the fisheries subsidies negotiations, which the Maldives hoped would reach a conclusion soon.

2.67. Illegal, Unreported and Unregulated (IUU) fishing was the biggest threat to sustainable fisheries worldwide. One of the biggest challenges was to ensure fish stocks were maintained at sustainable levels. Poaching and encroachment from foreign-flagged vessels was a major IUU threat to the Maldives. It was estimated that such vessels harvested in the range of 10-15 thousand tonnes of fish from the Maldives' Exclusive Economic Zone (EEZ) annually. The Maldives' Fisheries Act of 2019 formulated principles to prevent, deter, and eliminate IUU fishing.

2.68. At a regional level, the Maldives actively participated in the Indian Ocean Tuna Commission (IOTC) and had put forward an ambitious plan to save the Indian Ocean yellowfin tuna, which could collapse within the next five years if fishing pressure was not reduced.⁴ The Maldives' Seafood Processors and Exporters Association had announced that the Maldives was able to reduce its catch by five times in recent years to adhere to the IOTC requirement. Maldivian fishermen, processors, and the government had joined forces in 2019 for three national campaigns dedicated to reducing yellowfin tuna catch, with a strong focus on reducing the number of juveniles caught.⁵ Following the campaigns, there was a 10.6% decline in the fish catch during 2019, as compared to 2018.⁶

2.69. Another major obstacle was related to the labelling of fish products. Worldwide demand for sustainable fish and fisheries products had increased in recent years due to consumers' increased environmental awareness and consciousness. Green labels had thrived worldwide and consumers had started to take eco-labels into account when shopping. Eco-labels and product certifications,

⁴ <https://www.gov.mv/en/files/media-statement-ss4-iotc-2021.pdf>.

⁵ <https://www.seafoodsource.com/news/supply-trade/maldivian-fishermen-processors-band-together-and-reduce-yellowfin-tuna-catch-by-five-times-the-iotc-requirement>.

⁶ <http://statisticsmaldives.gov.mv/nbs/wp-content/uploads/2020/12/Statistical-Pocketbook-2020-updated-12820.pdf>.

such as the certification of Marine Stewardship Council (MSC), were requirements for entering any high-end markets. However, there were serious barriers to attaining such eco-labels as the certification costs were prohibitive and the certification requirements were unrealistic for small-scale and artisanal fisheries. Labelling schemes and standards could impact market access opportunities of small-scale fisheries. It would be more beneficial and cost-effective for SIDS like the Maldives if labelling standards and auditing procedures were more streamlined.

2.70. Another important obstacle to fisheries production related to market access. The pole and line and handline tuna fisheries of the Maldives were widely acknowledged as one of the most sustainable fisheries worldwide. However, the Maldives paid tariffs in the highest bands for almost all major tuna importing countries. This made it harder for Maldivian products to effectively compete with others who did not practice sustainable fisheries in the pursuit of higher returns. There was an opportunity to reverse these trends and encourage the trade of environmentally friendly products and improve the competitiveness of sustainable products. Imposing import tariffs on fisheries products sourced from such fisheries could be differentiated based on fishing methods and their impact on the marine environment, rather than just the development status of the country. Unsustainably sourced fishing products needed to face higher tariffs.

2.71. Markets could play an important role in the growth and expansion of sustainable fisheries. It was important for markets to provide incentives for sustainably sourced fisheries products. The Generalised System of Preferences (GSP) system needed to be revised to include incentives for environmentally vulnerable countries and for countries that practiced sustainable fishing. The markets could also provide premiums to such fisheries to incentivize the expansion of their products. The Maldives stood ready to work with the WTO and its Members to provide a favourable environment for sustainably sourced products, including fisheries products, and to enhance the trade and sustainable agenda.

2.72. The representative of Canada said that coordinated, coherent, and collaborative action was required to address trade and environmental sustainability issues, such as sustainable fisheries management. With respect to the WTO fisheries subsidies negotiations, Members were working to advance negotiations and reach an agreement as soon as possible, and preparations were underway for the meeting of Ministers on 15 July 2021.

2.4 Fossil Fuel Subsidy Reform (FFSR)

2.73. The representative of New Zealand provided an update⁷ on the topic of fossil fuel subsidy reform (FFSR) and recalled the renewed efforts to present a joint ministerial statement on FFSR at MC12 in November 2021. The WTO was established with a view to ensuring economic progress was achieved in accordance with the objective of sustainable development. The WTO was also one of the implementing agencies identified for work under the SDGs. Given Members' experience in addressing trade-distorting subsidies using trade rules and norms of the WTO, it was an obvious candidate for advancing FFSR multilaterally. The goal was to advance discussions on FFS at the WTO including the trade effects. New Zealand acknowledged the challenges of reform for Members supporting vulnerable communities. New Zealand noted that a transition away from FFS would also support the transition towards a green COVID-19 recovery.

2.74. Last month, a panel discussion on the trade impacts of FFS was held under the TESSD initiative where FFSR experts reflected on how subsidies distorted trade and the importance of addressing this issue at the WTO. FFS had a significant impact on trade. Subsidies reduced the marginal costs of fossil fuel production, in turn, decreasing the costs of fossil fuel inputs used by various industries. This in turn distorted the production costs of goods that incorporated inputs made with subsidized fuels. Subsidies reduced the cost of investment in fossil fuel production. Subsidies reduced the competitiveness of sustainable alternative energy sources, acting against global efforts to reduce carbon emissions. The panel discussion had looked at why existing subsidy disciplines may not appropriately constrain the harmful impacts of FFS.

2.75. New Zealand acknowledged the work of the Friends of FFSR and like-minded Members for advocating and advancing this issue at the WTO. His delegation welcomed the recent high-level statements calling for action on FFS, such as the G7 Climate and Environment Ministers' communiqué and the Statement of the Asia-Pacific Economic Cooperation (APEC) Ministers Responsible for Trade.

⁷ See document [RD/CTE/195](#).

New Zealand welcomed the opportunity to discuss this issue and the proposed MC12 statement with interested Members.

2.76. The representative of the Kingdom of Saudi Arabia recalled that the issue of FFS was dealt with under the G20 forum whereby a voluntary peer review of inefficient FFS that encouraged wasteful consumption was done in accordance with countries' national circumstances, priorities, and needs.

2.77. The representative of Venezuela reiterated the position that her delegation did not support the inclusion of this item on the WTO agenda.

2.78. The representative of the Russian Federation welcomed collective efforts aimed at environmental protection combatting climate change. There were various types of inefficient and environmentally harmful subsidies, including fisheries agricultural subsidies that needed to be addressed. His delegation noted countries' different levels of development. Some countries were transferring to alternative sources of energy and some still faced the task of electrification. Fossil fuels were presently the only affordable, reliable, and sustainable sources of energy in line with SDG 7. The FFSR would result in the rising price of energy sources, as there was no source of clean and renewable energy affordable for all Members. The reform would lead to negative consequences, including economic destabilization and a decline in economic activity. People would face increased prices of goods and services. Finding methods to cut emissions without undermining economic and social goals was important. There was no proof that the elimination of FFS had no alternative for combatting climate change, by the reduction of GHG emissions. This goal could be achieved by various means, including enhancement of energy efficiency, energy savings, measures improving production processes, low emission energy, absorption, and removal of GHGs. Countries should be free to choose appropriate solutions. The "right to choose" was a key element of the environmental agreements signed under the auspices of the United Nations (UN) and choices needed to be made from WTO-consistent options. The Russian Federation noted that effective results could only be achieved by paving a common path that would consider interests and different national circumstances.

2.79. The representative of the United States said that under Executive Order 14001, President Biden had directed US government agencies to take steps to ensure that, to the extent consistent with applicable law, federal funding was not directly subsidizing fossil fuels. His delegation recognized the importance of phasing out inefficient FFS that encouraged wasteful consumption, in line with the goal of achieving net-zero emissions by 2050 and meeting the goals of the Paris Agreement.

2.80. The representative of Costa Rica thanked New Zealand for its efforts in bringing forward this new proposal for crafting a ministerial statement on FFSR. Costa Rica, as a member of the co-sponsors, supported the initiative. FFSR was an issue that should be discussed at the WTO because of the impact on trade. In the current post-pandemic phase, countries had to use other energy sources. Costa Rica welcomed discussions on this topic in other configurations such as TESSD. Her delegation encouraged other Members to support the statement.

2.81. The representative of Switzerland reiterated her delegation's support for the intention of rationalizing and phasing out FFS that encouraged wasteful consumption. To achieve the goals set in the Paris Agreement or the SDGs action was needed now. Switzerland was engaged on this very important issue with New Zealand and four other WTO Members in the negotiations on the Agreement on Climate Change, Trade and Sustainability (ACCTS) initiative, which aimed, among others, to establish binding trade rules to eliminate FFS harmful to the environment. The WTO was the appropriate place to discuss this issue. Switzerland, therefore, invited all WTO Members to join this important initiative. Switzerland thanked and supported New Zealand for preparing a joint ministerial declaration at the end of the year. Her delegation hoped that this draft declaration would soon be available and encouraged Members to look at it.

2.82. The representative of Norway welcomed FFSR and a ministerial declaration at MC12. Norway echoed Costa Rica's and Switzerland's statements on the importance of this issue for combatting climate change. Her delegation stood ready to cooperate in that regard. Norway was also a member of the Friends of FFSR and encouraged other Members to join.

2.83. The representative of Japan noted that, as discussed in the G20, Japan acknowledged that the objective of a discussion of FFS was a reduction in inefficient consumption of fossil fuels to contribute to addressing the proper allocation of resources and combatting climate change, as well as easing the balance of supply and demand on energy markets. Any inefficient FFS should be streamlined and abolished. A one-size-fits-all approach would not work, rather, effective measures taking into consideration each country's circumstances were needed. Japan would continue to engage in the discussion.

2.84. The representative of Korea underscored the importance of reforming inefficient FFS that encouraged wasteful consumption, which had been reaffirmed in the G20 Energy Ministers' meeting. She drew attention to the recent announcement by President Moon that Korea would stop its coal-powered plants overseas and expand the decision to phase out coal, as part of Korea's Green New Deal strategy. The strategy focused on renewable energy, green infrastructure, and the industrial sector. At the end of 2020, Korea had submitted to the UNFCCC its Nationally Determined Contribution (NDC) and 2050 Carbon Neutral Strategy. Korea was committed to its long-term strategy for achieving carbon neutrality by 2050.

2.5 EU Green Deal

2.85. The representative of the European Union provided an update on trade-relevant aspects of the European Green Deal. Late 2019, the European Commission had tabled a policy agenda to become the world's first climate-neutral continent by 2050. The European Green Deal, which was based on that target, was a comprehensive plan to make the economy and society ready for a climate-neutral future. It applied to every sector and every region and appealed to everyone to grasp the opportunities inherent to the transition. To make this long-term target realistic, the European Union had upgraded its NDC under the Paris Agreement, including a new 2030 target of at least minus 55% compared to 1990. The European Union had agreed to enshrine both targets in the European Climate Law. Achieving climate neutrality would transform economies profoundly. There was no contradiction between growth and climate action, as borne out by Europe's "decoupling" experience: between 1990 and 2019, emissions were cut by 23% while EU economies grew by 60%.

2.86. The European Green Deal was not only Europe's answer to the climate and ecological crisis, but also the European Union's new growth strategy. It sought to transform the European Union into a modern, resource-efficient and competitive economy where there would be no net GHG emissions by 2050, economic growth would be decoupled from resource use, and no one would be left behind in what would be a "just" transition. The transition to a sustainable, socially just, clean and climate-neutral economy and the post-COVID-19 economic recovery went hand in hand. The way the recovery from the current pandemic would be shaped would determine our success in the fight against the climate crisis. It would require investments, while at the same time creating opportunities for growth and jobs creation.

2.87. Since the European Union's presentation in the CTE in March 2021, the main developments included the adoption of the Action plan for organic production in the European Union; the Action plan "Towards Zero Pollution for Air, Water and Soil"; and the publication of a communication on sustainable blue economy in the European Union for the industries and sectors related to oceans, seas and coasts. The European Union was working on overhauling its relevant climate and energy legislation to align with the agreed target to reduce emissions by at least 55% by 2030, as compared to 1990 levels. This would be brought together in a "Fit for 55" package. The minus 55% target and the European Climate Law would shape the European Union's green recovery, provide a clear pathway for industries, and ensure a socially just, green transition. The European Commission would present the "Fit for 55" package on 14 July.

2.88. The "Fit for 55" package would consist of a number of interlinked legal proposals that would combine pricing, targets and regulatory standards and would pave the way for the European Union to deliver their minus 55% reduction in a fair and cost-effective manner. On pricing, the "Fit for 55" package would reinforce the role of carbon pricing. The EU Emissions Trading System – a cornerstone of the European Union's climate policy – would be strengthened and extended to maritime activity. A new system was being considered for emissions from road transport and buildings. Complementary to it, the Energy Taxation Directive aimed to align fiscal policies with the EU climate ambition. At the same time, the Carbon Border Adjustment Mechanism (CBAM), would be designed to address the risk of carbon leakage, which could lead to an increase of global emissions.

2.89. On targets, the Effort Sharing Regulation setting national targets for emissions reduction in sectors like transports, buildings and agriculture would be revised in order to tighten national targets, in line with the European Union's increased climate ambition. The revision of the Regulation on Land Use, Land Use Change and Forestry aimed at enhancing the sector's ability to absorb CO₂ and reversing the current trend of a diminishing EU land carbon sink by 2030. This regulation was increasingly important since the minus 55% was a net target, which meant that it was not only based on reductions of emissions but also on the absorption of CO₂ thanks to carbon sinks. In addition, revisions of the Renewable Energy Directive and the Energy Efficiency Directive aimed at increasing the European Union's renewables target.

2.90. Regarding regulatory standards, the European Union would revise CO₂ emission standards for cars and vans to ensure a clear pathway towards zero-emission mobility. In addition, there would be proposals for sustainable transport fuels and infrastructure to further underpin the transition towards sustainable mobility across all transport modes.

2.91. Some of the measures in the "Fit for 55" package were mainly internal, while others like CBAM had an external dimension. When designing these measures, one objective was to design them in a manner that respected WTO rules, in particular the principle of non-discrimination, so as to avoid unnecessary tensions with trading partners and to reach the European Union's overarching objective of cooperation on climate action. The European Union was aware that pursuing global challenges such as combatting climate change, biodiversity loss, pollution, or promoting more sustainable production and consumption could not be done alone. The European Union would therefore engage with trading partners to promote international rules, standards and alignment of regulatory approaches. The European Union would also engage with developing countries to support their green transition. This included financial support, promoting climate projects and capacity building.

2.92. The CBD's COP15 in October and UNFCCC's COP26 in November would mark key milestones in an intense year for international environment and climate engagement. The European Union hoped to finish the year by setting an ambitious agenda on environment and the WTO at MC12.

2.93. The representative of Paraguay requested the agenda to be circulated earlier for future meetings to ensure enough time to prepare. Paraguay thanked the European Union for reaffirming that many of its measures would only have implications at the European Union's internal level and would not be discriminatory. Paraguay asked for further information regarding the Action plan for organic production in the European Union, which addressed and implemented targets for organic farming. Paraguay reiterated its concerns regarding the high level of subsidies that the European Union provided to its organic farming and which had distorting effects on trade. Paraguay also noted that the recent report of the European Court of Auditors highlighted that, despite the European Union's spending of over USD 100 billion on greening its agricultural policies, no reductions in emissions or CO₂ had resulted from this spending. A Cornell University study found that the European Union's reluctance to adopt certain agricultural technologies had resulted in an increase of 33 million tons of CO₂ in the environment.

2.94. The representative of Canada said that taking action to protect the environment and combat climate change was a top priority for the Canadian government and Canada was a like-minded partner of the European Union in this area, as demonstrated at the recent Canada-European Union Leaders Summit. There was a great deal of interest in the potential trade implications surrounding the European Green Deal. The updates at Committee meetings provided important information and highlighted the importance of ensuring that transparency remained a key principle in the CTE.

2.95. Moving forward, Canada encouraged the European Union to continue to provide updates to the CTE on the development and implementation of the European Green Deal as it evolved. Canada was confident that the European Green Deal could be implemented in a way that complemented and reinforced the benefits of open and rules-based international trade, while ensuring that trade and climate policies were mutually supportive.

2.96. The Chair asked the European Union how the measures mentioned in the presentation would impact market access.

2.97. The representative of Norway noted that her delegation shared the European Union's high level of ambition and supported its actions to address climate change and environmental

degradation. A stable and predictable carbon price in years ahead would provide a strong incentive to invest in and deploy zero-emissions technologies and to enable companies and other stakeholders to plan better ahead. Increased carbon pricing was an important part of Norway's plan to reach its goals under climate challenges. Regarding the upcoming CBAM, Norway reiterated that the proposals should be developed in compliance with WTO rules. It was also important that the mechanism's connection to the EU Emission Trading System was made clear. Such a mechanism would have a wide range of implications outside of the European Union. It was essential that CBAM was exclusively designed to advance climate objectives.

2.98. The representative of Ecuador said his delegation recognized the importance of the objectives pursued by the Green Deal and joined the concerns and questions raised by Paraguay, as well as those asked by the Chair regarding the global overall impact that the Green Deal would have on trade. Ecuador underscored the importance of respecting the principle of common but differentiated responsibilities and respective capabilities as outlined under the Paris Agreement, which was based on NDCs. Also, Ecuador highlighted the importance of respecting trade obligations and avoiding discriminatory and unnecessary obstacles to trade. Several measures proposed by the European Union could be incompatible with WTO rules. These concerns had also been raised by Members in other Committees, but the European Union had not responded to them yet. Ecuador reiterated its concern regarding the impact that the Green Deal could have within the WTO and its possible significant impact on trade with other countries, including Ecuador.

2.99. The representative of the Kingdom of Saudi Arabia thanked the European Union for the update on trade-relevant aspects of the European Green Deal such as the CBAM. This issue had been addressed under the agenda of the Committee on Market Access. Members had discussed and would continue to discuss in depth their views and concerns under that Committee. It should be noted that any trade aspect of climate that would negatively impact trade would convert the spirit of cooperation among nations under the UNFCCC into confrontation. Therefore, the UNFCCC, in its "Principles", outlined in Article 3, paragraph 5, had warned against such approaches. It stated, "Measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade".

2.100. The representative of Turkey noted that Turkey was closely following developments on the European Green Deal. Within the context of the Green Deal, the European Commission was going to unveil a proposal for a CBAM in July 2021. Turkey believed that all members of the international community should play their part to combat climate change considering the historical responsibilities of GHGs. Turkey also underlined this needed to be done in accordance with the common but differentiated responsibilities principle. It was also important that any CBAM respected WTO rules and was applied in a manner that least disturbed trade that did not constitute a disguised restriction on international trade. Turkey highlighted that any CBAM should be designed in a transparent way, and different levels of development of countries should be considered to address trade distortions.

2.101. The monumental green transformation required massive investment and financing, which were lacking in many developing countries and LDCs. Cooperation in terms of implementing investment projects and mobilizing finance for green projects was essential throughout value chains. An adequate transition period should be provided for all relevant parties before implementation of the CBAM. Apart from the adaptation needs of the business world, it would take time for countries to adopt climate policies and fulfil the legislative and administrative requirements to guide the private sector. Accordingly, it was important for the transition period to award sufficient time to sectors and companies, especially Small and Medium-sized Enterprises (SMEs), to adapt to the changed circumstances and possible new requirements stemming from a CBAM.

2.102. The representative of the Russian Federation expressed deep concern and reiterated its statement regarding the implementation of the European Green Deal and its impacts on global trade and economic recovery. His delegation wondered whether the instruments of this strategy would be consistent with the European Union's WTO obligations. WTO Members had raised Specific Trade Concerns (STCs) about certain elements of this Green Deal and the CBAM had been criticized by more than 20 Members at meetings of the Committee on Market Access and the Council for Trade in Goods.

2.103. Another measure discussed at the relevant WTO working bodies was the draft EU Regulation on batteries and waste batteries. This document set out requirements on the maximum level of carbon footprint over the life cycle of batteries, material recovery targets and minimum level of

recycled materials such as cobalt, lithium and nickel. Apparently, the requirements for the minimum level of recycled materials in batteries were aimed at reducing the use of primary metals in the European Union. It was no secret that the European Union did not have sufficient capacities of primary non-ferrous metals within its territory to meet internal demand. By introducing a provision that discriminated against imported primary materials vis-à-vis those domestically remanufactured, the draft Regulation intended to substitute imported primary metals for like domestically recycled ones. Other requirements set out in this draft Regulation were neither based on science nor on international standards or guidelines that specified the content of recycled materials in batteries, material recovery targets and the levels and methodologies for calculating the carbon footprint of this product over its life cycle.

2.104. The third issue under the Green Deal discussed at the relevant WTO working bodies was the Chemical Strategy for Sustainability. This Strategy may have a trade-distorting effect in a wide range of economic sectors. It implied the imposition of new technical barriers to trade within the Registration, Evaluation and Authorization of Chemicals (REACH) and the Classification, Labelling and Packaging (CLP) Regulations and new bans and restrictions in respect of primary non-ferrous metals that were unscientifically classified as hazardous materials by the Commission using the precautionary principle.

2.105. In this context, the Russian Federation believed that more efforts should be invested into the transparency of environmental measures related to trade. The Green Deal dossier included more than 100 pages of just enumeration of EU trade-related measures adopted or planned to be adopted under the Green Deal umbrella. Connections between some of these measures and environmental policies were not easy to establish. Thus, his delegation would appreciate more details from the European Union. The core principle of the WTO, trade liberalization, should not be foregone and covered by restrictions and prohibitions. New trade restrictions needed to be avoided. Meanwhile, talks on the elimination of trade barriers should be actively fostered, especially if such elimination contributed to the achievement of development and environmental goals. The Russian Federation underscored that environmental policies should not result in the imposition of unnecessary restrictions in international trade.

2.106. The representative of Japan acknowledged that interest in CBAM had increased among WTO Members as it would have significant impacts on trade. It was a prerequisite that the CBAM was designed to be consistent with WTO rules. Japan circulated a paper⁸ to Members to highlight possible issues other than the issue of WTO-consistency. His delegation noted that a CBAM should be designed to consider each country's circumstances and efforts to reduce carbon emissions. It also needed to achieve its objective of preventing carbon leakage with the least effect on trade. It was important to consider measurement or evaluation methods for carbon emissions per product unit that was internationally reliable. It was also important to consider the actual verification of carbon costs, including any costs borne by the product in proportion to carbon emission. Adequate international discussions on this issue would be necessary going forward.

2.107. The representative of China welcomed the European Union's transparency effort regarding recent developments related to the CBAM. The European Union had disclosed on different occasions the likely industries focused on by the CBAM and its intentions to phase out free emission allocations. China noticed that Members had expressed concerns over CBAM regarding its compliance with WTO rules and potential protectionism effects. China had shared these concerns during the CTE meeting in March and the TESSD meeting in May. China urged Members to exercise caution when proceeding with the legislation process, to maintain full transparency, and to reach out, communicate with and consult stakeholders in advance in order to ensure consistency with WTO rules.

2.108. The representative of Argentina said that a possible CBAM raised concern among the WTO membership, and raised serious doubts as to its consistency with the WTO agreements, in particular, with the provisions of the GATT 1994. Combatting climate change was a global challenge. The actions and instruments used for this purpose needed to respect international commitments and neither restrict international trade more than necessary nor constitute a disguised restriction on international trade. In this regard, Argentina highlighted the validity of the principle of common but differentiated responsibilities. Argentina would closely follow the evolution of this initiative and hoped to have

⁸ See document [WT/CTE/GEN/26](#), initially circulated in the framework of the Trade and Environmental Sustainability Structured Discussions, under INF/TE/SSD/W/13 on 26 May 2021.

detailed information on the possible design of the mechanism, its scope and calculation methodology, and the sectors it covered.

2.109. The representative of Ukraine joined other WTO Members' concerns about the CBAM initiative. Ukraine understood the importance of a CBAM as a tool to support climate and environmental objectives but noted that possible challenges to its implementation still needed to be addressed. Ukraine hoped that the European Union would continue development of the CBAM in a transparent manner with the involvement of all interested WTO Members and stakeholders to ensure its consistency with WTO rules and the provisions of the UNFCCC and the Paris Agreement.

2.110. The representative of India thanked the delegation of the European Union for the update on trade-related aspects of the EU Green Deal. India indicated that it had serious concerns about measures such as the CBAM with regards to its compatibility to some of the basic WTO rules. His delegation would thus request the European Union to share specific details of the CBAM, as envisaged in the EU Green Deal. A thorough legal analysis was required to examine whether such a mechanism would be in conformity with the relevant WTO rules. His delegation stated that any such mechanism must consider the principle of common but differentiated responsibilities and respective capabilities in the light of different national circumstances, as enshrined in the Paris Agreement.

2.111. The representative of Australia thanked the European Union for the update and its ongoing commitment to transparency. Australia expressed its strong commitment to addressing climate change and its belief that trade could contribute to this objective. Policies that facilitated increased trade in environmental goods and services, and related investment, could make a strong contribution in support of international climate policy, trade and development. Australia welcomed the consultative approach that the European Union had taken so far in respect to the CBAM. Australia encouraged the European Union to share to the maximum extent possible, in the WTO and in other relevant international bodies, details of its policy deliberations and the likely form a CBAM might take, consistent with the central WTO principle of transparency. Australia also noted the European Union's commitment to ensuring consistency of its eventual measure with its WTO obligations, underscoring that further detail addressing the issue of WTO-consistency would be helpful for a large number of Members, including Australia.

2.112. The representative of Korea emphasized the importance of designing a CBAM in a manner consistent with WTO rules and principles and the European Union's other international trade obligations. Korea reiterated its position that sufficient discussions about the rationale and detailed plans of the CBAM needed to be shared in multilateral fora, including the WTO and the OECD. Korea underscored that a CBAM should be designed with a sufficient transitional period for trading partners. Korea noted that climate policies had to be formulated with due consideration to avoid double regulation.

2.113. The representative of the European Union responded to the questions raised by delegations. The European Union was of the view that the cost of action on climate change was much smaller than the cost of inaction. It required massive investment, which would be recouped later by the savings. The cost of many clean solutions had fallen tremendously, plus they were labour-intensive and created jobs. Achieving climate neutrality would transform economies profoundly. It was legitimate for countries, in particular developing ones, to continue pushing for prosperity and job creation. There was no contradiction between growth, trade and climate action, as borne by Europe's decoupling experience. Between the 1990s and 2019, emissions were cut by 23% while EU economies grew by 60%. The European Green Deal was the European Union's growth strategy.

2.114. The European Union was very determined to reach its climate ambition goals and was translating these goals into legislation. The climate challenge was a global challenge, and the European Union needed its international partners to share the same level of ambition. As long as climate action was not equally taken at the global level, there was a risk of carbon leakage. Companies would transfer production to places where carbonization requirements were less strict, resulting in an increase in global emissions. This undermined the global climate ambitions outlined in the Paris Agreement. The introduction of a CBAM addressed this carbon leakage and was aimed at achieving climate objectives. When designing its legislation, the European Union ensured it was WTO compatible, including its legislation on sustainable batteries or the chemical strategy that the Russian Federation had referred to. The European Union also sought to ensure equal treatment between domestic producers and producers of imported goods.

2.115. On questions regarding transparency in EU legislation, the European Union said it was a champion of transparency. The proposals were supported by comprehensive assessments of environmental, social and economic impacts as well as stakeholder consultations. This had also been done at the beginning of 2020 for the CBAM measure, at which time the European Union had received around 40 contributions from different trading partners. The European Union would continue consulting with countries throughout the legislative process after the proposal was issued in July. The European Union highlighted that the CBAM was a climate policy instrument, which contributed to achieving commitments under the Paris Agreement. The CBAM was not inconsistent with the principle of common and differentiated responsibilities. Its purpose was not to force other countries to change their NDCs but rather to preserve the effectiveness of the European Union's own measures. The CBAM measure would be released within the "Fit for 55" package, to be presented on 14 July 2021.

3 RELEVANT PROVISIONS OF THE TRIPS AGREEMENT, PARAGRAPH 32(II) OF THE DOHA MINISTERIAL DECLARATION – ITEM 8 OF THE CTE WORK PROGRAMME

3.1. The representative of the WTO Secretariat gave a presentation on the 2021 WTO Workshop on the Implementation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) Article 66.2: Incentive for Technology Transfer for LDCs in the Area of Environment.⁹ The TRIPS Agreement had many provisions on technology transfer. Article 66.2 specifically obligated WTO developed country Members to provide incentives to enterprises and institutions that encouraged technology transfer to LDC Members and enabled them to create a sound and viable technological base.

3.2. In 2001, six years after the TRIPS Agreement came into force, upon the request of the LDC Group, WTO Members agreed to establish a Reporting Annual Review Mechanism to ensure the monitoring and implementation of Article 66.2. In 2003, the TRIPS Council adopted a decision on implementation of Article 66.2. The decision provided detailed information on what developed country Members needed to show in their annual reports on actions taken to fulfil their Article 66.2 obligations. Since then, 291 reports had been submitted from eight developing country Members.

3.3. These reports had produced a significant amount of information from various government agencies on technology transfer in various technology setups. In the meantime, the TRIPS Council had conducted 18 annual reviews of these reports. And, since 2018, upon the request of the LDC Group, the Secretariat had organized a series of annual workshops, which had enabled informal and practical dialogue between the delegates from developing country Members and LDC Members.

3.4. The Secretariat highlighted three improvements made in the February 2021 workshop that were directly related to technology transfer in the environmental technology sector. For the first time, the workshop had a dedicated session on technology transfer in the field of environmental technologies. In that session, experts from Australia, Canada, Switzerland, the United Kingdom and the United States had shared their national experiences regarding the issue of technology transfer.

3.5. Secondly, a survey had been conducted on the needs and priorities of technology transfer for LDCs. The Secretariat had received responses from 14 LDC Members that identified environmental technologies as one of the top three priority technology sectors. In their responses, LDCs had indicated a wide range of the technologies and priority needs, including renewable energy, solid and waste management (e.g. plastics), water management and sanitation and energy infrastructure and services.

3.6. Thirdly, the Secretariat had prepared a summary of 158 technology transfer incentive programmes in environmental technology sectors reported by nine developed country Members from 2018-2020. Of these 158 programmes, 25 reports had been submitted by developed country Members in the past three years. Out of nine reporting Members, the European Union had provided 65 programmes, which was about 40% of all programmes in the field of environment. This included any national programmes provided by individual EU member States. The United States had provided 31 programmes, which was about 20% of total programmes, followed by Norway, Switzerland and the United Kingdom. Out of 44 WTO LDC Members, 40 LDCs had been able to benefit from these programmes. Tanzania, Uganda and Zambia were the top three LDC beneficiaries, with each

⁹ See document [RD/CTE/193](#).

benefiting from over 30 programmes, while Bangladesh, Cambodia, Mozambique, Myanmar, Nepal, Rwanda and Senegal had each benefited from over 20 programmes.

3.7. For the purpose of this summary, the Secretariat had divided these programmes into six categories: energy, water, climate change, biodiversity protection, waste management and disaster prevention. Any programmes comprising two or more of the above-mentioned categories were generalized as "environment". The energy sector led with 76 programmes and water and climate change ranked second and third in terms of the number of programmes. Under energy, the focus was on renewable energy and, under water, the focus was on water sanitation treatment and groundwater management. Several programmes focused on climate change, resilience and adaptation technologies.

3.8. Almost all 40 Members had provided programmes on the energy sector with the European Union, Norway and the United States the top three providers. The European Union was the main provider in both water management and biodiversity protection technologies, whereas Canada and the United Kingdom focused on climate change. Japan appeared to be the main provider of programmes on disaster prevention. During the reporting period, six programmes related to waste management and treatment, e.g. an EU programme on hospital waste treatment facilities in Ethiopian hospitals. The COVID-19 pandemic had caused an unprecedented volume of waste medical products, which needed to be addressed. Regarding climate change, Australia had established a Green Climate Fund to provide grants and loans for climate change technologies in LDCs. Other examples from the reports included the Swiss Bluetec Bridge initiative, which aimed to ensure viability and sustainable management of water and sanitation in low-income countries; and a US programme for scaling up renewable energy, which helped partners (including LDCs) to plan, procure, integrate and incentivize renewable energy.

3.9. While Tanzania, Uganda and Zambia were the top 3 LDC beneficiaries, Guinea-Bissau, São Tomé and Príncipe, Somalia and Timor-Leste had not benefited from any environmental technology transfer programmes during the reporting period. All 40 LDC beneficiaries had benefited from energy-related programmes, with Uganda top. The majority of LDCs had benefited from programmes in the areas of water management and climate change. Programmes on water management were most prominent in Niger and Zambia, whereas Bangladesh and Mozambique were greatest beneficiaries of climate change programmes.

3.10. Regarding next steps, the WTO Secretariat would continue working with LDC Members to further improve the surveys on needs and priorities for LDCs in various technology sectors, including environmental technology. Guidance by LDCs would play an important role in directing the Secretariat's work thereby enabling them to respond to the evolving needs and priorities for LDC Members. The survey results would be used by the Secretariat to guide its preparation for the 2022 workshop.

3.11. On behalf of the LDC Group, the representative of Chad noted that, while progress had been made, it had been modest and much remained to be done. The implementation of Article 66.2 remained a priority for LDCs in their work at the WTO. LDCs noted that most notifications that sought to fulfil this requirement lacked specificity on whether countries benefited from these programmes or programmes required specific information about the incentives provided. LDCs welcomed the focus on green technology, which looked at climate change adaptation to ensure sustainable development. The trading system, which was already subject to significant tensions before the pandemic, had seen its daily functioning overturned. Fortunately, virtual technology had allowed negotiations to continue. The COVID-19 crisis had revealed the importance of the use of technologies, particularly by and for LDCs. LDCs were particularly vulnerable to economic and environmental shocks. Human and infrastructure resources were limited, and the pandemic had simply aggravated that fragile situation. Thus, technology transfer was an important driving force for supporting LDCs' development efforts. Technology transfer in the area of health and trade and the environment were also important. LDCs were looking for specific incentive measures introduced by developed countries to encourage companies, institutions and other bodies to intensify technology transfer to LDCs as a response to their obligations under Article 66.2. The LDC Group took note of the efforts made to effectively implement Article 66.2 and urged Members to ensure full implementation of this Article.

3.12. The representative of Canada thanked the Secretariat for its presentation and for organizing the February 2021 workshop on the implementation of Article 66.2 of the TRIPS Agreement. During

this year's workshop, Canada had presented key updates from its October 2020 annual report¹⁰ and participated in a panel discussion regarding technology transfer in the area of environment. Canada's report included many projects and initiatives under the theme of technology transfer and the environment, such as contributions to the World Bank Clean Technology Fund and Forest Carbon Partnership Facility, both of which supported the transfer of technology and technical expertise in these areas. Canada welcomed bilateral discussions on any of the projects and initiatives contained in its 2020 report and looked forward to furthering dialogue with all Members on this important TRIPS commitment.

3.13. The representative of Switzerland noted that environmentally sound technologies (ESTs) and green innovations were key elements to address global challenges, such as climate change, biodiversity loss, environmental degradation and food security. Therefore, Switzerland had also actively participated in the March 2021 workshop on TRIPS and green technology transfer. Her delegation thanked the WTO Secretariat for organizing this excellent workshop. During the workshop, Switzerland had presented its efforts regarding the transfer of ESTs to LDCs, in particular through its economic and development cooperation projects. She mentioned WIPO GREEN, an important World Intellectual Property Organization (WIPO) initiative, which connected various partners in the field of ESTs, including IP offices, technology providers and seekers. Switzerland remained committed to actively engaging in these discussions to further promote the development and transfer of green technologies and knowledge.

4 TECHNICAL ASSISTANCE AND CAPACITY BUILDING, PARAGRAPH 33 OF THE DOHA MINISTERIAL DECLARATION

4.1 Update on seminars and webinars

4.1.1 Report from Barbados on an event entitled "COVID-19 and Green Economic Recovery: What Role for Sustainable Tourism?"

4.1. The representative of Barbados reported on an event entitled "COVID-19 and green economic recovery: What role for sustainable tourism?", which was co-hosted by Barbados and the Maldives in collaboration with the WTO Secretariat on 22 June 2021. The event aimed at exchanging knowledge on 'building back better' in the tourism sector.

4.2. In his keynote remarks at the event, Ambassador Chad Blackman had highlighted that, in addition to being challenged by high economic and environmental vulnerability, SIDS were not only dependent on trade but also on the front lines of climate change. Owing to a high dependence on tourism as the generator of foreign exchange and employment, the COVID-19 pandemic had had an immediate impact on many SIDS. He emphasized the need for SIDS to focus on green recovery and noted that the challenge for tourism was how to make it more sustainable at the sectoral level. Coordinated approaches at the multilateral and national levels were needed to achieve sustainable tourism.

4.3. At the event, Ambassador Dr Asim Ahmed of the Maldives had underscored the importance of tourism in achieving green recovery. The decline in tourism had a severe impact on the SIDS economy: a 3.6% decline in the GDP of SIDS was higher than the global GDP decline. Tourism in the Maldives accounted for 70% of its GDP and 20% of employment. His country's best practices in sustainable tourism focused on sustainable energy, environment, conservation and diversification. The Maldives was investing in renewable solar energy in the tourism sector and desalinating water in order to provide sustainable sources of energy and water. It was also introducing innovative environmental policies aligned to SDG 7.

4.4. The panel of experts had exchanged insights on how to improve the environmental, social and economic sustainability of the tourism sector through responsible trade and investment. First, Ms Urosevic from the World Tourism Organization (UNWTO) had highlighted that travel restrictions resulting from the pandemic weighed heavily on the recovery of international tourism. It was important to integrate the tourism sector into economic recovery packages, to promote green investment and the emergence of new business models focused on reducing tourism's carbon footprint and increasing resource efficiency. The UNWTO was working with partners and stakeholders

¹⁰ See document [IP/C/R/TII/CAN/1](#).

in developing countries, including SIDS, in this transition. To this end, the UNWTO was developing a tool to measure sustainable tourism.

4.5. Ms Cristina Arbelaez Restrepo, from the Vice Ministry of Tourism of Colombia, had explained her country's roadmap for sustainable tourism development by 2030. Priority areas included improving information for the sustainable management of tourism; strengthening governance; fostering investment and innovation; supporting efforts by tourism businesses to manage natural capital responsibly and sustainably; nurturing a culture of responsibility among travellers; and positioning Colombia as a sustainable travel destination.

4.6. Next, Dr Sue Snyman from the African Leadership University had underscored the devastating impact of the pandemic on Africa's tourism sector, which saw an 83% reduction in international arrivals to the continent. Moreover, natural resources and wildlife had traditionally been viewed as inputs, rather than assets, in national economies. This approach had resulted in limited government resources being invested in the wildlife economy. To reverse this situation, it was important to revise strategies and reform policies and practices for the post-COVID-19 era, improve government support for investment in wildlife and tourism, build capacity and provide supportive institutions, as well as establish institutional arrangements for benefit-sharing.

4.7. Mr Anders Aeroe from the International Trade Centre (ITC) had noted that the ITC was working on a number of areas to support the sustainable transition of the tourism sector. These included greening operations and focusing on eco-tourism to reduce the sector's carbon footprint and promote green investments; creating an enabling environment for all actors along the value chain, including MSMEs, local communities, women and youth; supporting skills development; and enhancing safety.

4.8. Finally, the OECD, the Commonwealth Small States Office in Geneva, the World Bank and researchers from the University of Mauritius had highlighted the impact of the crisis throughout the entire tourism ecosystem. Reopening and rebuilding destinations would require a joint approach. Some tourism businesses and workers were benefiting from economy-wide stimulus packages, with several governments also introducing tourism-specific measures, but more needed to be done, especially to support small tourism businesses and their workers. The measures put in place today would shape the tourism of tomorrow. Governments, therefore, needed to be considering already the longer term implications of the crisis, while staying ahead of the digital curve, supporting the low-carbon transition and promoting the structural transformation needed to build a stronger, more sustainable and resilient tourism economy. The current crisis was an opportunity to rethink tourism for the future.

5 MULTILATERAL ENVIRONMENTAL AGREEMENTS (MEAS), ITEMS 1 AND 5 OF THE CTE WORK PROGRAMME

5.1 The United Nations Framework Convention on Climate Change (UNFCCC)

5.1.1 Update from the United Kingdom on COP 26, including on the Forest, Agriculture and Commodity Trade (FACT) Dialogue

5.1. The representative of the United Kingdom (UK) provided a further update on COP26 and the Forest, Agriculture and Commodities Trade Dialogue (FACT), as part of the United Kingdom's COP26 Presidency work. Her delegation noted that COP26 would take place in November 2021 in Glasgow. The UK Presidency was committed to accelerating transitions in the global economy in energy, transport, nature and finance and to driving action on adaptation, building resilience, and arresting and reversing biodiversity loss. One of the United Kingdom's COP26 objectives was to shape economic governance to reduce the usage and trade of energy-inefficient products.

5.2. For COP26, the United Kingdom had launched the Product Efficiency Call to Action, which aimed to double the efficiency of four key products by 2030. WTO efforts to ensure that standards were fair and accepted by other countries could help define product standards and make sure that standards relating to environmental measures were recognized. To meet the goals of the Paris Agreement, the global transition to clean power needed to progress four to six times faster than at present. The United Kingdom had therefore launched the Energy Transition Council to bring together the political, financial and technical leaders of the global power sector to work together to accelerate the transition from coal to clean power as part of a green economic recovery and make

clean power the most attractive option for new power generation in any country. Trade policy could play an important part in supporting the global green transition to clean and renewable technologies. Thus, the UK supported action at the WTO to remove barriers to trade in goods and services that support the energy transition.

5.3. Meanwhile, global emissions from road transport were rising faster than any other sector. COP26 was a unique opportunity to double the pace of transitioning to zero-emission cars and vans, as part of a longer term and broader effort to ensure 100% of global car and van sales were zero-emission. The United Kingdom was committed to work together with its partners to ensure all new cars and vans were zero-emission by 2040 or earlier. The United Kingdom was going further and faster than ever to decarbonize transport, harnessing the power of clean green technology to end the United Kingdom's contribution to climate change by 2050. The United Kingdom welcomed countries' views on how trade policy and the WTO could enable greater international cooperation on this.

5.4. Finally, at the 12th Clean Energy Ministerial, the United Kingdom, in partnership with Canada, Germany and India, had launched the Industrial Deep Decarbonisation Initiative, which aimed to facilitate the harmonization of emissions reporting, green product standards and public and private procurement practices for materials, such as steel and cement. The importance of industry decarbonization had been reiterated at the G7, with the launch of the G7 Industrial Decarbonisation Agenda, which aimed to focus on policy alignment around industry transition, including standards and procurement. Trade needed to support a rapid industry transition through appropriate policies to drive emissions reduction across sectors and regions.

5.5. With regards to FACT Dialogue, her delegation noted that over 25 countries were involved, with the aim of agreeing a roadmap of actions to protect forests and other vital ecosystems, while promoting trade and development. Participants were largely from the Environment or Agriculture departments of participating countries. However, trade was a key part of making the transition to sustainable supply chains and one priority for the dialogue would be considering collaborative action on trade and market development. The United Kingdom encouraged Members to engage with their relevant departments or ministries to better enable FACT to reset the global trading system in favour of sustainable production. In April 2021, at a Ministerial Roundtable, 24 countries had endorsed a joint statement on principles for collaboration, as well as four key themes, which now had dedicated working groups: (i) Smallholder's Support; (ii) Transparency and Traceability; (iii) Research, Development and Innovation; and (iv) Trade and Markets (in which the working group was exploring consumer and producer policies that governed trade and market development for forest and agricultural commodities).

5.6. The first round of working groups had taken place in June 2021 with Brazil, Colombia, Ghana and Malaysia as co-facilitators working alongside the UK and Indonesia as 'dialogue co-chairs'. Two or three broad areas for action had been identified in each working group to be taken forward under future rounds of the FACT Dialogue. Discussions had covered a range of issues and potential areas of focus, such as how to learn from systems such as the European Union Forest Law Enforcement and the Governance and Trade Voluntary Partnership Agreements on timber, how to build policy mechanisms in trade and domestic policy to recognize sustainable land-use governance, and the need for effective traceability systems to enable market access. The United Kingdom underscored that action on climate change would affect trade. Similarly, trade policy and WTO rules would play a role in shaping the actions to tackle climate change. The United Kingdom thanked all participants of the first round of working groups and looked forward to the next, which would identify tangible actions to be taken together through the FACT Dialogue to COP26 and beyond.

5.7. Finally, the United Kingdom updated delegations on development on trade and environment through the G7 this year. Strong progress had been made under this year's inaugural 'Trade Track' – an initiative pioneered by the United Kingdom. The G7 stood united in its commitment to free and fair trade as a foundation of the rules-based multilateral trading system, as well as to the modernization of international trade rules. Trade Ministers recognized 2021 as a crucial year to accelerate international efforts to address climate change and biodiversity loss. Discussions under TESSD were highlighted as a key opportunity to explore the role of trade in supporting climate and environmental goals and to build momentum in this regard.

5.8. As the world transitioned to net-zero, the G7 had acknowledged the risk of carbon leakage to decarbonization goals, and the potential impact on countries that had adopted rigorous approaches

to reduce carbon emissions. It agreed that countries needed to work collaboratively to address this risk. The United Kingdom would champion progress in this area and encourage countries to consider a full range of policy options to mitigate carbon leakage, such as promoting carbon pricing and demand-side measures. The United Kingdom would also encourage countries to consider policy solutions that were compliant with international trade laws, including WTO rules, and supportive of the needs of the LDCs. G7 Trade Ministers had also committed to play a role in the global transition to sustainable commodities markets and supply chains, for example, with engagement at the WTO on potential trade policy approaches that supported this aim. In addition, there was an agreement to work closely with the environment and other relevant ministries to share best practice and consider any appropriate domestic action to support sustainable supply chains and help tackle deforestation, for example, through the FACT Dialogue. The G7 had expressed support for the WTO Director-General's efforts to conclude the fisheries' subsidies negotiations. The United Kingdom was happy to provide further information on any of its campaigns and looked forward to continued discussions on trade, environment and climate change at the WTO.

5.1.2 Update from New Zealand on the Agreement on Climate Change, Trade and Sustainability (ACCTS)

5.9. The representative of New Zealand provided an update¹¹ on the ACCTS initiative, which was being negotiated by Costa Rica, Fiji, Iceland, New Zealand, Norway and Switzerland. The fifth round of negotiations had been held virtually over four weeks and concluded on 10 June 2021. Participating countries had made substantive progress across the four pillars of the negotiations. The legal and institutional working group had also held its first set of discussions in Round Five.

5.10. In the environmental goods working group, participants had drawn on extensive discussions and resources from other fora, including the APEC and EGA co-chair lists. The consensus list of environmental goods had further expanded, and delegations would continue to discuss and build on this work intersessionally. The consensus list was largely derived from HS chapters 84 and 85, while nominations across other NAMA (Non-Agricultural Market Access) HS chapters also featured.

5.11. In the environmental services working group, participants were seeking to expand the definition of environmental services beyond Central Product Classification (CPC) 94. Since the conclusion of the Uruguay Round, what was commonly understood to be an environmental service had expanded significantly beyond what was classified in CPC 94. This recognized that environmental services had the potential to make meaningful contributions as part of efforts against climate change. Services that increased the output and efficiency of environmental goods and infrastructure helped move the world towards greener technologies and methods of operation.

5.12. ACCTS participants were considering how to assess which services needed to be included under this pillar. The environmental goods, environmental services and eco-labelling working groups had made strong advances in discussions on a chapter text. The FFS group discussed scope and definitional questions in detail, seeking to balance ambition with effective implementation of disciplines to eliminate harmful FFS. The group had also begun consideration of different categorization approaches to disciplines. Intersessional work would continue over the summer break, with the next round of negotiations scheduled in late August. New Zealand would provide an update on the progress of round six at the next TESSD meeting in September 2021.

6 MEMBERS' SUGGESTIONS AND PROPOSALS

6.1 Update on Trade and Environmental Sustainability Structured Discussions (TESSD)

6.1. The representative of Costa Rica, on behalf of the Coordinators of TESSD, provided an update on its second formal meeting, held on 26-28 May 2021. The meeting was organized into thematic sessions during the first day and a half, covering issues such as environmental goods and services (EGS); green Aid for Trade; FFSR; trade-related climate measures, including border carbon adjustments (BCA); and greening trade with a focus on circular economy and priorities for developing countries. For the last part of the meeting, a Members-only session discussed possible deliverables for MC12 and TESSD work post-Ministerial. The co-conveners welcomed the inclusive participation of co-sponsors and the wider membership, who had shared their views on the value of

¹¹ See document [RD/CTE/196](#).

TESSD as an incubator for ideas, initiatives and projects on trade and environmental sustainability that could be developed and matured for discussion at a future stage. The active participation of stakeholders was highlighted, and their engagement was emphasized as TESSD's main added value, providing scientific and data-based inputs to the issues discussed.

6.2. While there was broad interest on the importance of reviewing the conditions to discuss specific topics as deliverables for MC12, such as EGS, the preparation of an elements document that could serve as a basis for an overarching ministerial statement was viewed as a tangible first step. This document would be shared among TESSD co-sponsors before the summer break. Co-conveners reiterated TESSD's objective to complement discussions within the CTE. By incorporating stakeholders with expertise in the different areas and serving as an umbrella for sustainability and trade, co-conveners believed that the end result would be a wider sensibilization and call for action on such important issues.

6.3. The representative of Canada noted Canada's commitment to ensuring that its own transition to a low-carbon economy was achieved fairly and predictably for businesses. Canada was exploring the potential of BCAs as one of several tools to mitigate carbon leakage while also encouraging other countries to step up and take effective action to reduce emissions. Canada would continue to work with like-minded economies to consider how this approach fit into a broader strategy to meet climate targets while fostering green innovation, promoting global ambition on climate action, and avoiding carbon leakage. Canada had hosted a BCA workshop at the WTO on 4 March 2021 and led further discussions on BCAs at May's TESSD meeting. The high number of participants at both events indicated strong interest in this issue. Continued discussion at the multilateral level on various aspects of BCAs was merited and Canada would continue to facilitate those discussions.

6.4. The representative of Australia supported a TESSD ministerial declaration as an outcome at MC12, including on EGS liberalization. Australia was a longstanding advocate of this topic and an active participant that had chaired the EGA negotiations. The case for liberalizing trade in EGS was strong. There was growing recognition that enhancing trade in EGS would directly contribute to efforts to tackle climate change as reflected in the APEC Ministers Responsible for Trade joint statement.¹² Australia saw tariff reduction and elimination as one important part of the EGS story but there were also substantial gains to be made by addressing non-tariff measures that impeded such trade.

6.5. Australia saw MC12 as a major checkpoint for trade and environmental sustainability and a programme of work towards EGS liberalization as a vital element of the MC12 agenda, as emphasized in its joint communication with Korea and Singapore ahead of the first TESSD meeting.¹³ The scale of environmental challenges confronting policymakers today was increasing, requiring several different policy domains to be mobilized at once, with trade policy being one such domain. There was renewed interest in cutting tariffs and removing other border restrictions to facilitate access to cheaper or more advanced equipment and technologies to prevent or mitigate environmental harm. The EGS agenda was one of the most compelling examples of a trade and environmental sustainability issue where trade liberalization could be linked to environmental outcomes. Such win-wins, which aligned the core trade liberalizing function of the WTO with international and domestic environmental goals, were invaluable in underlining the contribution that the WTO could make to the environment. Discussions in TESSD had also been useful in elevating this topic within the WTO and focusing attention in capitals. Work in other fora, such as APEC, had gained traction, and the upcoming COP26 summit was also serving to focus minds. Over the coming months, Australia looked forward to working toward an ambitious and credible outcome on trade and environmental sustainability at MC12, which included liberalization of EGS as a key element.

6.6. The representative of Japan expressed appreciation to the co-sponsors, Costa Rica and Canada, for moving discussions forward. To contribute to TESSD discussions, Japan had submitted proposals regarding climate-related trade in goods and services, including regulatory issues to address climate change. Japan had also provided a paper regarding its thoughts on CBAM. To ensure that TESSD achieved a significant outcome at MC12, Japan hoped to further engage in TESSD discussions, taking into consideration the role of the CTE in addressing multilateral discussions on trade and environment.

¹² https://www.apec.org/Meeting-Papers/Sectoral-Ministerial-Meetings/Trade/2021_MRT.

¹³ See document [INF/TE/SSD/W/9](#).

6.7. The representative of Ecuador noted that Ecuador had presented, together with Brazil, El Salvador and Paraguay, within the framework of TESSD, a proposal on sustainable agriculture, which was a topic of utmost importance for developing countries. Ecuador was committed to the protection of the natural environment and therefore supported broad and proactive discussions on issues dealing with trade and environment at the WTO, such as agriculture. Agriculture was a fundamental part of any productive transformation, which had to consider the economic, social and environmental pillars of sustainable development. At the WTO, Ecuador had been promoting for years a development model based on the free exchange of goods and services. Trade decisions and options needed to be designed to protect the environment. Among those options was the elimination of trade-distorting agricultural subsidies. He recalled the importance of ensuring that the "green" notion was not used to justify restrictive trade practices in agriculture, which affected the social and economic pillars of sustainable development. Ecuador hoped that the proposal would open opportunities to discuss the issue of agriculture, which was relevant to trade and sustainability, and that it would be among the topics included in an MC12 declaration.

6.8. The Chair noted TESSD's crosscutting and horizontal nature. He requested Costa Rica to clarify if the topics of sustainable agriculture and the relaunch of the EGS were being considered in TESSD.

6.9. The representative of Costa Rica noted that sustainable agriculture was not singled out as a topic within TESSD but had been discussed as one of the priorities of developing countries at the last TESSD meeting. TESSD was an open dialogue where Members could put forward their suggestions and proposals and discuss any topic of interest that related to trade and environmental sustainability. For example, the sustainable agriculture proposal had been presented by a group of Latin American Members who were not TESSD co-sponsors. This sent a message of inclusivity that any interested Member could participate in TESSD discussions. Environmental goods and services was the most mentioned topic by meeting participants. The co-sponsors and the wider membership expected to continue the discussions and evaluate the conditions surrounding EGS negotiations. However, this depended on Members and it was too soon to label this as an EGS revival. TESSD would continue the conversation with Members on post-MC12 work. TESSD was a member-driven initiative and discussions would move forward at the pace and intensity desired by Members.

6.10. The representative of the Kingdom of Saudi Arabia thanked the TESSD co-sponsors for the update on recent developments. Saudi Arabia participated in the TESSD meeting where its position was made clear. Saudi Arabia was aware of the importance of sustainable development and its social, economic and environmental pillars. They were not only fundamental goals of the WTO enshrined in the Marrakesh Agreement, but also played an important role in achieving the SDGs. However, the CTE was the WTO standing forum dedicated to dialogue between Members on the impact of trade policies on the environment. The CTE, since its creation, had followed a comprehensive and inclusive work programme that encouraged sharing information and experiences. For Saudi Arabia, it was very important to stick to the exploratory discussions mandate of the CTE.

6.11. Her delegation recalled that the WTO was a Member-driven organization with the main common goal of strengthening and safeguarding the multilateral trading system. Adhering to different approaches in the trade and environment work required consideration of certain elements: the TESSD discussions, which aimed at moving to a negotiating phase, had to not undermine the discussions on the same topics in the CTE or the negotiations under the CTE in Special Session (CTESS). It was important to consider the development dimension, policy space and concerns of developing Members and to avoid issues that were addressed more properly under their respective forums. Discussions needed to be open, transparent and inclusive to all WTO Members and without prejudice to their rights and obligations. Furthermore, any discussion on the relation between trade and environment needed to be inclusive of all technological innovations and development dimensions to broaden the coverage of benefits and ensure inclusive participation by all WTO Members.

6.12. The representative of the United States thanked the co-conveners for organizing the May TESSD meeting. The wide-ranging topics for discussion clearly demonstrated the continued interest among Members on trade and environment issues, as well as the need to focus on the areas where the WTO could add value. The United States was supportive of an MC12 declaration that reflected the mutual supportiveness of trade and environmental policies and encouraged the declaration to recognize the importance of worker-centric approaches to achieving economic and environmental sustainability. His delegation continued to see opportunities to use trade tools to address climate change. This particular topic could be of greatest interest for Members in exploring the lead-up to

MC12 and the work following. The United States looked forward to continued engagement on these and other trade and environment issues.

6.13. The representative of the Russian Federation noted that his delegation supported multilateral activities aimed at combatting climate change and welcomed WTO Members' cooperative approach in this regard. The Russian Federation was currently monitoring the initiative. He noted that a key prerequisite for success was to find a "common path" that countries could follow together while leaving no one behind. He underscored the importance of considering different national circumstances. When studying key international agreements on climate protection, a clear desire for nations to resolve climate-related issues based on consensus could be seen. Such documents unanimously highlighted the unacceptability of unilateral actions that led to discrimination or established disguised restrictions on international trade. The successful experience of the Montreal Protocol on Substances that Deplete the Ozone Layer evidenced the feasibility of reaching ambitious climate objectives jointly within the multilateral trading system. The multilateral nature of such agreements ensured predictable rules and reduced the risk of competition distortions by individual states and groups of states. The only functioning globally fair climate-related trade regulations would be those adopted through a multilateral process.

6.14. There was a growing expectation that such negotiations would be successful as all WTO Members were united by global climate concerns. His delegation saw certain elements where Members could move together, such as those which contributed to trade liberalization, which was at the core of the WTO. A careful approach was needed for elements that did not fall under such criteria. Relevant work had to result in predictable, effective and trade-friendly environmental policies. It was promising that Members were engaging in this work within already agreed frameworks. The Russian Federation echoed other Members in saying that the process needed to be inclusive, transparent and open.

7 RELATIONS WITH INTERGOVERNMENTAL AND NON-GOVERNMENTAL ORGANIZATIONS, ITEM 10

7.1 Briefing by New Zealand on trade and environment initiatives by APEC

7.1. The representative of New Zealand updated delegations on trade and environment initiatives by the APEC, and the APEC Ministers Responsible for Trade virtual meeting joint statement 2021 of 4-5 June 2021. This update built on the presentation by New Zealand at May's TESSD meeting on the trade and environmental sustainability initiatives in APEC 2021. APEC's 21 Member economies in the Asia-Pacific region made up nearly three-fifths of global GDP, 38% of the world's population, and nearly half of the world's trade. APEC's strength lay in its successful record of accomplishment as an incubator of ideas and economic initiatives. As reaffirmed by APEC Leaders in the APEC Putrajaya Vision 2040, a document that set the direction of the forum for the next 20 years, APEC played an important role in addressing environmental challenges and supporting a decarbonized future through the use of economic and trade policy levers. In June 2021, the Ministers Responsible for Trade had met virtually to discuss the most pressing issues in the region. The meeting was chaired by New Zealand's Minister for Trade and Export Growth, with the active participation of the WTO Director-General. The statement issued by Ministers following this meeting was one of the most ambitious and forward-looking in recent years, particularly on issues related to trade and environmental sustainability.¹⁴

7.2. His delegation underscored key elements related to CTE's work. Ministers had noted the value of using trade rules to support a green economic recovery and enhance sustainable development in the region. Specifically, Ministers had reaffirmed APEC's commitment to rationalize and phase out FFS that encouraged wasteful consumption, while recognizing the importance of providing those in need with essential energy services. Ministers had tasked officials with exploring options, for those members that were in a position to do so, for undertaking a potential voluntary standstill on inefficient FFS and with reporting to Ministers in November on progress made. Ministers had acknowledged the importance of capacity building initiatives in supporting economies in this process.

7.3. On environmental goods, Ministers had tasked officials with reviewing the implementation of the original APEC List of Environmental Goods, agreed in 2012, and updating the list in terms of HS tariff classifications for reference purposes by November's APEC Ministerial Meeting. This had

¹⁴ See document [WT/GC/232](#).

been consistent with New Zealand's ambition, as the 2021 APEC host, to build upon the previous success of the original environmental goods list. In addition to supporting this work, Ministers had noted APEC's efforts to discuss the impact of non-tariff measures on trade in environmental goods. Ministers had welcomed recent APEC reports on how the region's economies could support increased trade in environmental services, including a recently published report entitled "Environmental Services in the APEC Region: Definition, Challenges and Opportunities".¹⁵

7.4. APEC economies were working to advance efforts on enhancing trade in environmental services, including by identifying environmentally related services, and would report on progress at the APEC Ministerial Meeting in November. It was encouraging to see the active engagement and leadership shown by APEC economies on advancing work on issues at the nexus of trade and environmental policy. This included proposals to develop scoping and research papers on new environmental goods in order to inform discussions, which reflected the dynamic and innovative nature of these products. New Zealand was approaching APEC's work on trade and environmental sustainability from the perspective of contributing to ongoing work in the WTO and initiatives such as the ACCTS. Any discussion on EGS liberalization would be a discussion of possible approaches, rather than seeking any form of commitment. The WTO and free trade agreements remained the appropriate vehicles for forming commitments in these areas.

7.5. The Chair drew delegations' attention to paragraphs 1.13 to 1.16 of the APEC Ministers Responsible for Trade virtual meeting joint statement. He also confirmed that the original APEC List of Environmental Goods, agreed in 2012, had 54 goods. He noted that the APEC list could be rooted in the Doha Round CTESS discussions of the universe of environmental goods.

7.6. The representative of the Kingdom of Saudi Arabia noted that this topic was discussed under item 10 of the CTE work programme. Saudi Arabia was concerned about the intention of some Members to bring the negotiations that took place in other forums, including but not limited to APEC negotiations, to WTO. Her delegation underscored that the negotiations on trade and the environment focused on three main themes: (i) the relationship between WTO rules and MEAs; (ii) the collaboration between the WTO and MEA secretariats; and (iii) the elimination of tariffs and non-tariff barriers on environmental goods and services. These discussions took place in the CTESS and there was no need for duplication of effort.

7.7. The representative of Canada commended New Zealand for its leadership as the Chair of the APEC 2021. Chairing a multilateral process was difficult in the best of times and chairing such a process during the global pandemic posed even more challenges. Canada was pleased by the comprehensive and detailed statement that the APEC Ministers Responsible for Trade had agreed on. The statement clearly outlined the importance that APEC members attached to the full functioning of the WTO. In addition, the statement also highlighted APEC members' views that trade could serve as an enabler to achieve environmental sustainability targets. Canada looked forward to continuing to work with APEC members in advancing trade environmental initiatives forward.

7.2 Briefings by other Observer Organizations

7.2.1 Briefing by the World Bank¹⁶

7.8. The representative of the World Bank extended the World Bank's appreciation to colleagues in the WTO's Trade and Environment Division for the close and productive collaborative links and work on various topics. Accelerating climate held far-reaching developmental implications. The work at the World Bank demonstrated that left unchecked, climate-induced shocks would push about 132 million people into poverty over the next decade, undoing hard-won development gains. The threat of climate change remained critical for many countries. It was forcing people to evacuate homes, to grapple with food insecurity or the impacts of deforestation and biodiversity loss. These were challenges people faced even as they also dealt with the health and economic damage wrought by the COVID-19 pandemic.

7.9. Natural disasters produced about USD 18 billion a year in damage to power generation and transport infrastructure alone in low- and middle-income countries. They also triggered twenty-fold

¹⁵ <https://www.apec.org/Publications/2021/05/Environmental-Services-in-the-APEC-Region>.

¹⁶ See document [RD/CTE/192](#).

economy-wide disruptions annually for households and firms of about USD 390 bn.¹⁷ For developing countries, trade was especially crucial to mitigate food insecurity induced by climate shocks. The impact of climate change would be experienced most acutely by developing countries, especially in the agricultural sector, with implications for employment and food security. An additional 70 million people were predicted to be at risk of hunger by 2030 because of climate change, with the worst effects felt in South Asia and Sub-Saharan Africa. Since climate change would increase the volatility of food production at the national level, growing trade flows and keeping trade channels open would be ever more important in reducing price volatility and delivering food supplies to those most in need. Nowhere was this more important than in countries that were structurally food deficient. The arithmetic was simple: absent expanded food trade, more households in low income countries would be food insecure because of climate change. This pointed to a clear supportive role for Members of this Organization, in this committee, but also in negotiations in agricultural trade.

7.10. To address these challenges, the World Bank Group was conducting analytical work because this was an area in which there was a need for better data, better metrics of measurement, and strategic support and lending. On the analytical side, the World Bank was trying to improve and expand climate diagnostics. The World Bank Group was committed to building a strong analytical base at the global and country-level, notably by introducing new Country Climate and Development Reports. The World Bank was also focusing on climate results and impact, by measuring results and achieving impact through a greater focus on GHG emissions reduction, adaptation, and resilience goals, supported by new metrics.

7.11. The third element of World Bank's analytical response related to scaling up their Trade and Climate Change work programme. The World Bank addressed various climate change and environment-related issues. Last year, there had been a very significant scale-up of World Bank's analytical work within the global trade team. The first set of findings would appear in a forthcoming report to be launched in September, including through a panel hosted by the Costa Rican mission at the WTO's next Public Forum. This would be followed by a scaled-up work programme that would focus on trade and development in the transition to a low-carbon world.

7.12. The World Bank's forthcoming Trade and Climate Change Report examined the trade and climate change nexus through a developing country lens. The World Bank's work showed that although trade played a role in GHG emissions that contributed to climate change, it could also form a central part of the solution through mitigation and adaptation efforts. The report drew attention to six transmission channels which included that economies could support green, resilient, and inclusive development through trade reforms that reduce the current bias towards carbon-intensive goods trade. They could also support green trade liberalization by focusing on goods and services of priority interest to developing country exporters. Countries could review trade-related measures, such as intellectual property rights, that may restrict the diffusion of clean technologies to developing countries. There was a need to help countries to better identify and develop "carbon competitive" goods and services that could help drive the shift away from reliance on comparative advantages and value chains that were vulnerable to climate change.

7.13. The earlier discussion on CBAM clearly pointed to methods of production and product categories that were more sensitive to these risks. Global and preferential trade and investment agreements could promote the adoption of common standards on environmental goods and services and address challenges with cross-border impacts. Reducing trade costs at and behind borders to promote trade and lowering tariffs and non-tariff barriers on imports that embodied new technologies could drive productivity growth and climate adaptation, which was a very practical operational role for negotiations in the WTO. To the extent that nominee negotiations and negotiations on environmental goods and services could be indeed resumed.

7.14. The second part of World Bank's work was on providing strategic support and lending and funding. There was a very steep rise in the climate dimension of the World Bank's lending portfolio. 35% of World Bank financing over the next five years was geared towards featuring climate components. The lending portfolio increasingly internalized climate objectives and climate adaptation and mitigation objectives. 50% of World Bank climate financing was directed to supporting

¹⁷ S. Hallegatte, J. Rentschler, J. Rozenberg, *Lifelines: The Resilient Infrastructure Opportunity*, Washington, DC: World Bank (2019), available at: <https://openknowledge.worldbank.org/handle/10986/31805>.

adaptation and resilience. The greening of World Bank's lending portfolio was extremely important and very rapid by historical standards at the bank.

7.15. The second area of work was on the strengthening of World Bank's guiding frameworks. A new Climate Change Action Plan (CCAP) was being designed to guide their actions over the next five years. The World Bank's first CCAP, which ran from 2016-2020, had resulted in USD 83 billion of climate finance for developing countries and focused centrally on increasing the deployment of renewable energy, reducing disaster risks for vulnerable communities, enhancing access to early warning systems, and restoring affected landscapes. The World Bank's new CCAP (2021-2025) would further increase finance for climate mitigation and adaptation. It would ensure that World Bank's funding decisions were aligned with the Paris Agreement's goals and commitments and supported countries in transitioning out of coal.

7.16. The COVID-19 pandemic and the increasing frequency of climate-related shocks highlighted the urgency for developing countries to strengthen their policy frameworks and economic foundations for green, resilient, inclusive development pathways. Emerging policy responses to climate change highlighted the imperative of diversification away from patterns of production that were heavily carbon intensive. Countries that were able to affect that diversification to engage in less carbon-intensive value chains and means of production were going to see expanded trade and investment opportunities. Developing countries had to engage more fully in discussions on trade and environmental sustainability at the multilateral level so that their concerns were taken into consideration. This included their participation in all discussions related to the issues of environmental sustainability. Particularly important would be to build capacity in measuring and developing carbon competitiveness, climate financing and policy reform measures. Stepped up levels – and the greening of – Aid for Trade could and needed to play a key role in such efforts. The World Bank had scaled up dramatically, both in the context of COVID-19, but also in the context of recurring climate shocks, their response and toolkits. The World Bank encouraged countries to reach out to them. In country offices, the World Bank was present in 154 developing countries. It was important for countries who faced these challenges to simply be alert to the tools that the World Bank made available to them. The World Bank's Global Trade Team remained available for any queries and looked forward to seeing Members at the September launch of the flagship publication.

7.17. The Chair drew attention to the WTO-UNEP Report on Trade and Climate Change from 2009.

7.2.2 Briefing by the United Nations Industrial Development Organization (UNIDO)¹⁸

7.18. The representative of the United Nations Industrial Development Organization (UNIDO) updated delegations on UNIDO's Global Consultations on Circular Economy, which were held virtually from 10-12 May 2021. The Global Consultations on Circular Economy were held following a UNIDO General Conference resolution in which the secretariat was requested "to organize consultations for experts from member States with a view to facilitating exchanges on best practices, and emerging innovations and the promotion and adoption of circular economy principles and practices by industries of UNIDO Member States". The objectives of the consultations were to consider ways and means to promote circular economy principles and practices, particularly in developing countries, and identify barriers and devise action-oriented solutions. Co-chaired by the Ministers of Environment of Austria and Costa Rica, the meetings were attended by over 300 representatives of national governments, UN entities, intergovernmental and non-governmental organizations, the private sector and academia. Participants had agreed that a circular economy was strategically very relevant as it addressed a critical root cause of multiple global environmental challenges, i.e. climate change, biodiversity loss, and pollution, including marine plastic litter.

7.19. Over 500 environmental agreements existed at the global stage, but they did not contain any reference to a circular economy. Only 8% of economic activities worldwide utilized circular economy practices. No internationally agreed definition of a circular economy existed. There were different interpretations and even a divergence on the concept. Various countries did have policies, which directly or indirectly referred to a circular economy. Harmonization of such policies would enhance the effectiveness of regional and global action. While there was a growing desire to implement circularity across the world – as manifested in multiple partnerships and alliances – there was a need for global governance to mainstream circular economy efforts. In this regard, it would be important to establish a consensus on a set of principles, which would accommodate the needs and conditions

¹⁸ See document [RD/CTE/194](#).

of all countries and respecting the circumstances of developing countries and economies in transition.

7.20. Circular Economy principles were required to assist countries to achieve the SDGs and promote inclusive trade and investment, in accordance with internally agreed rules and regulations. Trade and international value chains were identified as main avenues in the transition to a circular economy. In terms of the gaps and challenges, several issues had been identified as needing attention. There was a lack of capacity, understanding and awareness of circular economy principles among stakeholders. There was insufficient data for accurate policymaking and strategy development on the circular economy, including target-setting for circular economy implementation. Incentives/disincentives were needed and a robust regulatory framework for the business sector. Innovative funding schemes did not exist and would be needed.

7.21. There was a need to integrate circular economy into climate change strategies and intergovernmental processes. To date, efforts to tackle the climate crisis had mostly focused on the energy transition, which could reduce about 55% of global GHG emissions. The remaining 45% of emissions came from extraction and manufacturing industries and lifestyle choices. For that reason, it was imperative to integrate circular economy into climate change strategies and intergovernmental processes. The global consultations on circular economy raised the following specific recommendations which included developing global guidelines on how to implement circular economy; supporting and pursuing global alliances and consultations on circular economy, utilizing the Global Alliance on Circular Economy and Resource Efficiency to promote awareness-raising and consensus-building; building on existing environmental agreements; devising new adaptive business models, regenerative and restorative by design; creating public-private partnerships at the national level. The outcomes and recommendations would be submitted to the next session of the Industrial Development Board, for the Board's consideration. The main findings of the global consultations would feed into major intergovernmental processes such as the High-Level Political Forum on Sustainable Development 2021 and the UNFCCC Conference.

8 CTE CHAIR'S BRIEFING ON INFORMAL CONSULTATIONS

8.1. The Chair updated the Committee on his consultations relating to the annual work programme of the Committee for 2021 and Committee report, if any, in the lead-up to MC12. In the General Council Chair's consultations on MC12, he alerted all chairs and delegations to ensure that preparations from July onwards would be efficient and focused. CTE was not the main priority in the upcoming preparations. Members needed to discuss as early as possible issues that would need to be brought up to MC12. Paragraph 3.17 of the report by the Chair of the General Council on his MC12 consultations included, among others, trade and environmental sustainability and the importance of transparency and need for horizontal enhancement and improvement of compliance with notification obligations.¹⁹

8.2. The intention of the consultations was twofold: to finalize the preparation for today's meeting and hear any suggestion on topics for discussion, within the CTE mandate; and, given the intensive level of activity of the CTE in the last couple of years, to highlight the importance of not losing the momentum. Therefore, in the lead-up to MC12, the Chair was of the view that it was important to start thinking on what the CTE could do to support delegations' efforts to advance even further the hard work done so far. In the Chair's view, it was important to plan the work ahead carefully and to organize the work in the most efficient way. As to MC12, there were various potential discussions ongoing, in TESSD, fisheries, plastics, FFSR, potential sustainability and trade and climate change. In the Chair's view there were several types of potential contributions to MC12: (i) administrative reporting to the General Council, which would give extra importance to the CTE Annual Report; if there were any recommendations there, it would be noted by the General Council for potential inclusion in the ministerial conference agenda for Ministers; the last ever CTE report to a ministerial conference was in July 2003; (ii) if there was a ministerial declaration then it was up to Members to suggest to the ministers a paragraph relating to the work of the CTE.

8.3. The next CTE meeting was scheduled to take place during the week of 11 October. The Chair informed Members of his intention to hold informal consultations to gather ideas about the CTE work programme, logistics and activities.

¹⁹ See document [JOB/GC/259](#).

8.4. Ten delegations had reached out for consultations reiterating their strong support for the work of the CTE. They shared the importance of furthering the role of the CTE in the context of key environment issues. No particular way forward was outlined for the moment, but the Chair sensed a common willingness to make sure that the CTE contributed effectively in any way possible to MC12. The Chair encouraged therefore delegations to continue reflecting on this and to reach out to him promptly to try and organize the work as efficiently as possible in the months to come.

ANNEX 1: ITEMS OF THE CTE WORK PROGRAMME (1994)

- Item 1: The relationship between the provisions of the multilateral trading system and trade measures for environmental purposes, including those pursuant to multilateral environmental agreements.
- Item 2: The relationship between environmental policies relevant to trade and environmental measures with significant trade effects and the provisions of the multilateral trading system.
- Item 3(a): The relationship between the provisions of the multilateral trading system and charges and taxes for environmental purposes.
- Item 3(b): The relationship between the provisions of the multilateral trading system and requirements for environmental purposes relating to products, including standards and technical regulations, packaging, labelling and recycling.
- Item 4: The provisions of the multilateral trading system with respect to the transparency of trade measures used for environmental purposes and environmental measures and requirements which have significant trade effects.
- Item 5: The relationship between the dispute settlement mechanisms in the multilateral trading system and those found in multilateral environmental agreements.
- Item 6: The effect of environmental measures on market access, especially in relation to developing countries, in particular to the least developed among them, and environmental benefits of removing trade restrictions and distortions.
- Item 7: The issue of exports of domestically prohibited goods.
- Item 8: The relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights.
- Item 9: The work programme envisaged in the Decision on Trade in Services and the Environment.
- Item 10: Input to the relevant bodies in respect of appropriate arrangements for relations with intergovernmental and non-governmental organizations referred to in Article V of the WTO.
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ANNEX 2: DOHA MINISTERIAL DECLARATION PARAGRAPHS

32. We instruct the Committee on Trade and Environment, in pursuing work on all items on its agenda within its current terms of reference, to give particular attention to:

(i) the effect of environmental measures on market access, especially in relation to developing countries, in particular the least-developed among them, and those situations in which the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development;

(ii) the relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights; and

(iii) labelling requirements for environmental purposes.

Work on these issues should include the identification of any need to clarify relevant WTO rules. The Committee shall report to the [Fifth Session of the] Ministerial Conference, and make recommendations, where appropriate, with respect to future action, including the desirability of negotiations.

33. We recognize the importance of technical assistance and capacity building in the field of trade and environment to developing countries, in particular the least-developed among them. We also encourage that expertise and experience be shared with Members wishing to perform environmental reviews at the national level. [A report shall be prepared on these activities for the Fifth Session.]

51. *The Committee on Trade and Development and the Committee on Trade and Environment shall, within their respective mandates, each act as a forum to identify and debate developmental and environmental aspects of the negotiations, in order to help achieve the objective of having sustainable development appropriately reflected.*
