



## TRADE POLICY BRIEFS

FAO SUPPORT TO THE WTO NEGOTIATIONS AT THE 13TH MINISTERIAL CONFERENCE

### TRENDS IN INCLUSION OF ENVIRONMENTAL RELATED PROVISIONS LINKED TO THE AGRICULTURE, FISHERIES AND FORESTRY SECTORS IN REGIONAL TRADE AGREEMENTS

- Trade can have both positive and negative impacts on the environment, and in recent years countries have placed a renewed focus on how environmental-related objectives and trade liberalization can be balanced.
- Since the establishment of the World Trade Organization (WTO) in 1995, regional trade agreements (RTAs) have become a common option to further liberalize trade, growing significantly in number. RTAs have also expanded rapidly in terms of regulatory coverage and have evolved to directly referencing sustainable development and including provisions linking the environment to the agriculture, fisheries and forestry sectors.
- While the trend of inclusion of environmental provisions related to the agriculture, fisheries and forestry sectors ("Ag-ERPs") in RTAs has experienced some variations since 1995, the average number of such provisions per agreement has steadily increased.
- Ag-ERPs can help mitigate the environmental impacts of trade-induced production growth, and there is evidence of significant reductions in agriculture-related greenhouse gas (GHG) emissions in countries that have RTAs with more Ag-ERPs.

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#### Trade and the environment

The relationship between trade and the environment is intricate. Trade can improve the allocation of production among countries, with an efficiency-enhancing role in natural resources use. Likewise, open markets can improve access to new technologies that make domestic production processes more cost-efficient and reduce the use of inputs as well as other environmentally harmful substances.

However, economic growth due to trade expansion can have a direct impact on the environment by increasing pollution and contributing to natural resource degradation. Trade liberalization may also lead to specialization in pollution-intensive activities in some countries, especially when environmental policies are not stringent.

In recent years, there has been a significant shift in how trade policies are being approached, with a renewed emphasis on balancing sustainable development and market liberalization to ensure that trade policies and environmental protection are coherent and mutually supportive.

#### Environment-related provisions in regional trade agreements (RTAs)

Since the establishment of the WTO in 1995, regional trade agreements have become a common option to liberalize trade. The number of RTAs notified to the WTO has grown significantly from approximately 50 in the 1990s to 360 currently in force.

While the initial purpose of RTAs was to promote trade and enhance cooperation, the latest trend aims to promote a "deeper" integration by incorporating a broader range of policy areas. As such, RTAs have expanded rapidly in terms of regulatory coverage and evolved to directly referencing sustainable development and including environment-related provisions (ERPs).

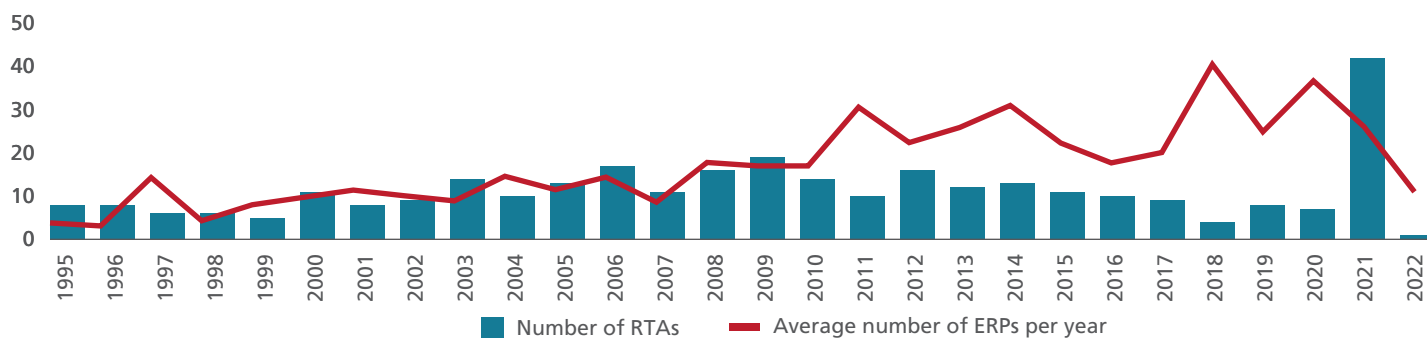
Countries include ERPs in their RTAs with the aim of achieving multiple objectives, such as promoting sustainable development, supporting the international environmental agenda, and improving cooperation on environmental actions.

#### The evolution of ERPs linked to the agriculture, fisheries and forestry sectors

Alongside a significant growth in ERPs in RTAs since 1995, the number of environment-related provisions that show a clear linkage with the agriculture, fisheries and forestry sectors has also been on the rise.

The total number of Ag-ERPs included in 318 active RTAs notified to the WTO that entered into force between 1995 and 2022 increased from only 30 to 5 807 provisions. While their trend for inclusion - in absolute terms - experienced significant variations on a yearly basis, the average number of Ag-ERPs per RTA steadily increased, from 8 in 1995-2001 to 28 in 2019-2022 (Figure 1).

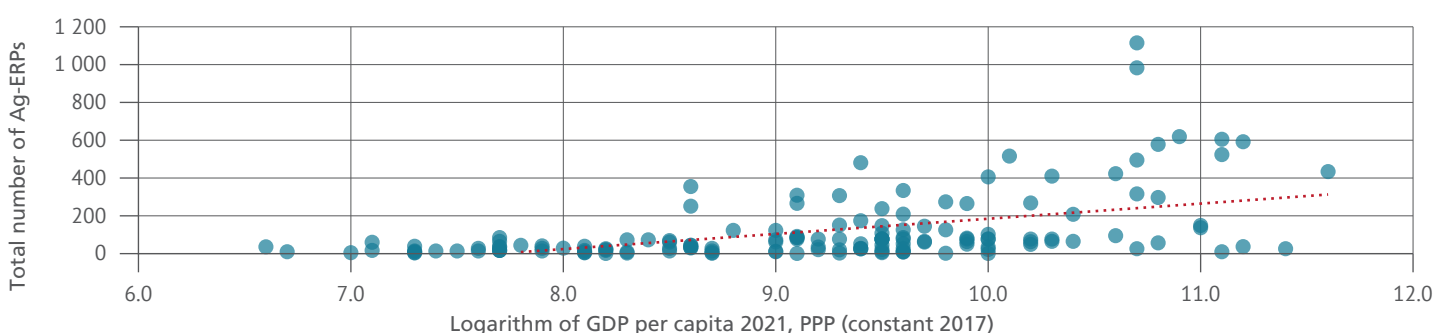
**Figure 1: Number of RTAs and average number of Ag-ERPs per RTA (per year), 1995 – 2022**



Source: FAO. Forthcoming. Ag-ERPs database: a novel repository of environment-related provisions for agriculture, fisheries and forestry in Regional Trade Agreements. Rome.

However, the analysis of the number of Ag-ERPs per country suggests that high-income countries generally have a higher number of Ag-ERPs than low- and middle-income countries. Specifically, as illustrated in Figure 2, there seem to be a positive relationship between per capita gross domestic product (GDP) and the total number of Ag-ERPs per country.

**Figure 2: The relationship between the total number of Ag-ERPs per country and GDP per capita**



Source: FAO. Forthcoming. Ag-ERPs database: a novel repository of environment-related provisions for agriculture, fisheries and forestry in Regional Trade Agreements. Rome.

## The environmental outcomes

Studies show that several RTAs with ERPs have yielded positive outcomes, such as strengthening environmental laws and regulations, introducing new institutional arrangements, promoting co-operation on improving environmental law and enforcement, promoting environmental capacity building in developing countries, raising environmental awareness, and influencing countries to adhere to various multilateral environmental agreements, such as the United Nations Framework Convention on Climate Change (UNFCCC) (OECD, 2023).

Ag-ERPs can also aid in mitigating the environmental effects of production growth induced by trade, and there is evidence of a significant reduction of agriculture-related GHG emissions in countries that enter into RTAs with more Ag-ERPs with their relevant trading partners in agricultural products.

Nevertheless, whether the inclusion of Ag-ERPs in RTAs is the appropriate means for improving and expanding the reach of different environmental practices globally is yet to be confirmed, as RTAs could also create asymmetric approaches to environmental commitments. Thus, contributing to the “spaghetti bowl” phenomenon, where countries are faced with complex challenges in managing various levels of environmental commitments and institutional arrangements.

## Actions to address key challenges:

- ▶ Conduct and promote more research and studies on the impact of RTAs with Ag-ERPs on the environment to guide the design of future agreements addressing the challenges related to the agricultural sector and beyond.
- ▶ Enhance cooperation at the international level to promote and support capacity development on environmental issues related to trade.
- ▶ Pursue policy-level discussions on Ag-ERPs through multilateral processes to avoid the creation of asymmetric approaches to environmental commitments by RTAs, and support the creation of shared rules to enhance mutual environmental benefits.

This brief is based on: FAO. Forthcoming. Ag-ERPs database: a novel repository of environment-related provisions for agriculture, fisheries and forestry in Regional Trade Agreements. Rome.

## References

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