

# Trade Agreements' Environmental Provisions: Insights from a Novel Dataset

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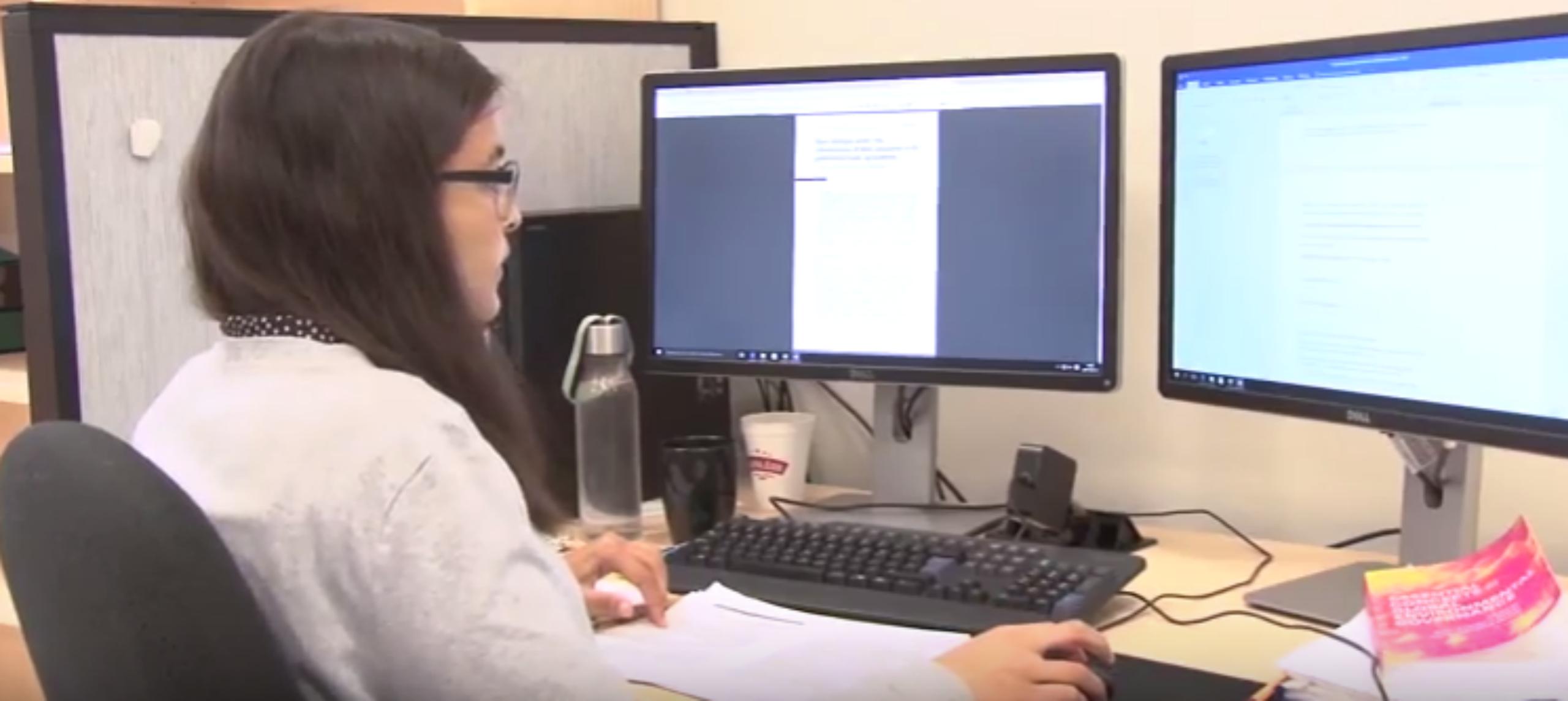
Jean-Frédéric Morin

Full Professor, Political Science Department

Chair holder, Canada Research Chair in International Political Economy







# The team read 730 trade agreements.... twice

Sources < Look for  Search In  Find Now Clear Advanced Find

Internals

Name	Nodes	Reference
1_Afghanistan India_2003	2	4
10_Albania Kosovo_2003	6	10
100_Bangkok Agreement_1975	1	2
109_Belarus Russia (Union State)_1999	7	12
11_Albania Macedonia_2002	7	11
112_Belarus Serbia_2009	4	6
114_Belarus Ukraine_1992	3	4
115_Belize Guatemala_2006	7	13
116_Bhutan India_2006	1	2
117_Bhutan India_1972	0	0
119_Bolivia Chile_1993	17	23
12_Albania Moldova_2003	6	10
121_Bolivia Cuba_2000	3	6
123_Bolivia MERCOSUR_1996	12	21
124_Bolivia Mexico_1994	34	59
125_Bolivia Paraguay_1994	3	5
126_Bolivia Uruguay_1991	1	4
128_Bosnia and Herzegovina Bulgaria_2003	6	10
129_Bosnia and Herzegovina Croatia_2000	8	18
13_Albania Romania_2003	9	13
130_Bosnia and Herzegovina EC SAA_2008	31	57
131_Bosnia and Herzegovina Macedonia_2002	7	10
132_Bosnia and Herzegovina Moldova_2002	7	11
133_Bosnia and Herzegovina Romania_2003	7	11
134_Bosnia and Herzegovina Serbia Montenegro_2002	8	13
135_Bosnia and Herzegovina Slovenia_2001	7	11
136_Bosnia and Herzegovina Turkey_2002	8	12
138_Brazil Cuba_1989	1	2
139_Brazil Cuba_1999	1	2
14_Albania Serbia_2004	7	11
140_Brazil Guyana_2001	1	2
141_Brazil Mexico_2002	5	5
142_Brazil Peru_1993	3	5

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Docked Zoom Bookmarks Layout List View Coding Stripes Highlight Annotations See Also Links Node Framework Matrix Previous Node Matrix Classification Next Report Color Scheme Visualization

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Annotations See Also Links Node Framework Matrix Previous Node Matrix Classification Next Report Color Scheme Visualization

1.08.03 Sovereignty or indepe 1.07 Sovereignty over natural 1.03 Prevention principle 1.01 Preamble refers to the en PDF 10\_Albania Kosovo\_2003 PDF 116\_Bhutan India\_2006

8.01.01.01 Necessary Coding Density

**AGREEMENT  
ON  
TRADE, COMMERCE AND TRANSIT  
BETWEEN  
THE GOVERNMENT OF THE REPUBLIC OF INDIA  
AND  
THE ROYAL GOVERNMENT OF BHUTAN**

The Government of the Republic of India and the Royal Government of Bhutan,  
Conscious of the age-old ties between India and Bhutan and with a desire to  
strengthen them,  
Convinced of the benefits which accrue to their people from the free trade and  
commerce between the two countries, expansion of the bilateral trade and  
collaboration in economic development,  
Have, in furtherance of the aforementioned objectives, agreed as follows:

**ARTICLE - I**

There shall, as heretofore, be free trade and commerce between the territories of  
the Royal Government of Bhutan and the Government of the Republic of India.

**ARTICLE - II**

Notwithstanding Article - I, the Royal Government of Bhutan may, henceforth,

In Nodes Code At Enter node name (CTRL+Q)

675 Items 1 References: 2 Read-Only Page: 1

# 289 types of environmental provisions in 10 categories

1. Transparency and public participation
2. Environmental law principles
3. Level of environmental protection
4. Environmental exceptions
5. Environmental cooperation
6. Specific environmental issue-areas
7. Policy coherence
8. Assistance and capacity building
9. Multilateral environmental agreements
10. Enforcement and dispute resolution

# Detailed codebook

## 7.03.01 Precautionary principle

Definition: duty or possibility to prevent harm by taking action when there is a lack of scientific certainty.

Inclusion criteria:

- Not limited to the terms “precautionary principle”.
- Includes references to principle 15 of the Rio Declaration.
- Does not need to be explicitly about environmental protection.

Exclusion criteria:

- Calling Parties to take account of scientific information is not sufficient.
- To be distinguished from the prevention principle (which is about risks rather than uncertainty).

Example:

*2012 Protocol for the Protection of the Caspian Sea against Pollution from Land-Based Sources and Activities, art. 2: “The Contracting Parties shall, in particular: (a) Apply the precautionary principle, by virtue of which where there are threats of serious or irreversible damage [...] lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent such damage.”*

# The full text of the precautionary principle

Convention protection transboundary watercourses international lakes 1992

*"The precautionary principle, by virtue of which action to avoid the potential transboundary impact of the release of hazardous substances shall not be postponed on the ground that scientific research has not fully proved a causal link between those substances, on the one hand, and the potential transboundary impact, on the other hand;"*

Protocol forestry treaty southern African development community 2002

*"State Parties shall not use lack of scientific certainty as a reason for postponing measures to prevent or minimise potentially serious or irreversible harm to forests."*

Amendment convention Mediterranean sea against pollution 1995

*"Apply, in accordance with their capabilities, the precautionary principle, by virtue of which there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation;"*

Energy charter treaty 1994

*"In its policies and actions each Contracting Party shall strive to take precautionary measures to prevent or minimize environmental degradation"*

Agreement conservation marine resources high seas south pacific 2000

*"The scarcity or lack of available information shall not be construed as a reason to prevent or delay the adoption of precautionary measures, including points of reference for specific fish populations."*

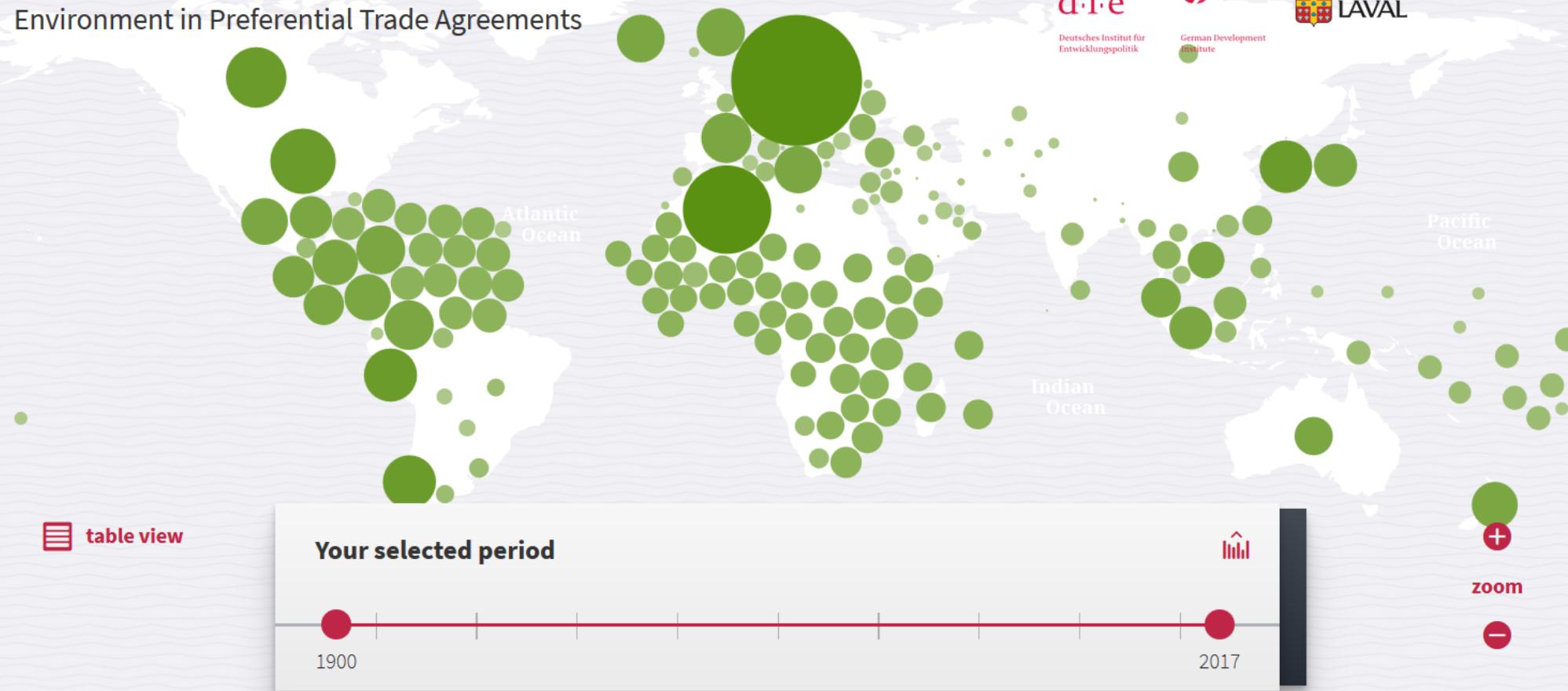
Convention protection marine environment Baltic sea area 1992

*"The Contracting Parties shall apply the precautionary principle, i.e., to take preventive measures when there is reason to assume that substances or energy introduced, directly or indirectly, into the marine environment may create hazards to human health, harm living resources and marine ecosystems, damage amenities or interfere with other legitimate uses of the sea even when there is no conclusive evidence of a causal relationship"*

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## TRADE & ENVIRONMENT DATABASE – TREND

Environment in Preferential Trade Agreements



# Convention wisdom related to environmental provisions (EP)

1. EP are increasingly salient
2. The US and the EU have two different models
3. The diffusion of EP is driven by the US and the EU
4. EP do little for the environment
5. EP restrict trade flows

Saliency

Two models

US/EU driven

Env. impact

Trade impact

*“The United States, Mexico, and Canada have agreed to the most advanced, most comprehensive, highest-standard chapter on the Environment of any trade agreement.”*

- USTR, 2019

Saliency

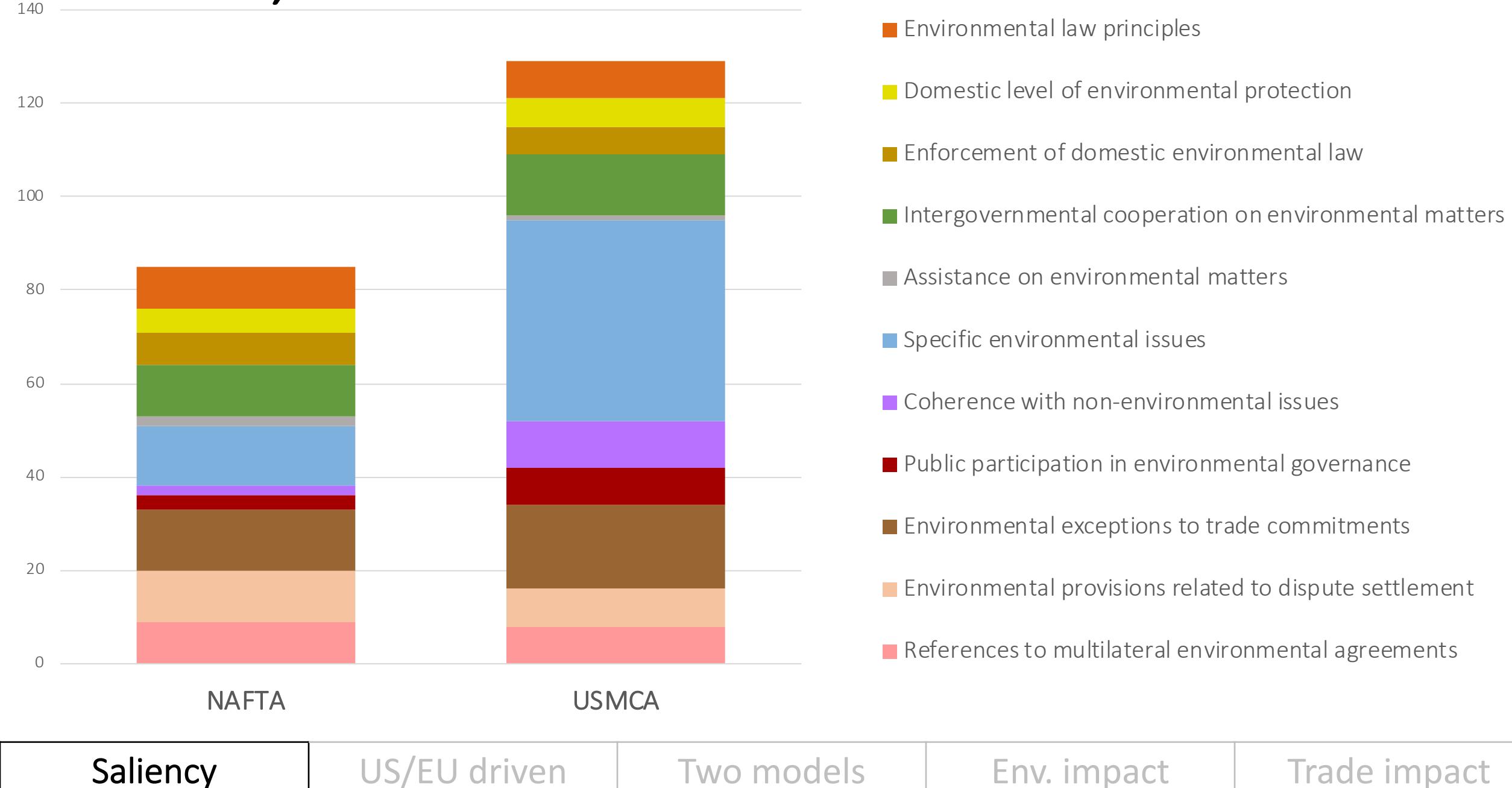
US/EU driven

Two models

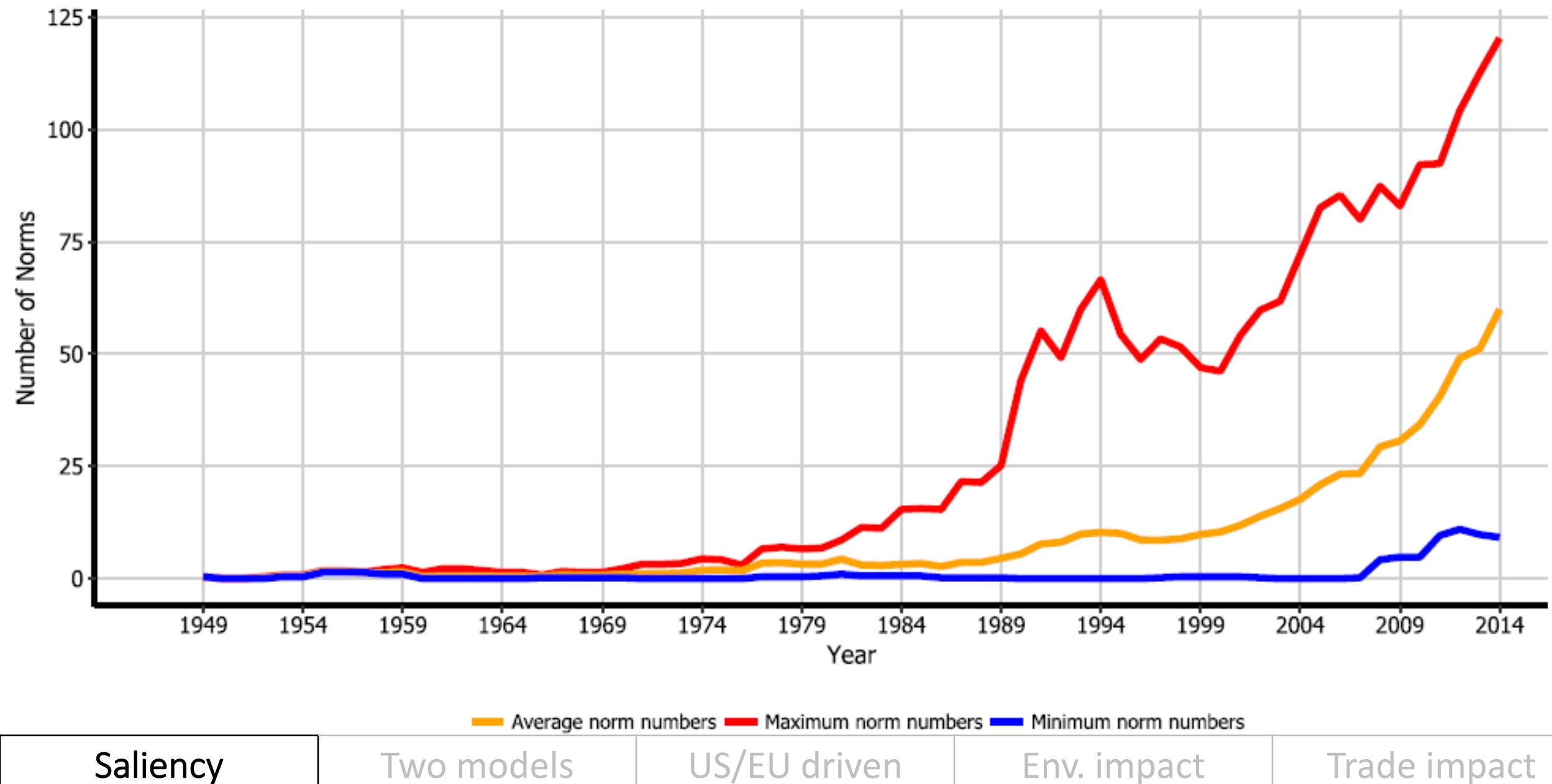
Env. impact

Trade impact

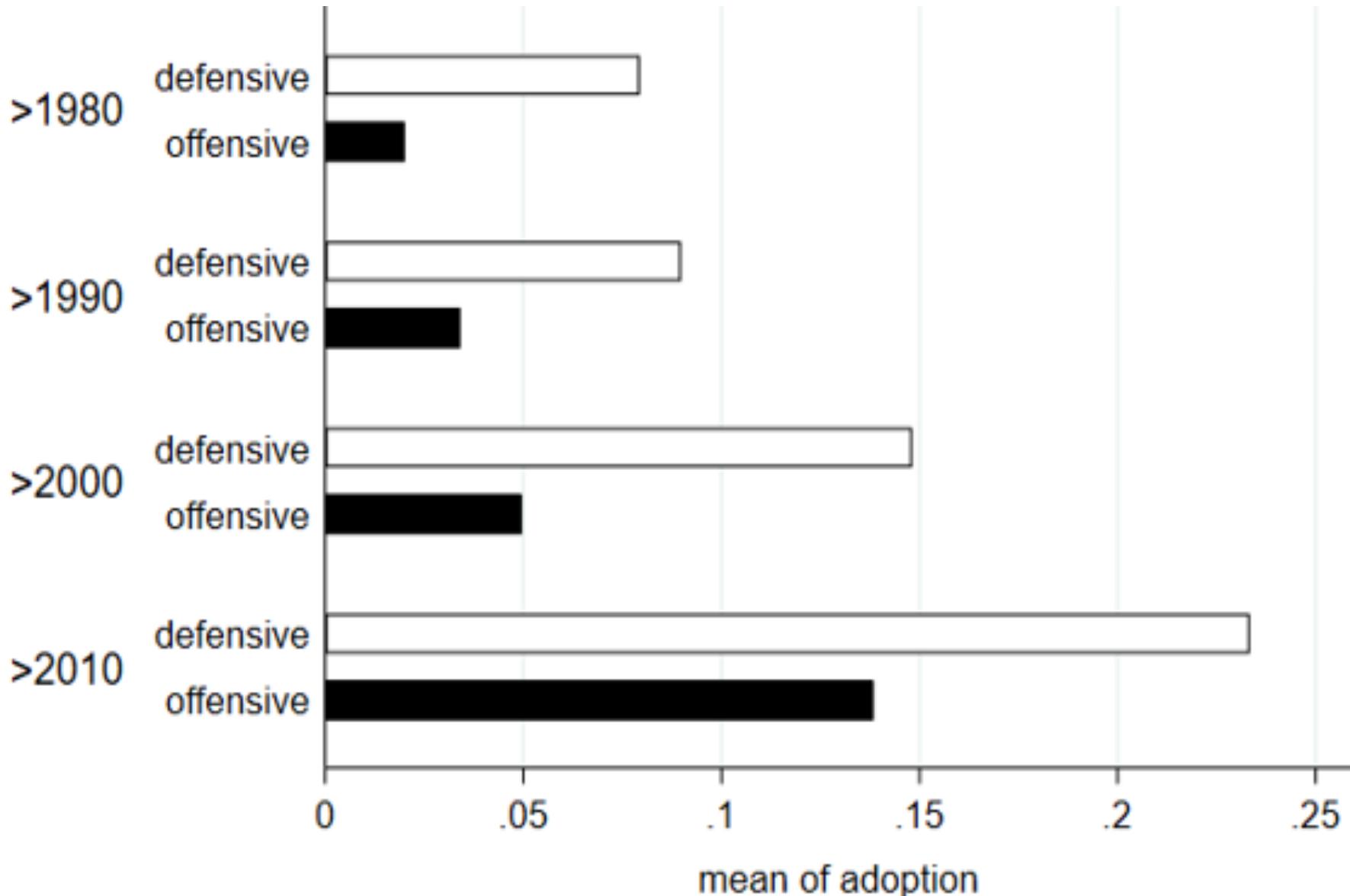
# Yes, USMCA includes more EP than NAFTA



# Number of EP per agreement



# Increasing share of “offensive” provisions



Saliency

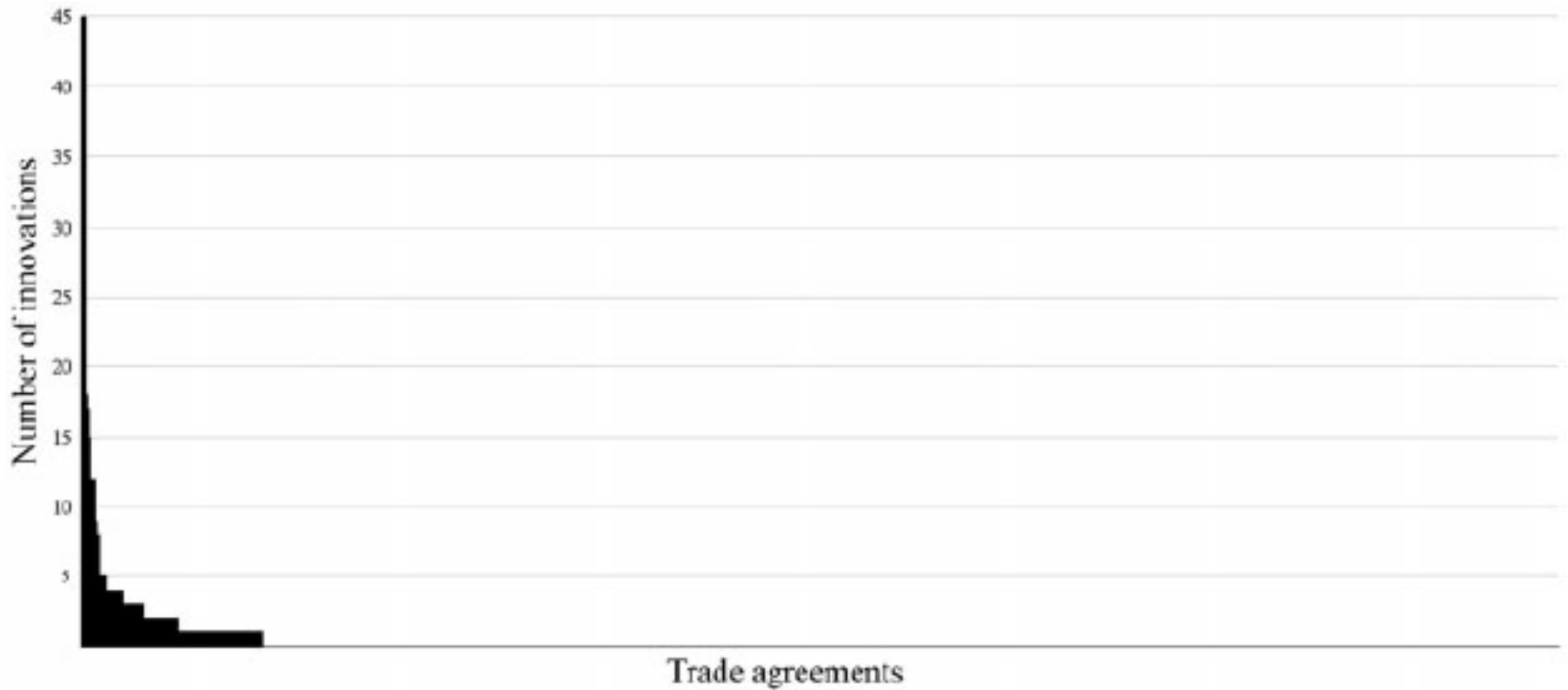
Two models

US/EU driven

Env. impact

Trade impact

# But... few recent PTAs are innovative



Saliency

Two models

US/EU driven

Env. impact

Trade impact

# The few USMCA innovations

Article 24.12: “1. The Parties recognize the importance of taking action to prevent and reduce marine litter, including plastic litter and microplastics, in order to preserve human health and marine and coastal ecosystems, prevent the loss of biodiversity, and mitigate marine litter’s costs and impacts.”

“

Article 24.22 (8): “each Party shall: (b) treat intentional transnational trafficking of wildlife protected under its laws, as a serious crime as defined in the United Nations Convention on Transnational Organized Crime”

ECA, art. 10 (2): “The Work Program may include short-, medium- and long-term cooperative activities in areas such as: (aa) promoting sustainable production and consumption, including reducing food loss and food waste.”

Saliency

Two models

US/EU driven

Env. impact

Trade impact

# Climate in trade agreements even before the UNFCCC

Category of provision	First PTA to include it	Year	Excerpt	Number of PTAs
Promotion of renewable energy	Lomé II	1979	“The Community will assist in the [...] implementation of alternative energy strategies in programmes and projects that will [...] cover wind, solar, geothermal and hydro-energy sources”	70
Promotion of energy efficiency	Lomé II	1979	“The Community will assist in the [...] production in the ACP States of equipment for [...] the application of energy-saving techniques”	68
Cooperation on climate governance	UE and Poland /Hungary	1991	“Cooperation shall centre on [...] global climate change”	38
Reduction of GHG emissions	Lomé IV	1989	“The Parties recognize the value of exchanging views [...] on major ecological hazards [...] on a planetary scale (such as the greenhouse effect)”	31
Ratification of UNFCCC	Common Market for Eastern and Southern Africa	1993	“The Member States [...] agree to: [...] accede to the UNCED Agreements relating to the Conventions on climatic change and biodiversity	7

Saliency

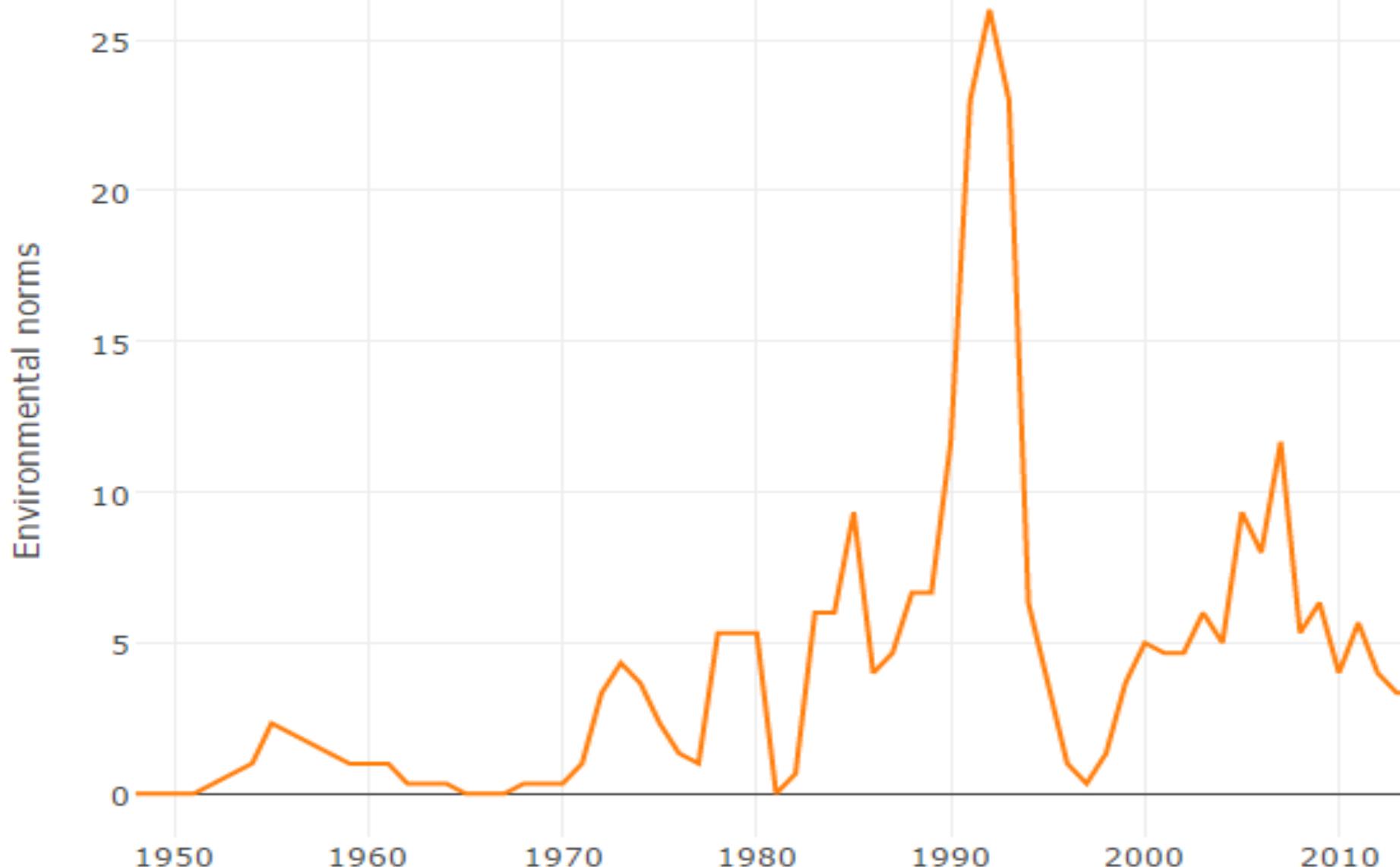
Two models

US/EU driven

Env. impact

Trade impact

# The early 1990s as a Cambrian explosion



Saliency

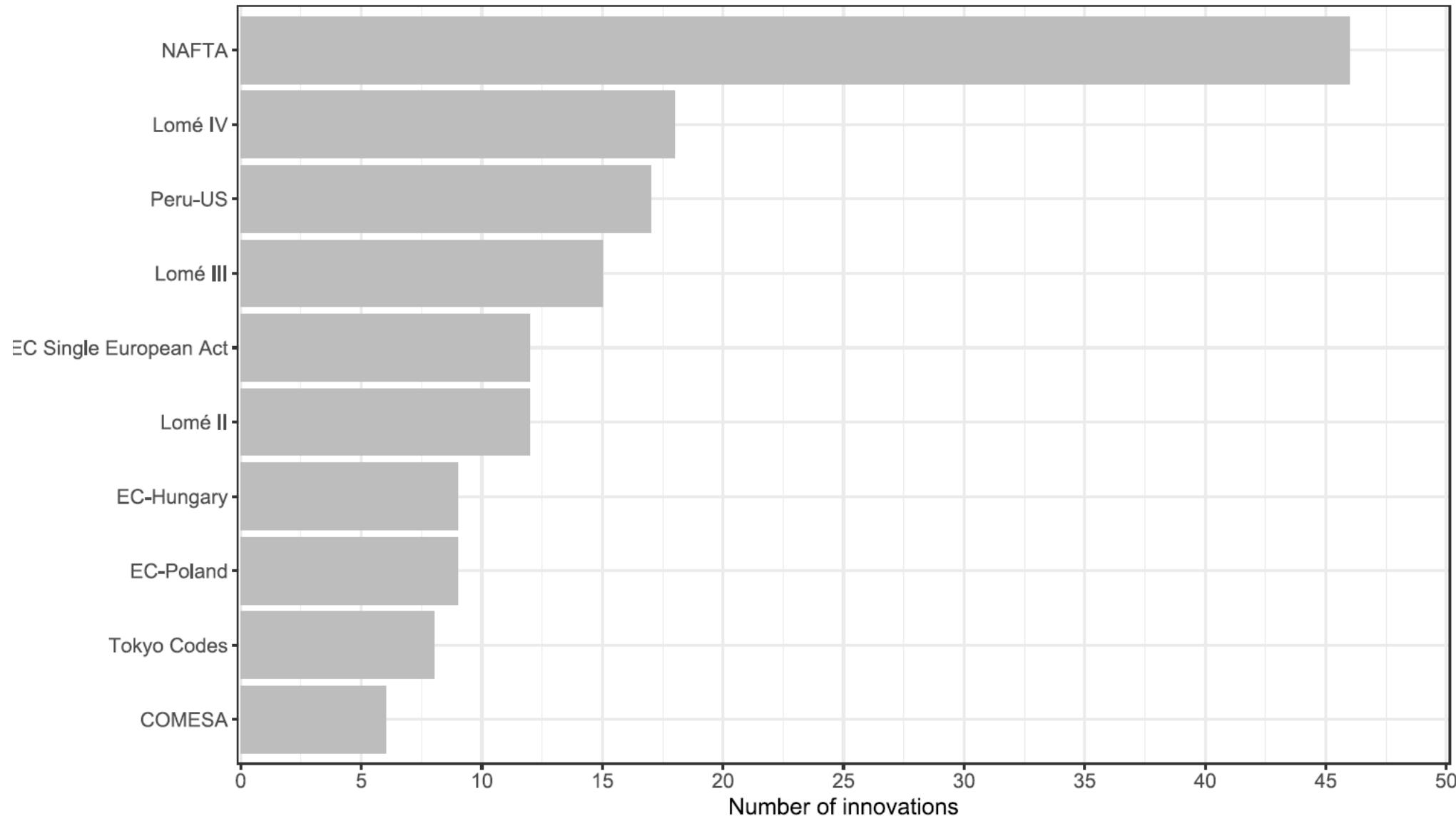
Two models

US/EU driven

Env. impact

Trade impact

# NAFTA as a groundbreaking agreement



Saliency

Two models

US/EU driven

Env. impact

Trade impact

*“The European approach is based on a cooperative rather than an adversarial approach, without provisions for sanctions.”*

- Jinnah and Morgera, 2013

Saliency

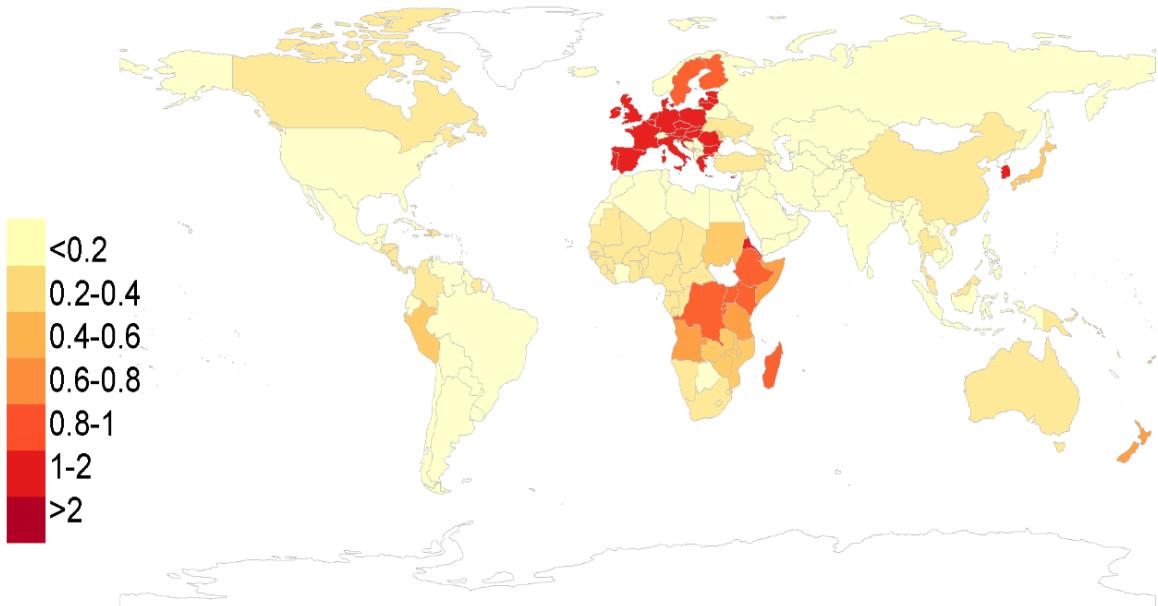
Two models

US/EU driven

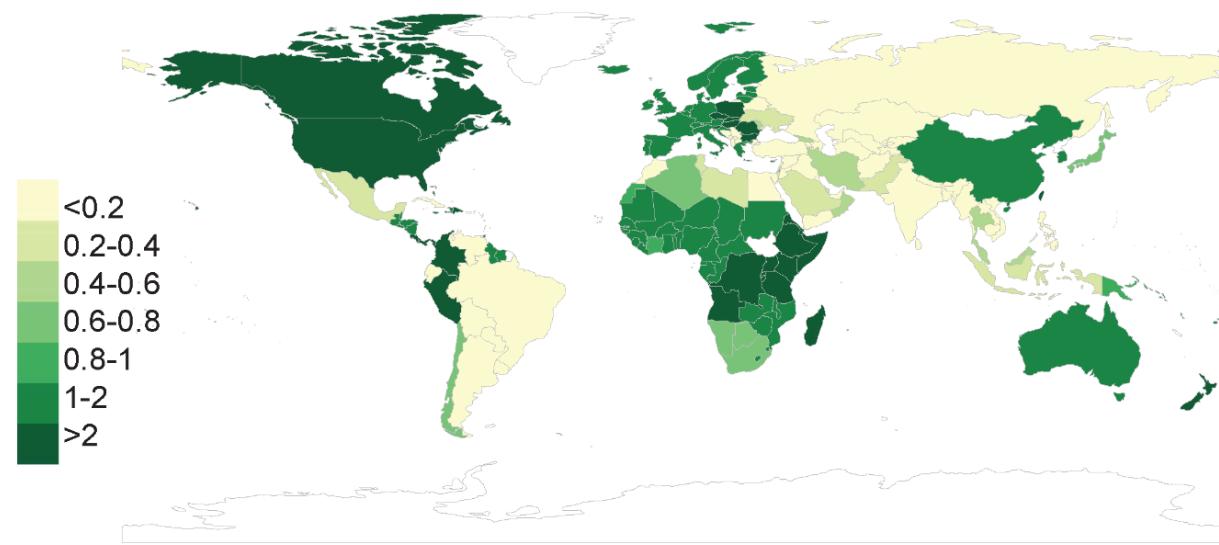
Env. impact

Trade impact

# Yes, the EU and US favor different EPs



Average number of climate-related provisions



Average number of biodiversity-related provisions

Saliency

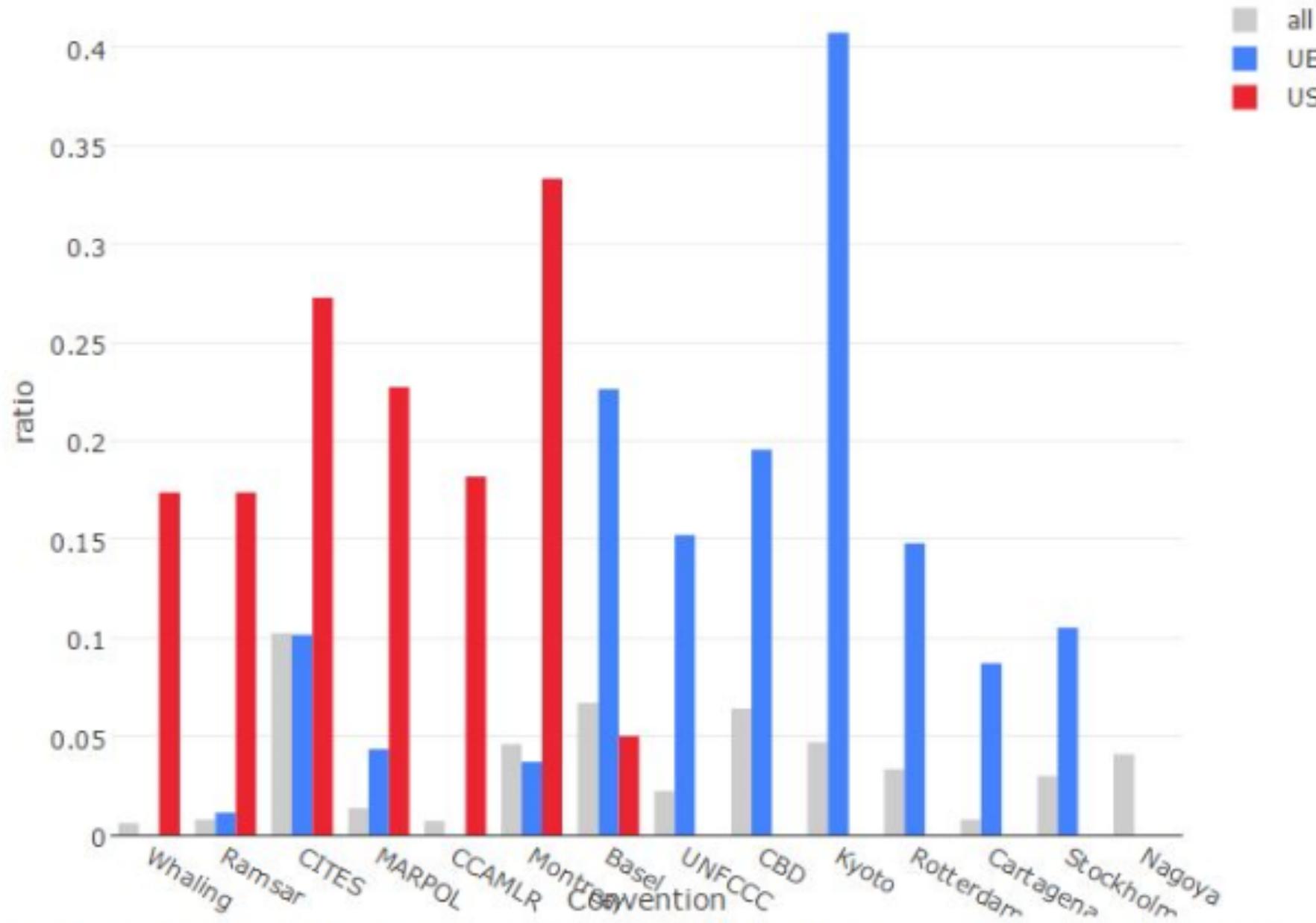
Two models

US/EU driven

Env. impact

Trade impact

# EU and US references to MEAs



Saliency

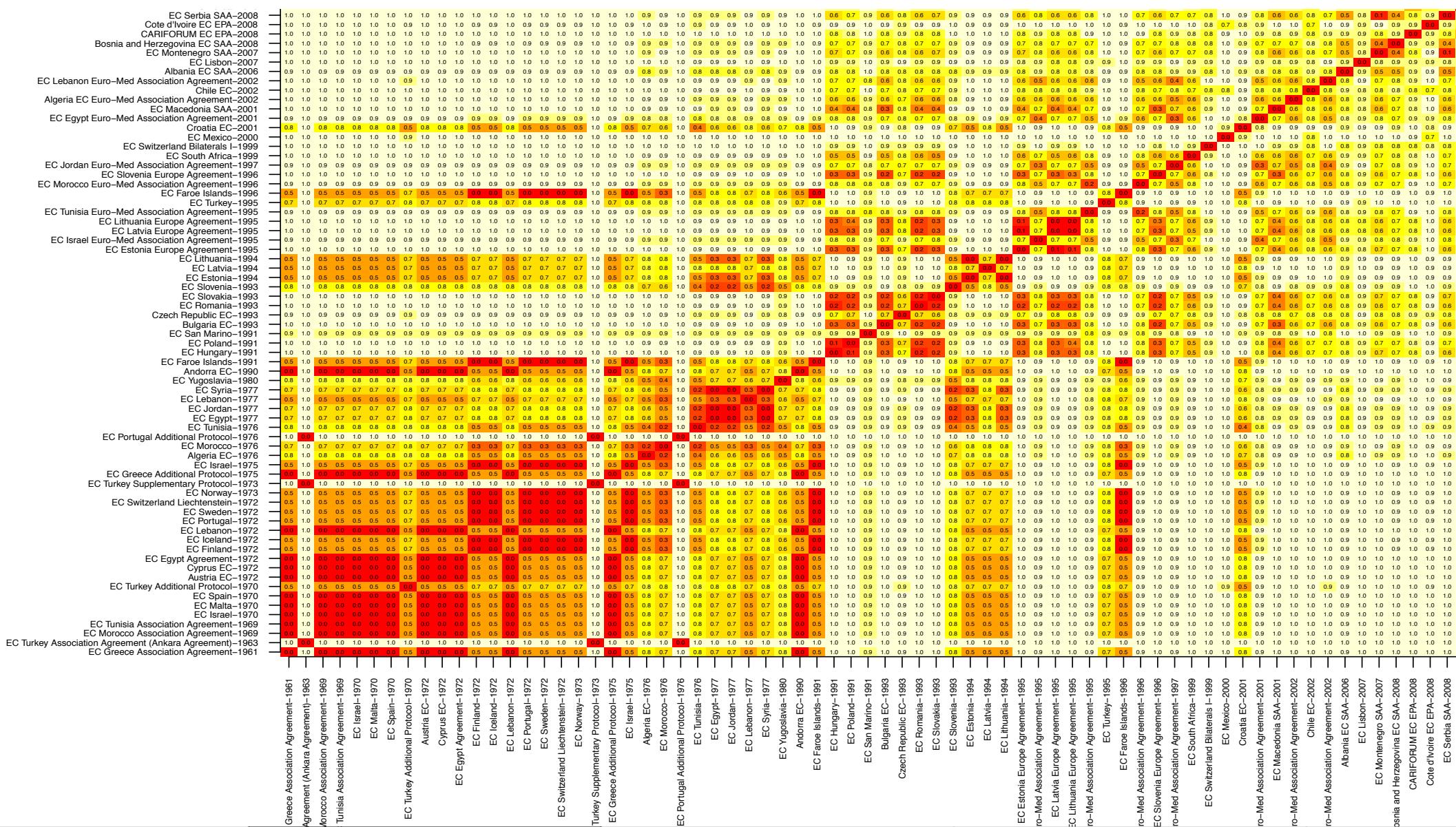
Two models

US/EU driven

Env. impact

Trade impact

# But.... EU eclecticism



## Saliency

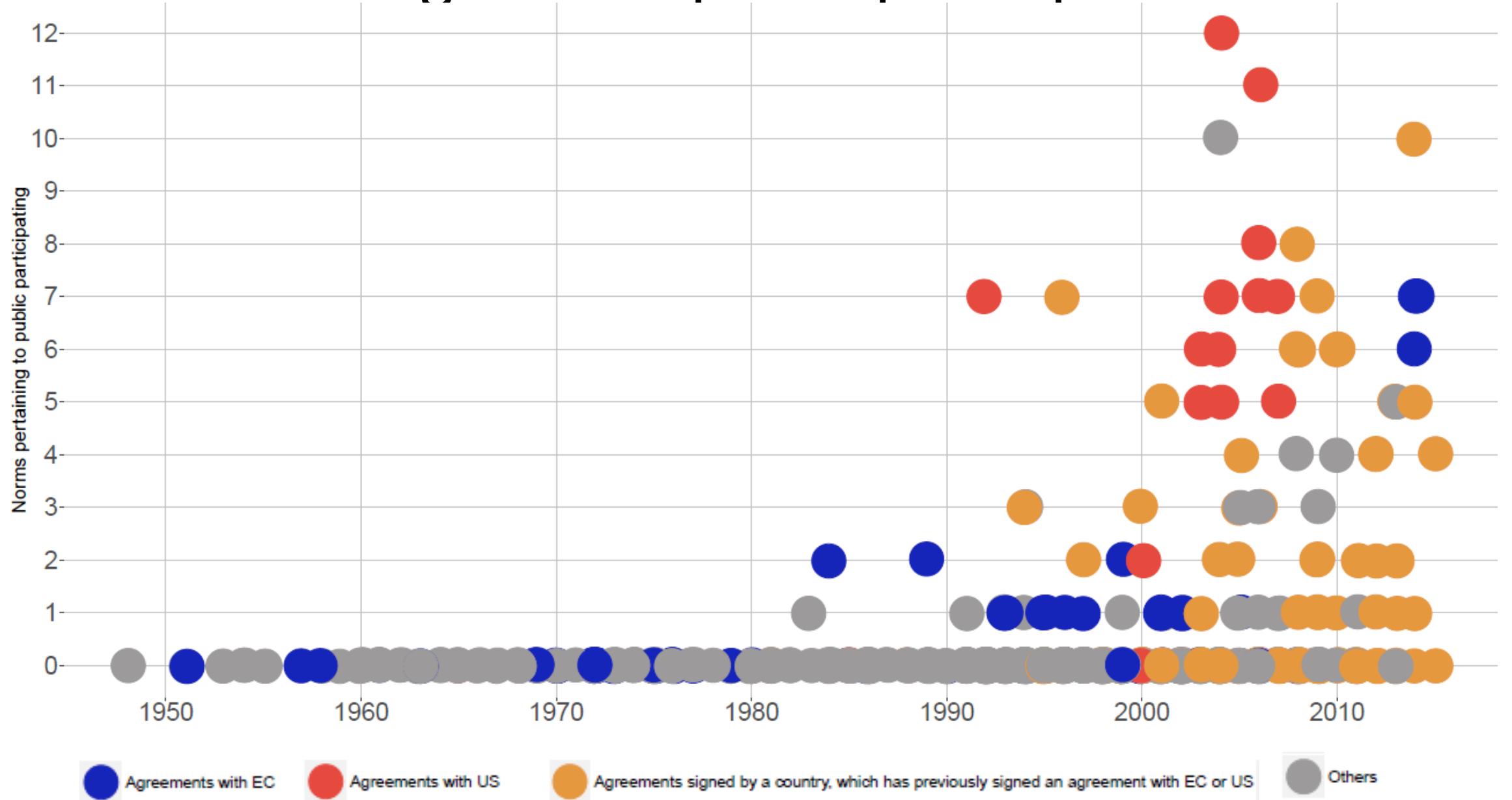
## Two models

# US/EU driven

# Env. impact

## Trade impact

# Convergence on public participation



Saliency

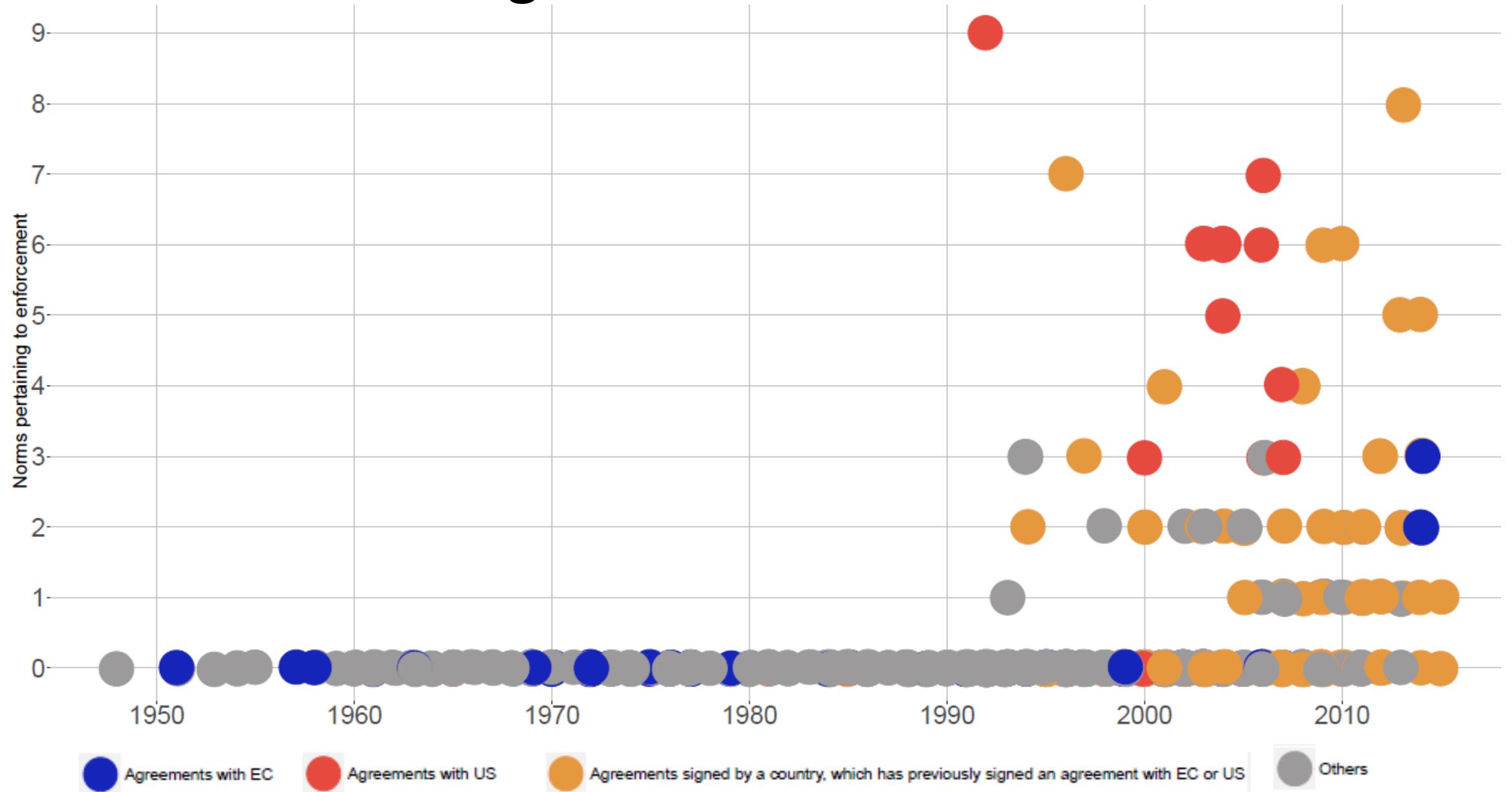
Two models

US/EU driven

Env. impact

Trade impact

# Convergence on enforcement



Agreements with EC

Agreements with US

Agreements signed by a country, which has previously signed an agreement with EC or US

Others

Saliency

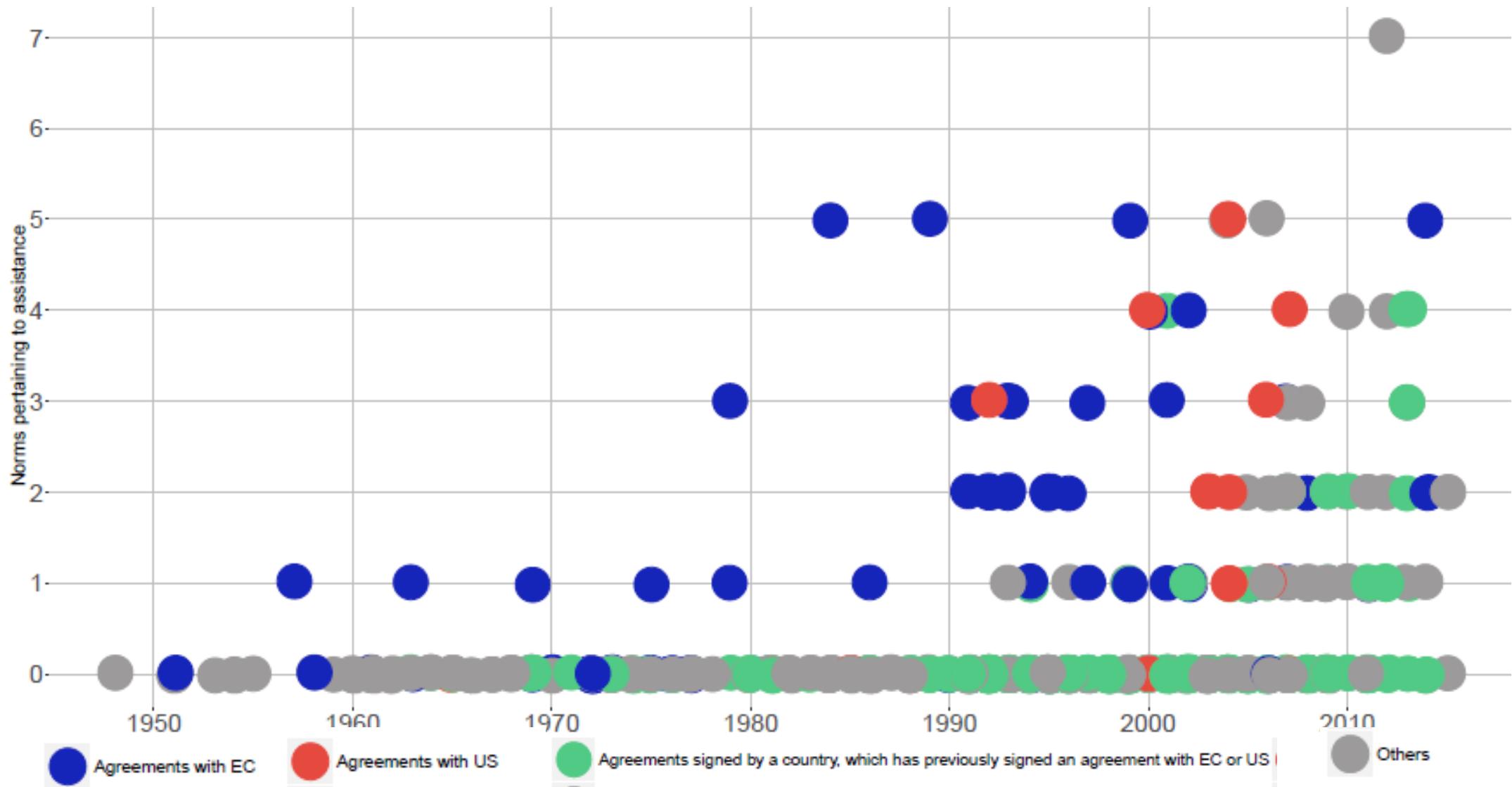
Two models

US/EU driven

Env. impact

Trade impact

# Convergence on assistance



Saliency

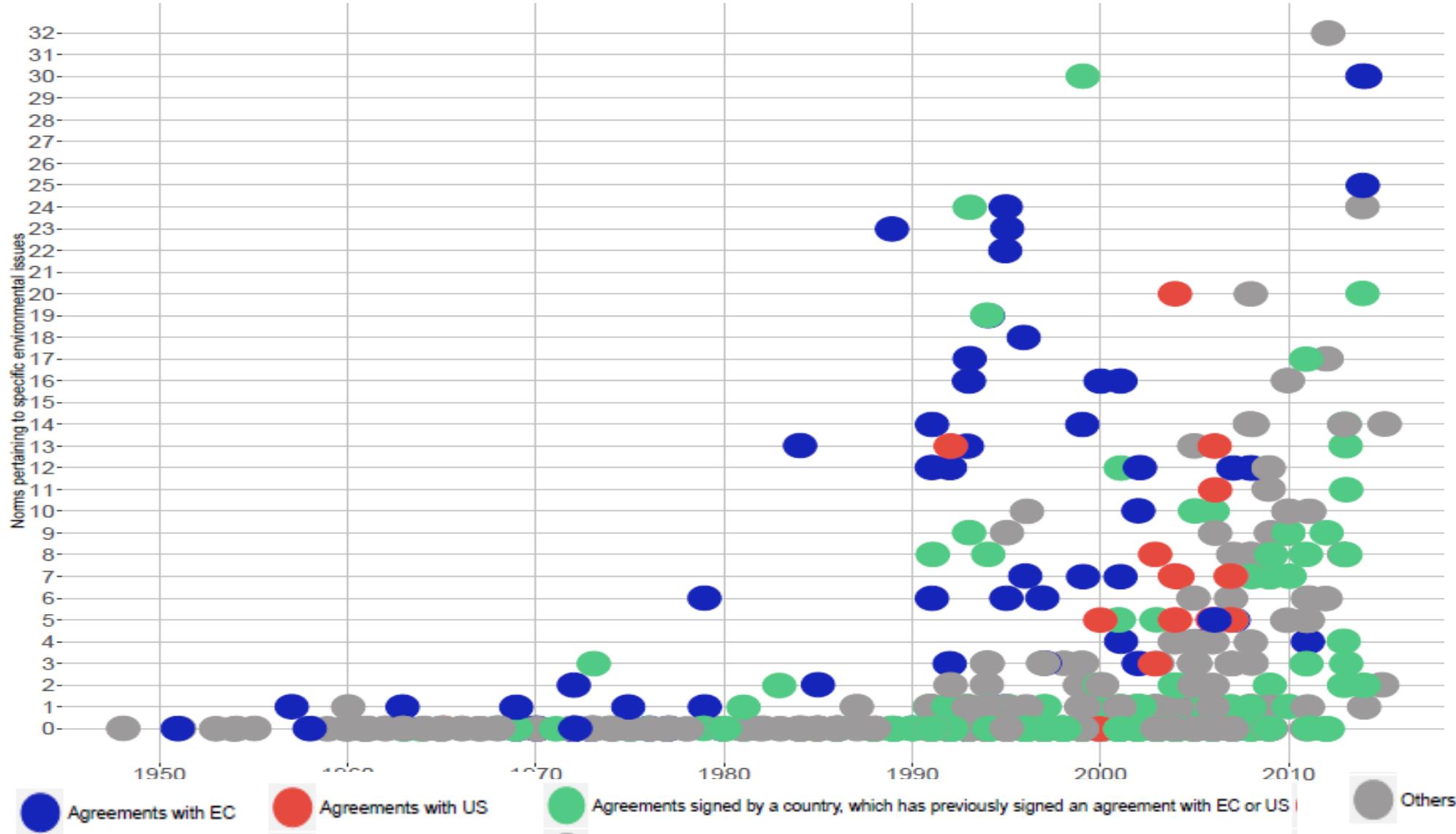
Two models

US/EU driven

Env. impact

Trade impact

# Convergence on specific issue-areas



Saliency

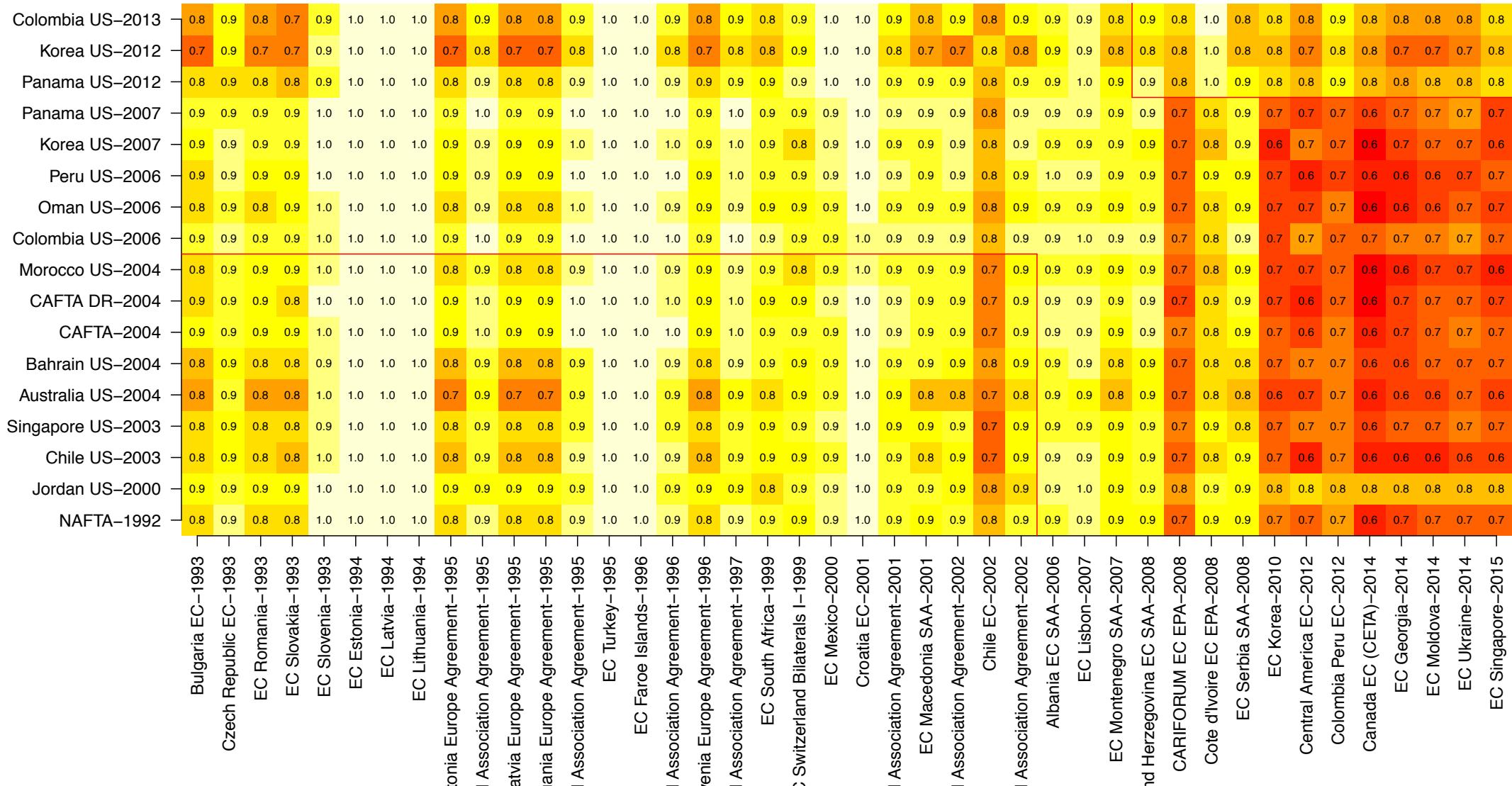
Two models

US/EU driven

Env. impact

Trade impact

# Overall EU-US convergence



# Saliency

## Two models

## US/EU driven

# Env. impact

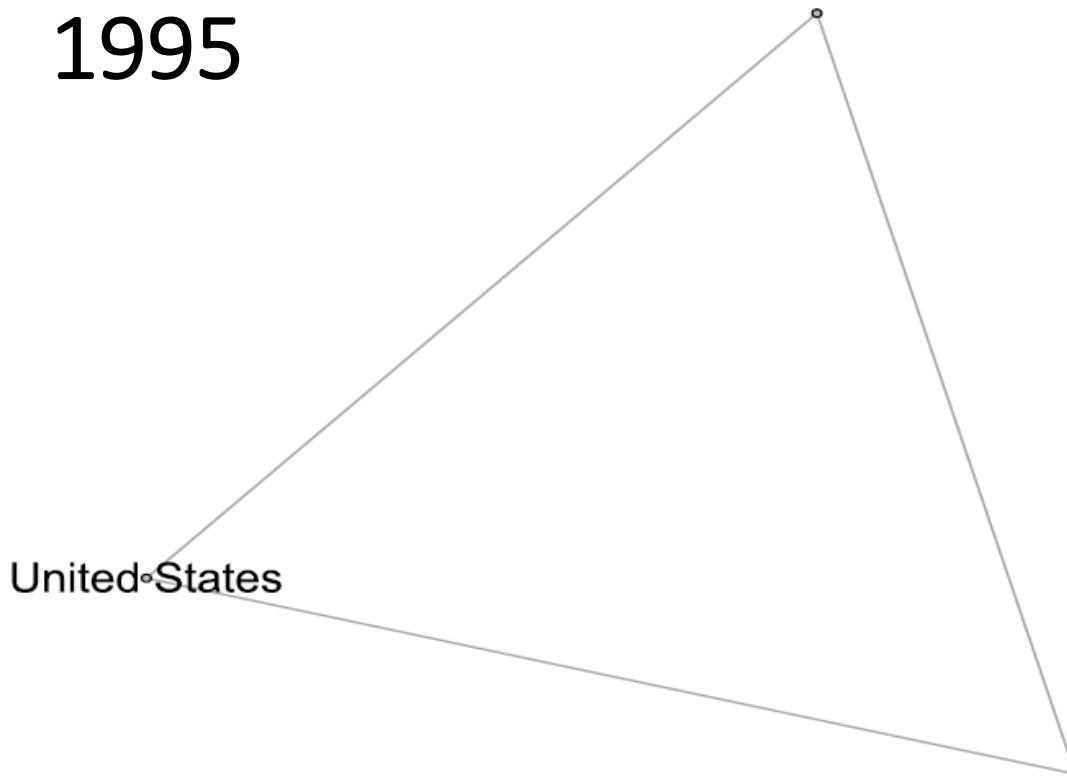
## Trade impact

*“The EC and the US have become the two main ‘hubs’ in the pattern of PTAs, with the ‘spokes’ represented by agreements with the various partner countries”*

- Horn, Mavroidis and Sapir 2009

# Yes, diffusion of provisions related to public participation

## 1995



Saliency

Two models

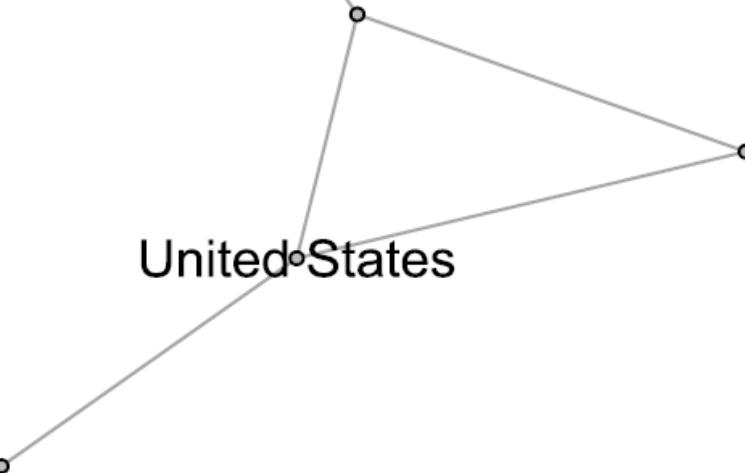
US/EU driven

Env. impact

Trade impact

# Yes, diffusion of provisions related to public participation

.2000



Saliency

Two models

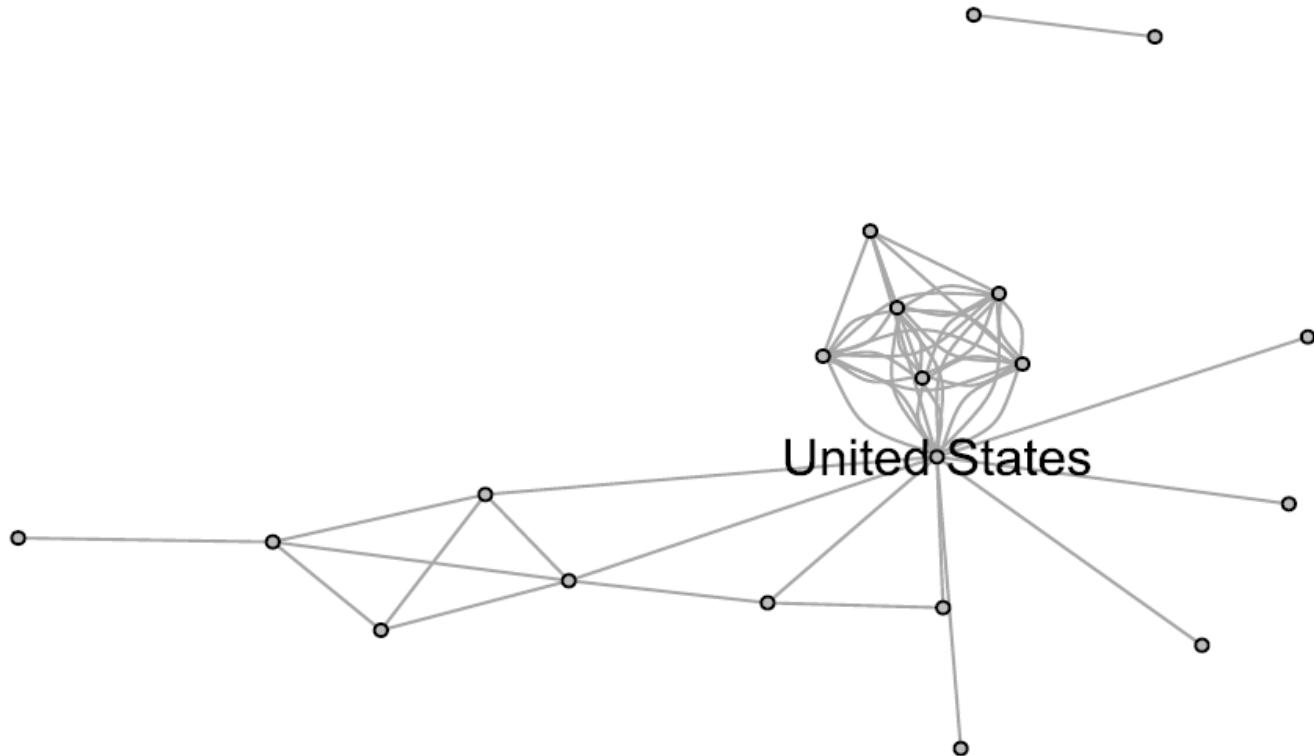
US/EU driven

Env. impact

Trade impact

# Yes, diffusion of provisions related to public participation

## 2005



Saliency

Two models

US/EU driven

Env. impact

Trade impact

# Yes, diffusion of provisions related to public participation 2010



Saliency

Two models

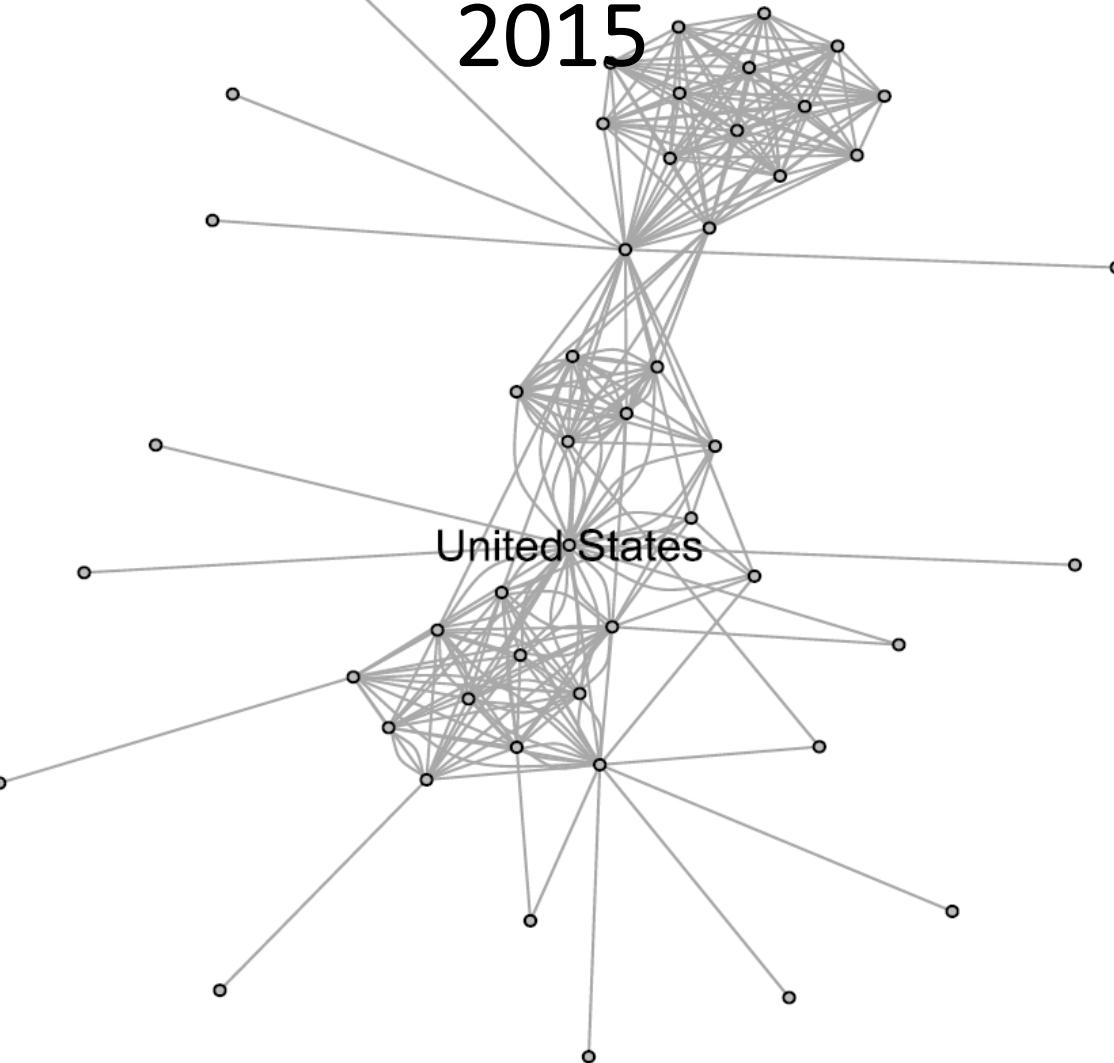
US/EU driven

Env. impact

Trade impact

# Yes, diffusion of provisions related to public participation

2015



Saliency

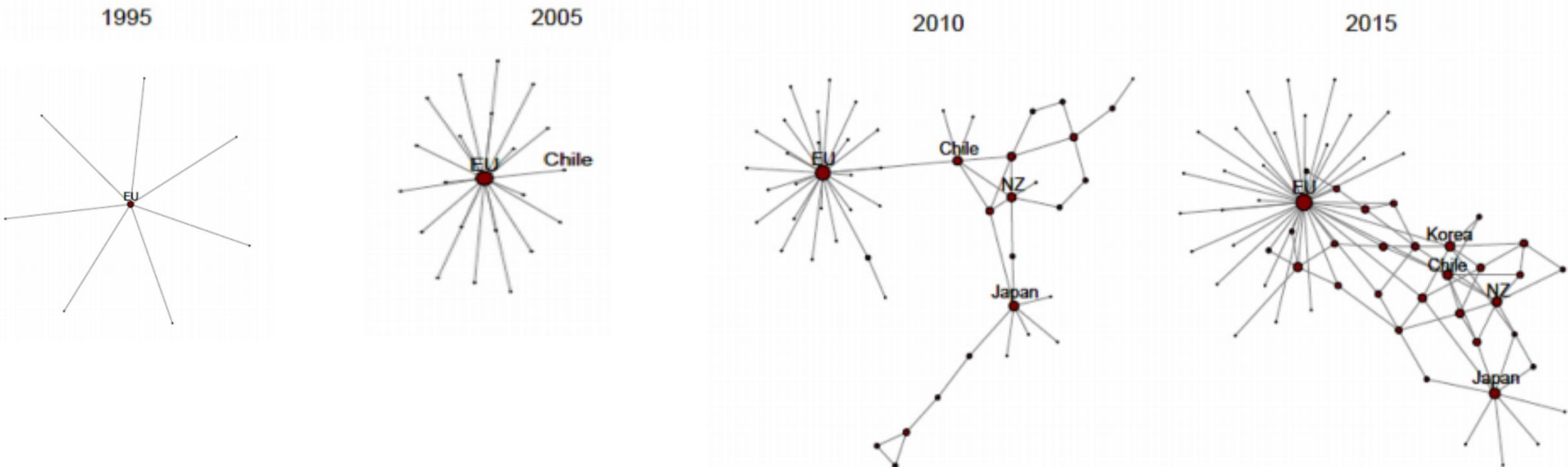
Two models

US/EU driven

Env. impact

Trade impact

# Diffusion of EU climate-related provisions



Saliency

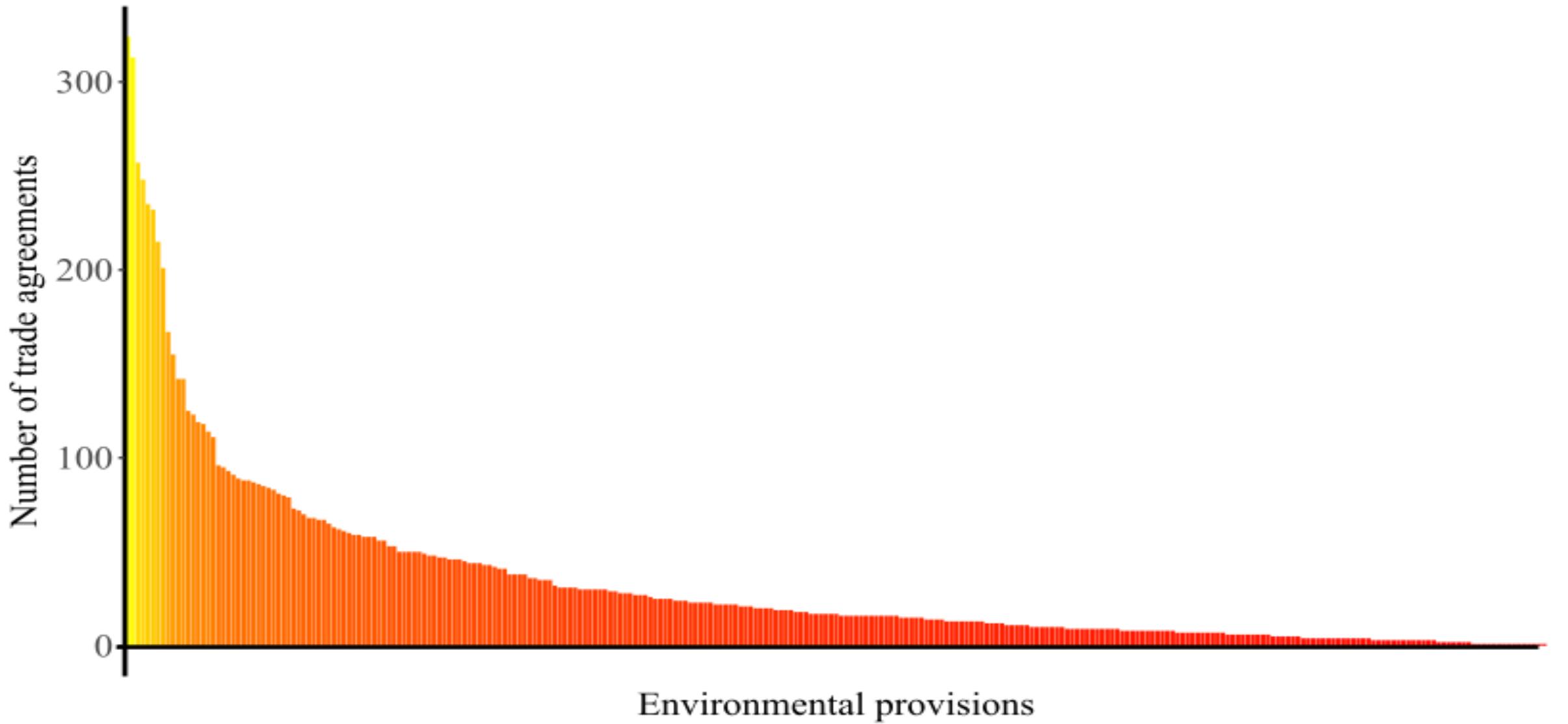
Two models

US/EU driven

Env. impact

Trade impact

# But... many provisions remain uncommon



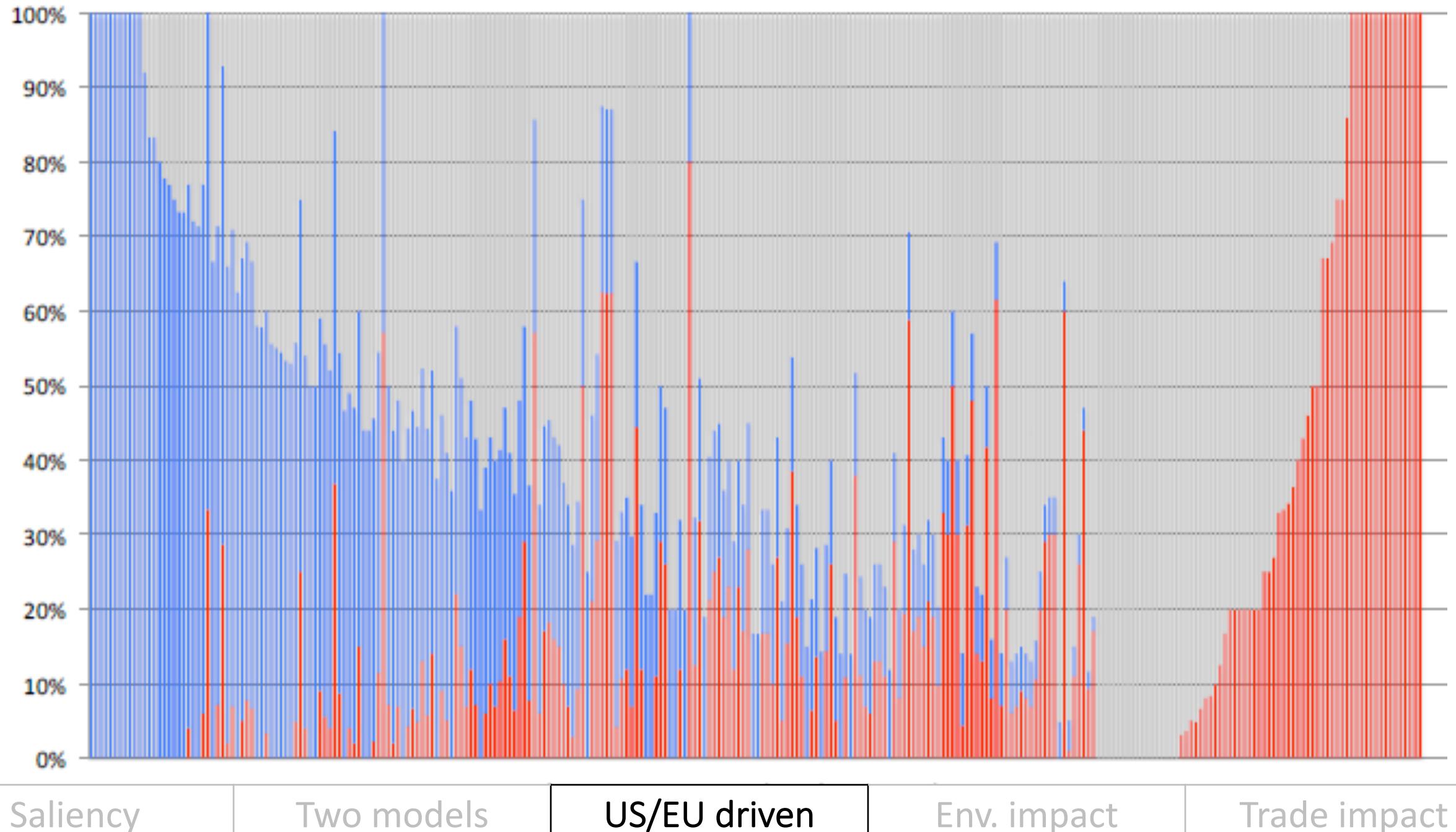
Saliency

Two models

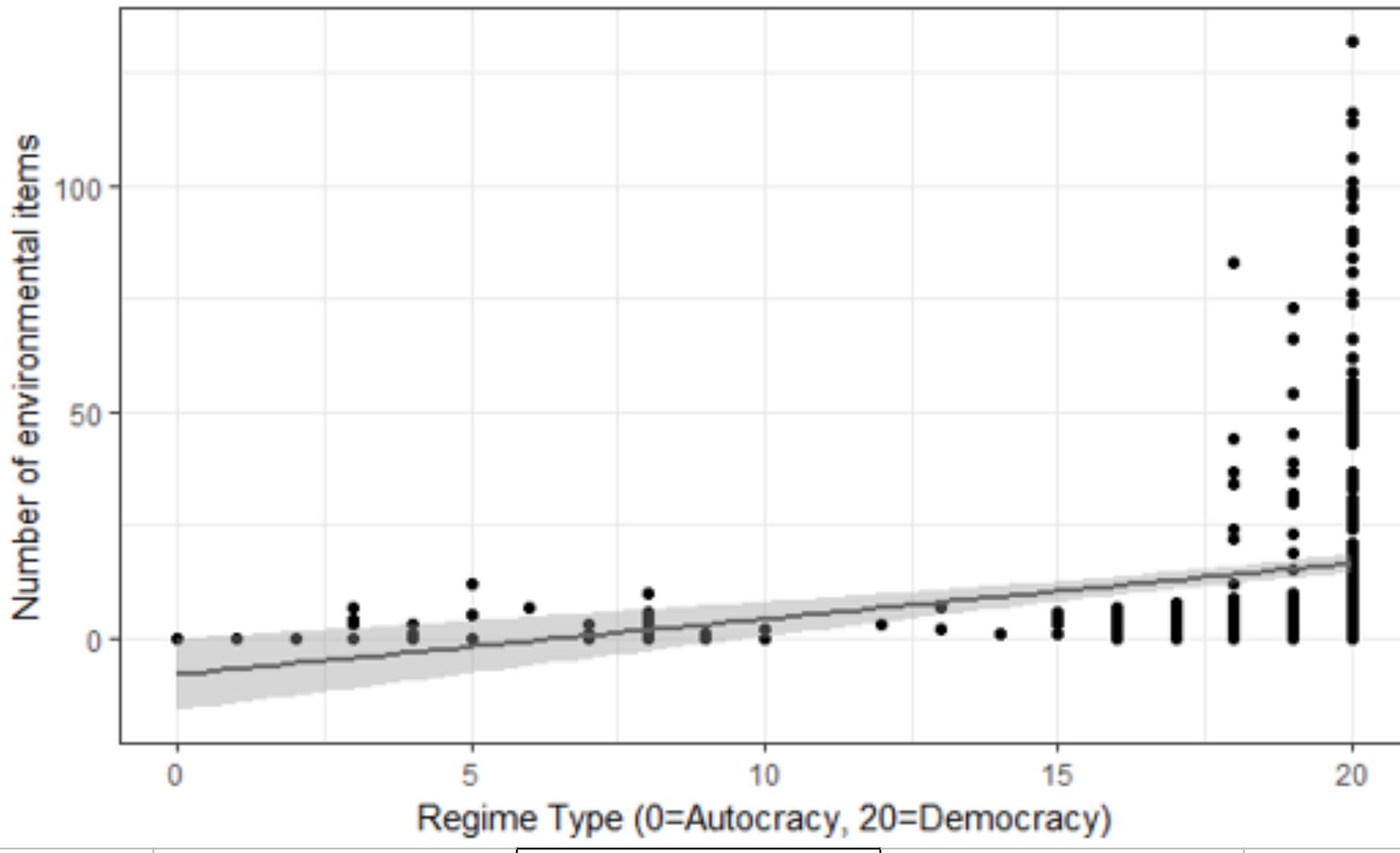
US/EU driven

Env. impact

Trade impact



# Democracies are more likely to include EP



Saliency

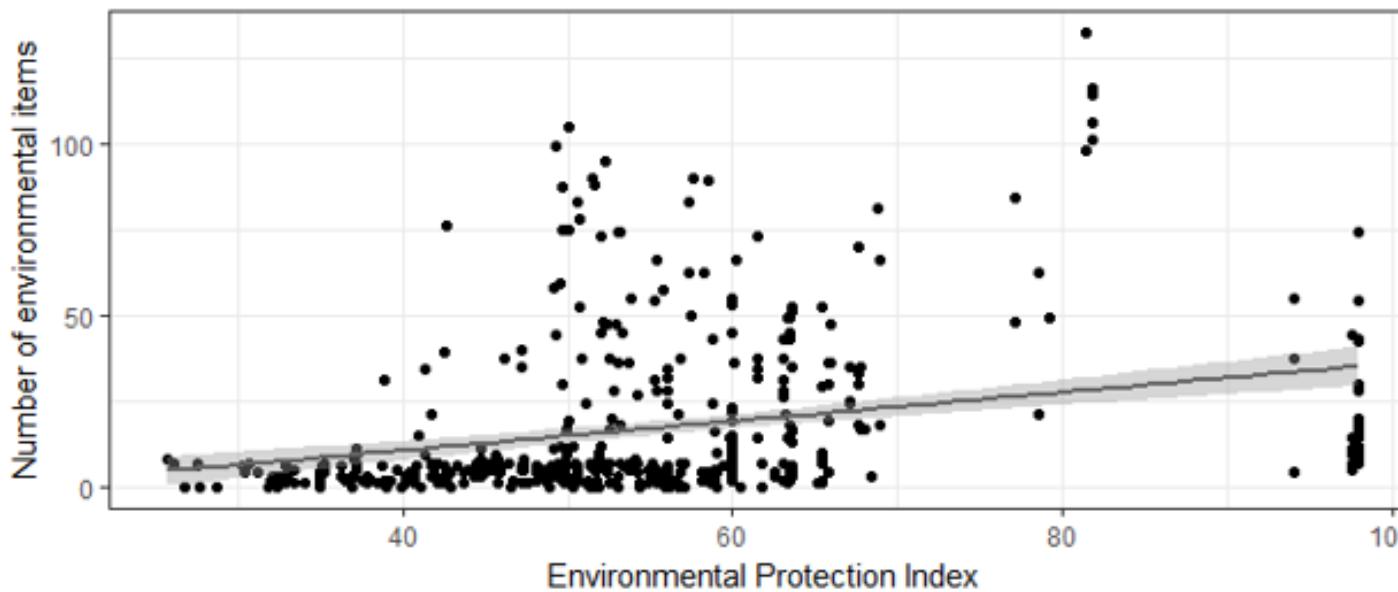
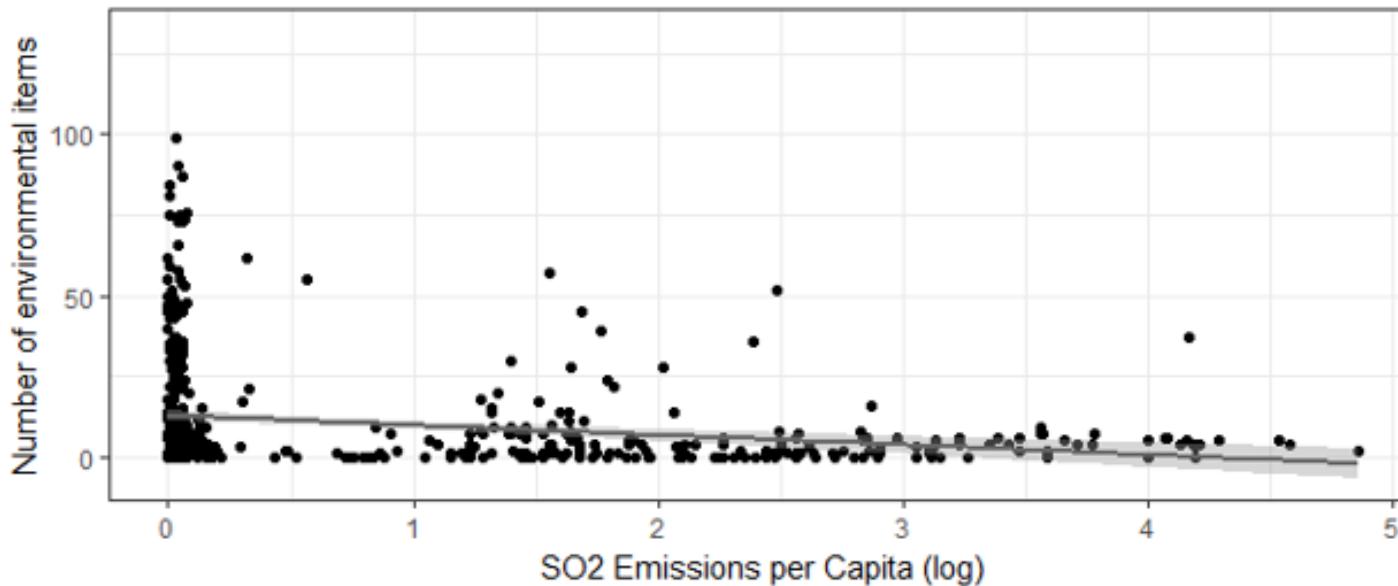
Two models

US/EU driven

Env. impact

Trade impact

# Green countries are more likely to include EP



Saliency

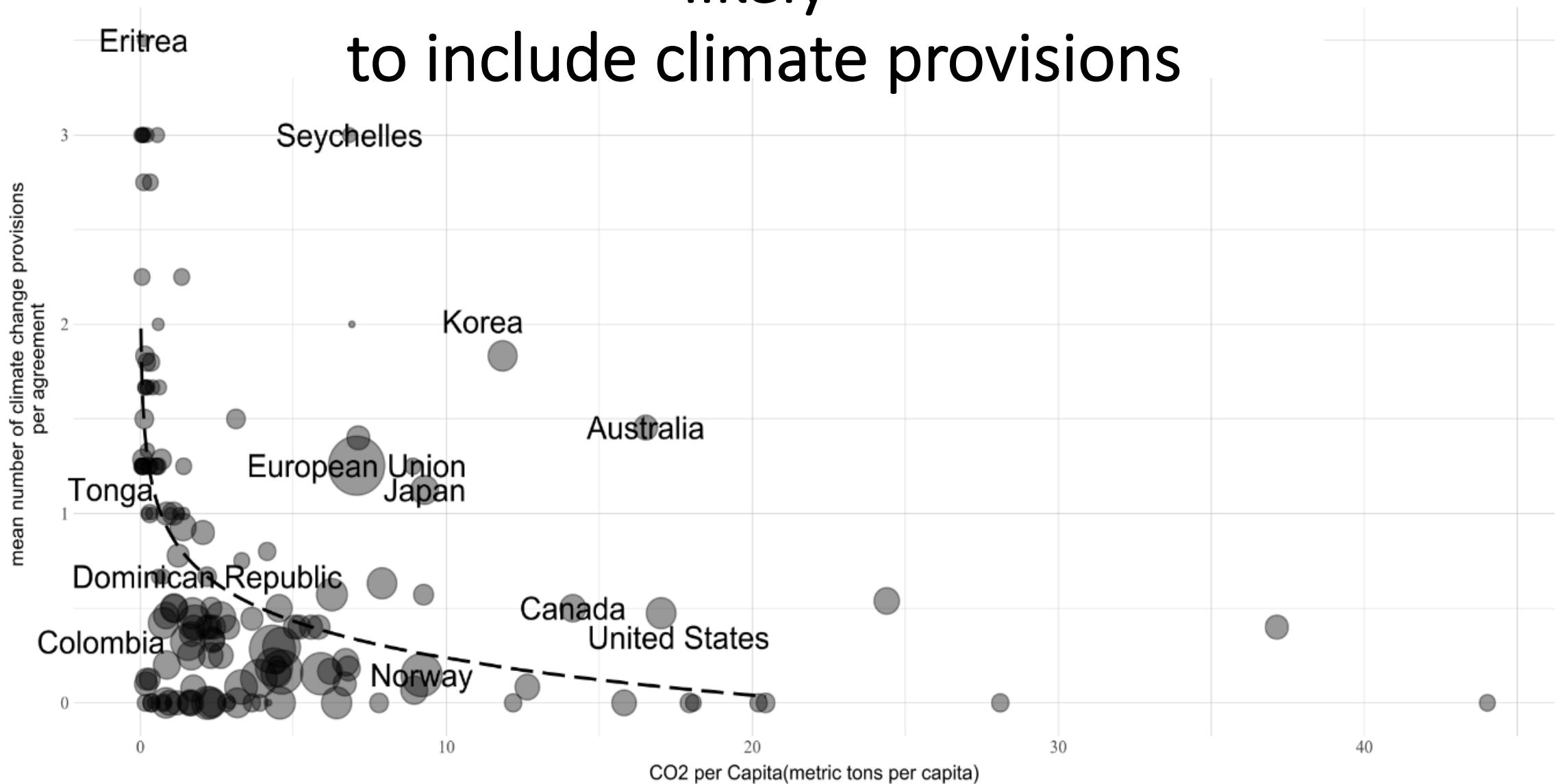
Two models

US/EU driven

Env. impact

Trade impact

# Moderate CO<sub>2</sub> emitters are more likely to include climate provisions



Saliency

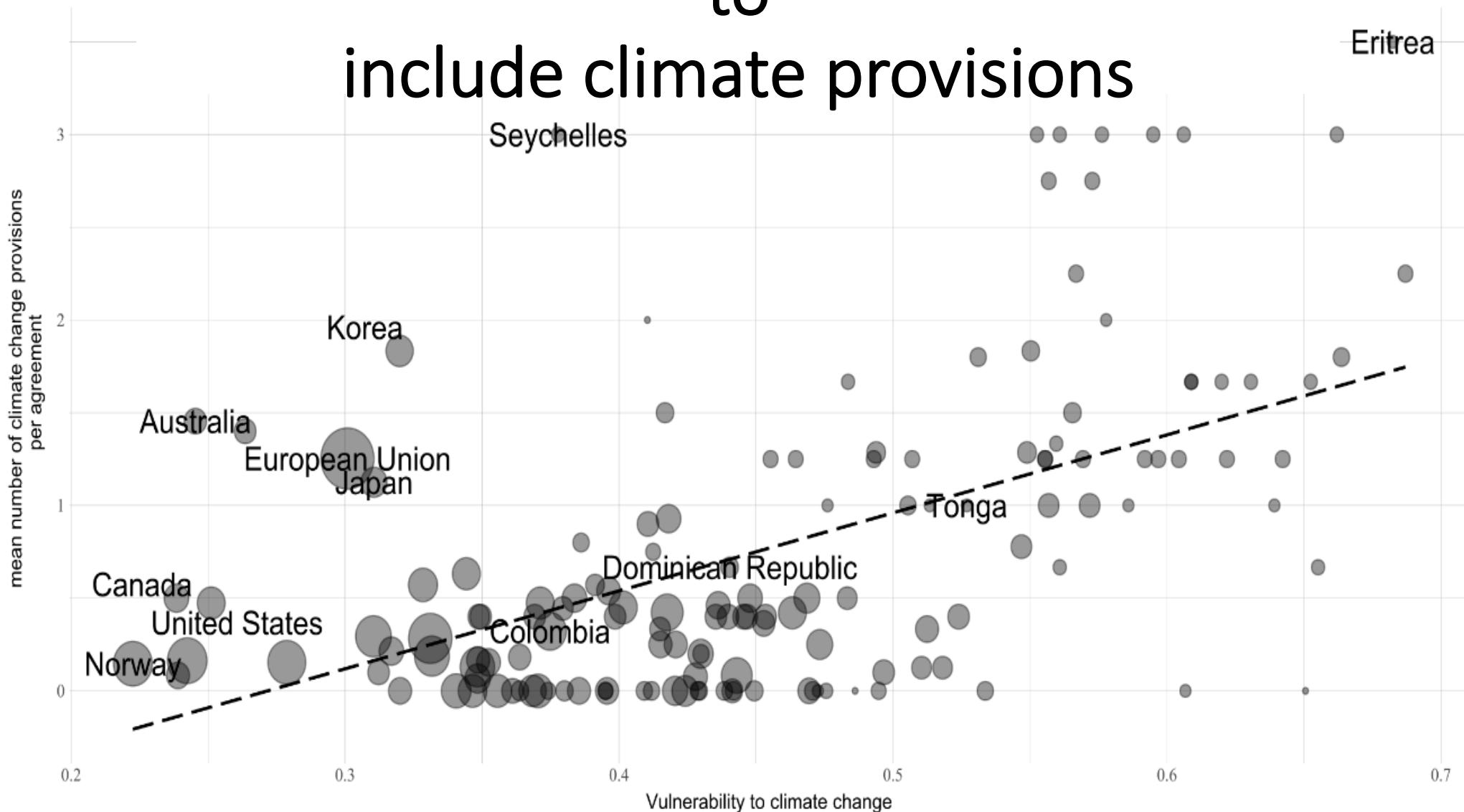
Two models

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Trade impact

# Vulnerable countries are more likely to include climate provisions



Saliency

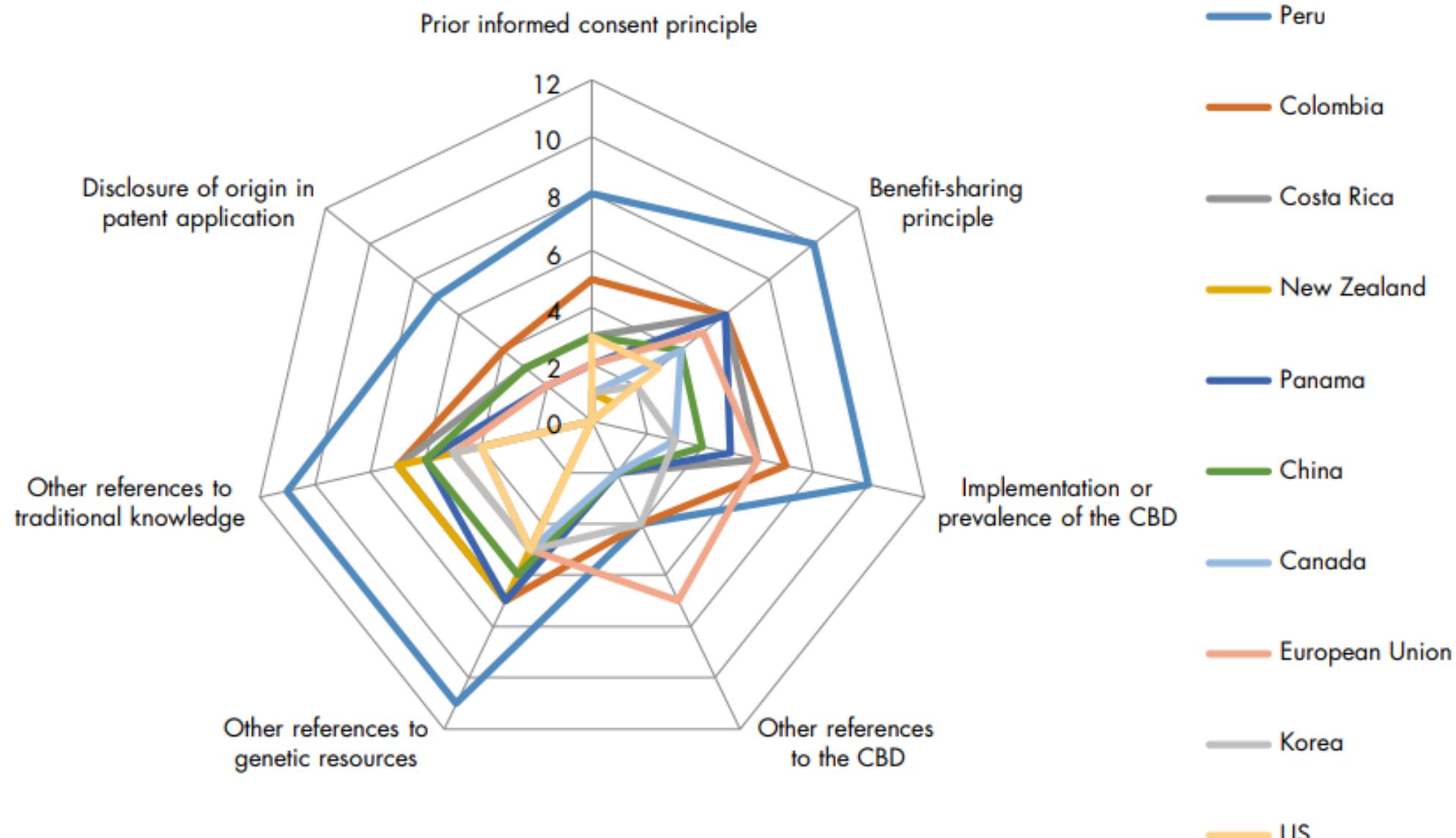
Two models

US/EU driven

Env. impact

Trade impact

# Provisions on genetic resources per country



Saliency

Two models

US/EU driven

Env. impact

Trade impact

# The innovating country

Innovating country based on:	External diffusion Economic Power	External diffusion Environmental credibility
Economic Power	<b>-2.875***</b> (0.781)	<b>-1.542***</b> (0.556)
Environmental credibility	<b>1.907**</b> (0.971)	-0.106 (0.811)
Constant	yes	yes
Obs	255	255
Squared correlation coefficient	0.3934	0.3435

Robust standard errors in parentheses: \*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.1

Higher economic power of the innovating country does not translate into more successful diffusion;

# The innovating agreement

Innovating country based on:	External diffusion Economic Power	External diffusion Environmental credibility
Intercontinental agreements	<b>0.681***</b> (0.192)	<b>0.768***</b> (0.203)
Number of member states	<b>-0.00669*</b> (0.00364)	<b>-0.00994***</b> (0.00356)
Control variables	Yes	yes
Constant	yes	yes
Obs	255	255
Squared correlation coefficient	0.3934	0.3435

Robust standard errors in parentheses: \*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.1

When **more diverse country partners** are involved in the introduction of a new provision, this consensus makes it more likely to be widely accepted in the future – also by external countries.

*“Results suggest that deforestation has actually increased since the PTPA entered force”*

- Peinhardt, Kim, and Pavon-Harr, 2019

# PTAs signature prior to MEA ratification

MEAs	PTAs
1987 Montreal Protocol	12 parties to COMESA (1993)
1989 Basel Convention	72 parties to Lomé IV (1989)
1992 UN Framework Convention Climate Change	12 parties to COMESA (1993)
1992 Convention biological diversity	19 parties to COMESA (1993)

Overall, only 1% of PTAs may have contributed to MEA ratification.

# Adoption of environmental rules through PTAs

Environmental provisions	Number of countries	PTA involved
Polluter pays principle	12	COMESA (1993)
Sovereignty over resources	14	Lomé II (1979)
Interaction between gender and the environment	55	Lomé IV (1989)
Use of voluntary label, standards and certification	22	COMESA (1993)
Joint scientific cooperation related to the environment	9	Lomé II (1979)
Exchange of scientific information related to the environment	8	Lomé II (1979)
Negotiation of environmental agreements	2	Lomé II (1979)
Environmental education or public environmental awareness	2	Lomé III (1984)
Creation of joint research institutions	40	Lomé II (1979)

Saliency

Two models

US/EU driven

Env. impact

Trade impact

# But.... Domestic effect in developing countries

	Developing	High-income
Pre_trade agreement	0.00245*** (0.000900)	-0.00203** (0.000801)
Post_trade agreement	-0.000109 (0.00178)	0.000148 (0.00130)
Other controls	yes	yes
Time trend	yes	yes
Country fixed effect	yes	yes
Observations	1,774	636
Number of id	109	38

Robust standard errors in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

# Stronger effects on some issue-areas

Issue areas	Pre-PTA provision
climate & energy	0.0449*
biodiversity	0.0156**
water	<b>0.162***</b>
air pollution	<b>0.342***</b>
ozone	-0.0923*
soil	<b>0.316***</b>
fisheries	0.0247*
forest	0.0562*
natural disaster	0.0275
genetic resources	0.0323**
waste	0.0747***
pesticides	<b>0.262***</b>
oceans & coasts	0.0301

Saliency

Two models

US/EU driven

Env. impact

Trade impact

*“Strong lobbying by import-competing firms and trade unions leads to strict social and environmental clauses in PTAs.”*

- Lechner 2016

Saliency

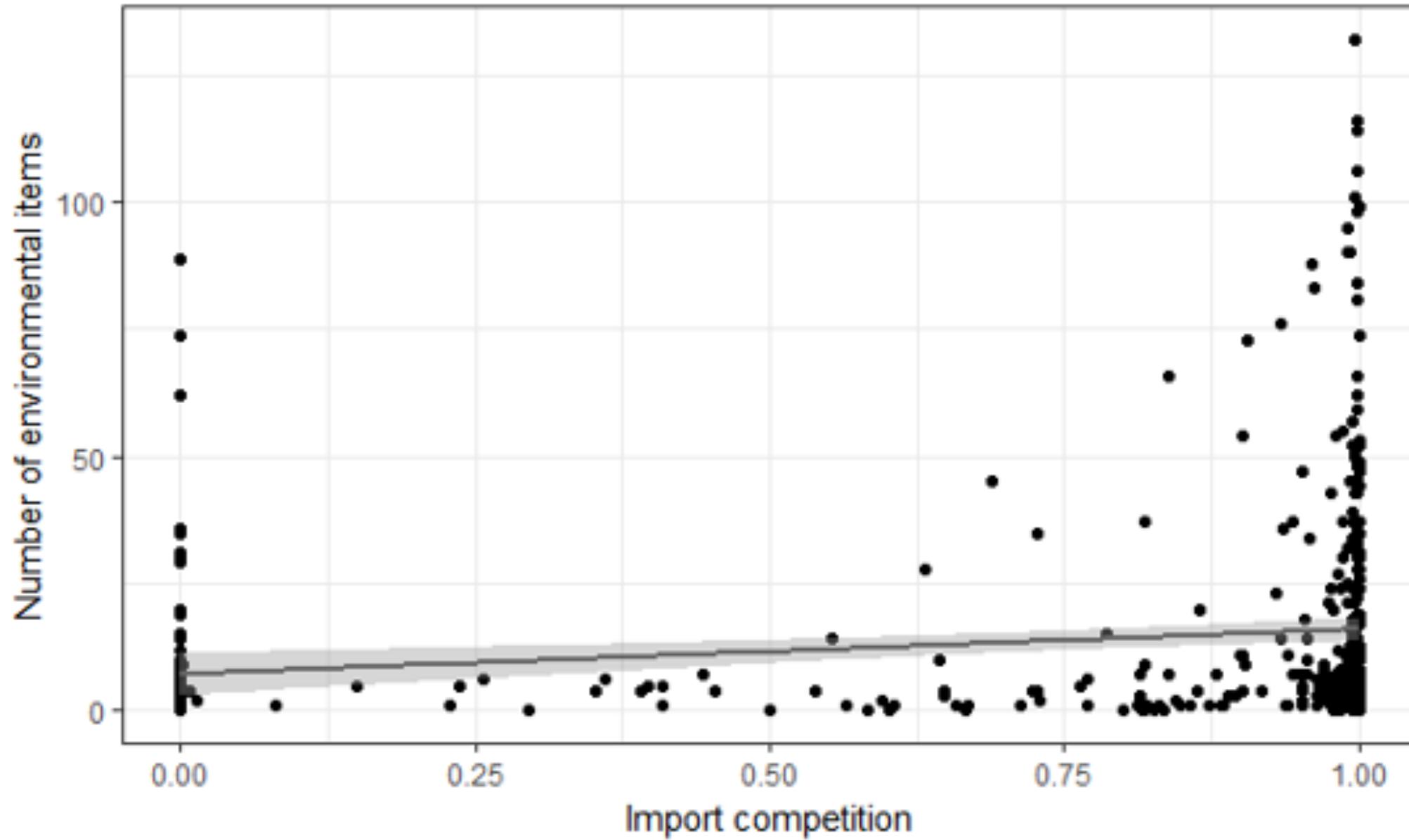
Two models

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Env. impact

Trade impact

# Yes, trade interest for EP



Saliency

Two models

US/EU driven

Env. impact

Trade impact

# But.. positive effects on trade flows

TRADE VOLUME	
PTA	0.131***
	-0.022
ENVIRONMENTAL PROVISIONS	0.003***
	-0.001
LIBERAL ENVIRONMENTAL PROVISIONS	0.074***
	-0.018
DEFENSIVE ENVIRONMENTAL PROVISIONS	-0.010**
	-0.004
Other controls	yes
Country-Pair FE	Yes
Exporter- and Importer-Year FE	Yes
Observations	773783
R <sup>2</sup>	0.869

Saliency

Two models

US/EU driven

Env. impact

Trade impact

	Developing country exporters	
	DIRT SHARE	GREEN SHARE
ENVIRONMENTAL PROVISIONS	-0.026*	0.002
	(0.016)	(0.006)
DEFENSIVE ENVIRONMENTAL PROVISIONS	-0.403***	-0.114*
	(0.135)	(0.060)
LIBERAL ENVIRONMENTAL PROVISIONS	0.538	0.411**
	(0.496)	(0.184)
TRADE AGREEMENT	0.877	0.156
	(0.699)	(0.204)
DEPTH OF THE TRADE AGREEMENT	0.366	-0.143
	(0.381)	(0.111)
Constant	14.769***	2.343***
	(0.152)	(0.050)
<u>Exporter-Importer Fixed Effects</u>	<u>Yes</u>	<u>Yes</u>
<u>Exporter-Year and Importer-Year Fixed Effects</u>	<u>Yes</u>	<u>Yes</u>
Observations	348,844	348,844
Share of export flows under PTA	0.3	0.3
Average ENVPROVS for exports under PTA	24.5	24.5
Average RESTRICTIVE for exports under PTA	0.78	0.78
Average LIBERAL for exports under PTA	0.84	0.84
R <sup>2</sup>	0.454	0.213

Saliency

Two models

US/EU driven

Env. impact

Trade impact

# Agreement on Climate Change, Trade and Sustainability (ACCTS)

- Costa Rica, Fiji, Iceland, New Zealand and Norway
- Negotiations started in September 2019
- Covers trade in:
  1. Environmental goods and services,
  2. Fossil fuel subsidies
  3. Eco-labelling

# Agreement on climate change, Trade and sustainability (ACCTS)

Based on the TREND dataset, ACCTS is likely :

- To be highly innovative;
- To be of systemic importance, beyond the original negotiating parties;
- To favor environmental protection ;
- To have a positive effect on trade;

**Why is Canada not part of this initiative ?**

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# Trade Agreements' Environmental Provisions: Insights from a Novel Dataset

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Jean-Frédéric Morin

Full Professor, Political Science Department

Chair holder, Canada Research Chair in International Political Economy



