

Trade and the Environment

How has COVID-19 affected global trade?

Due to COVID-19, trade is experiencing an unprecedented contraction. The pandemic has caused dramatic supply and demand shocks in the world economy, and the World Trade Organization (WTO) expects **world trade to fall by 13 to 32 per cent in 2020**. The United Nations Conference on Trade and Development predicts that global foreign direct investment could be cut by up to 40 per cent in 2020–2021, which would have major implications for global value chains. In addition COVID-19-related trade measures have been implemented by many countries, affecting supply chains and food and medical supply availability. The prospects for a quick recovery depend on the duration of the pandemic and effective policy responses.

What impact will the pandemic have on global trade in the near future?

Falling prices and decreasing investment will cause disruptions in supply chains and trading patterns. The collapse of supply and demand for many goods and services, decreasing investment and falling prices are contracting trade flows and national incomes. **A global recession** has already been confirmed by the International Monetary Fund (IMF). Despite current fiscal stimulus measures, estimated in the order of **around two per cent GDP**, unemployment is already rising steeply. Many small and medium-sized enterprises have gone or are likely to out of business. Stock markets and many commodity prices have already fallen significantly, with major effects on trade flows. While some losses of output and jobs will be temporary, others will be permanent and economic uncertainty is likely to persist, at least until the end of 2021.

How will the reduction in trade activities affect carbon emissions?

Disruptions in the movement of goods, technologies, components and people contribute to a reduction in carbon dioxide emissions, but this is anticipated to be temporary and in context of an ever-increasing concentrations of carbon dioxide (CO₂) in the atmosphere. This April 2020, the average concentration of CO₂ in the atmosphere was 416.21 parts per million (ppm), the **highest since measurements** began in 1958.

Whether the current drop in emissions can turn into a longer-term trend depends on the incentive structures embedded in economic stimulus packages, any behavioral or lifestyle changes that persist after lockdowns and similar restrictions end, such as increased tele-commuting, and the maintained and accelerated commitments of countries to their Nationally Determined Contributions (NDCs) to climate action under the terms of the Paris Agreement to reduce global emissions.

What must be done to rebuild global trade systems, in environmentally-sustainable ways?

Greening trade and supporting a transition to more sustainable, low-carbon, circular economies had gained significant political momentum in 2019, following a joint High-Level World Trade Organization and UNEP **event**, and the creation of informal groups on greening trade policy: Friends for Action on Sustainable Trade led by Costa Rica and Canada; discussion groups on Trade and Climate trade led by France and Canada; on Trade and Circular Economy led by Finland and Ghana, and; on Trade and Plastic Pollution led by China and Fiji.

A Ministerial Trade and Environment segment is planned for the World Trade Organization's Ministerial Conference in now 2021, and there is important momentum to be maintained in the interim.

As governments are issuing stimulus packages and fiscal reforms to sustain economies in the short-term, this is a significant opportunity for governments to simultaneously address environmental objectives and ensure that recovery leads to more sustainable outcomes. Economic recovery can further be supported by trade measures, such as reducing trade obstacles for environmental goods and technologies, and supporting sustainable food systems.

In the long-term, restructuring the global economy and trade system will require coordinated international cooperation. Partnerships can be formed around issues such as making trade systems greener and more resilient. Negotiations should address topics such as environmental goods, wildlife trade and environmentally sustainable food supply, and more systematic inclusion of climate and nature objectives in trade governance.

What is the 2030 Agenda?

The **2030 Agenda** is a global commitment to eradicate poverty and realize a better future for all people. It calls on all countries to use trade to create a more sustainable, inclusive and resilient world. This means understanding and improving the linkages between trade, environment, resilience and the effect these connections have on people's ability to survive and thrive. It means aligning trade and trade policies with environmental and social objectives and finding **win-win solutions**.

How does the United Nations Environment Programme (UNEP) support trade and economic recovery?

UNEP's **Environment and Trade Hub** works with its network of partners to support countries to use trade as a vehicle for sustainable development and resilience. Its work is focused around four key areas:

- 1. Trade in Environmentally Sound Technologies;**
- 2. Governance at Trade & Environment Nexus;**
- 3. Green Markets & Global Value Chains;**
- 4. Reducing the Footprint of Trade and Greening the Brown.**

Through research, capacity building and policy advisory services, the Trade Hub promotes mutually supportive trade and environment policies that better protect nature, build resilience and foster sustainable development.

The Hub works closely with a network of partners and initiatives including the WTO, the Green Growth Knowledge Platform and the Partnership for Action on Green Economy. UNEP and the WTO jointly initiated dialogues focused on exploring innovative ways to ensure that trade and healthy environments reinforce each other; and, in late 2018, published a joint report entitled, **Making trade work for the environment, prosperity and resilience**.

UNEP also supports country-level efforts to pursue the Sustainable Development Goals and a green post-COVID-19 recovery by: a) enhancing countries' capacities to build climate resilience and realize trade opportunities arising from the green economy transition; b) assisting countries to strengthen the sustainability aspects of trade agreements; c) supporting trade in environmentally sound technologies; and d) fostering public/private dialogues and partnerships to raise awareness and advance the global agenda on trade, resilience and the environment.