



SUSTAINABILITY AT THE INTERSECTION OF TRADE, ENVIRONMENT AND DEVELOPMENT

UNCTAD-CITES-OAS

Side event to the Eighth Session of the Open Working Group on
Sustainable Development Goals

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Talking Points

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Opening remarks

- I would like to **thank** the United Nations Conference on Trade and Development (UNCTAD), the CITES Secretariat and the Organization of American States (OAS) for the opportunity to participate in this panel and to speak about an idea that lies at the center of Costa Rica's philosophy: **that trade and the environment go hand in hand in the quest for development.**

Trade, the environment and development in Costa Rica

- As many of you know, ours is a very **small country**. We are a nation of four and half million people occupying 51.000 square kilometers –or a little less than 20.000 square miles. That is roughly the size of West

Virginia. We share this space with about **5% of the world's biodiversity**, while more than half of our landmass is covered in forests.

- Costa Rica has been blessed with **two kinds of inheritance: one natural and one political**. We are naturally blessed with the conditions for intense biodiversity. Because of our location at the center of the Americas, the country is a natural corridor made up of an array of microclimates. But at the same time, we have been lucky enough to have a history of sound, visionary policy-making. We learned early on that **a strong, open-market economy can be a complement, and not a threat, to long-term sustainability**.
- Since the mid-1980's, the country has steadily and gradually **liberalized its economy**, up to the point where we now export more than 4,500 products to about 150 countries in the world. We have understood the power of FDI to change the contours of our economic structure and to catalyze development. Hence, FDI attraction has remained a top government priority for over two decades. Foreign investment inflows have grown at an impressive average rate of 13.1% during the last 10 years. And we have done all this while **leading the rankings on environmental performance**.
- How did we do this? I will not discuss the specifics of Costa Rica's environmental agenda, since I believe you are the experts in all things green. Instead, I will talk about **the trade component of our development strategy and how it interacts with our environmental efforts**.
- First, trade promotion and environmental protection must work together as part of the overall national development strategy. This means, for instance, that we must strive to promote sustainable tourism that is also **competitive**. It means that we must understand **cheap, clean energy** as part of our ability to create jobs. It means that we must find ways to incorporate climate change mitigation into a company's **marketing scheme**. It means that we must **add value to our bio-trade products**, selling not just aloe but lotions; not just coconuts but coconut drinks.

- It also means that we must understand **the role of the private sector not just in complying with environmental regulation but in stimulating sustainable development**. 75% of Costa Rica’s wind power generation is provided by private projects. Ecotourism has been perfected by businessmen and not just policy-makers. Environmental consulting in itself has become an interesting field in which we have acquired a clear comparative advantage. Allowing the space for the private sector to participate, to propose, to be creative and help design more environmentally-conscious, efficient ways of doing business is a good way to ensure both sustainability and competitiveness.

The way forward

- Now let me talk about the future, about what we believe is the **next frontier in trade and sustainability**. Last January, Costa Rica, along with other twelve WTO country members including China and the US¹, announced its intention to work together towards achieving a shared objective: **global free trade in environmental goods**. This initiative intends to build upon the APEC leaders’ agreement to reduce tariffs on the “APEC List of Environmental Goods”,² taking this ground-breaking commitment as a starting point to reach an agreement within the WTO.
- The agreement is not only possible. It is **highly likely**. Let me name a couple of reasons for its plausibility:³
 - The agreement can be negotiated as a “**plurilateral agreement**”, which is a modality of negotiation that can be carried out under the WTO trading system rules. These agreements start with “voluntary coalitions” among WTO members that are ready to move ahead with new obligations in certain sectors, and on certain topics in trade. These **can**

¹ China, the United States, Korea, Japan, Norway, New Zealand, Hong Kong, Chinese Taipei, Switzerland, Canada, the European Union and Costa Rica.

² The APEC list includes 54 tariffs lines (6 digits sub-headings of the HS) covering goods (finished products and parts) that are linked with environmental protection and monitoring, and renewable energies.

³ The agreement will be applied on the basis of Most Favored Nation Principle, thus facilitating its getting into force. The WTO rules require a positive vote of the three-quarters of all the members to agree on a waiver of the general “MFN” rule of non-discrimination in trade.

eventually become fully “multilateral” (among a large number of countries) if other WTO members decide to sign them and embrace new trade obligations. An example of this kind of agreements is the existing WTO Agreement on Information Technology (ITA), which has specific provisions allowing members to review the agreement in the light of technological developments or practical experiences in applying the tariff concessions. This kind of flexibility may open an opportunity for the agreement on environmental goods to **become a more comprehensive instrument on trade-related environmental issues in the future.**

- Following ITA’s approach, the agreement is intended to come into effect once the “major traders” at WTO have been enlisted to account for a “critical mass”⁴ of the estimated \$1.4 trillion in world trade in solar panels, wind turbines, water recycling plants and all other green goods. The countries that made the announcement last January **account altogether for 86% of global green-goods trade.**
- The joint statement signed last January points out that the expected outcome will be *“a future-oriented agreement able to address other issues in the sector and to respond to changes in technologies in the years to come, that can also directly and positively contribute to green growth and sustainable development”*. Thus, it seems that the door will be open for including other trade- related “green subjects” in the future. Beyond reducing tariffs, the initiative opens the possibility of addressing other issues such as subsidies, services, standards, and even green energy.
- We are very excited to be part of this trailblazer initiative. For Costa Rica, this is a natural step on the road to promote the link between economic development and environmental protection. We also believe that trade must play a key role in **facilitating access to environmentally-friendly technologies, promote innovation and assist in achieving green**

⁴ Although there is no WTO rule defining critical mass, in past trade negotiations “critical mass” has been pegged at 90% so as to minimize “free riders” when the tariff cuts are extended on a “most-favored-nation” basis to all WTO members – including those who have not yet signed the agreement.

economic growth. It is our view that this initiative will bring about important gains for the multilateral trading system, and make a significant contribution to the international environmental protection agenda.

- We believe trade can be a **powerful driver for achieving green growth and particularly for coping with climate change.** Domestic purchasers, including business and governments at all levels, would be able to acquire environmental technologies at lower costs and have easier access to specialized technologies. It could also result in a win for the environment by improving access to high-quality environmental goods and even services. This can lead to direct quality-of-life benefits for people everywhere, to the extent that greater availability of such goods and services helps achieve a cleaner environment and improve energy efficiency, while satisfying basic human needs, such as access to safe water, sanitation or clean energy. Finally, environmental goods liberalization could result in a win for development, enabling developing countries to obtain the tools they need to address key environmental priorities as part of their on-going development strategies.

Closing remarks

We are confident that this initiative represents an opportunity for increasing trade flows whilst facilitating green growth objectives, thus achieving a "win-win" trade agreement. Countries must get rid of the duality with which they approach trade and the environment. The only way forward is sustainable development. Countries will industrialize, some sooner than others. The millions of people that are climbing out of poverty will demand electricity, food and transportation and they will greatly contribute to climate change unless we get smart, and fast. I hope we can work together to continue to make **“green” tradable and profitable.**