Asia-Pacific Trade and Investment Report 2021:

Accelerating climate-smart trade and investment for sustainable development

SPECA Economic Forum 2021

Presented by
Yann Duval
Chief
Trade Policy and Facilitation
Trade, Investment and Innovation Division
United Nations Economic and Social Commission for Asia and the Pacific
Climate change is making Asia-Pacific more hazardous

*Disaster events in Asia-Pacific region - average per decade*
Effects of trade and investment on GHG emissions

- **Direct effect**: GHG emissions due to transportation & trade procedures
- **Scale effect**: GHG emissions due to increased economic activity
- **Regulatory effect**: Climate-related policies motivated by trade or investment objectives
- **Composition effect**: Production in more/less GHG-intensive locations
- **Technique effect**: Access to climate-smart products and technology
All countries have room to make trade and investment “climate smarter”

“The Asia-Pacific region’s climate-smart trade and investment environment has improved since 2015… but there is substantial room to improve”

<table>
<thead>
<tr>
<th>Country</th>
<th>Import</th>
<th>Export</th>
<th>Investment Environment</th>
<th>Trade Facilitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Republic of Korea</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armenia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Azerbaijan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kazakhstan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tajikistan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nepal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sri Lanka</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cambodia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lao PDR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Myanmar</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Viet Nam</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

East and North-East Asia (58.57)
North and Central Asia (44.54)
South and South-West Asia (46.48)
South-East Asia (50.63)
Australia and New Zealand (60.05)
1. Liberalize trade in climate-smart and other environmental goods and services

“Average tariffs applied on carbon-intensive fossil fuels in Asia Pacific are lower than the tariffs applied on the environmental goods.”

Applied tariffs on Env. Goods. Vs carbon intensive fuels

- Environmental Goods
- Carbon-intensive fuels
2. Phase out fossil fuel subsidies

“Asia-Pacific economies spent more than $175 billion on fossil fuel subsidies in 2019”

Fossil fuel subsidies in Asia-Pacific region

United States dollars, billions


Coal  End-use electricity  Natural gas  Petroleum

Fossil Ful Subsides, SPECA, 2017

United States dollars, billions

Afghanistan  Azerbaijan  Kazakhstan  Kyrgyz Republic  Tajikistan  Turkmenistan  Uzbekistan
### 3. Adopt climate-smart non-tariff measures

*“Asia-Pacific economies apply climate-related NTMs to only 6.2 per cent of their imports”*

<table>
<thead>
<tr>
<th>Imposing economy</th>
<th>Objective category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Emissions from machinery and vehicles</td>
<td>Requirement of application of fuel consumption labels and energy consumption labels to vehicles.</td>
</tr>
<tr>
<td>China</td>
<td>Energy efficiency, other</td>
<td>Technical requirement regarding the minimum allowable level of energy efficiency of self-ballasted fluorescent lamps has been specified.</td>
</tr>
<tr>
<td>Brunei Darussalam</td>
<td>Deforestation</td>
<td>Prohibition on felling certain tree.</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Greenhouse gas emissions</td>
<td>…The levy applies to a range of imported goods including fridges, freezers, heat pumps, air-conditioners, and refrigerated trailers. It is linked to the price of carbon and varies between items to reflect the amount of gas, the specified gas and its global warming potential.</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>Greenhouse gas emissions</td>
<td>Chloro Floro Carbons (CFS) and Products containing CFS and certain halons and products containing them are banned from import to Afghanistan</td>
</tr>
</tbody>
</table>
4. Encourage climate-smart investment and private sector initiatives

**Energy sector**
- Increasing the share of renewables

**Industrial sector**
- Increasing energy efficiency and reducing resource-use in sectors such as cement, iron and steel.

**Transport sector**
- Investing in cleaner modes of transport / technologies

**Construction sector**
- Greening buildings through increasing energy efficiency

Private sector initiatives: internal carbon pricing, sustainability reporting (increasing required by investors)…
5. Accelerate trade digitalization

“Each single end-to-end trade transaction undertaken fully digitally could save emissions equivalent to planting 1.5 trees. For the whole of Asia-Pacific, this implies savings of about 13 million tons of CO2 annually, equivalent to the carbon absorbed by 400 million trees.”
6. Transition to climate-smart transport

“CO\textsubscript{2} emissions from freight transport were estimated to account for 42 percent of all transport related CO\textsubscript{2} emissions in 2019, including both domestic and international freight”

Greening trade logistics through digital and smart transport systems

- The Enable-Avoid-Shift-Improve (EASI) framework
  - Enable (improve governance and access to data)
  - Avoid (unnecessary travels/shipments)
  - Shift (to more efficient/cleaner transport modes)
  - Improve (infrastructure, services, operations)

- Importance of digitalizing transport processes

- Regional approaches useful to facilitate interoperability
7. Incorporate climate considerations in regional trade and investment agreements

“85% of the RTAs involving an Asia-Pacific economy and containing at least one climate-related provision were signed after 2005”

![Graph showing the number of trade agreements signed with climate-related provisions and all agreements over the years from 1967 to 2020. The graph indicates a notable increase in agreements with climate-related provisions after 2005.]
8. Prepare for carbon pricing

“Only 7.8% of emissions in the region are covered by carbon pricing – vs 21.5% globally”

As developed countries put a price on carbon, they may also put border taxes on carbon (e.g. EU CBAM)

Source:
World Bank Carbon Pricing Dashboard
8. Prepare for carbon pricing (and carbon border taxes)

Existing carbon pricing comes at an economic cost to subregions implementing them
- with a marginal windfall to subregions not implementing them due to carbon leakage

- Except for South and South-West Asia, Asia-Pacific subregions do not experience a substantive change in GDP due to EU+ Carbon Border Adjustment Mechanism
- Imposing global carbon prices of only $10 reduces emissions in all Asia-Pacific regions much more significantly than existing carbon pricing mechanisms
- With global price of carbon of $50, GDP to decline in all Asia-Pacific subregions between 0.18 and 0.64 per cent
Figure 6.2: Simulated impacts on selected indicators, percentage change, by Asia-Pacific subregion, scenarios 1-4

(a) Real GDP
- North and Central Asia
- East and North-East Asia
- South and South-West Asia
- South-East Asia
- Pacific
- Asia-Pacific region

(b) Investment
- North and Central Asia
- East and North-East Asia
- South and South-West Asia
- South-East Asia
- Pacific
- Asia-Pacific region

(c) Real exports
- North and Central Asia
- East and North-East Asia
- South and South-West Asia
- South-East Asia
- Pacific
- Asia-Pacific region

(d) Real imports
- North and Central Asia
- East and North-East Asia
- South and South-West Asia
- South-East Asia
- Pacific
- Asia-Pacific region

Source: Authors' model results.

Legend:
- Existing carbon prices
- Carbon prices + CBAM
- Global carbon tax $10
- Global carbon tax $50
- Fossil fuel subsidy elimination
9. Incorporate climate consideration in COVID-19 crisis recovery packages

• Consider aligning COVID-19 recovery spending with climate action
• Support sectors and activities that can help reduce GHG emissions
• Some may be seen as discriminatory in nature and inconsistent with current multilateral trade rules.
• Governments may seek to make further progress at WTO in aligning multilateral trade regulations with climate action – and environmental protection in general.
10. Strengthen capacity for climate-smart trade and investment policy

- Need for policymakers and analysts to upskill in order to
  - design and negotiate climate-smart trade and investment policies and agreements that meet the need of their countries; and
  - mitigate the impact of third-party climate-change policies.
- Specific capacity building programmes to be developed, taking advantage of digital technologies and services.
- ESCAP, UNEP and UNCTAD stand ready to support.
THANK YOU

Read more at:
www.unescap.org/kp/APTIR2021
Per capita territorial and consumption emissions in the Asia-Pacific region and large developed trade partners

Source: Authors’ calculations based on data from Friedlingstein and others (2020); World Bank (2021).
Territorial and consumption emissions in the Asia-Pacific region and the rest of the world, 1990–2018

Source: Authors’ calculations based on data from (Friedlingstein and others (2020); World Bank (2021).