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*World Trade Amidst War, Inflation and Protectionism*

## **The Singapore-Australia Green Economy Agreement: A Template for Cooperation in the Green Economy?**

*By Dipinder S. Randhawa*

### **SYNOPSIS**

*The Singapore-Australia Green Economy Agreement is a pioneering agreement that seeks to accelerate the transition to a net-zero emissions economy. If it gains traction, it could provide a template for other regional economies, and perhaps even at the multilateral level - to help countries deploy trade and investment policies to meet their net-zero emissions under the Paris Agreement of 2015.*

### **COMMENTARY**

On 18 October 2022, Australia and Singapore signed a Green Economy Agreement (GEA). The GEA is an ambitious, path-breaking and economy-wide agreement that combines trade, economic, investment, and climate change objectives, to drive green growth in both countries. The agreement spells out a broad agenda of cooperation between Singapore and Australia on climate change to meet their ambitious commitments under the Paris Agreement. A successful GEA will support economic growth, create jobs in green sectors, and promote the decarbonisation of economic activities and sustainable growth in both countries.

Climate change threatens countries' stability and prosperity. Rising temperatures, the increasing frequency of extreme weather events, such as droughts and floods, and rising sea levels are already leading to production losses, shortages, breakdowns in supply chains, and damaged infrastructure.

The question of how trade can reshape a country's prospects in the face of growing challenges from climate change is a major policy issue. [Evidence shows](#) that trade

can play an important role in helping countries reduce emissions by increasing the availability and affordability of environmental goods, services, and technologies.

## **The Green Economy Agreement**

Strategies to deal with climate change are complex, span multiple sectors and stakeholders, and are evolving. The GEA is flexible and open-ended. It will facilitate trade in environmental goods and services and explore new investment opportunities in green growth sectors in conformity with international trade and investment regulations.

The agreement eschews the dense legal language that is the hallmark of international treaties. The GEA is deliberately framed in simple language, spelling out its intent, scope, and its open-ended mandate, making it readily accessible to all interested stakeholders.

The GEA envisages collaboration in technologies that catalyse practical, scalable business and commercial opportunities to enable Singapore and Australia to reduce their carbon footprints. The two governments have spelled out [seventeen areas of cooperation](#), spanning a wide spectrum from sustainable agriculture and food systems to green shipping, to developing standardised metrics for measurement of the green economy. Many of these are well underway.

The working group identified [372 environmental goods and 155 environmental services](#) for tariff-free trade – a list that is non-exhaustive. Projects such as the A\$30 billion (S\$26.61 billion) Sun Cable project, which aims to export solar power from Northern Australia to Singapore via Indonesia, is a win-win example of what the agreement aims to achieve.

The agreement pays close attention to the financing of climate change strategies. The development of carbon markets reflecting high standards of social and environmental integrity is vital for the credibility of efforts to reduce the carbon footprint. Furthermore, close cooperation in clean energy, cross-border electricity trade, and sustainable shipping and aviation are integral to both countries' paths to a net-zero carbon state.

The Monetary Authority of Singapore (MAS) has also been working on creating green finance taxonomies for [Singapore as well as ASEAN based financial institutions](#) to help standardise and deepen the market for green finance instruments.

There are examples of initiatives already underway that can provide insights into the issues that can be taken up by GEA. The Chongqing-Singapore Cooperation in Green Finance project is working towards developing a green financial market ecosystem, aligning green taxonomies, and searching for innovative structures to help scale up transition financing for both partners and, more broadly, for ASEAN.

The GEA calls for the development of interoperable policy frameworks to support new green growth sectors, to help catalyse technology development and joint projects in the emerging green economy. Integral to these changes is the development of a workforce well-versed in emerging green technologies. A skilled workforce will help boost productivity and also reduce the regulatory compliance burden.

## **Broad Objectives of the Agreement**

The GEA's ambitions are expansive compared to most trade treaties. The agreement is open and inclusive. At a time when prospects for multilateral negotiations are fraught, the agreement seeks to foster green economy cooperation across the region. It will serve as a pathfinder in setting policies, standards, technical regulations, and conformity assessment procedures, and for operationalising new technologies and regulatory approaches.

To explore new avenues for reducing the carbon imprint and nurturing carbon-capture innovations, Australia and Singapore could collaborate on developing sandboxes to try new technologies, test regulatory paradigms, and ascertain the market viability of new technologies. Tests for developing "green marine shipping" corridors or collaboration on turning seafood waste into animal feed are just a few of the manifold possibilities for cooperation.

The broader aspiration is to develop pathfinder initiatives to scale up to benefit the broader region, and possibly multilateral development by establishing policies, standards, and initiatives. These steps are integral to the global endeavours towards creating good jobs in green growth sectors, and for strengthening environmental governance and global capacity to address environmental issues.

This approach is distinctive as it tides over the challenge of securing universal consent on new trade initiatives under the WTO, by starting at the bilateral level and providing the space for others to draw upon the agreement. In effect, the GEA is a public good created by Singapore and Australia. If it gains traction among other countries, the GEA will help the WTO move the needle on trade and the environment, an area that has failed to gain broad multilateral support.

Potentially, the GEA also meshes well with three of the four proposed themes of the Indo-Pacific Economic Framework (IPEF) of which both Singapore and Australia are founding members. These are negotiations on fair and resilient trade, supply chain resilience and infrastructure, clean energy, and decarbonisation.

## **Preliminary Lessons from the Agreement**

Experiences with the GEA can help inform initiatives such as the "[Action on Climate and Trade](#)" (ACT) launched by the World Bank, the WTO and the World Economic Forum in April 2023. The ACT will help developing economies use trade to meet their climate change goals. Regional countries and groupings as well as multilateral institutions such as ASEAN, the UN Framework Convention on Climate Change (UNFCCC), and the International Organization for Standardization (ISO) should be able to draw upon its principles.

The strength of the GEA is implicit in its open-ended structure, offering avenues for cooperation that hitherto, have not been envisaged. The GEA also rests on the close and trusting relationship between Singapore and Australia. Its vitality is, however, contingent entirely upon initiatives taken up by coordinators on both sides. On this count, given the multiplicity of ministries and jurisdictions, it could be useful for both

Australia and Singapore to designate “sherpas” with the bandwidth and heft to champion and push for new initiatives with industry as well as policymakers.

[WTO studies indicate that the elimination of tariff and non-tariff barriers](#) on a subset of environmental goods could boost exports, lead to improvements in energy efficiency, reduce global emissions and create millions of jobs in the green economy. However, many developing countries, lacking alternative energy sources for their poor who are dependent on subsidies for fossil-fuels, are extremely reluctant to cut subsidies or to carry out comprehensive reforms.

## **Conclusion**

As was evident during the COVID-19 pandemic and the ongoing war in Ukraine, the probability of unilateral measures during periods of instability is likely to increase and as the manifestations of climate change accelerate. Imparting transparency, comparability and working towards harmonisation through agreements such as the GEA can help strengthen the multilateral trading system as countries commit to the path of net-zero emissions while facing the existential problem of climate change.

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