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Trade in Environmental Goods and Services

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Outline

- What are Environmental Goods and Services (EG&S) ?
- Case for liberalisation of trade in EG & S
- Barriers to liberalisation
- EG&S in the Doha Agenda
- Identifying EG – Dual Use and Other Issues



What are environmental goods (EGs)?

- OECD/Eurostat and APEC defined Environmental Goods in the late 1990s as goods used “to measure, prevent, limit, minimize or correct environmental damage to water, air, and soil as well as problems related to waste, noise and ecosystems.”
- Most countries have accepted that environmental goods include goods used to avoid or control pollution.
- Many would also like to extend the definition to include environmentally preferable products.



What are environmental services (ESs)?

The WTO's working definition of environmental services classified them into four categories:

- Wastewater management services
- Solid and hazardous waste services
- Sanitation and similar services (e.g., street and beach cleaning)
- Other environmental services, which is usually defined to include:
 - Cleaning of exhaust gases (i.e., air-pollution control)
 - Noise and vibration abatement
 - Remediation and clean-up of soil and water
 - Nature and landscape protection
 - Environmental protection services not elsewhere classified



Synergies between environmental goods and services

- Environmental goods are often used in the performance of environmental services. Deployment of environmental goods often requires environmental services.
 - Wastewater and sanitation services need water quality monitoring and analysis equipment
 - Renewable energy deployment needs design and engineering of the energy-producing facility, construction of the facility, upgrading, operation or maintenance of the facility.



Demand for EG&S

- The main determinant of demand for environmental goods and services is the public sector, while policies and regulations are introduced to encourage private participation.
- Environmental laws, voluntary schemes, co-operative mechanisms and improved enforcement methods all lead to greater demand for environmental goods and services.
- The state can be an important driver of demand for mitigation policies – for example, energy performance contracting for buildings.



Why liberalise trade in EG&S?

- Environmental goods and services are sorely needed to help reduce pollution, improve sanitation, and meet international commitments related to environment and development.
- Reducing barriers reduces prices, and incentivises production and export, of EG&S
- The synergies between environmental goods and services means that liberalising both goods and services markets simultaneously would yield greater benefits.



Barriers to liberalisation of EG

- Tariff rates on Environmental Goods [2010]

	developed countries	developing countries	LDCs
Bound	12 %	28 %	40 %
Applied	4 %	6 %	10 %

- Non-tariff barriers
 - Local content requirements
 - Customs procedures
 - Import prohibitions
 - Lack of IPR protection



Barriers to liberalisation of ES

- Similar to barriers facing services more generally
 - Restrictions on ownership of assets, limits on foreign equity
 - Restrictions on number/location of subsidiaries
 - Discriminatory taxation
 - Weak enforcement of (environmental) regulation – will affect demand



EG&S in the Doha Declaration

Para 31

With a view to enhancing the mutual supportiveness of trade and environment, we agree to negotiations, without prejudging their outcome, on:

(iii) The reduction or, as appropriate, elimination of tariffs and non-tariff barriers to environmental goods and services



'Dual Use' Problem

- While liberalising trade for environmental goods can help address environment problems, these goods can also be used for non-environmental purposes (the so-called “**dual use**” problem).
- Only a few products (e.g. wind turbines) are solely used for environmental purposes, at least at the level of the World Customs Organisation (WCO)’s Harmonized Commodity Description and Coding System sub-headings at the 6-digit level (HS-6)



'Dual Use' Problem

- Identification of EG underway since 2005
 - Potential convergence set from 9 members (Canada, EU, Japan, Korea, NZ, Norway, Switzerland, Chinese Taipei, USA) in April 2007
 - Subsequent submissions from Saudi Arabia, Qatar, Japan, Argentina, Philippines, Singapore
 - Key issue is how narrow or how broad to make the list of EG.
 - Other issues include whether the list should be static or dynamic, non-tariff barriers, tech transfer and assistance etc.



Conclusions

- There is a strong case liberalising trade in EG&S.
- The synergies found between environmental goods and services mean that liberalizing both markets simultaneously would help the development of environmentally friendly industries.
- The first best solution is multilateral trade liberalisation of EG&S, but further effort is needed to reach convergence on critical issues.

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SOME PRACTICAL CONSIDERATIONS



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