

# **WTO work on trade in environmental goods and services**

**TRAINING COURSE ON “ENVIRONMENTAL GOODS AND SERVICES  
NEGOTIATIONS”**

2-3 March 2017, at United Nations Conference Centre, Bangkok, Thailand

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# Outline

- Main **WTO tools** available to help ensure that trade works for, and not against, environmental sustainability
- **WTO and other initiatives** to liberalize trade in environmental goods and services
- **Main technical challenges** facing trade negotiators in liberalizing trade in environmental goods, and **how they have tried to overcome those challenges**

# The WTO toolbox



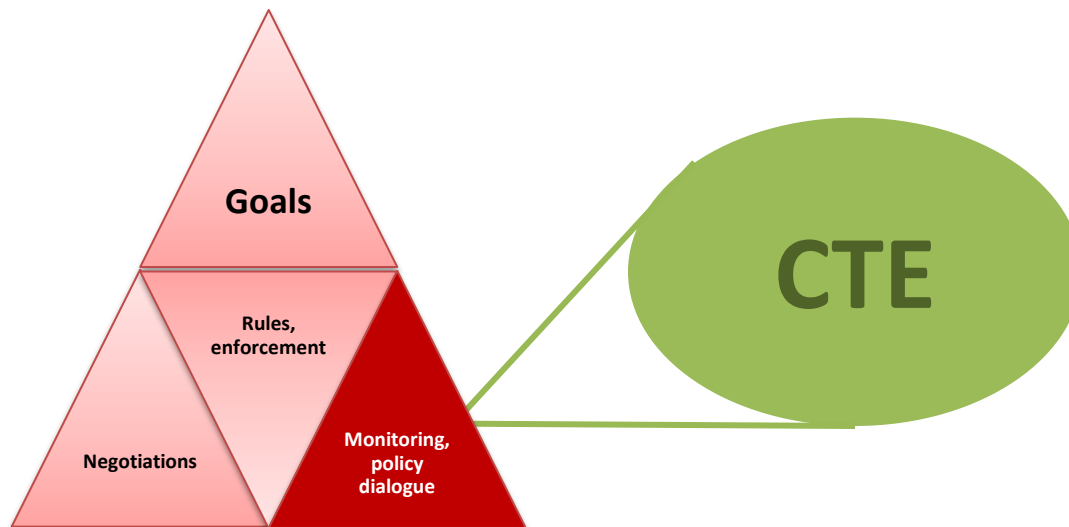
**Goals**

**Rules,  
enforcement**

**Negotiations**

**Monitoring,  
policy  
dialogue**

# The Committee on Trade and Environment or CTE: A unique forum for policy dialogue

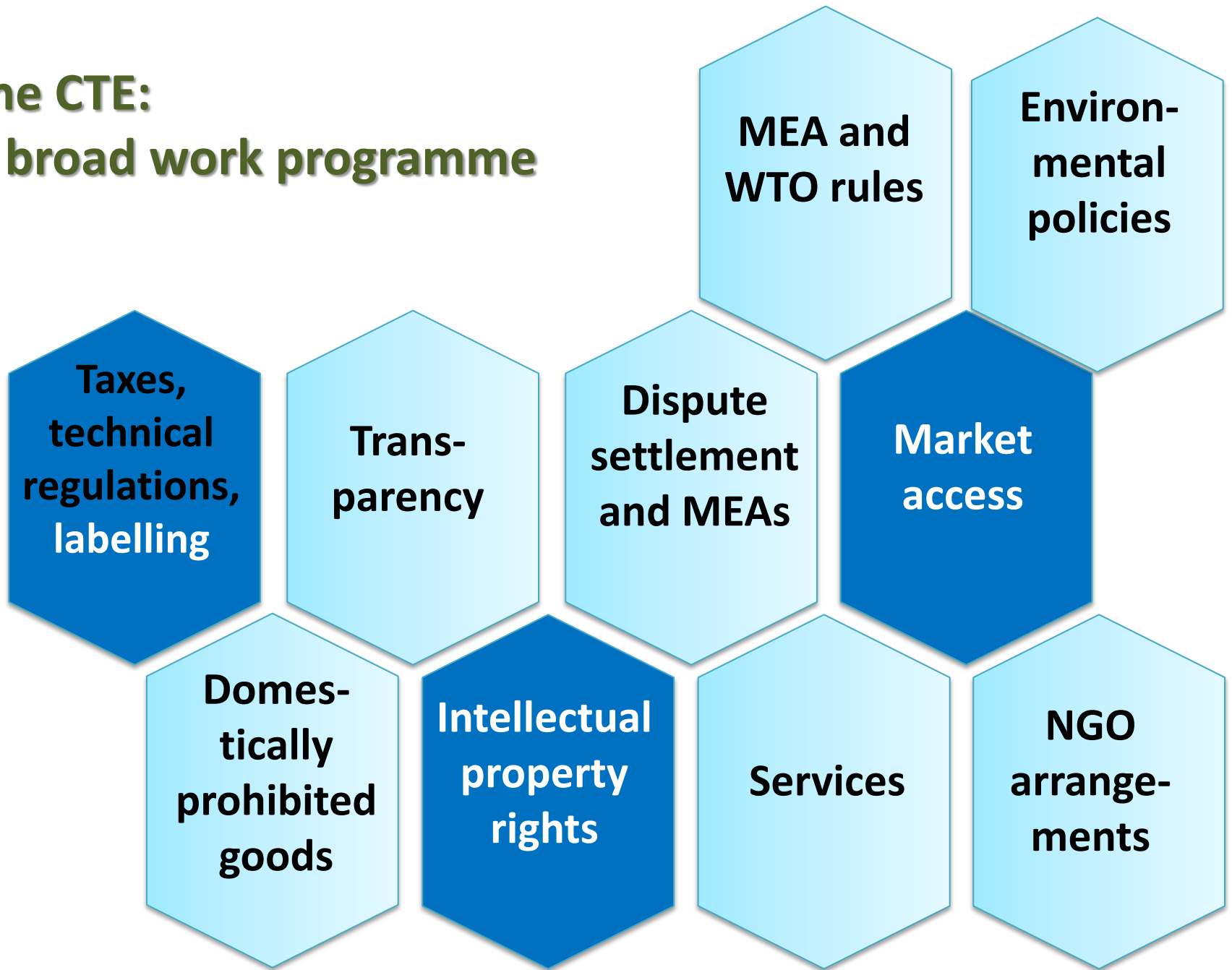


Supports WTO  
members in:

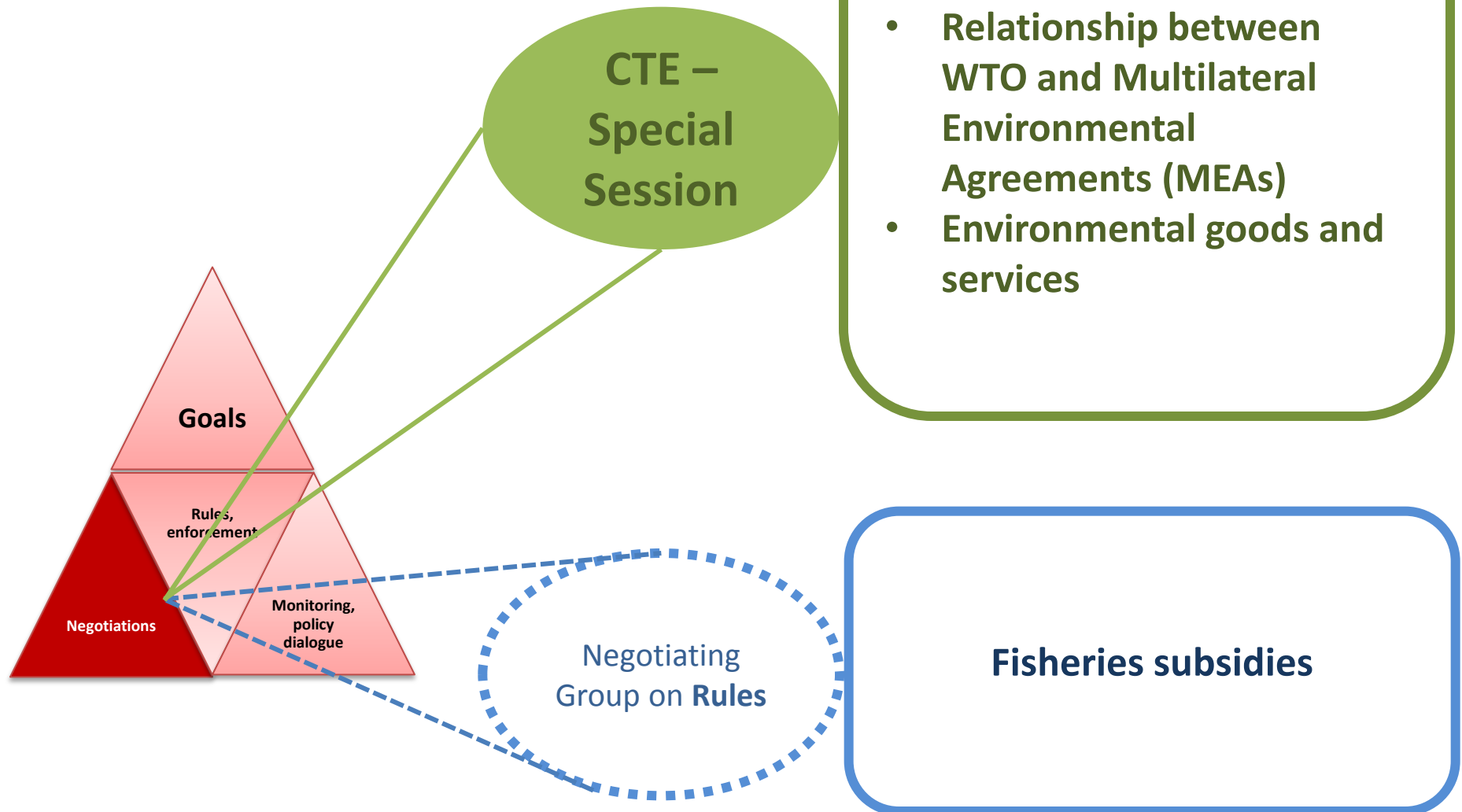
- Understanding the **links between trade and the environment**
- Learning from **national experiences**
- Ensuring that **trade policies work for**, not against, **environmental protection**

# **The CTE:**

## **A broad work programme**



# WTO negotiations on the environment



# CTESS negotiating mandate

Relationship between existing **WTO** rules and **specific trade obligations (STOs)** in **Multilateral Environmental Agreements**

**Information exchange** between MEA Secretariats and the relevant **WTO** committees, **observer status**

Reduction or, as appropriate, elimination of **tariff** and **non-tariff barriers** to **environmental goods and services**

# CTESS negotiating mandate

## 2001 Doha Ministerial Declaration

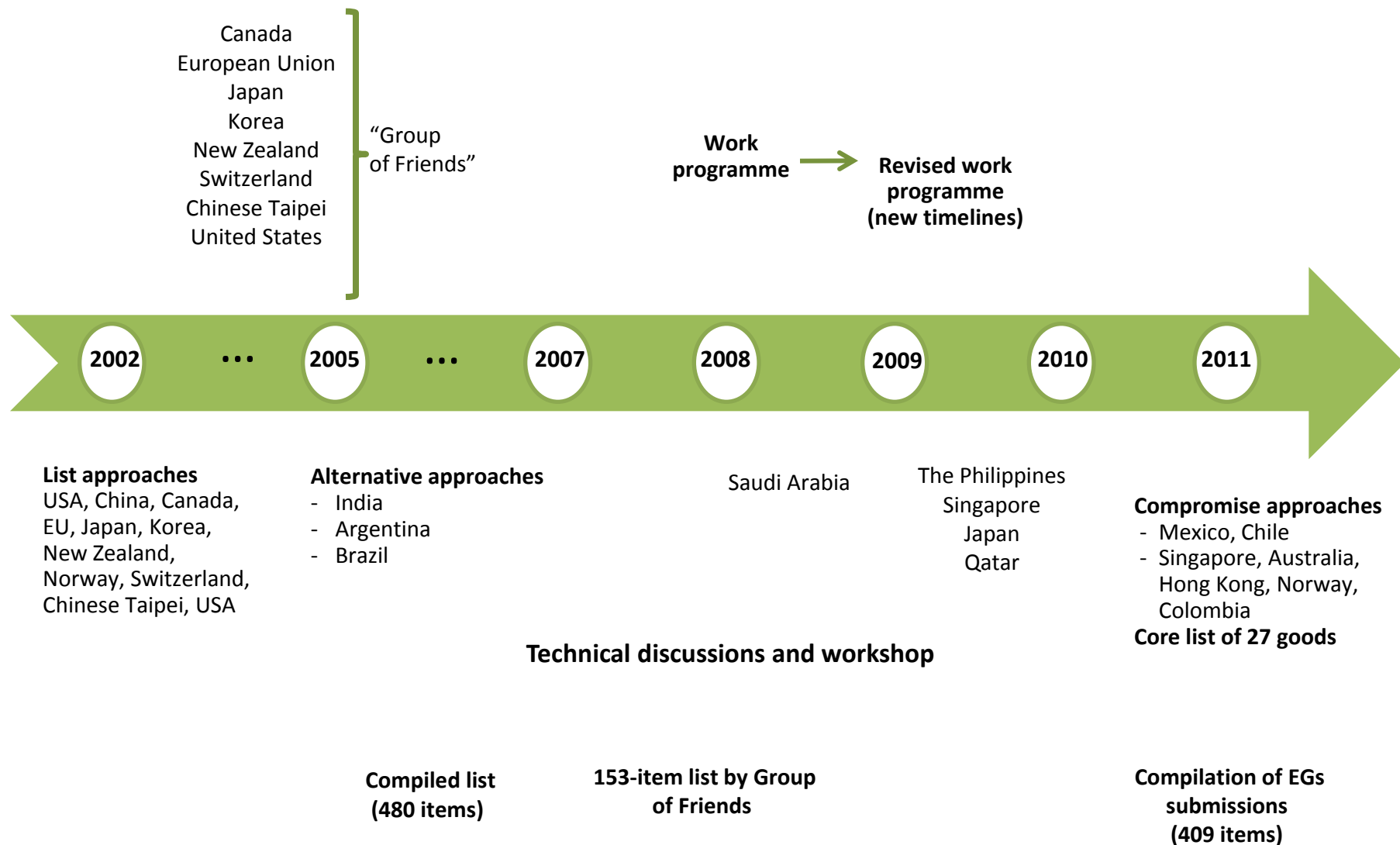
Paragraph 31(iii)

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 tariff and non-tariff barriers to environmental goods and services.



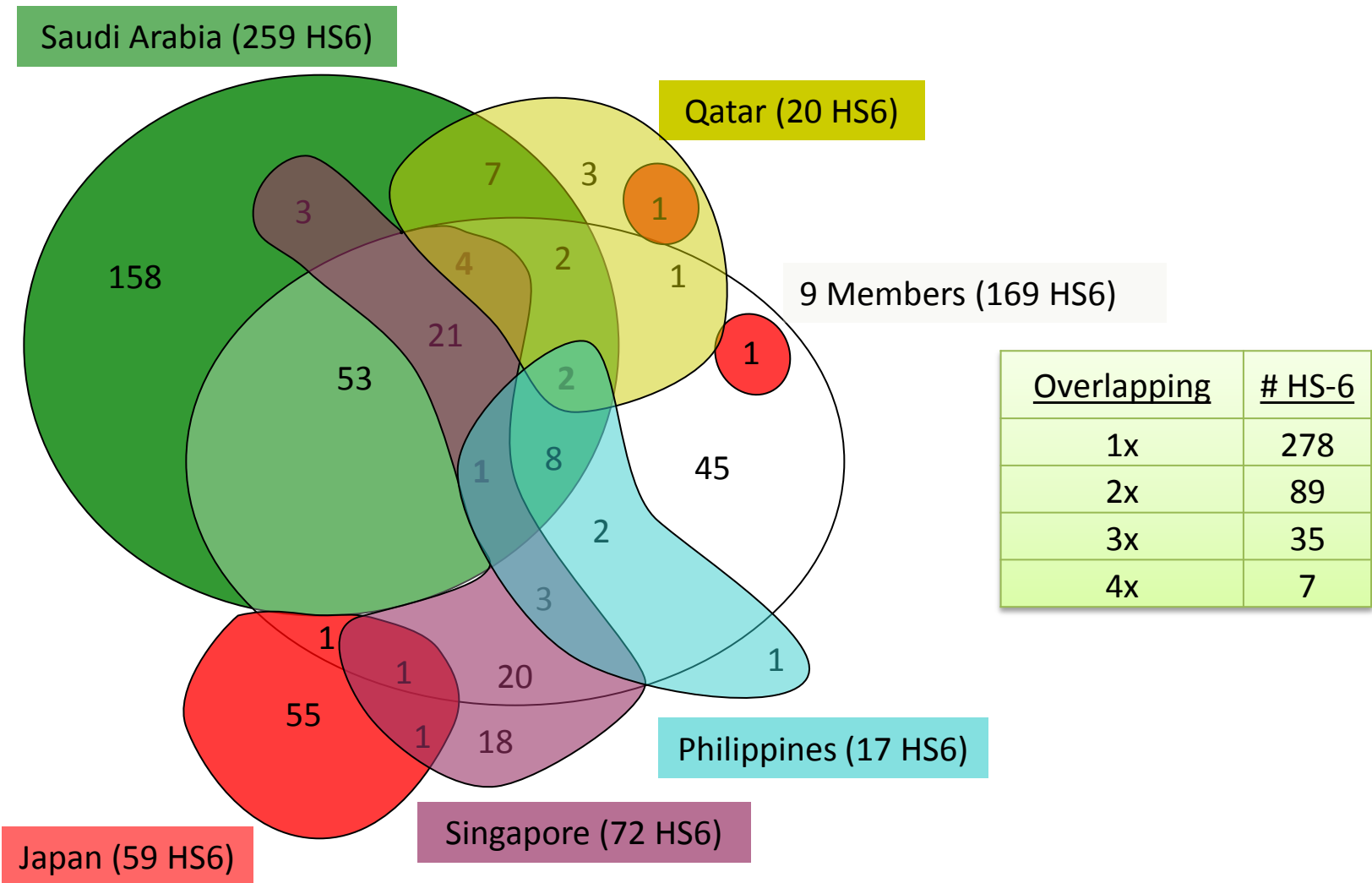
# Discussions in the CTESS



# CTESS environmental goods categories

<b>Air pollution control</b>	
<b>Renewable energy</b>	<ul style="list-style-type: none"><li>• Clean up or remediation of soil and water</li><li>• Management of solid and hazardous waste and recycling systems</li><li>• Waste management, recycling and remediation</li><li>• Waste water management and potable water treatment</li></ul>
<b>Environmental technologies</b>	<ul style="list-style-type: none"><li>• Gas flaring emission reduction</li><li>• Efficient consumption of energy technologies</li><li>• Cleaner or more resource efficient technologies and products</li><li>• Energy efficiency</li><li>• Environmental monitoring, analysis and assessment equipment</li><li>• Heat and energy management</li><li>• Natural risk management</li><li>• Noise and vibration abatement</li></ul>
<b>Carbon capture and storage</b>	
<b>Others</b>	<ul style="list-style-type: none"><li>• Environmentally preferable products</li><li>• Natural resources protection</li><li>• Renewable products and energy sources</li><li>• Resources and pollution management</li><li>• Other</li></ul>

# Convergence among product lists



Note: Proportions not respected

# Identifying environmental goods

**List approaches:** United States, “Group of Friends”, Singapore, Saudi Arabia, Qatar, Philippines

**Integrated approach:** Argentina, India

**Request and offer approach:** Brazil

**Hybrid approach:** Australia; Colombia; Hong Kong, China; Norway; Singapore

**Combined approach:** Chile, Mexico

(Tariff treatment (including S&D))



## Other relevant issues: Non-tariff barriers

- **Limited work** on this issue in the CTESS
- Recognition that NTBs can be a **significant impediment** to trade
- **Types of measures** identified by Members that may act as NTBs:
  - **Customs procedures**
  - **Standards, technical regulations, conformity assessment procedures, labelling schemes**
  - **Intellectual property rights, including patents**
- NTBs are mentioned in several approaches

# Other relevant issues

## Services

- **Limited work** on this issue – in the WTO Council on Trade in Services Special Session, not the CTESS
- Recognition of the **close links** between environmental goods and services

## Other issues of special interest to developing countries

- Mechanisms for the **development and transfer of environmental technologies**, technology pools, exchange of information on environmental technologies
- **Financial mechanisms** to access and develop environmental technologies in developing countries

## A closer look at services....

### Current classification of environmental services in W/120 (Services Sectoral Classification List)

#### 6. ENVIRONMENTAL SERVICES      CPC prov.

A. Sewage services	9401
B. Refuse disposal services	9402
C. Sanitation and similar services	9403
D. Other	- -

## Remaining CPC items

- Cleaning services of exhaust gases
  - CPC 9404
- Noise abatement services
  - CPC 9405
- Nature and landscape protection services
  - CPC 9406
- Other environmental services n.e.c.
  - CPC 9409



## Issues with current classification

- Focus on “infrastructure” environmental services
  - Important role of public sector
  - Public good characteristics
  - Prone to monopolies
- Inadequate definition of “non-infrastructure” environmental services (e.g. air pollution prevention and mitigation, noise abatement, remediation of polluted sites)
  - Demand driven by environmental legislation has increased (e.g., remediation services)
  - Services prone to “B2B” relations

## Better understanding of increased trade opportunities in environmental services

Mode 1 – cross-border supply	e.g. remote monitoring and control of air pollution levels; environmental consultancy; test and analysis; ...
Mode 2 – consumption abroad	e.g. solid waste are treated abroad ...
Mode 3 – establishment of commercial presence	e.g. subsidiary provides solid waste/ waste water treatment services;...
Mode 4 – presence of natural persons	e.g. foreign technician provides natural disaster assessment services; ...

## Trade impediments in environmental services

- Monopolies and exclusive rights
- Limitations on foreign ownership, on the types of legal entity, on the number and location of subsidiaries, and on the number of foreign employees;
- Lack of regulatory transparency; weak or inconsistent enforcement of environmental regulation;
- Unnecessary delays in processing applications;
- Impediments in other areas may also affect trade in services, such as high import tariffs on necessary equipment and inadequate intellectual property protection.

# Further developments in the WTO (outside of the CTESS)

**January 2014**

Joint Statement on  
**Environmental Goods Agreement**  
**(EGA)** in Davos:

Australia, Canada, China, Costa  
Rica, European Union, Hong Kong  
(China), Japan, Korea,  
Liechtenstein, New Zealand,  
Norway, Singapore, Switzerland,  
Chinese Taipei, United States

**December 2015**

**ITA II** – conclusion of discussions to  
**liberalize trade in IT products**  
beyond the original ITA of 1996 –  
covers some environmental goods

**September 2016**

G20 Leaders welcome  
“landing zone”

**Israel, Iceland and Turkey**  
join negotiations

**2014**

**2015**

**2016**

**2017**

**July 2014**

EGA negotiations  
start

**December 2016**

EGA ministerial  
meeting (Geneva)

**18 rounds of negotiations**

**Compiled list**

(Some 2,400 product  
nominations covering  
650 tariff lines at HS-6  
level)

**July 2016**

Chair’s “landing zone” list of EGs  
(304 tariff lines at HS-6 level)

# PRODUCTS IN THE EGA

The EGA seeks to reduce the cost and accelerate the adoption of green technologies by slashing tariffs on a wide range of imported products that can assist governments, companies and individuals to protect the environment. The products covered by the EGA can be grouped in the following ten categories:



AIR POLLUTION  
CONTROL



CLEAN, RENEWABLE  
ENERGY



ENERGY  
EFFICIENCY



ENVIRONMENT  
MONITORING &  
ANALYSIS



PREFERABLE  
PRODUCT  
ALTERNATIVES



ENVIRONMENT  
REMEDIATION &  
CLEAN UP



NOISE, VIBRATION  
ABATEMENT



RESOURCE  
EFFICIENCY



WASTE  
MANAGEMENT



WATER  
MANAGEMENT &  
TREATMENT

# Environmental Goods Agreement

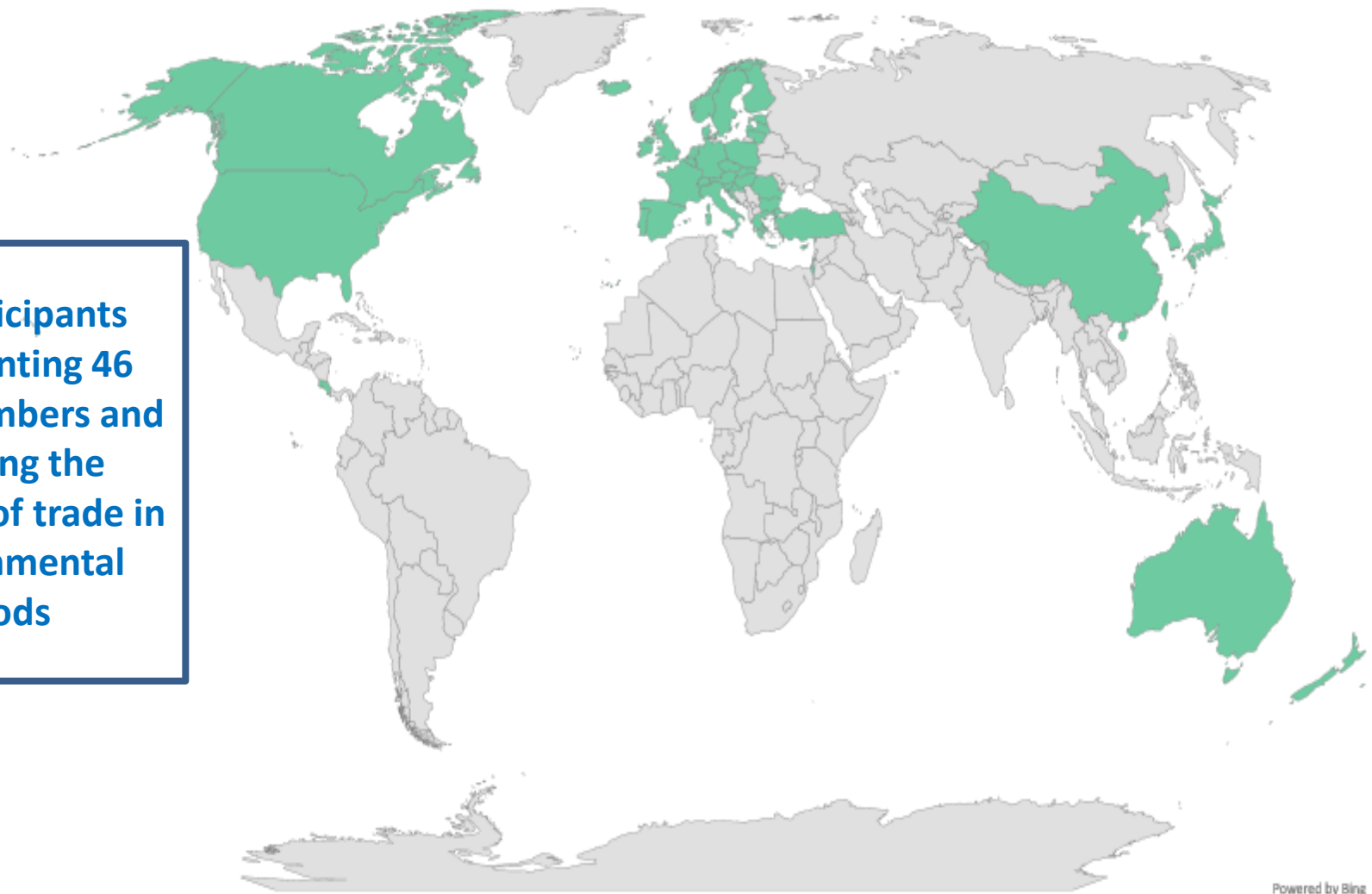
## Davos Joint Statement (January 2014)

- Seeks to build on the **APEC commitment of 2012** to achieve global free trade in environmental goods
- Future oriented agreement** able to address other issues in the sector and respond to changes in technologies in the years to come
- Reinforce the multilateral trading** system and **benefit all WTO members**
- Contribution to the **international environmental protection agenda**, including **UNFCCC** negotiations
- Critical mass** of WTO members needed for agreement to take effect

# EGA participants

**18 participants  
representing 46  
WTO members and  
covering the  
majority of trade in  
environmental  
goods**

 **EGA participant**

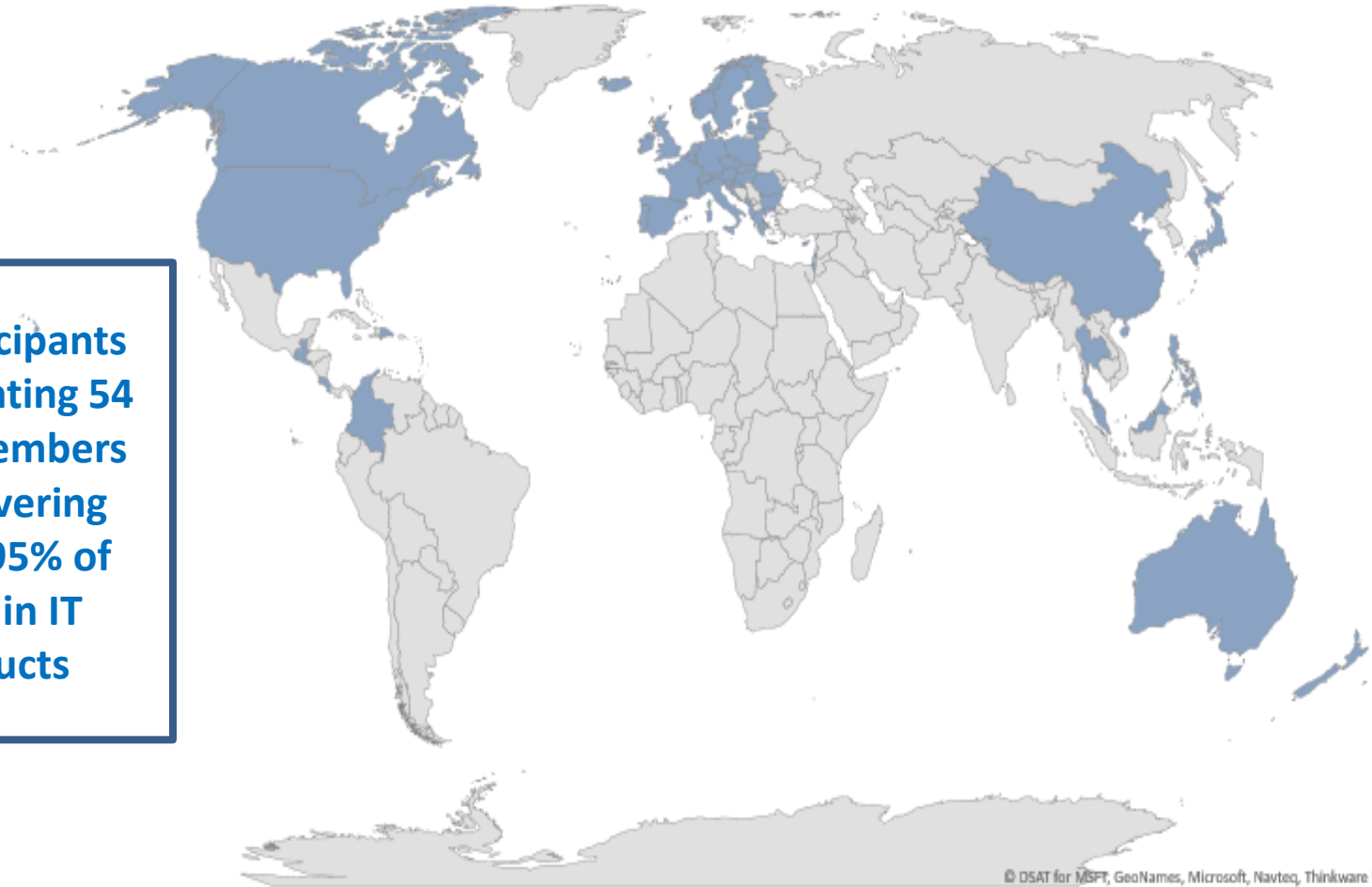


# EGA: Plurilateral or multilateral?

- The EGA is a “**plurilateral**” negotiation in the sense that it involves a **subset of WTO members**
- But like ITA II, the results of the EGA would become part of participants WTO commitments. As a result, **all WTO members** would benefit from improved access into the markets of EGA participants
  - This situation has sometimes led to concerns among participants in a “plurilateral” negotiation about the possibility of **free-riding** by non-participants
- Provisions on **critical mass** have been used as a means to address free-riding concerns:
  - For example, ITA II defines a threshold of “**approximately 90% of world trade**” in ITA II products for implementation to take place



## ITA II



**26 participants  
representing 54  
WTO members  
and covering  
about 95% of  
trade in IT  
products**

### ITA Expansion participant

# What is ITA II?

- Plurilateral agreement to liberalize **trade in information technology products** beyond the original ITA of 1996
- 26 Participants, representing **54 WTO Members**, which account for about **95%** of world trade in covered products
- Agreement will **eliminate tariffs on 201 high-tech products**, whose annual trade is estimated at **US\$1.3 trillion** or about 10% of world merchandise trade

**ITA II covers several goods with environmental applications**

# Some environmental goods covered by ITA II



## Renewable energy & energy efficiency

- Machines to manufacture PV cells and modules
- Static converters
- Energy usage data transmitters
- Motion sensor switches
- Mirrors (for solar concentrated power)
- Smart meters



## Environmental monitoring & analysis

- Global navigation satellite system apparatus
- Electron microscopes
- Soil moisture sensors and nutrient meters
- Sound level meters
- Dissolved oxygen meters
- Balancing equipment



## Air pollution control

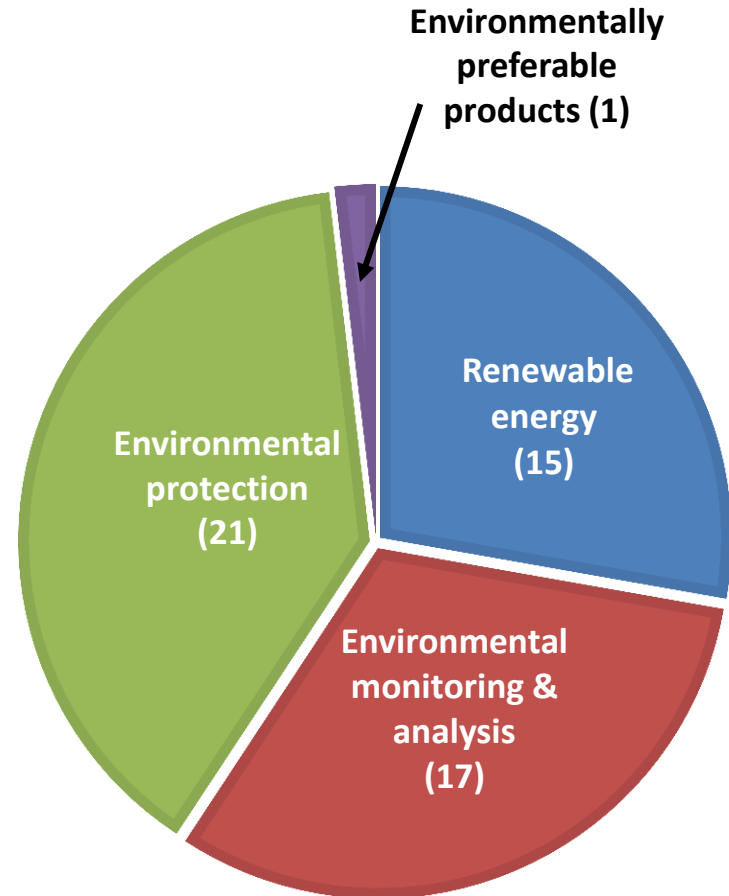
- Engine and chassis dynamometers
- Air pollution emissions monitoring systems
- Gas leak detectors
- Mass spectrometers
- Regulating and control apparatus

# Developments outside of the WTO...



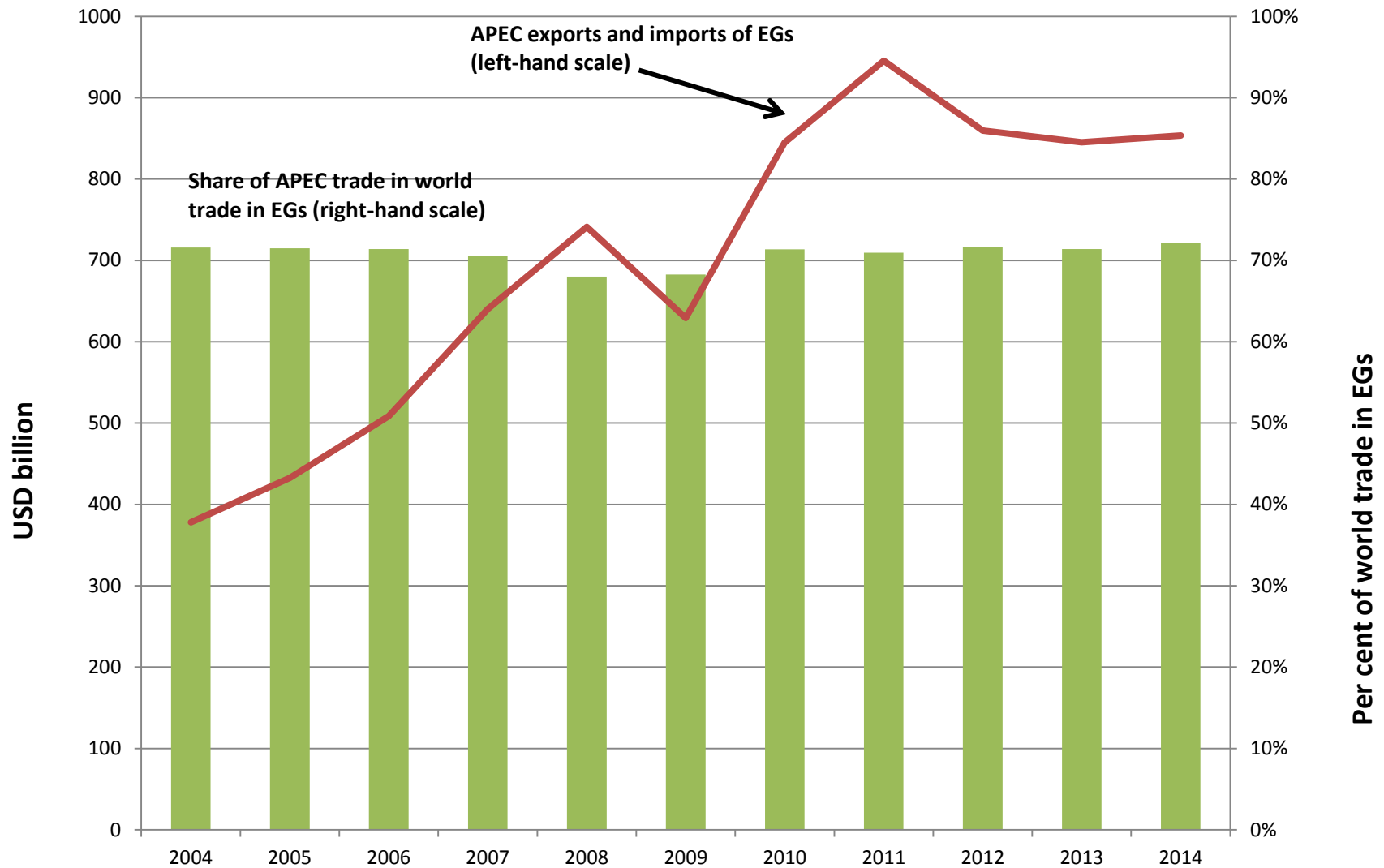
## Asia-Pacific Economic Cooperation

In 2012, APEC leaders agree to reduce, on a **voluntary** basis, **applied tariff rates** on a list of **54 environmental goods** to **5% or less** by the end of 2015, taking into account the **economic circumstances** of individual APEC economies

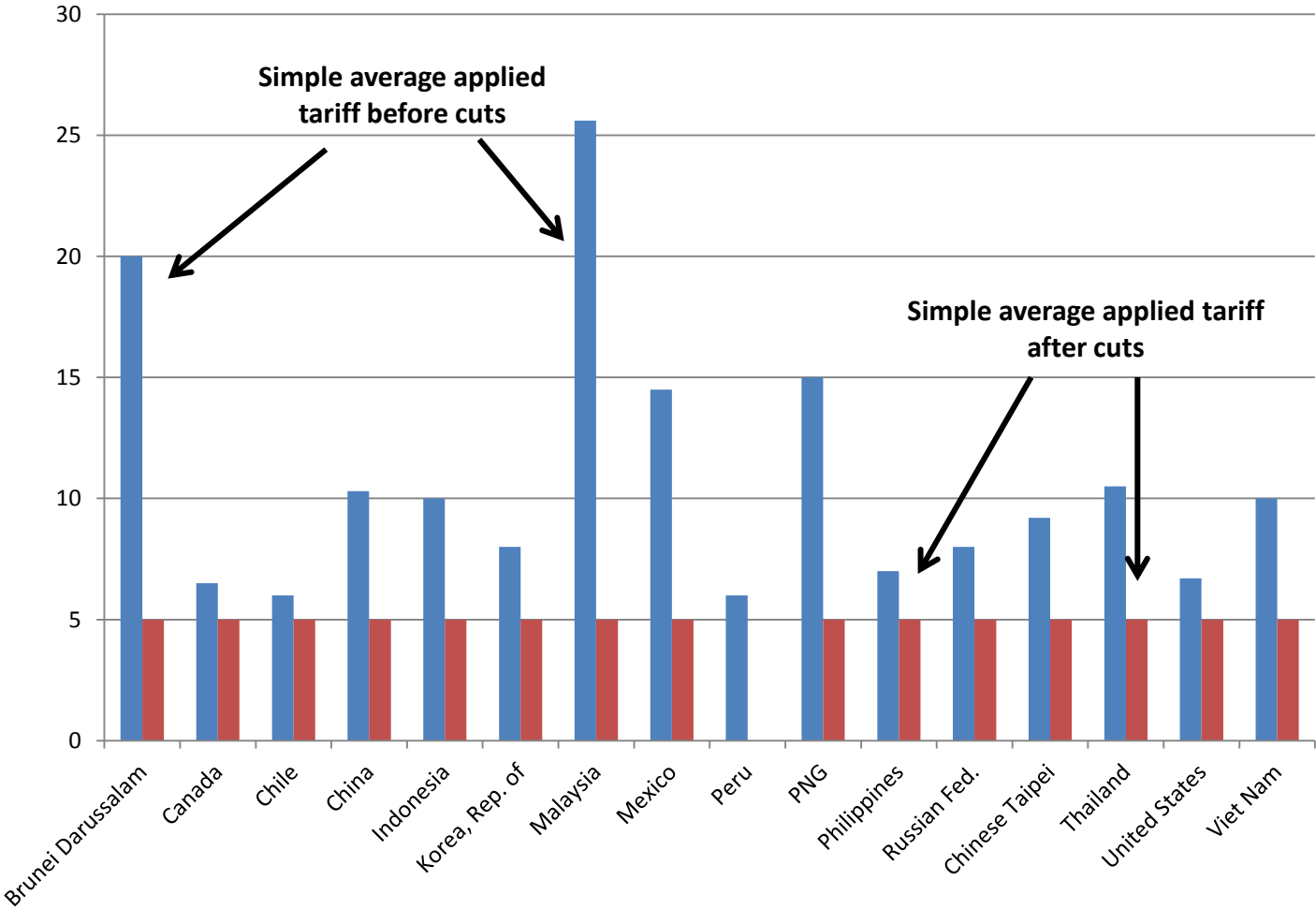


Environmental categories covered by the APEC list of environmental goods (number of goods in brackets)

# APEC trade in environmental goods



# Implementation of the APEC commitment



# **Main negotiating challenges of a technical nature**

**Product coverage**

**Modalities for tariff reduction**

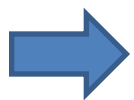
**Technical description issues**

**Technological change**

**Political balance**

## Product coverage: Challenges for identifying green goods

- **No agreed definition of “environmental good”**
  - Does **past work** (OECD, SEEA) may serve as basis?
  - Lack of definition may provide **flexibility** in trade negotiations
  - Importance of close collaboration with the **scientific and technology communities**
- **Many green goods are “dual” or multiple use**
  - Goods differ in terms of the extent to which they are used exclusively for an **environmental purpose**
- **Environmentally preferable products (EPPs)**
  - Ideally, **life-cycle analysis** should be used to identify EPPs; in practice, EPPs are defined by their superior environmental performance during use



Both **multiple use** and **EPPs** may pose challenges for ensuring an agreement's **customs implementability** and **environmental credibility**



# Product coverage: Identifying green goods

- **Dual or multiple use goods**

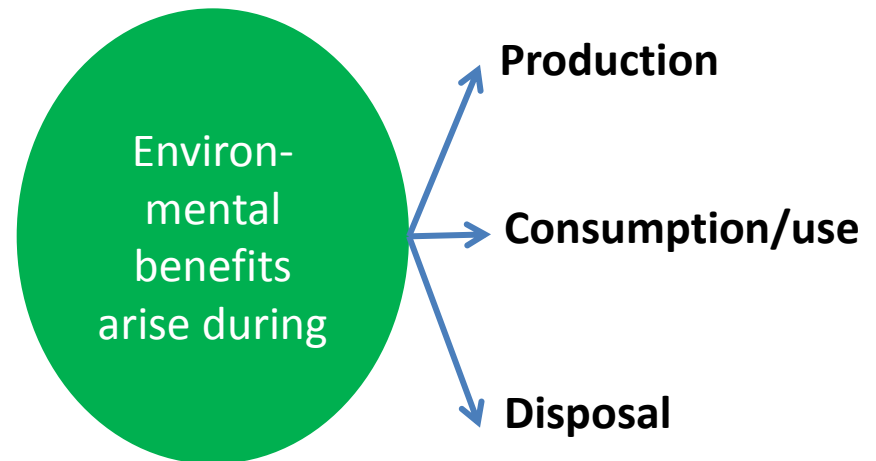
Example: centrifugal pump



**Wastewater  
applications**

**Other industrial  
applications  
(oil, chemicals)**

- **Environmentally preferable products**

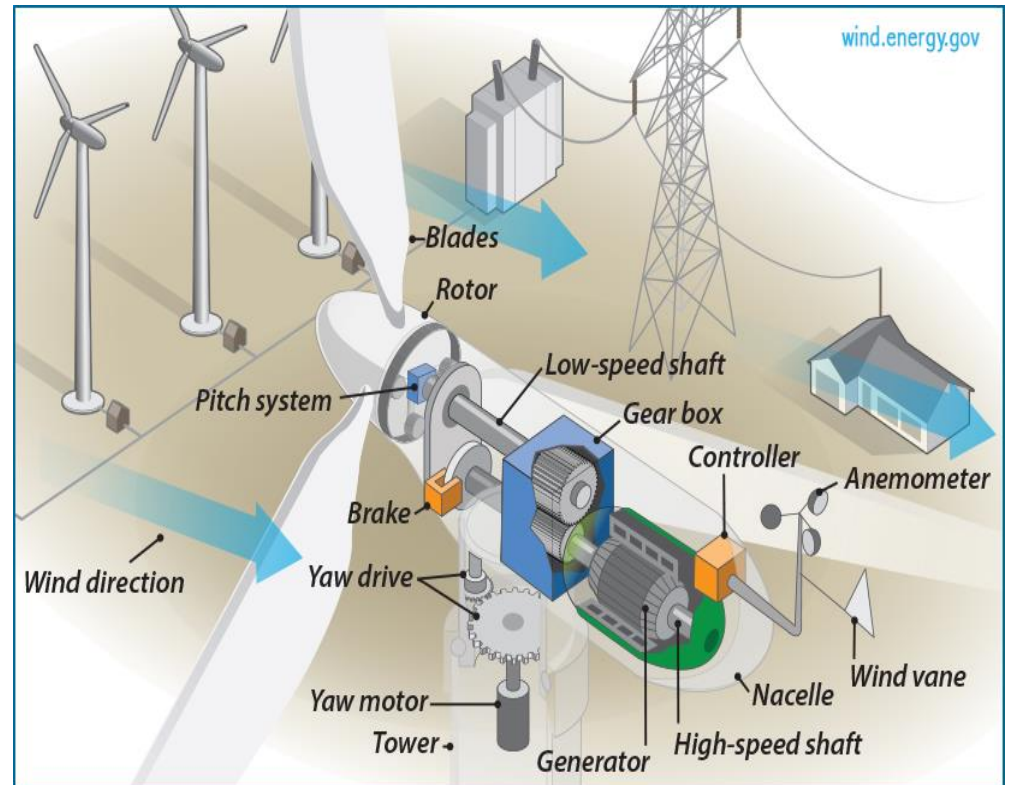


## Product coverage: Broad or narrow?



## Product coverage: Think value chain!

- ➔ A wind turbine can consist of up to **8,000** parts
- ➔ **50%** of those components in some markets are sourced from foreign suppliers



**Source:** US Department of Energy

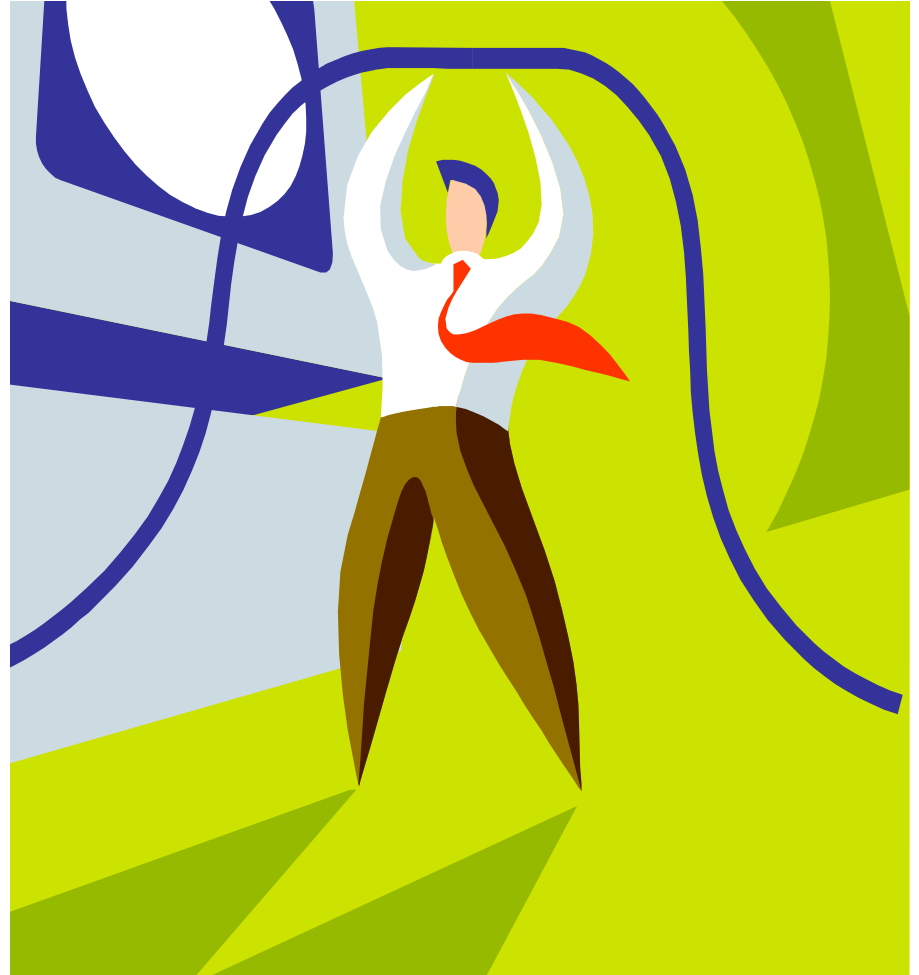
# Modalities for tariff reduction



Special and differential (S&D) treatment?

# EGA and other WTO tariff negotiations are about bound tariffs

- A "**bound**" **tariff** is a tariff in respect of which there is a legal commitment not to raise it beyond a certain level
- A binding is a "**ceiling**", not a "floor"
- Binding commitments promote the **security and predictability** of the trade regime



## Technical description issues

- Tariff liberalisation negotiations normally result in a **list of covered Harmonised System (or HS) codes**
- BUT **HS descriptions are not always sufficiently specific** to match the specificity of environmental goods
- Negotiators often resort to **“ex-outs”** to define a subset of products to be covered under a 6-digit HS subheading
- BUT negotiating ex-outs can be a **lengthy and difficult process**
  - Close collaboration between trade negotiators and customs officials is critically important to ensure that ex-out descriptions are precise enough to allow customs officers to identify products

# Technical description issues

## Examples of ex-out descriptions from APEC

HS 2012	HS Description	Ex-out	Environmental benefit
<b>8419.19</b>	- Instantaneous or storage water heaters, non-electric: Other	<b>Solar water heaters</b>	Solar water heaters use the sun's heat to provide hot water for a home or building
<b>8419.39</b>	- Dryers: other	<b>Sludge dryers</b>	Reduce sludge volume in wastewater treatment facilities and help in transforming sludge into easily disposable or recyclable matter
<b>8502.31</b>	- Other generating sets: wind-powered	-	Wind turbines convert the kinetic energy of wind into mechanical energy

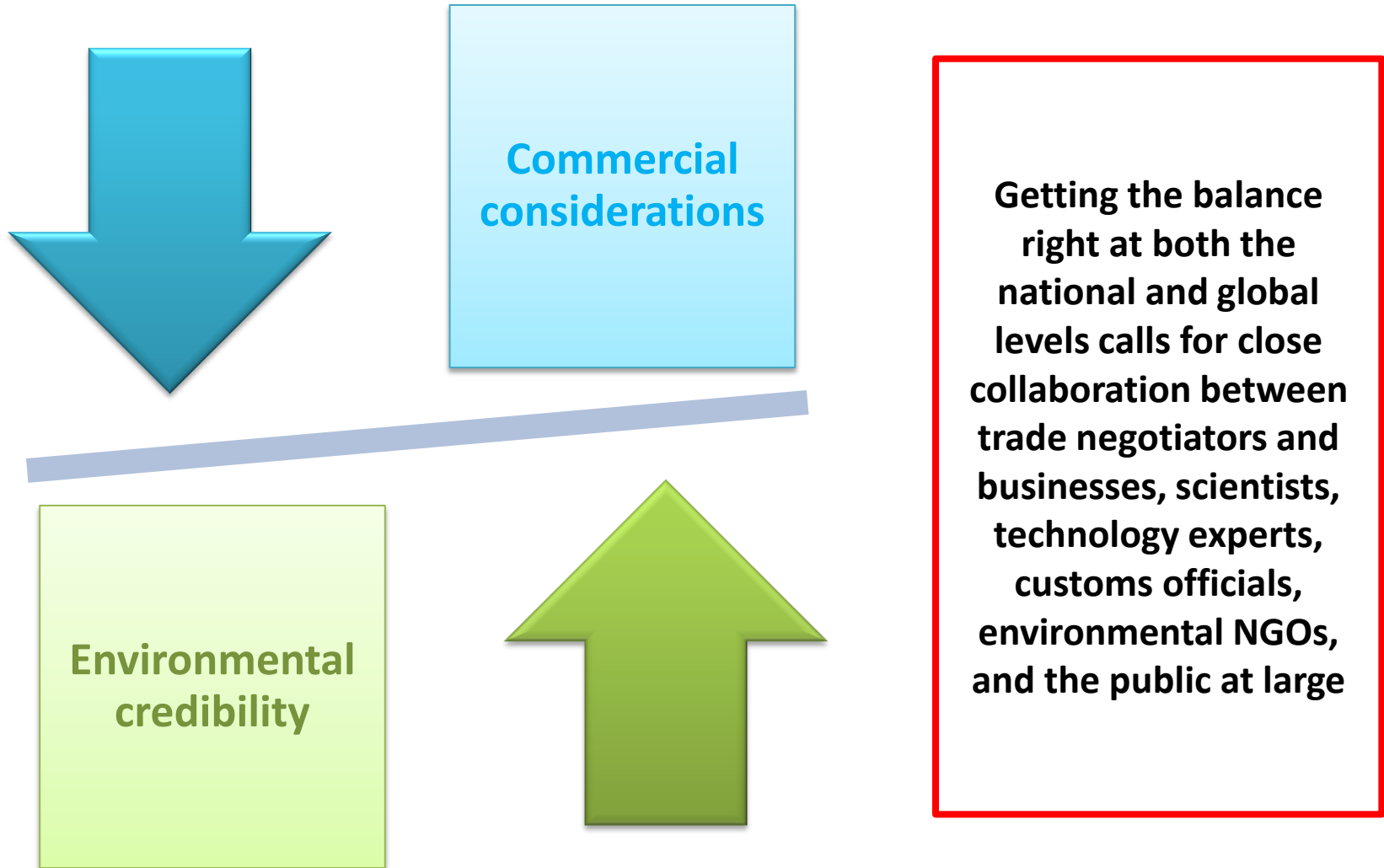
## Technological change



- Environmental goods are subject to **rapid technological change**
- Should an agreement on environmental goods be **a one-off exercise**, or should it include a **mechanism to review product** coverage as technologies and environmental requirements change (“living list”)?
- The **ITA** and the **“Pharmaceutical Understanding”** established review mechanisms for considering new products coming to market as a result of technological breakthroughs



# The political challenge: Finding the appropriate balance



Thank you

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