



Liberalization of Environmental Goods and Services

Brainstorming Workshop
Bangkok, 30 July to 1 August 2003
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Abstract

Realizing Win-Win-Win Scenarios
Environmental Goods – definitions for trade negotiations and products of export interest to DCs
Environmental Services – classification and holistic approach to liberalization
Liberalization of EGS and transfer of environmentally sound technologies
Systemic issues for negotiations
Recommendations of recent UNCTAD Expert Meeting

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Potential Benefits of EGS Liberalization for DCs

- Access to environmentally sound technologies and know how.
- Economic, environmental and developmental gains resulting from more efficient resource management and improved human-health and environmental conditions.
- Enhanced capacity to comply with environmental requirements in domestic and international markets.

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Environmental Goods: Conceptual Definition

- In the sustainable development debate, there are different concepts of EGs:

Equipment, material or technology used to address a particular environmental problem

A product that is itself “environmentally preferable” to other similar products because of lower environmental impact in various phases of its life cycle

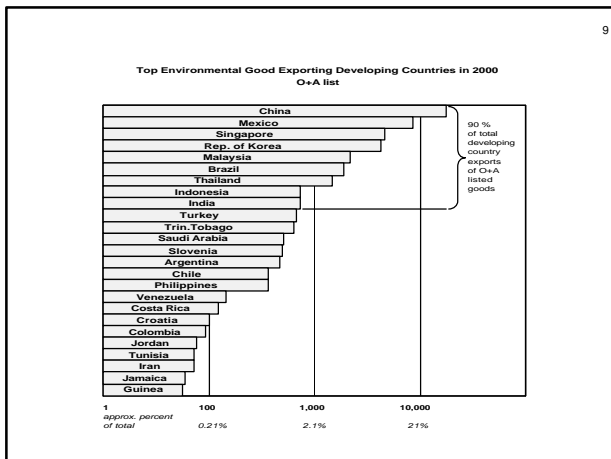
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Environmental Goods: Definition for Negotiations ⁷

- Key question is: What goods should obtain special treatment and in what form?
- Current approaches do not adequately reflect DCs' interests. Therefore, there is a need for a more balanced outcome of the negotiations:
 - Identifying products of export interest to DCs;
 - Excluding “multiple use” products that may have little environmental application;
 - Addressing technology, capacity-building and funding needs.
- Current approaches do not focus on selection criteria, but on lists (i.e. “bottom-up approach”). However, initially negotiated lists will have to be updated against certain criteria. Related problems are:
 - Lack of trade data;
 - Dual use items (both in goods and services);
 - Degree of environmental friendliness;
 - Non-product related PPMs;
 - Need for integrated approach, i.e. link to environmental services

Environmental Goods: Regional and commodity ⁸ Patterns of Trade [1]

- All DCs, except two (Guinea and Trinidad/Tobago), are net importers of EGs.
- Multiple use products represent a large share of DCs trade – illustrated by the fact that the major export and import items are “basket” items such as “other articles of plastic” or “other machines with one function”.
- Value of aggregate DCs' imports of EGs on APEC and OECD list represent not more than 3-6 % of manufactured goods imports.
- Nine developing countries, which include China, Singapore, South Korea, Thailand, Indonesia and India, account for 90 % of EG exports from DCs.



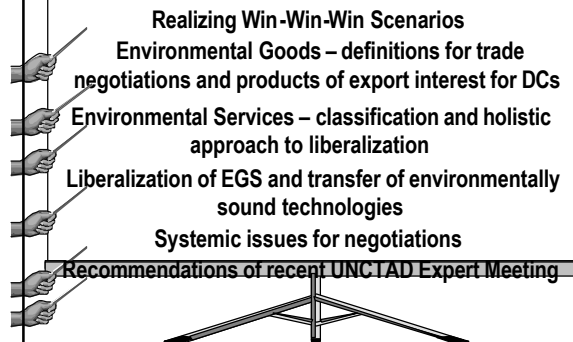
Environmental Goods: Regional and commodity ¹⁰ Patterns of Trade [2]

- South-South trade in EGs is increasing in importance, in particular for Asian countries:
 - South-South trade is the most dynamic trade segment of EGs;
 - South-South trade already accounts for 42% of DC exports of EGs – in the case of Asian DCs, it accounts for 53 %, of which 95 % represent intra-Asian trade.
- DCs as a group were net exporters of 26 of the 182 EGs on the APEC and OECD lists. Asian DCs are net exporters of 60 EGs (see paper).
- EGs of special export interest to DCs:
 - Renewable and clean energy goods (see figure 10 of paper);
 - List of environmentally preferable products (see table 6 of paper);
 - See list of top 20 EGs exported by DCs in 2000 (figure 7).

Environmental Goods: Procedural Issues ¹¹

- Recent US proposal – creating two lists:
 - Core list of EGs – (i) environmental remediation and pollution prevention; and (ii) clean technologies;
 - Complementary list – all EGs, on which no consensus can be reached.
- US proposal envisages different rates of liberalization:
 - Core list – total removal of tariffs;
 - Complementary list – tariff reduction by a certain percentage (this percentage for DCs should be lower than for DMEs – as S&D).
- Shortcoming of the US proposal:
 - NTBs are not covered;
 - Core list will most likely become very small and might therefore put into question the whole conceptual approach

Abstract ¹²



Environmental Services: Conceptual Definition ¹³

- In the sustainable development debate, there are different concepts of ESs:

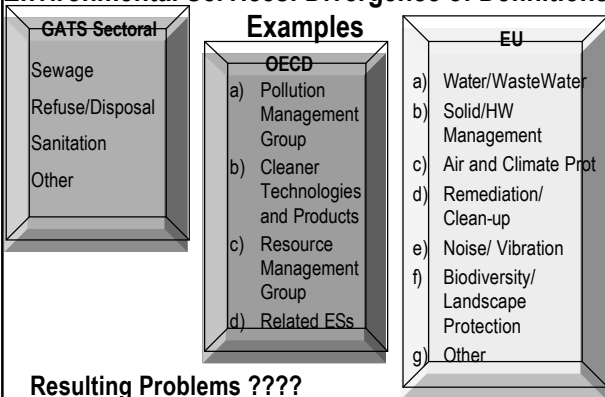
Human services to address particular environmental problems (e.g. waste or waste water treatment)

Services provided by eco-systems (e.g. carbon sequestration, preservation of bio-diversity)

Environmental Services: Definition for Negotiations (1) ¹⁴

- There are a number of key problems:
 - Absence of consistent definition of ESs;
 - Lack of data on trade in ESs;
 - One needs to distinguish between:
 - Environmental infra-structure services (e.g. for wastewater treatment);
 - Commercial environmental services (e.g. pollution monitoring, consulting);
 - Supportive environmental services (e.g. construction, engineering).

Environmental Services: Divergence of Definitions ¹⁵



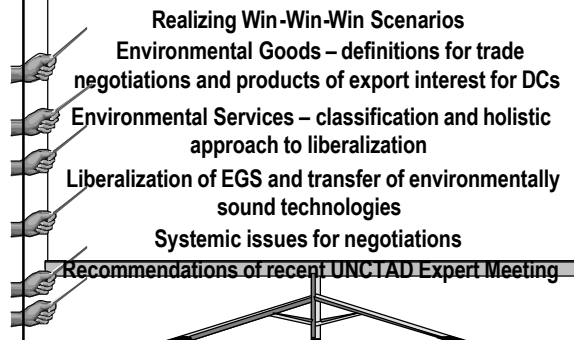
ESs: Key Issues for Developing Countries (1) ¹⁶

- With the exception of a few commercial ESs of export interest to DCs (mostly destined for South-South trade), ESs will generally be imported by DCs for basic environmental infrastructure services, pollution control and clean-up services as well as cleaner technologies. This requires:
 - Prioritization and clear policy vision in these areas, both at central and local government level;
 - Different approaches to infrastructure, commercial and support services;
 - Holistic approach to funding and environmentally sound technologies;
 - Safeguarding public interest and avoiding monopolistic practices, notably in environmental infrastructure services.

ESs: Key Issues for Developing Countries (2) ¹⁷

- In accordance with GATS Article XIX:2, negotiations must respect national objectives and the level of development of individual WTO members. This implies:
 - Wise scheduling of market access and domestic treatment commitments;
 - Attachment of suitable market entry and domestic treatment conditions (e.g. to avoid restrictive business practices);
 - Scheduling based on sound needs assessment, including at local government level, and appropriate stakeholder involvement.

Abstract ¹⁸



Issues Related to the Transfer of ESTs (1)

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- Key problem is definition and recognition of ESTs or “clean technology”:
 - Relative in time – need to keep the list current;
 - Criteria???
 - Identification or certification???
 - Circumventing these problems:
 - Proper review mechanism;
 - Designating entire plants and technology systems (such as recycling plants or oil recovery systems) as ESTs.
- Appropriate definition of EGs should avoid the pitfall of improving the competitive situation of end-of-pipe technologies.
- SMEs play a key role in the development of ESTs and integrated solutions. These SMEs are often very export dependent.

Issues Related to the Transfer of ESTs (2)

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- Typology of ESTs as discussed at UNCTAD Expert Meeting:
 - Traditional, end-of-pipe technologies;
 - Integrated clean technologies;
 - Energy-saving devices;
 - Energy production based on renewable energy sources.

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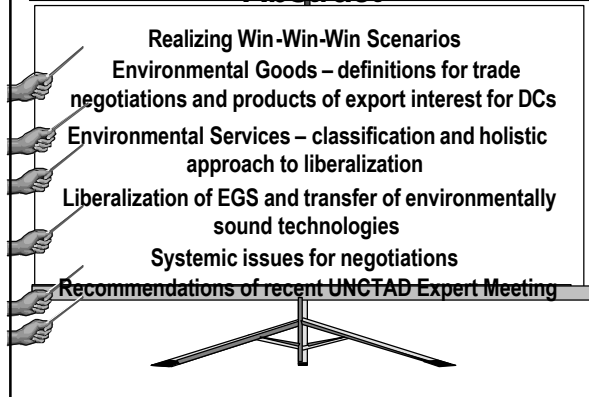
Systemic Issues

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- Without losing sight of the overall sustainable development objectives of the negotiations, some key systemic issues need to be taken into consideration in EGS negotiations:
 - Supply capacity of EGS in developing countries;
 - Link between mode 3 (commercial presence) and mode 4 (movement of natural persons) of GATS;
 - The issue of standards as market entry barrier for EGS;
 - The important role of subsidies for both EGs and ESs, particularly in DMEs;
 - Policy coherence, both at national and international level;
 - The relationship with objectives and instruments in relevant MEAs;
 - The close linkages to other negotiating areas, notably agriculture, market access, TBT and SPS, Working Group on TT as well as TRIPS;
 - The treatment of horizontal issues in services (i.e. emergency safeguard mechanism, government procurement, classification etc.)

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Recommendations of Expert Meeting (including for UNCTAD work)

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- The recommendations of the UNCTAD Expert Meeting on EGS, held on 9-11 July 2003, are reproduced on pp. 62-63 of the document. There are recommendations for action at national and international level.
- For UNCTAD, the following activities were recommended:
 - Facilitating national policy dialogues and undertaking analytical and empirical studies;
 - Assisting, on request, individual DCs in compiling lists of EGs that reflect their trade, environmental and developmental priorities;
 - Submitting a report to the CTE SS on key issues of interest to DCs in the context of paragraph 31(iii);
 - Contributing to the clarification of issues related to the transfer of ESTs in EGS trade;
 - Continuing capacity-building activities on EGS in the context of CBTF, the BioTrade initiative and the DFID-funded project.

On-line Reference Material

Documents, Papers and Presentations

UNCTAD Expert Meeting on

**Definitions and Dimensions of EGS in Trade and
Development**

UNCTAD's

Trade, Environment and Development Website

www.unctad.org/trade_env/test1/meetings/egs.htm