

**Proposal for a sector-specific project under the Consultative Task Force on
Environmental Requirements and Market Access for Developing Countries (CTF):
electrical and electronic equipment (EEE)**

Background

1. Environmental and health-related problems associated with growing volumes of post-consumer waste from electrical and electronic equipment has triggered significant environmental policy initiatives in many countries. Comprehensive new legislation has been introduced in the European Union and Japan, with increased emphasis on the prevention, re-use, recycling and recovery of waste from electrical and electronic equipment through the application of the principle of *producer responsibility*. As a result, producers have to include waste management considerations (such as the use of easily recyclable/recoverable materials and the control of hazardous substances) into the design and production of electrical and electronic equipment (EEE).

2. Since the production of EEE and its components has been increasingly outsourced to developing countries, in particular in East and South-East Asia, such developments have significant implications for manufacturers and assemblers in these countries. Companies in developing countries and their governments need to promote pro-active policies with a view to collecting, understanding and disseminating information as well as product engineering/design in order to continue to compete successfully in international markets. At the same time, they also need to address problems related to growing volumes of waste from EEE at home.

3. Only four developing countries, China, Malaysia, the Philippines and Thailand account for more than 60 per cent of EEE imports into developed countries' markets. Most companies in these countries and their Governments are aware of the new environmental requirements in external markets, although the implications and adjustments to be made are often not well understood. In particular, there is concern that small and medium-sized enterprises (SMEs) may not be ready to respond to RoHS requirements when they become effective as well as to information requirements imposed by customers through the supply chain.

4. There is also awareness in these countries that growing domestically generated waste from EEE as well as imports of e-waste and second-hand IT equipment pose a looming danger to human health and the environment. Governments in concerned developing countries are implementing legislation and other measures to simultaneously (a) promote compliance with external requirements and (b) address domestic problems related to growing volumes of waste from electrical and electronic equipment. To achieve this, Governments and businesses not only need accurate and timely information, but also assistance in the interpretation of such information to make it relevant for designing and implementing adjustment strategies.

5. The UNCTAD Consultative Task Force on Environmental Requirements and Market Access for Developing Countries (CTF) seeks to help strengthen the capacities of developing countries in responding to environmental and health-related requirements, in particular by (a) documenting good practices in involving developing countries in pre-regulation- and pre-standard-setting consultations; (b) promoting, and exchanging national experiences concerning, proactive adjustment policies in developing countries; and (c) exploring possibilities for improving information flows.

6. In a recent submission to the WTO Committee on Trade and Environment (WT/CTE/W/239 of 12 October 2004), the European Communities stated that “efforts should focus on experience sharing on ways to further improve the dialogue and information mechanisms with developing countries when developing and implementing new environmental requirements with a view to:

- (i) Identifying as early as possible potential market access implications;
- (ii) Identifying potential “bridges” between our respective legislation; and
- (iii) Considering technical assistance needs and other means necessary to help affected countries and exporters comply with new requirements while developing their own, where appropriate”.

7. The European Commission has announced general principles and minimum standards for consultations as part of its *Better Regulation Package*. So far, however, trade considerations seem to have received little attention in stakeholder consultations and regulatory impact assessments. Whereas Governments and business associations of major trading partners, in particular the United States and Japan, have provided comments on new regulations from the early stages of their development, developing countries with a key export interest in EEE have hardly participated. This is notwithstanding the fact that the value of EEE imports from developing countries is much higher than imports from other developed countries (excluding intra-EU trade). However, the European Union and some EU Member States have made some efforts to assist certain developing countries in enhancing their understanding of the Directives.

8. In the case of Japan, little information is available on consultative processes and it is difficult to know how open they are to third countries.

Proposal

9. It is proposed to carry out an analysis of a specific sector (EEE) to document (a) the potential market access implications of specific new environmental regulations on developing countries with a key export interest; (b) national experiences in pro-active adjustment policies in particular the implementation of national standards and other policies aimed at strengthening the capacities of companies to meet external requirements as well as to address WEEE problems at home; and (c) related capacity building needs.

10. With regard to importing countries, work will focus on countries implementing comprehensive legislation, in particular the European Union, Japan and Switzerland. Special attention will be given to filling information and analysis gaps concerning Japanese regulations. Other countries will also be covered adequately.

11. The objective is to provide inputs to the work of CTF, other initiatives and efforts by member States, in particular with regard to:

- Improving consultations with developing countries with a key export interest.
- Enhancing information management and dissemination.
- Promoting pro-active adjustment policies, including the development of legislation and other policies, in developing countries
- Strengthening coordination in the area of capacity building.

12. The analysis would be based on work carried out in China, the Philippines and Thailand in the framework of the UNCTAD/FIELD project *Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues* as well as work done by the Sustainable Trade and Information Centre (STIC). It will be complemented by an analysis of the experience of Malaysia and one developing country in another region, e.g. Brazil.

13. Activities will focus on

- A peer review and commentaries on (a) a monograph containing the results of studies and past and further consultations carried out in China, the Philippines and Thailand under the above-mentioned DFID-funded project; and (b) a paper prepared for the first substantive meeting of the CTF for future publication in the UNCTAD Trade and Environment Review.
- Detailed consultations with the Governments, industry associations and other relevant stakeholders in the four developing countries.
- The preparation of a paper on the experience of Malaysia.
- The preparation of a report containing conclusions and recommendations
- A workshop to discuss the recommendations of the report
- Preparation and publication of a brochure explaining the implications of relevant environmental requirements and identifying options for pro-active adjustment policies to meet both external environmental requirements and address domestic problems related to waste from electrical and electronic requirements.

14. The project would be completed by 31 October 2005

Annex: Issues to be addressed

Issues to be addressed can be grouped in several clusters as follows:

1. Consultations during standard-setting in importing countries (standard-setters)
 - (a) Relevant trends in environmental policies, standards and regulations
 - (b) Implications for third-country producers
 - (c) Pre-standard and pre-regulation analyses setting consultations: including regulatory impact assessments (cost-benefit analysis) and internet consultations
 - (d) Implications for small and medium-sized enterprises (SMEs)
 - (e) Consultations with trading partners, comments from third countries
 - (f) Assistance in the interpretation of information to make it relevant for adjustment strategies in rapidly industrializing countries

2. Domestic problems related to waste from EEE in developing countries
 - (a) Domestic demand for EEE.
 - (b) Imports of EEE and import regulations.
 - (c) Available environmental infrastructure, in particular in the area of waste management.
 - (d) Existing regulatory framework
 - (e) Environmental policies
 - (f) Enforcement.

3. Pro-active adjustment processes in developing countries
 - (a) Structure of the EEE sector.
 - (b) Degree of awareness and preparedness of the business sector and the Government.
 - (c) Information gathering, analysis and dissemination.
 - (d) Customer requirements, transmitted through the supply chain
 - (e) Adjustments required in terms of, for example, production processes, use of substances, infrastructure, institutions and national standards.
 - (f) Ongoing initiatives, e.g. in Thailand
 - (g) Costs and benefits of adjustment and appropriate policies to balance trade, environmental and developmental objectives.
 - (h) Synergies between meeting external requirements and addressing domestic environmental needs
 - (i) Implications for SMEs, pro-poor policies.
 - (j) Options to participate in pre-standard setting consultations in third countries.
 - (k) National certification, ISO 14001, eco-labelling programmes.
 - (l) Strategies in the area of pragmatic and cost-effective product design.
 - (m) South-South cooperation, in particular in conformity assessment.

4. Information management
 - (a) Adequacy of TBT notifications and information management.

- (b) Early warning, exporter alert systems.
 - (c) Clearing house, including on relevant private-sector standards and initiatives
 - (d) South-South cooperation.
5. Industry cooperation
- (a) Supply chain environmental management.
 - (b) Material management
 - (c) Proof of compliance
 - (d) Technology transfer
 - (e) Research and development
 - (f) National initiatives, such as the Thai RoHS Alliance.