

# IMPLICATIONS OF NEGOTIATION FAILURES ON ENVIRONMENTAL GOODS AND SERVICES AT THE DOHA ROUND FOR GLOBAL TRADE GOVERNANCE

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# Outline

(based on paper available at <http://www.ferdi.fr/uploads/sfCmsContent/html/112/P28.pdf> )

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- Doha art. 31: Countries mandated to negotiate on removing barriers to trade in EGS
- Anatomy of negotiations
  - ▣ Three approaches: Project, request and offer, list)
  - ▣ WTO 'combined list' and 'core list' of 26 products (2010)
  - ▣ No visible progress (in relative terms) as tariff Reductions in EGs no greater than for other goods across country groupings and regions since launch in 2000
- Difficulties (Causes of no progress)
  - ▣ Strategic behavior (bargaining chip when negotiations are multi-dimensional)
  - ▣ Problems in Identifying Egs.
  - ▣ Different perceptions and interests
- Implications for Global Trade Governance: Go either for
  - ▣ regional approach
  - ▣ breakdown negotiations: plurilateral rather than multilateral deals

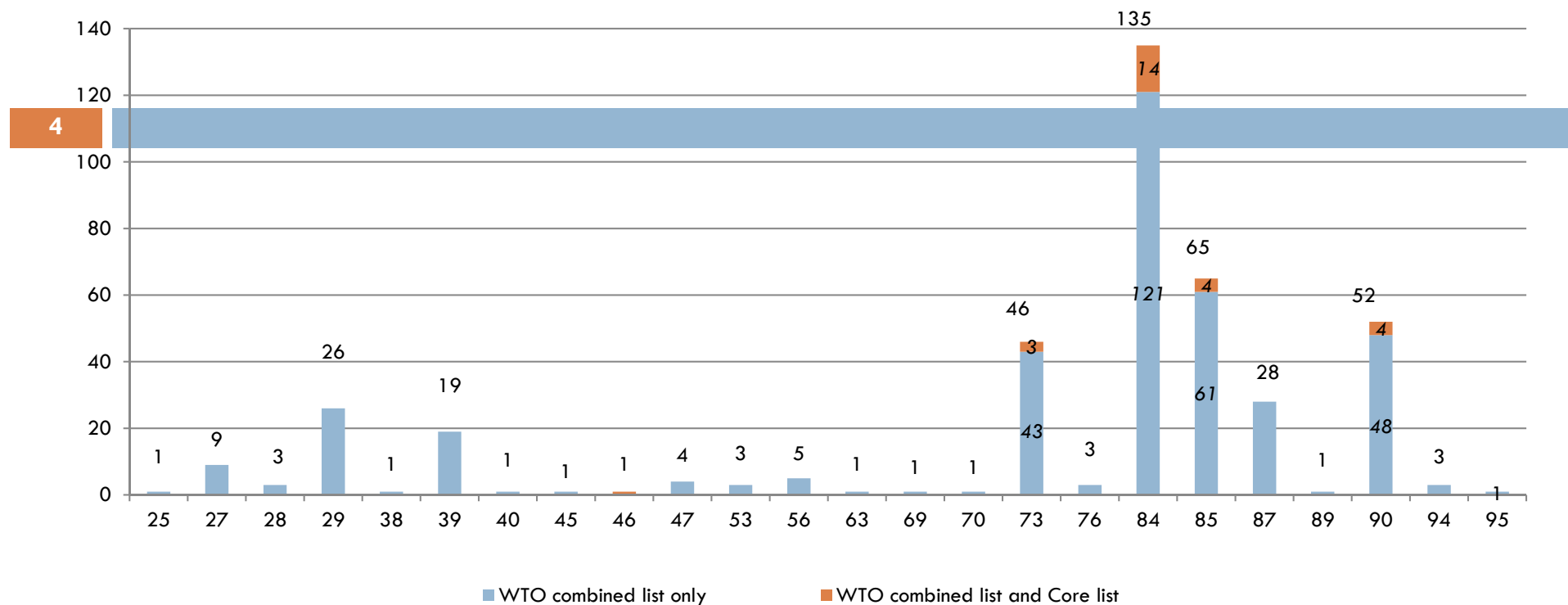
# Approaches to Negotiations

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## □ Main Approaches :

- (i) «Request and offer» (e.g. Brazil); worked under early GATT when tariffs high: Now won't work because tariff levels are too low
- (il)«Integrated project» to deal with multiple-end use (e.g. Argentina and India). To be submitted by national authorities.
- (i) «list» (only proposed by developed countries). By 2008 13 countries proposed lists → 411 HS-6 codes with little overlap (90 duplicates;35 triplicates; 7 quadruplicates)
- → Core list in 2010 (26 HS-6 products) (see next slides)

**Figure 2 - The WTO Core list: number of HS six-digit codes per HS Chapter**



25= salt, sulphur, earths and stone, lime and cement  
 27= mineral fuels, mineral oils and products of their distillation  
 28= inorganic chemicals  
 29= organic chemicals  
 38= miscellaneous chemical products  
 39= plastics and articles thereof  
 40= rubber and articles thereof  
 45= cork and articles of cork  
 46= manufactures of straw or of other plaiting materials  
 47= pulp of wood, recovered paper  
 53= vegetables fibres other than silk, wool or cotton  
 56= wadding, special yarns

63= made up textile articles other than apparel  
 69= ceramic product  
 70= glass and glassware  
 73= articles of iron or steel  
 76= aluminium and articles thereof  
 84= nuclear reactors, boilers, machinery and mechanical appliances  
 85= electrical machinery and equipment  
 87= Vehicles  
 89= Ships and boats  
 90= Optical, measuring, checking and precision instruments  
 94= Furniture, lamps and lighting fittings  
 95= toys, games and sports requisites

# Core list products (sample): Limited overlap in lists and in environmental classifications

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Countries who proposed that good

Environmental category

N°	HS CODE 2002	HS CODE DESCRIPTION	MEMBERS	CATEGORY(IES)
7	840510	Producer gas or water gas generators, with or without their purifiers; acetylene gas generators and similar water process gas generators, with or without their purifiers	FRD, SAU, PHL, SGP	APC, RE, WM/WT, ET, CCS
8	840681	Steam turbines and other vapour turbines for marine propulsion: Of an output exceeding 40 MW	FRD, SAU, PHL	RE
9	840999	Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08 other	FRD, SAU, SGP	APC, ET, CCS
10	841011	Hydraulic turbines and water wheels of a power not exceeding 1,000 kW	FRD, SAU, PHL	RE, ET, CCS
11	841012	Hydraulic Turbines and Water Wheels, Power 1, 000-10, 000kw	SAU	ET, CCS
12	841090	Hydraulic turbines, water wheels, and regulators ; parts, including regulators	FRD, SAU, PHL	RE, ET, CCS
13	841181	Other gas turbines of a power not exceeding 5,000 kW	FRD, SAU, PHL, QAT	RE, ET, CCS, OTH
14	841182	Other gas turbines of a power exceeding 5,000 kW	FRD, SAU, PHL, QAT	RE, ET, CCS, OTH

APC=Air Pollution Control, RE=Renewable Energy, ET=Environmental Energy, CCS=Carbon Capture and Storage, WM/WT=Water Management / Water Treatment, OTH=Other

# No progress in reducing tariffs (in relative terms)

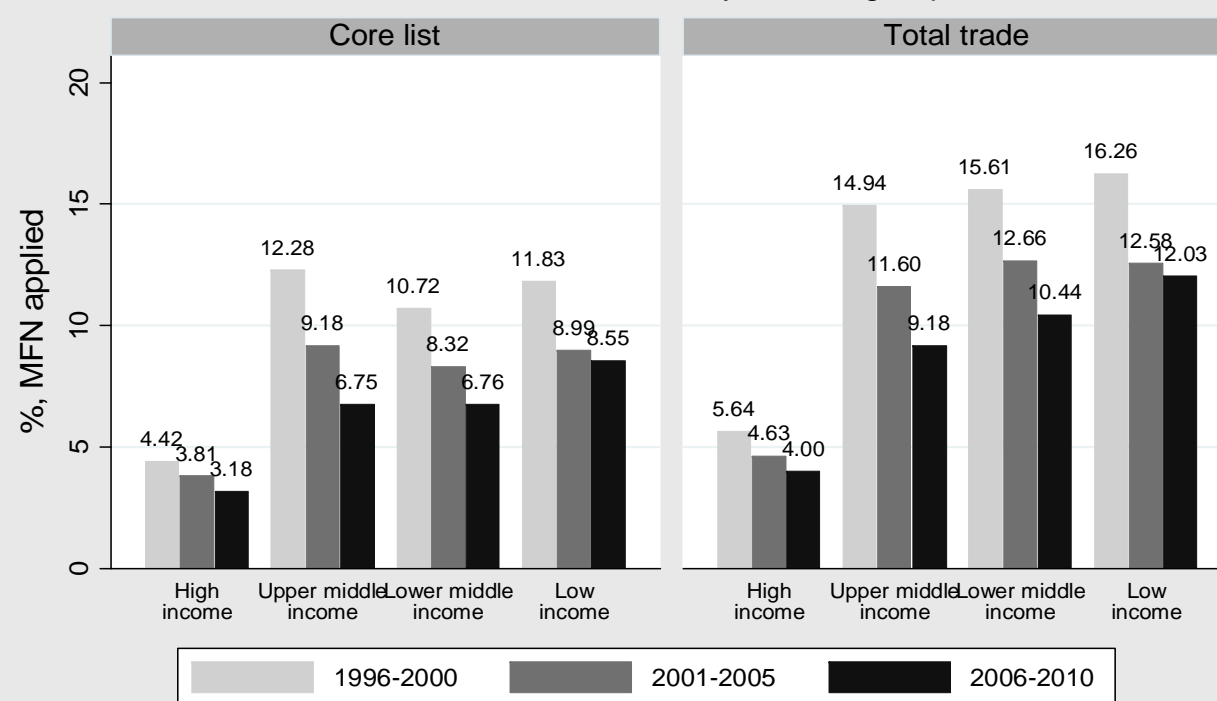
(No difference in tariff reduction Patterns between 'core list' and total trade)

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- No «mandate effect» as no acceleration in reduction of protection after 2001 relative to reduction in protection for other products
- Especially for low-income countries
- Next slide shows outcome under standstill

Figure 3 - Evolution of the average rate of protection, 1996-2010

Core list and total trade, by income group



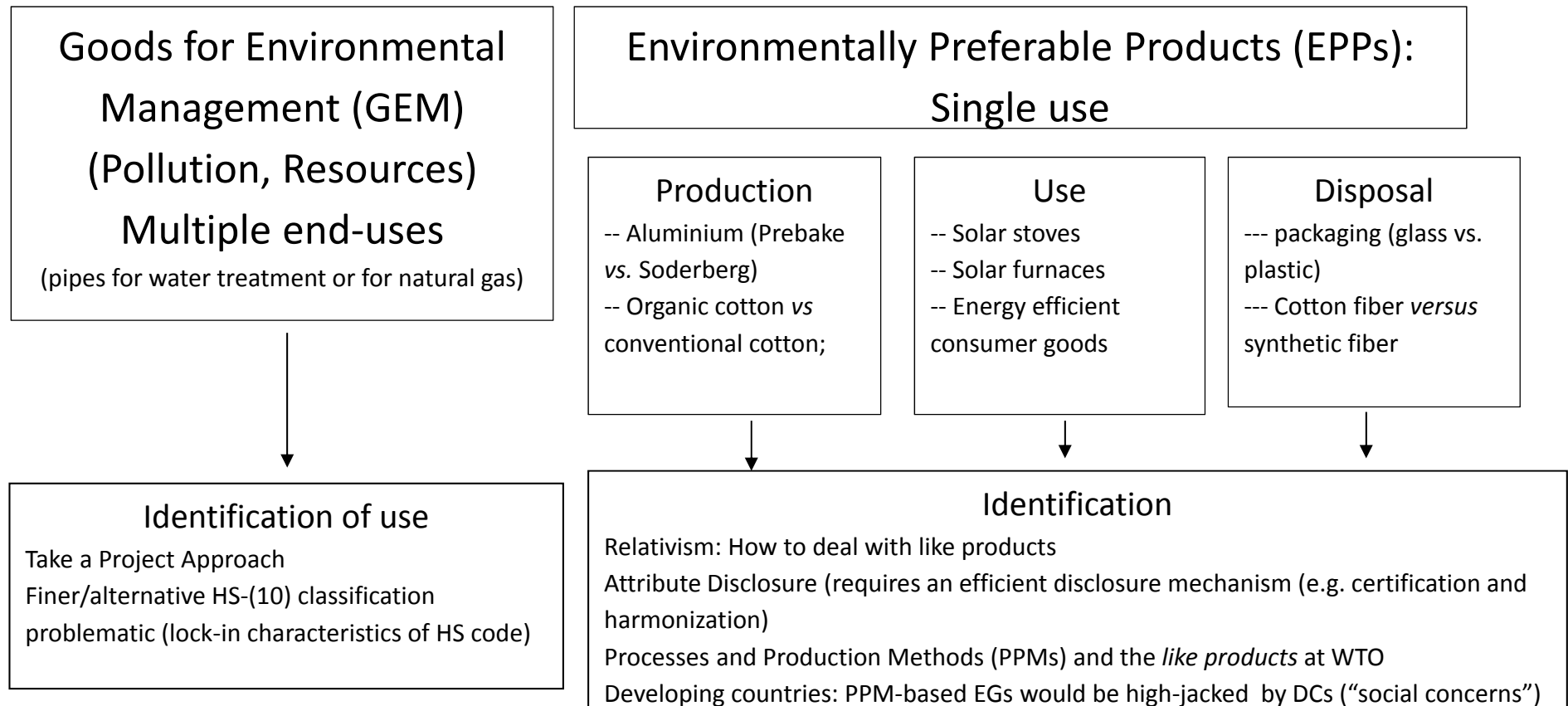
Source: Authors' calculations, from TRAINS tariff data (see Annex IV)

# Difficulties (I): What is an EG?

(Classifying GEMs and EPPs)

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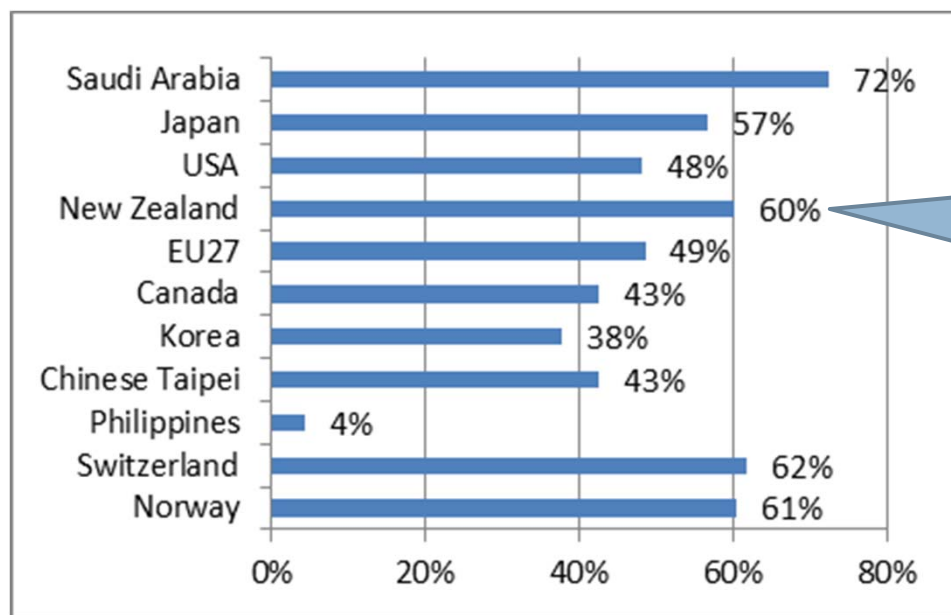
Figure 1: Identifying and Classifying Goods Related to the Preservation and Management of the Environment



## Difficulties (II): Countries submitted goods for which they had a comparative advantage...

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% of goods proposed under the 2008 CTESS program with  $RCA > 1$  (in 2007)



Among the goods submitted by New Zealand (ie the 164 goods of the Friends' list), 60% are goods for which it had a  $RCA > 1$  in 2007

Notes: COMTRADE export data, mirror data used for Philippines and Saudi Arabia. 384 products only, countries: Saudi Arabia, Philippines, Japan, United States, Canada, Korea, Norway, Taiwan, European Communities, New Zealand, Switzerland (ie last submissions of Qatar and Singapore not included)



# Difficulties (II) ...and avoided submitting goods with tariff peaks

Goods not proposed had significantly higher protection

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Country	Nb of peaks (over the 384 goods)	Nb of peaks proposed	Nb of peaks retained on the final list	Nb of goods proposed individually	Average protection of goods proposed	Average protection of goods not proposed	Difference
Column	A	B	C	D	E	F	G=F-E
<b>Nine Members</b>							
Canada	16	1	9	86	2.04	2.52	0.48*
EU27	20	0	1	92	2	3.32	1.32***
Japan	61	0	11	92	0.25	0.83	0.58***
Korea	0			59	6.17	6.02	-0.15
New Zealand	0			81	3.21	2.59	-0.62**
Norway	0			0	.	.	
Switzerland	0			11	0	0	
ChineseTaipei	17	0	0	27	3.13	5.19	2.06***
USA	9	2	2	110	1.59	2.73	1.14***
<b>Other lists</b>							
Japan (Add)	61	0		51	0	0.67	0.67***
Saudi Arabia	0			262	4.84	4.47	-0.37***
Philippines	32	1		17	2.9	4.61	1.71

Notes: Tariff data for 2008. Tariff peaks defined as number of products (HS-6 codes) for which the average rate of protection is above three times the average rate of protection of the 384 EGs (e.g. Canada has 16 tariff peaks). Column B shows that of these 16 products, Canada only proposed 1 to figure on the 9M list. Column C shows that 9 of these 16 products were retained to figure on the final list. Columns E and F show that, on average, the protection is higher for goods that Canada proposed (86 HS-6) than for those it did not. This difference is significant at 10% confidence level (column g).

\*\*\* significant at 1% level, \*\* 5%, \* 10%

Source: authors' calculations from TRAINS tariff data. Average protection is simple average of HS6 average tariffs.

# Implications for Global Trade Governance

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- Members did not act on article 31 mandate
  - ▣ Strategic behavior was encouraged by multi-dimensionality of negotiations cum consensus
  - ▣ Stakes not sufficiently high ( $5 < \text{tariff} < 10\%$  range) for «request-and-offer »bargaining to be worthwhile—the locomotive of early GATT rounds
  - ▣ Technical difficulties in defining EGs (GEMs and EPPs)
  - ▣ Genuine differences in interests (better resolved by negotiations at regional level)
  - ▣ Political-economy of submissions on lists (only those with low tariffs – around 3% were proposed)
- Implications
  - ▣ Follow the regional route
  - ▣ Drop multilateral negotiations for plurilateral negotiations (allowed under WTO, e.g. GPA, ITA)