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

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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

- **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
  - (ii) «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

<table>
<thead>
<tr>
<th>Nº</th>
<th>HS CODE</th>
<th>2002</th>
<th>HS CODE DESCRIPTION</th>
<th>MEMBERS</th>
<th>CATEGORY(IES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>840510</td>
<td></td>
<td>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</td>
<td>FRD, SAU, PHL, SGP</td>
<td>APC, RE, WM/WT, ET, CCS</td>
</tr>
<tr>
<td>8</td>
<td>840681</td>
<td></td>
<td>Steam turbines and other vapour turbines for marine propulsion: Of an output exceeding 40 MW</td>
<td>FRD, SAU, PHL</td>
<td>RE</td>
</tr>
<tr>
<td>9</td>
<td>840999</td>
<td></td>
<td>Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08 other</td>
<td>FRD, SAU, SGP</td>
<td>APC, ET, CCS</td>
</tr>
<tr>
<td>10</td>
<td>841011</td>
<td></td>
<td>Hydraulic turbines and water wheels of a power not exceeding 1,000 kW</td>
<td>FRD, SAU, PHL</td>
<td>RE, ET, CCS</td>
</tr>
<tr>
<td>11</td>
<td>841012</td>
<td></td>
<td>Hydraulic Turbines and Water Wheels, Power 1, 000-10, 000kw</td>
<td>SAU</td>
<td>ET, CCS</td>
</tr>
<tr>
<td>12</td>
<td>841090</td>
<td></td>
<td>Hydraulic turbines, water wheels, and regulators ; parts, including regulators</td>
<td>FRD, SAU, PHL</td>
<td>RE, ET, CCS</td>
</tr>
<tr>
<td>13</td>
<td>841181</td>
<td></td>
<td>Other gas turbines of a power not exceeding 5,000 kW</td>
<td>FRD, SAU, PHL, QAT</td>
<td>RE, ET, CCS, OTH</td>
</tr>
<tr>
<td>14</td>
<td>841182</td>
<td></td>
<td>Other gas turbines of a power exceeding 5,000 kW</td>
<td>FRD, SAU, PHL, QAT</td>
<td>RE, ET, CCS, OTH</td>
</tr>
</tbody>
</table>

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)

- 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)

Goods for Environmental Management (GEM) (Pollution, Resources)
Multiple end-uses (pipes for water treatment or for natural gas)

Environmentally Preferable Products (EPPs):
Single use

- Production
  - Aluminium (Prebake vs. Soderberg)
  - Organic cotton vs conventional cotton;
- Use
  - Solar stoves
  - Solar furnaces
  - Energy efficient consumer goods
- Disposal
  - Packaging (glass vs. plastic)
  - Cotton fiber versus synthetic fiber

Identification of use
Take a Project Approach
Finer/alternative HS-(10) classification problematic (lock-in characteristics of HS code)

Identification
Relativism: How to deal with like products
Attribute Disclosure (requires an efficient disclosure mechanism e.g. certification and harmonization)
Processes and Production Methods (PPMs) and the like products at WTO
Developing countries: PPM-based EGs would be high-jacked by DCs (“social concerns”)

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...

% of goods proposed under the 2008 CTESS program with 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

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

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

- Members did not act on article 31 mandate
  - Strategic behavior was encouraged by multi-dimensionality of negotiations cum consensus
  - Stakes not sufficiently high (5<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)