Experiences in the promotion and facilitation of environmental goods and services

Secretariat Note INF/TE/SSD/W/18

Trade and Environmental Sustainability Structured Discussions (TESSD)
31 March 2022
Outline

• Overview of EGS Initiatives
• Environmental Goods
  • Identification of EG
  • Tariff treatment
  • Non-tariff barriers and development issues
• Environmental Services
  • Identification of ES
  • Environmental services in GATS and in RTAs
• Research on potential benefits and challenges
Overview of EGS initiatives

• Experiences in the WTO
  • Multilateral negotiations
    • Special Session of the Committee for Trade and Environment (CTESS) – started in 2002
    • Special Session of the Council for Trade in Services (CTS-SS) – started in 2000
  • Plurilateral negotiations

• Experiences outside WTO
  • APEC
  • Regional trade agreements
Environmental Goods: Identification of EG

- Approaches in defining such "product coverage"
  - Defining environmental goods (OECD/Eurostat, CTESS)
  - Based on lists of goods or sectors (CTESS, EGA, APEC)
  - Based on activities or projects (CTESS)
- The Harmonized System (HS): common language for identification of products by trade negotiators and by customs administrations
  - Use of “ex-outs” for defining subsets of HS subheadings
  - Not static: Periodic amendments of the HS
  - EGA: negotiations drew successfully on expertise of Customs Working Group
- Addressing multiple uses of goods
  - Liberalize trade for entire HS subheading and accept multiple uses
  - Use of ex-outs to narrow down specific characteristics of products used for environmental purposes
    - Resource intensive process and possible complexity of implementation by customs
Environmental Goods: Tariff treatment

- Tariff initiatives can differ in terms of types of duty being negotiated
  - Bound (CTESS, EGA) vs MFN applied (APEC) vs preferential (RTAs, PTAs)
- Special and differential treatment
  - Lower levels of tariff cuts; on fewer goods; over a longer time period
- Implementation of tariff reductions (staging)
- Other considerations:
  - EGA discussed technical aspects of “critical mass” concept
  - Accounting for technological progress regarding environmental goods to ensure a living list or living agreement
Non-tariff barriers and development issues

• Limited work on non-tariff barriers in CTESS and EGA negotiations

• Limited participation of developing countries in CTESS and EGA negotiations

• Issues raised by developing countries in CTESS
  • Importance of technology transfer and capacity building to strengthen environmental goods sectors
  • Financial mechanism for access to and development of environmental technologies
Environmental services: Identification of ES

- Identification of environmental services for trade negotiation purposes
  - Services Sectoral Classification List (W/120 list) and UN Central Product Classification (CPC prov.) use for scheduling GATS commitments

Some Members have argued that a narrow definition and a classification focusing on pollution control and waste management fails to account for a range of ES, including relating to prevention and remediation of pollution, cleaner technologies and resource management.

Proposals to expand scope to services that help with climate-change related objectives or “related services” that support environmental activities or facilitate the supply of core environmental services
  - Consideration of approaches to address multiple uses of services
Environmental services in GATS and in RTAs

- Environmental services in GATS schedules of commitments and offers during the multilateral services trade negotiations
  - 59 schedules include specific commitments
  - Mode 3 (57% fully bound; no unbound); Mode 4 (mostly partially bound)
  - 25 Members offered improved or new commitments during negotiations
- Increasing number of GATS+ commitments on ES in RTAs

**Figure 2: GATS+ Commitments on Environmental Services in Regional Trade Agreements (RTAs)**

- GATS+ commitments in RTAs
  - Number of Members with specific commitments
  - GATS/GATS offer - unimproved in RTA, RTA - Improved, RTA - New
Research on potential benefits and challenges of trade in EGS

• Trade effects
  • Tariffs and NTMs on selected environmental goods relating to clean and renewable energy and energy efficiency:

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Average Applied Tariffs</th>
<th>Average Number of NTMs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Other goods</td>
<td>Environmental goods</td>
</tr>
<tr>
<td>High income</td>
<td>2%</td>
<td>12%</td>
</tr>
<tr>
<td>Upper middle income</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Lower middle income</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>Low income</td>
<td>1%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: World Bank-WTO (2022, Figure 8)

• Trade impacts from tariff reductions will differ across economies, also depending on prevailing tariff levels and goods covered
• Importance of addressing NTMs for fostering trade in EGS

• Diffusion of environmental technologies
  • Complementarity between trade in services and environmental goods trade

• Environmental effects
  • Importance of technical assistance, technology transfer and complementary policies for developing countries to secure environmental benefits
Thank you

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