

Environmental Goods & Services negotiations- An Indian Perspective

A presentation by

Jayant Dasgupta

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Doha Mandate

Paragraph 31 (iii) of the Doha Ministerial Declaration calls for negotiations on "*the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services*", with a view to enhancing the mutual supportiveness of trade and environment.

Env. Services-Classification

- 9401-Sewage Services
- 9402-Refuse Disposal Services
- 9403-Sanitation and Similar Services
- 9404-Cleaning Services of Exhaust Gases
- 9405-Noise Abatement Services
- 9406-Nature and Landscape Protection Serv.
- 9409-Other Env. Protection Services n.e.c

Env. Services Negotiations

- Being conducted under the aegis of the Council for Trade in Services-Special Session
- Bilateral request-offer as well as Plurilateral (since Jan 06) approach being followed
- EC and some developed countries sponsors of the Plurilateral request-India one of the recipients of requests
- India has made requests to developed countries for Mode1/ 2 and Mode 4 access in 9401,9402,9403-limited interest in Mode 3

India's Commitments & Offers

- Uruguay Round Commitment- Nil
- Initial Doha Round Offer- Nil
- First Revised Doha Round Offer(2005)
 - Full commitments in Modes 1 & 2 and up to autonomously open level in Mode 3 in 9402 & 9403
 - Mode 4 : as per horizontal section

India's Offers (contd.)

Signalling Conference (July 2008)-Signalled willingness to offer the following:

- Protection of Ambient air and Climate (9404)
- Noise and Vibration Abatement (9405)
- Remediation and Cleaning up of soil & water(9406)

Overall scenario

- India has shown willingness to take bindings in all sub-sectors except 9401 (municipal govt. issues)
- Even 9401 autonomously open
- Offers in Modes 1 and 4 from developed countries very conservative and not up to expectations

Env. Goods Negotiations

- Committee On Trade & Env.-Sp. Session tasked with developing the concept of Environmental Goods (EG) - Tariff negotiations were expected to take place in the Negotiating Group on Market Access (NAMA)

Key Issues in EG debate

- Two broad strands:
 - End use criteria- Directly used to protect the environment and necessary to provide Env. Services – OECD, AEPC lists
 - Method of production or certain characteristics (Process and Production Methods: PPM) - Environmentally Preferable Products (EPPs)- UNCTAD list

Other Issues

- Single use versus dual/multiple use
- Frozen vs. “Living” list
- Whether to include agricultural products
- No agreed definition of “Environment Friendly” yet

Env. Goods (EG) - Proposals

- List Based Approach (2002-2005: USA, EC, Japan, Canada, Switzerland, Korea, Norway, New Zealand, Chinese Taipei etc.)
- Environmental Project Approach (2005-India)
- Integrated approach (2005-initially by Argentina, 2007-revised proposal co-sponsored by India)
- Request – Offer approach (2007-Brazil)

US proposal (2003)

- The United States has proposed a "core list" and a "complementary list"
- "Core list" would comprise products on which there is consensus that they constitute EG
- "Complementary list" for products on which definitive consensus could not be reached, but for which there is a high degree of acknowledgement that they can have significance for environmental protection, pollution prevention or remediation, and sustainability.
- EPPs not to be included- problem of "like products"
- New Zealand supported two list approach

Chinese Proposal (2004)

- Suggested setting up a "common list" and a "development list".
- The "common list" would include specific product lines, on which there is consensus that they constitute environmental goods. For the products in this common list, Members are committed to reduce or eliminate tariff and non-tariff barriers.
- The "development list" would comprise those products selected by developing and least-developed country Members from the "common list" for exemption, or a lower level of reduction commitments, with a view to reflecting the principle of less than full reciprocity.

EC Proposal(2005)

- “Guiding Principles” to help identify EG
- EG to include goods used in Env. Protection as well as those having a “high environmental performance or low env. Impacts”
- All Members (except LDCs) should agree to deeper tariff cuts on agreed EG

New Zealand Proposal (2002/2005)

- EG are those “used to measure, prevent, limit or correct env. damage to water, air, soil; problems related to waste, noise, eco-systems; may include clean technologies, processes, products, services which reduce env. risk and minimise pollution and material use”
- “Define by doing”, “Living List” approach to be followed
- Two lists – core and complementary

Environmental Project Approach: India (2005)

- Environmental goods and services would be included in a project to be approved by a Designated National Authority (DNA) for getting tariff preference.
- The projects may include: air pollution control; water and waste management; solid waste management; remediation and clean-up; noise and vibration abatement; environmental monitoring and analysis; process optimization; energy saving management; renewable energy facilities; and environmentally preferable products.
- Projects selected would aim at meeting national environmental objectives, as well as objectives of any bilateral or multilateral environmental agreement. They would include, *inter alia*, equipment, parts and components, consumables, services, investment, financial aid and transfer of technology.
- The broad criteria for "environmental projects" could be agreed upon in the CTESS with due consideration to the policy space of national governments.

Revised Integrated Approach of Argentina, India (2007)

- WTO Members would identify and agree on environmental activities (e.g. air pollution control, water and waste water management etc.)
- Identify a list of public and private entities that carry out these activities
- The two lists would be negotiated and notified to the WTO- all goods imported by the notified entities for use in the agreed activities would be granted preferential tariff treatment

Request Offer Approach-Brazil(2007)

- Members to exchange request/ offer lists of environment goods on a bilateral/ plurilateral plane for reduction/ elimination of tariffs.
- Results of negotiations to be multilateralised and made available to all Members on MFN basis
- Opposed strongly by the US and EC

Basket Approach: EC & Japan(2008)

- All countries will indicate products on which they would like to have tariff reductions. These would be put in a “basket”.
- Developed countries would have to choose $x\%$ of products from the basket for tariff reduction. Developing countries would choose $<x\%$
- Failed to get enough traction, as it was a modified List solution

The Lists

- **WTO Secretariat prepared a list of 480 items as environmental goods.**
- **Convergence list of 153 tariff lines supported by Canada, EC, US, Japan, Korea, New Zealand, Norway, Taiwan, Switzerland etc.**
- **WTO Secretariat circulated a list of 43 items identified as “climate friendly goods” by the World Bank for discussions.**
- **USA & EC are supporting the World Bank list of 43 but it is not very clear that the list will stop here.**

General Objections to Lists

- Many products are dual/multiple use products. E.g. Microwave oven, energy efficient refrigerators, electricity meters, heat exchangers, conveyers and centrifugal drums
- End use verification would be required for tariff preferences for multiple use products
- List based approach could bring in outdated technology, specially if “Living List” approach not followed
- Most environment-related technologies of the developed world are under IP protection i.e. Technology Transfer either does not take place or comes with export restrictions/ conditionalities

Analysis of 43 items

- ⊙ 32 items included in NAMA sectoral proposals under NAMA Chemicals – 1 , Electronics & Electrical Equipment - 13, Electrical & Industrial machinery – 4, and Industrial Machinery – 14 .
- ⊙ There are 37 items which are bound. On these lines the average UR Binding duty is 33.43%.
- ⊙ The current applied rate is approx 8%.
- ⊙ The new bound levels will become 11.92%/12.65% with application of Swiss Coefficients of 20/22
- ⊙ India's exports in 2005-06 were US \$ 600Mn./ as against imports of US \$ 865 Mn. During 2006-07 exports were US \$ 1.116 Bn against imports of US \$1.10 Bn.
- ⊙ The major exporters to India are EC, China, US, Japan, Malaysia, South Korea in that order. They account for more than 50% of our total imports.

Analysis of 153 items

- 132 items of this list included in NAMA Sectoral proposals
- 143 items are bound. On these lines the average Uruguay Round Binding duty is 30.43%.
- The current applied rate is approx. 6.91%.
- The new bound levels will become 11.20%/11.87% with Swiss Coefficients of 20/22
- India's import were worth US \$ 5.60 Bn./6.91 Bn. during 2005-06/ 2006-07

WTO list of 480: Tariff and trade

- The average applied rate is 11.91%.
- The above levels will become 12.84%/13.66% bound with Swiss Coefficients of 20/22
- India's imports were worth US \$ 15.82 Bn/19.65 Bn. during 2005-06/ 2006-07 for these products

WTO 480 list : Overlap with Sectorals

- Sectoral proposal under NAMA already made on 316 items (out of total 705) in this list
- Average applied rate of duty on these 316 items is 11.13%.
- The base rate of duty is 33.75%.
- Swiss Coefficients of 20/22 will yield new Doha bound at 11.89%/ 12.62% for these 316 lines.
- Imports during 1999-2001/2006-07 (Av.) were US \$ 2.84 Bn. /11.53 Bn. respectively.

July 2008 Report

- In his report submitted to the WTO Trade Negotiations Committee (TNC) in July 2008, Chairman CTE-SS has listed out all the approaches that are on the table – list approach, integrated approach, request & offer approach and possible combination of approaches.
- Report further requested that by 10 September 2008 the members submit to the Secretariat:
 - environmental goods of interest to them identified across as many categories as possible; and/or
 - environmental goods identified in any requests/offers they would have made to other Members.
 - Submit proposals on issues such as technical assistance, capacity building, S&DT and Transfer of Technology

Key unresolved Issues

- Trade Gains to developing countries from liberalisation of EG trade not clear- why bind when autonomous liberalisation can provide environmental benefits?
- Apart from asymmetric trade gains, most new products under IP protection in developed countries. No discussion on Transfer of Technology, financial assistance or capacity building
- Tariff reduction in the Round would help both EG and larger list of non-EG (specially if Sectorals in NAMA come through). Have the EG negotiations become a backdoor Sectoral for developed countries?

THANK YOU