

RTAs and EG&S

Workshop on Sustainable Development and Regional

Trade Agreements, San Jose, 25-26 April 2005

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What are environmental goods (EGs)?

- OECD/Eurostat and APEC defined them in the late 1990s as goods used “to measure, prevent, limit, minimize or correct environmental damage to water, air, and soil as well as problems related to waste, noise and ecosystems.”
- Most countries have accepted that environmental goods include goods used to avoid or control pollution.
- Many would also like to extend the definition to include environmentally preferable products (as long as not distinguished by how they were processed or produced — i.e., PPMs).

What are environmental services (ESs)?

The WTO's working definition of environmental services classified them into four categories:

- Wastewater management services
- Solid and hazardous waste services
- Sanitation and similar services (e.g., street and beach cleaning)
- Other environmental services, which is usually defined to include:
 - Cleaning of exhaust gases (i.e., air-pollution control)
 - Noise and vibration abatement
 - Remediation and clean-up of soil and water
 - Nature and landscape protection
 - Environmental protection services not elsewhere classified

Why liberalise trade in EG&S?

- Environmental goods and services are sorely needed to help reduce pollution, improve sanitation, and meet international commitments related to environment and development.
- Barriers to trade drive up costs of environmental protection, deprive industries of latest technologies and knowledge.

Status of negotiations at the WTO

- In the in the Special Sessions of the Committee on Trade and Environment (CTE-SS), countries are proposing lists of products (by HS code), and criteria for selecting products for inclusion in a final, agreed list.
- Modalities, such as speed of tariff reductions for different groups of countries, and whether and how to update the product list, are to be discussed in Non-Agricultural Market Access (NAMA) negotiating group.
- Environmental services are being discussed in the Special Sessions of the Council for Trade in Services.

What role for RTAs?

- Even the simplest RTAs can help promote trade in EG&S: in general, all bilateral trade increases under an FTA, including for environmental goods
- RTAs also generally provoke an increase in awareness about need for environmental protection, by:
 - sustainability impact statements and data collected in connection with studies
 - stakeholder consultations and attention in news media

More-advanced RTAs influence the EG&S market in many ways

- Requirements to maintain high levels of environmental protection, and “best-effort” or legal commitments to enforce environmental laws.
- Liberalisation of trade in services, including environmental services.
- Accelerated tariff reductions for EGs.
- Frameworks for technical assistance and capacity building.

Commitments to environmental protection and enforcement

- Language encouraging high levels of environmental protection and discouraging the relaxation of environmental regulations and standards is common (e.g., SADC, NAEEC, CCAEC, US-Jordan).
- Some RTAs establish a citizen submission process that allows a citizen to file a complaint alleging that a member country is not enforcing its environmental laws.
- Several RTAs (e.g. DR-CAFTA) or AECs (e.g., NAAEC, CCAEC, CCRAEC) contain an explicit recognition of multilateral environmental agreements (MEAs) and require parties to enhance the mutual supportiveness of trade agreements and MEAs.
- Some RTA side agreements (e.g., NAAEC, CCAEC) include a requirement to produce an annual “State-of-the-Environment” report.

Liberalisation of trade in services

- WTO's General Agreement on Trade in Services (GATS) takes a “positive-list” approach: countries commit only to sectors and modes in which they want to open up to foreign suppliers.
- Many RTAs that contain provisions for services take a “negative-list approach”: unless a country has excepted a service, it is covered by the agreement.
- This can lead to substantial new market access, investment (especially if also covered in RTA) and consequent increase in competition, inflow of technical know-how.

Special provisions for EGs

- Some bilateral trade partners are negotiating agreements that would subject tariff reductions on EGs to an accelerated implementation schedule.
- The issue, as always, is product coverage; no product lists have emerged yet.

Frameworks for technical assistance and capacity building

- Numerous examples of agreements on environmental co-operation (AEC) associated with RTAs
 - APEC working groups on energy
 - EU-Mexico and EU's "Partnership Agreements"
 - Canada's AECs with Chile and Costa Rica
 - DR-CAFTA and US-Jordan
- Not just a North-South phenomenon. Africa's COMESA and SADC, for example, have a number of technical committees addressing the environment.

Examples of TA and CB

- Help in developing centers for clean production (e.g. ??).
- Assistance in boosting institutional capacity, especially in the design and enforcement of environmental regulations, and in certification of compliance with voluntary standards (e.g., ACP-EC Partnership Agreement [Cotonou Agreement]; CCFTA; and CCRFTA).
- Technical assistance in improving management of the environment and natural resources (e.g., US-Jordan; New Zealand-Thailand Closer Economic Partnership Agreement [Arrangement on Environment]).
- Sponsoring of demonstration projects (e.g., APEC).

Conclusions

- There are clear benefits to liberalizing trade in EG&S.
- Important to reach agreement on EG&S at the WTO ...
- ... but, meanwhile, RTAs can also help increase trust, facilitate trade, build capacity.