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**Committee on Trade and Environment
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NEGOTIATIONS ON ENVIRONMENTAL GOODS

Communication from the United States

Paragraph 31(iii)

The following communication, dated 1 July 2002, has been received from the Permanent Mission of the United States.

I. INTRODUCTION

1. In the light of the responsibilities of the Committee on Trade and the Environment (CTE) in Special Session and the Negotiating Group on Market Access, we present this initial contribution identifying the issues to be considered in defining the scope of environmental goods subject to negotiations and the negotiating process. Given the nature of this issue, we are submitting this paper to both the Committee on Trade and the Environment in Special Session and the Non-Agricultural Market Access Negotiating Group.

2. Widespread application of environmental technologies is integral to maximizing the beneficial effects of trade liberalization for the environment. Trade initiatives to eliminate or reduce tariffs and non-tariff barriers to trade in environmental goods will facilitate access to and encourage the utilization of environmental technologies which will in turn stimulate the development and application of innovative solutions to environmental issues. Developed and developing countries alike enjoy comparative advantages in the production of environmental goods that can benefit from greater market access. This negotiation will simultaneously advance the commercial, environmental, and development interests of all WTO Members, thereby producing a "win-win-win" outcome.

II. COORDINATION

3. The Special Session of the Committee on Trade and Environment agreed at its first meeting on 22 March 2002 that the negotiations on environmental goods should be conducted by the Market Access Negotiating Group with continued coordination with the CTE, particularly on the concept of goods (TN/TE/R/1). The United States fully supports this decision and agrees the CTE should provide regular input to the environmental goods negotiations. In this regard, Members should submit papers regarding environmental goods to both negotiating bodies and, as necessary, the Chairman of the Market Access Negotiating Group should keep the CTE apprised of progress in the negotiations. As appropriate, the CTE and Market Access Negotiating Group may also wish to meet jointly during key periods of the negotiations.

III. DEFINING ENVIRONMENTAL GOODS

4. As noted by New Zealand in a recent paper (TN/TE/W/6) submitted to the CTE, a substantial amount of work to identify the scope of environmental goods has been done by APEC. The United States agrees the APEC product list is a useful contribution to help Members develop the

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scope of the WTO negotiations. However, given the evolutionary nature and speed with which advances occur in the environmental goods sector, and the wider membership of the WTO, the Negotiating Group will have to come to its own agreement on scope. This will require Members to consult with their domestic industries, NGOs, and other interested stakeholders to identify new products that could be included and to develop a WTO list. Members should aim to finalize a common list of environmental goods by the time the Market Access Negotiating Group agrees on modalities for the overall market access negotiations.

5. The APEC product classification process focused on end use (i.e., goods which are used to clean the environment or to contain or prevent pollution) and related parts or components and also considered certain alternative technologies, such as solar power equipment. The United States welcomes the views of Members regarding additional products that could be considered for inclusion in the list for the non-agricultural market access negotiations; however, the APEC experience serves as a useful guide. While the United States encourages the production of goods in an environmentally sound manner, using such a criterion as the basis for developing a list will pose difficulties of definition. Moreover, such a process risks prolonged discussions that could pit one Member's views that are based on their own environmental conditions, priorities, and values against those of another. Finally, production based criteria has the potential for erecting a new set of standards and/or customs classifications, and Member's ability to comply may differ substantially.

6. Development of a list of environmental goods also could benefit from the work undertaken by the OECD Joint Working Party on Trade and the Environment (JWPTE), which published in 2001 "The Environmental Goods and Services Industry: Manual on Data Collection and Analysis." Accordingly, the United States proposes that the OECD authors be invited to brief the Market Access Negotiating Group and CTE regarding its findings.

IV. REDUCTION OR ELIMINATION OF NON-TARIFF BARRIERS

7. While reducing the cost of environmental goods through the elimination of tariffs is an important means of making environmental goods more affordable and available, non-tariff barriers (NTBs) can be equally or even more significant impediments to trade in such goods. Ministers recognized this situation in both paragraph 16 and 31(iii) by also mandating the reduction or elimination of NTBs. As the Market Access Negotiating Group considers the scope and process for addressing NTBs, it may wish to consider whether a separate examination of NTBs affecting environmental goods is warranted.

8. In this regard the United States notes the work already undertaken by the OECD's JWPTE warrants further analysis and may serve as a useful basis for identifying the types of NTBs currently faced by environmental goods. To the extent they are not covered generally by other disciplines or within the context of the new market access negotiations, Members should establish a mechanism for dealing with NTBs on environmental goods specifically, including through bilateral negotiations.

V. CONCLUSION

9. The CTE and Market Access Negotiating Group should maintain close coordination as the negotiations proceed. Market access negotiators should endeavour, as a first step, to agree on a common list of environmental goods that would be subject to negotiations, taking advantage of work already conducted in other fora. The negotiations also should seek to address non-tariff barriers in general and those that correspond to environmental goods in particular.
