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MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Market Access for Environmental Goods

*Communication from Canada, European Communities, New Zealand,
Norway, Singapore, Switzerland, and the United States*

The following communication, dated 8 May 2006, is being circulated at the request of the delegations of Canada, European Communities, New Zealand, Norway, Singapore, Switzerland, and the United States.

0. Summary

1.1 This proposal seeks to advance the negotiations on environmental goods under DDA Sub-paragraph 31(iii) by proposing a liberalization modality for environmental goods. The co-sponsors propose that Members eliminate tariffs on environmental goods, recognizing the need for flexibility in the case of developing countries, including longer implementation periods. Specifically identified non-tariff barriers should also be addressed to facilitate trade in environmental goods.

0. Introduction

2.1 At Doha, Ministers agreed on a ground-breaking trade and environment mandate. The market access component of the mandate identified environmental goods and services for “reduction, or as appropriate, elimination of tariff and non-tariff barriers” in DDA Paragraph 31(iii).

2.2 As for all non-agricultural goods, the task of developing modalities for such reduction or elimination falls to the Negotiating Group on Market Access, for which this mandate presents particularly compelling policy incentives. Increased market access for environmental goods promises a “win-win-win” outcome, as it translates into greater access - for lower cost - to technologies and products that support governments’ environment and development goals (e.g., improved sanitation, pollution prevention, renewable energy). Liberalization of trade in environmental goods will facilitate access to and encourage the use of environmental technologies, which can in turn stimulate innovation and technology transfer

2.3 Researchers have found that “Countries which trade more environmental goods have less pollution or consume energy more efficiently.”¹ High tariffs and other barriers to environmental goods impede access to these important technologies. By reducing the prices of environmental goods through substantial reduction or elimination of import tariffs and specific non-tariff barriers, WTO

¹ Mr. Bijit Bora and Mr. Robert Teh, “Tariffs and Trade in Environmental Goods”, WTO workshop on environmental goods, Geneva, Switzerland, 11 October 2004.

Members can take concrete and effective action to improve access to products needed to prevent pollution and meet their sustainable development goals.

2.4 While many countries have zero percent tariffs on many environmental goods, a number of countries still retain significant tariffs as high as 35%. The sponsors of this proposal advocate for ambitious commitments to be negotiated in NAMA to reduce or eliminate tariffs and non-tariff barriers on environmental goods, so as to benefit all consumers of these important technologies.

0. Product Coverage

3.1 The product coverage will need to be determined; it should be as comprehensive as possible and based upon the work undertaken in the Committee on Trade and Environment in Special Session (CTESS). Given the evolving nature of environmental goods, product coverage should be reviewed and updated over time to ensure that WTO Members have access to the best available technologies to protect the environment and promote sustainable development.

3.2 Efforts are underway in the CTESS to identify environmental goods, but discussions have as yet been inconclusive, with several developing countries noting that the task is made quite difficult without an indication of what the eventual modalities will be, and how special and differential treatment will apply. This proposal is intended to inform the CTESS work by putting forward a modality proposal, including ideas for special and differential treatment.

0. Global Trade in Environmental Goods

4.1 Estimates on global trade in environmental goods vary, depending on the product coverage used. That said, most experts agree that global trade in environmental technologies is valued at approximately US\$250 billion. At a recent WTO workshop on environmental goods, global exports of environmental goods were estimated to total US\$216 billion in 2002 (product coverage based on OECD and APEC lists). This represents approximately 4 percent of world exports overall. From 1990-2002, trade in environmental goods has grown more than twice as fast (14 percent) as total merchandise trade (6 percent).² This growth is expected to continue. For example, in the wastewater treatment sector, the World Bank estimates that annual investments in water supply and sanitation will need to double from the historical level of US\$15 billion per year to US\$30 billion per year to meet future demand.

0. Rates of Liberalization

5.1 In recognition of the attention given to environmental goods by Ministers in Doha, tariffs should be eliminated as soon as possible, but no later than 2008 for developed countries and those developing countries declaring themselves in a position to do so. For other developing countries, tariffs should be eliminated by X years thereafter. Further flexibilities for developing countries may include exclusions for a limited number of products (e.g., similar to a “complementary” or “development” list). Given the unique mandate and the potential environmental and developmental benefits, we encourage least-developed countries to examine where tariff reductions in bound and applied rates may be beneficial to their public and to achieving their sustainable development goals.

² Ibid.

0. Non-Tariff Barriers (NTBs)

6.1 While reducing the cost of environmental goods through the elimination of tariffs is an important means of making environmental goods more affordable and widely 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 appropriate, specifically identified non-tariff barriers on particular goods (including any time-consuming and burdensome customs formalities) should also be addressed and reduced to the maximum extent so as to facilitate trade in environmental goods.
