

Trade Liberalization in Environmental Goods:

Indian Perspective

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Structure of the Presentation

- Inter-linkages between goods, services, technology and funds
- India's objectives in the negotiations
- Delhi EGS Seminar
- APEC, OECD and Japanese lists
- Balance in the negotiations
- Environment friendly goods

Objectives of the negotiations

- Support member countries in taking measures to improve their environment
- Promotion of production and trade in environment friendly products
- Development of environmental goods and services industry
- Adoption of environment friendly technologies

Broader objectives in EGS Sector

- Availability of funds/ investment;
- Availability of technology;
- Building of capacity to utilize the technology
- Free trade i.e. tariff free;
- and without non-tariff barriers;
- Enabling unrestricted provision of environment related services

The matter for deliberation is

- Should there be a relationship between a country's requirements in the environmental sector with the market access commitments?
- Does the WTO have any role to play other than in trade liberalisation?
- Is greater coherence between different international organisations required?
- Does trade liberalisation in EGS enhances welfare in developing countries?

EGS Seminar in Delhi

- Govt. of India, UNCTAD and TERI organized EGS Seminar on 16 May 2003
- Participation from industry, govt., NGOs and experts
- Views expressed in the Seminar and Discussion paper by Govt. of India are summarized in subsequent slides

Competitiveness of Indian Industry

- Environmental industry- US\$ 4.1 billion
- Growth rate- 12%
- Trade in environmental goods – APEC list
 - Exports US\$ 610 millions
 - Imports US\$ 1340 millions
- Average bound tariffs – 25% to 40 % -- (35%)
- Average applied tariffs – 15% to 25% -- (24%)

Environmental Services in India

- Foreign investment with 100% foreign equity is allowed in environmental services sector, including related services
- Present commitments in environmental services – Nil
- Market dominated by end of pipe treatment plants
- A large number of JVs

Environmental Services (contd.)

- Commitments cannot be made where services are supplied under governmental authority
 - need for limitations in commitments to exclude such sectors
- Relationship between commitments in Mode 3 and market access for India in mode 4
- Market access in Mode 4 amongst developing countries is important

Proposals in Environmental Goods

- APEC list
- Japanese list
- Qatar – Petroleum Gas based products and technologies
- OECD list in the background
- EC, Swiss – PPM Issue
- Developing countries – balance demanded, inherently environment friendly products

Universe of environmental goods

End of pipe pollution control equipment

- Air pollution control;
- Water pollution control;
- Solid waste management;
- Remediation/clean-up of soil and water;
- Noise/vibration abatement;

Universe of environmental goods (contd.)

- Renewable energy plants
- Monitoring, analysis and assessment equipment
- Heat/energy management equipment
- Recycling systems
- Chemicals used in pollution control systems
- Energy efficient or comparatively environment friendly consumer products
- Inherently environment friendly products
- Products made by environment friendly processes

Systemic issues involved

- Multiple use in industrial sectors
- Difficulty in identifying environmental goods at 6 digit HS classification
 - Use in environmental sector for a good would vary from country to country
 - Each country could decide at 8 or 10 digit which product is environmental good
 - Expositions could be created at the national level
- Issue of like product – npr-PPMs – environment friendly processes
- Degree of environment friendliness- energy efficient consumer products
- Technologies equipment and processes which reduce energy consumption and waste generation

End of Pipe Treatment Equipment

- Core of the environmental goods
- 38 items in APEC list
- Predominantly use for pollution control
- Certain items like centrifugal pumps, boilers with auxiliary plants, heat exchangers, conveyers, etc. have large industrial uses

Measuring and analysis equipment

- 57 items in APEC list – largest category
- Used for pollution measurement and analysis
- Predominant use in industry plants and laboratories
- Consist of both high tech and low technology products
- Large domestic industry for low technology products
- Low-level of exports from India – high net imports
- Need to carve out expositions for high tech equipment

Renewable Energy Equipment

- Included in APEC, OECD and Japan lists
- 7 items in APEC list
- Large Hydraulic turbines - adverse environmental implications
- India net exporter of solar cells

Energy Efficient Consumer Products

- Japan has proposed inclusion of
 - energy efficient consumer products
 - relatively environment friendly industrial products
 - products which increase efficiency of industrial processes
- Energy efficiency is a relative concept
- Even these products affect environment
- With change in time and technology the products which are relatively environment friendly today would not remain so in future
- This cannot be accepted as a basis for classification of environmental goods in these negotiations

Balance for Developing countries

Ways to bring balance:

- Eliminate items with predominant industrial use
- Include items of interest to developing countries
- Expand the scope of negotiations beyond lists to include technology and funds to provide holistic solutions to environmental problems

Inherently environment friendly products

- Organic products
- Eco-labeled or certified products made with environment friendly processes
- Non-timber forest products and products based on TK
- Products made with natural fibres such as jute and coir

Organic and eco-labelled products

- Made with environment friendly processes
- Proposed by EU, Switzerland and Japan
- From environmental perspective should be included
- Inconsistent with the concept of 'like product' in WTO and involve non-product related processes and production methods (npr-PPMs)
- Raise legal issues with larger implications than the scope of these negotiations

TK based products

- Tariffs – zero or very ,low
- Main issue – non-tariff barriers
 - Registration requirement,
 - approval of health authorities,
 - Novel Food Regulation, etc.
- TK based medicines are not registered as drugs
- Inability to provide detailed clinical trial data
- Age-old usage in developing countries not recognized
- Draft EU regulation for herbal products

Jute and coir based products

- India's exports
 - jute: US\$150 million;
 - Coir: US\$113 million
- Tariffs in developed countries low for raw materials
- Vary from 0-20% for made-ups and value added products
- High tariffs in some developing countries
- Discriminatory packaging regulations

thank you