

Aligning liberalization in EGS with domestic environmental and developmental objectives: The Mexican Experience

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Geneva, July 9th 2003

Environmental and Socio-economic Framework for EGS

Socio-economic factors

- Economic Trends
- Development Trends
- Complementary Challenges:
 - ✓ Property rights issues (specially in NR use)
 - ✓ Asymmetrical technological development
 - ✓ Strong market competition for SMEs
 - ✓ Limited public financial resources

Environmental Factors

- The environmental challenges that Mexico faces are a combination of problems arising from:
 - ✓ Infrastructure leftovers
 - ✓ Socio-economical structural constraints and disparities
 - ✓ Unsustainable industrialization patterns (i.e. air emission levels)
 - ✓ Evolving environmental regulation and legislation

Environmental Policy and the EGS markets

Legal and institutional framework in Mexico

- Environmental regulation based on command and control instruments
- Environmental services = public services within three governmental levels (federal, state and municipal)
- Direct government participation in water and waste services

Environmental Regulation

- Promotion of EGS market
- Compliance allows for the entry of goods suppliers or service providers into the market, some examples may be:
 - ✓ Vehicle air emissions
 - ✓ Environmental risk and impact assessment for new infrastructure
 - ✓ Environmental auditing
 - ✓ Water quality analysis
 - ✓ Hazardous waste analysis

Environmental Regulation (cont.)

- Other practices, standards or voluntary instruments may stimulate EGS markets, some examples are:
 - ✓ Equipment for monitoring and reduction of air emissions
 - ✓ Industrial water treatment plants
 - ✓ Equipment for air and water-quality analysis and monitoring
 - ✓ Environmental consultancy services
 - ✓ Environmental management services

Challenges identified for EGS market development

- Strong role of the State's participation in EGS niches
- Challenges associated to pricing and tariff structure setting to natural resources
- Other institutional challenges: including market concentration

Trends in the Mexican market for EGS

Key Market Drivers in Mexico

- Environmental challenges and goals
- Competitive world markets and international openness
- SMEs future environmental performance
- Public opinion's weight on environmental issues

Key Market Drivers in Mexico

- Possible future development of Mexican EGS through market drivers identification:
 - ✓ Measuring, Monitoring and certification services
 - ✓ Modernization of existing infrastructure or construction of industrial and municipal water treatment plants
 - ✓ Solid and Hazardous waste management and disposal
 - ✓ Air quality monitoring and pollution emissions control
 - ✓ Construction of eco-tourism facilities
 - ✓ Renewable energy technologies
 - ✓ Among others

Size and dynamics of the Mexican EGS market

- OECD/Eurostat codes vs. Mexican system for classifying economic activities
- Lack of information + asymmetrical classification methodologies
- Activity concentrates in pollution management
- 2-6% average growth rate between 1993-1998
- SMEs numerically dominate, with few large public companies
- Significant expansion in laboratories, auditing and certification services

Perceived windows of opportunity arising from international trade

Identifying EGS windows of opportunity

- Advantages and benefits for Mexico from international EGS trade:
 - ✓ Enhancement of infrastructure to complement local capacities
 - ✓ Strengthen environmental management/monitoring
 - ✓ Reduction of relative prices in EGS
 - ✓ Incentives for conservation and sustainable use of natural resources

Recommendations for developing environmental markets through liberalization

- Reinforce availability of cleaner technologies through liberalization
- Develop natural resource management goods and services
- Consider existing institutional and regulation frameworks for future EGS compliance
- Clearly define Environmental Goods

Concluding remarks

Policy supportiveness

- Fostering of EGS may reinforces environmental, development and trade policies
- Trade policy can support an efficient environmental policy and link development targets
- Transfer of technology and expertise complements local capacities

The Mexican Experience on Environmental Goods and Services Liberalization: An identification of existing Opportunities on Environmental and Trade Policy Supportiveness

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