

## Approaches To The Negotiations Under Para 31(iii)

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1

## Structure of the presentation

- Objectives and Para 31(iii) – 2 slides
- Approaches to negotiations:
  - List Approach - 4 slides
  - Project Approach – 6 slides
- Transfer of Technology – 4 slides

2

## Objectives to be achieved

- Economic benefit – promote dynamic efficiency in production and greater access to consumption of goods at lower prices
- Development benefit – addressing basic human needs in terms of Millennium Development Goals
- Environmental benefits – promote sustainable modes of production and consumption.

3

## Para 31(iii)

- Mandate
  - to negotiate on reduction or, as appropriate, elimination of tariffs and non-tariff barriers to environmental goods and services
  - with a view to enhancing the mutual supportiveness of trade and environment

4

## Approaches

- List Approach - discussions so far on the definitional aspects and now, on preparing the list.
  - Definitions: some definitions given, but agreement on a common definition not arrived at.
  - carving out a WTO list out of OECD and APEC lists; some countries have given a list, but work still going on.
- Project Approach - by India

5

## Problems with the “list approach” (1)

- **Dual use**
  - Examples – electricity meters, heat exchangers, microwave ovens, etc.
- **Lack of technology transfer mechanism**
  - Most of the environmentally sound technologies are protected by IPRs,
  - Many instances of unsuitable equipments are transferred to developing countries
- **No synergy between goods and services**
  - Many environmental activities entail delivery of services

6

## Problems with the "list approach" (2)

- Too diffused to meet environmental objectives
- Appears basically to address only market access objective
- Most of the developing countries are net importers. Export from South is basically to South; imports are from North. This will affect SMEs, which are around 60% of the industrial base.
- Need to always negotiate – `living list` concept – changes the balance of rights and obligations arrived at the negotiations

7

## Problems of developing countries

- Though developed countries have average tariff of less than 5%, and developing countries around 25%, exports from developed countries are around 80% of the environmental goods.
- Any indiscriminate tariff reduction would increase the trade deficit of developing countries.

8

## Alternate approach – "environmental project approach"

- Objective of the approach
  - To bring trade liberalisation to meet environmental and developmental goals
  - To address diversity in environmental standards.
  - To bring common but differentiated responsibilities.

9

## Environmental Project

- Any activity with a view to achieving environmental objectives
- Project with Goods and Services used in the project – to be decided by a National Designated Authority on the basis of techno-economic valuation in a specified period of time for specified national environmental objectives
- Tariff concessions for the project period; thereafter can be disposed off through a specified formula on the written down value.
- Both public or private projects to be included – some threshold can be put.
- Many countries already have something like this – eg. India & Thailand

10

## Environmental objectives

- Water management – drinking water or surface water
- Waste management – solid or soil
- Energy saving management
- Renewable resources – energy or water
- Industrial applications - energy saving management or devices, process optimization
- Land, air and water pollution clean up and noise abatement
- Can include any other environmental objective.

11

## Role of CTE

- to decide on broad criteria of environmental objectives
- Environmental projects to be on these criteria
- To bind members on tariff reductions or concessions in services to be given for goods or services required for projects
- Also bind for elimination of any non-tariff barriers
- Agree on a formula for disposal of the goods or services (also mode 3 – commercial presence concessions)

12

## Advantages of 'project approach'

- Cohesive and integrated – goods and services
- Focussed and direct – to the goals of environmental objectives
- Can accommodate changing needs of global environmental requirements
- Positive measures
  - Technology transfer – with the services, leading to capacity building
  - Does not affect market access schedules of the goods – does not lead to zero-for-zero sectoral NAMA negotiations
  - Enhances mutual supportiveness of trade and environment – Para 31(iii) objective

13

## Compatibility with the Multi-lateral Trading System

- Predictability and transparency
- Objective of WTO achieved (Sustainable development)
- Project approach can be accommodated in Chapter 98 of the HS Code Book of WCO

14

## Technology Transfer

- Agenda 21 defines Environmentally Sound Technologies (ESTs) as not individual technologies but total systems which includes
  - Know-how procedures
  - Goods and services
  - Equipments and organisational and managerial procedures
- ESTs to be compatible with nationally determined socio-economic, environmental priorities
- Assigns developed countries the obligations for access and transfer of ESTs
- Para 37 of DMD also enjoins the WTO members to examine the relationship between trade and technology for flow of technology to the developing countries (WGTOT)

15

## Barriers to transfer of ESTs

- Lack of information about ESTs
- Need for adapting and disseminating ESTs from developed countries to meet local requirements of developing countries – example of windmill
- High costs of access and transfer of ESTs because
  - In host countries
    - structure (SMEs),
    - information asymmetry,
    - Financing
  - In home countries
    - IPR protection
    - Restrictive practices.

16

## Multiple Goals and Numerous Issues

- Framework has to be Co-operative
- Co-operation should be voluntary and mutually beneficial
- Each 'player' has to realise that he/she achieves higher net benefit via collective effort than acting alone.
- Realisation also to be on cost-complementaries, i.e. total cost of coalition is less than the sum of stand alone costs for members of the coalition
- Cost-complementarities is due to economies of scale. Different players possess different complementary skills to effectively address the problem at each stage.

17

## How Project approach achieves ToT objective

- Transfer of ESTs will
  - Increase compliance with TBT and SPS, to give more market access in developed countries
  - Enhance indigenous capacity building in EGS
  - Increase compliance with MEAs
- Result:
  - Imports of ESTs will increase the exports; so net trade gain – (+). Overall cost of the global economy goes down – comparative advantage
  - More availability of EGS reduces the cost of environment and improves environmental benefits.

18