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Capacity Building Task Force on Trade, Environment and Development

Short Report

UNEP-UNCTAD CBTF National Workshop on Definition, Criteria, Issues and Identification of Environmental Goods

**Manila, Philippines
8-9 June 2005**



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Background

The UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF), in partnership with the Philippine Council for Agriculture, Forestry and Natural Resources Research and Development (PCARRD), convened a national workshop on 8-9 June in Manila, Philippines, entitled **Definition, Criteria, Issues and Identification of Environmental Goods**.

The purpose of the national workshop was to discuss the selection of environmental goods (EGs) for a national list to submit to the World Trade Organization (WTO) as part of ongoing negotiations in the WTO Committee on Trade and Environment aimed towards establishing environmental goods and services subject to tariff reduction or elimination. The workshop focused on (i) policy objectives; (ii) criteria; and (iii) procedural considerations in the selection of environmental goods. A CBTF background note on the current trade patterns of environmental goods for the Philippines was introduced. Conceptual and practical issues of the current negotiations in the WTO, and their implications for the Philippines, were discussed. Approximately 60 participants attended the workshop, representing academia, national institutions and government ministries, non-governmental organizations, and international and regional organizations.

Presentations and Discussions

Introductory remarks were made by Patricio S. Faylon, Executive Director of the PCARRD Department of Science and Technology (PCARRD-DOST); Ulrich Hoffman, Senior Economics Officer, UNCTAD; Angelo Salvador Benedictos, Assistant Director of the Department of Trade and Industry (DTI) Bureau of International Trade Relations; and Romulo Agangan, Director of the Forestry and Environment Research Division of PCARRD-DOST, welcoming participants and introducing the meeting.

Mr. Benjamin Simmons, Legal Officer, UNEP, then outlined policy, conceptual, and practical issues in WTO negotiations on environmental goods. Simmons described challenges associated with defining EGs. He introduced the negotiation mandate and the major conceptual approaches to negotiations proposed, including a “list approach” advocated by several countries whereby delegations submit lists of environmental goods subject to tariff reduction or elimination, versus an Environmental Project Approach (EPA), proposed by India, in which goods are designated based on specific environmental projects. A draft background paper on EGs in the Philippines, and a communication from the European Communities about market access for EGs, were also discussed.

Ben S. Malayang III of the Council of Fellows of the Development Academy of the Philippines, President and Chair of the Philippine Sustainable Development Network, and President of the

Society for the Conservation of Philippine Wetlands, stated that the negotiation must be tied to national interests including reducing adverse environmental effects to health and properties; income losses to ordinary Filipinos; and dependence on nonrenewable energy. He advocated a focused look at national capacity to do environmental restoration, rehabilitation, remediation, and renovation. He shared the option of the European Union that EGs and services should be defined according obligations under the Multilateral Environmental Agreements, and suggested a shift from rule-based regime to a trade regime based on global ethics and commitment to justice.

Antonio A. Oposa, Jr., Chair of the National Environmental Action Team of the Integrated Bar of the Philippines and President of Nature Foundation, defined economics as efficient use of scarce resources. He stated that, as the United States consumes the resources of many countries, it is not a good development model. He encouraged a change of mindset from “extractive economics” based on resource consumption to CPR economics—conservation, protection, and restoration. He proposed a shift from torturing the earth to nurturing the earth, from a celebration of the spirit of materialism to a celebration of the human spirit.

Hoffmann introduced the 2003 UNCTAD publication entitled “Environmental Goods: Trade Statistics of Developing Countries.” Through examining criteria used to define and classify EGs in the WTO context, groups of potential EGs were presented. Recent trade flow dynamics and tariff protection data for each group of goods and their individual components were presented, as was an overview of recent trade in selected EGs. Special focus was given to examining the trade patterns of developing countries. Based on these data, likely gains and costs of trade liberalization in EGs were discussed.

A presentation was provided on behalf of Raquel Echague, Chief of the Environmental Matters Division within the Department of Trade and Industry, on trade policies on environment and related trade policy issues. Key market segments and trade patterns of EGs were presented.

Reynaldo Esguerra, Coordinator of the Integrated Program on Cleaner Production Technologies, Industrial Technology Development Institute, DOST, defined cleaner production (CP) technology as the continuous application of an integrated, preventive environmental strategy for processes, products, and services to increase overall efficiency and reduce risks to humans and the environment. He discussed benefits of CP technology, including source reduction, input material changes, technology changes, improved operating practices, and recycling in the waste management hierarchy. DOST’s CP program was also discussed.

Agustin Arcenas, a consultant for the Resources Environment and Economic Center for Studies, Inc. and the World Bank, discussed demystifying payment for environment services. Examining experience with payment for environmental services (PES) initiatives, he observed that PES, a market-based mechanism to effect environmental changes, has been used with a fair degree of success. He provided guidance for policyholders and PES supporters in developing PES programmes.

Elsie Cezar, Officer-in-charge of the Review and Assessment Section, Environmental Impact Assessment Division, Environmental Management Bureau, DENR, presented policies on environmental goods and services within the Philippine Environmental Impact Statement (EIS) System. She outlined the four categories of projects: a) environmentally critical projects with significant potential to cause negative environmental impacts; b) projects that are not environmentally critical but which may cause negative environmental impact; c) projects intended to directly enhance environmental quality or address existing environmental problems; and d) projects not falling under other categories or unlikely to cause adverse environmental impacts. She presented examples of projects in these categories.

Corazon PB. Claudio, Co-chair of the Environmental Committee, Management Association of the Philippines, stated that the Philippine environment industry is still young and should be strengthened. The Philippines, he observed, is not a major player in terms of environmentally preferable products. In terms of input raw materials, he stated that metals are the best

contribution because there are restrictions on wood. He advocated the creation of a carefully considered, strong policy framework before entering negotiations, emphasizing the level of environmental services. He stressed the need for technology transfer and sharing of knowledge.

Hon. Edsel T. Custodio, Undersecretary for International Economic Relations at the Department of Foreign Affairs (DFA), proposed that existing rates for the domestic and international market should be increased if not maintained; higher tariffs should be applied to processed products and low or zero for raw products. He stated that it was unfortunate that negotiation on environment focused on reduction of tariff and not elimination of non-tariff barriers. Elimination of tariffs, he explained, has been very hard to achieve; rapid liberalization leads to being overwhelmed by foreign competitors. He observed that service trade provides economic and development potential. He suggested looking for common test facilities as public responsibility for a joint trade effort.

The following day, participants split into two working groups; on criteria, concepts, and definition for establishing environmental goods, and on identification of goods of particular export interest to the Philippines. Outputs from the workshop included guidance for establishing EGs, as well as recommendations for specific next steps. These outputs are summarized below.

Considerations in establishing EGs:

- EGs where the Philippines has competitive advantage;
- EGs where the country could increase its revenues;
- Products which the country definitely needs for import;
- Identification of environmental indicators which could be threatened by imports, where we have the chance to provide and where we need some protection; and
- Political and strategic considerations.

Criteria for establishing EGs:

- Goods that are certified as coming from a sustainably managed forest;
- Import materials that recycle waste;
- Goods that are unquestionably good to the environment (e.g. instructional materials, antipollution devices);
- Goods that are not hazardous to health and environment (CP technologies);
- Producers/manufacturers that will comply with the requirements of environmental laws and regulations;
- Products that would unsustainably affect the forest cover;
- Products that are abundantly available and economically feasible, environment friendly (does not cause pollution), and would not result in biodiversity loss;
- Goods that will produce toxic substances should be sent back to exporting countries;
- Goods manufactured/used that could provide environmental services (e.g. those that would help in solid waste management, pollution control, abatement, treatment); and
- Goods manufactured in an environment-friendly manner.

Recommendations

- The creation of a working committee with DENR as the chair or the lead agency and DTI as co-chair, with members including DOST, NGOs, SMEs, Philexport, NEDA, DFA, DA, the Department of Energy, academia, and the Federation of Philippine Industries.
- This working group will organize follow-up activities to address issues on EGs, including definition and list of EGs of particular export and import interest to the Philippines. A series of consultations will be conducted with the various stakeholders to validate the list.

- Initially, this list of EGs will be used as working document taking also into consideration the lists of APEC and OECD.
- Organizations involved in eco-labeling will also be invited.
- DENR will submit a written request to UNCTAD/UNEP/CBTF for technical and financial assistance.
- UNCTAD and UNEP signified their intent to assist and guide the group in capacity-building and other assistance the group may need to the extent financial and human resources are available.