

International Trade Alert

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Group of WTO Members Launches Negotiations to Liberalize Trade in Environmental Goods

This week marks the beginning of negotiations by a group of 14 World Trade Organization (WTO) member countries toward a new multilateral agreement to liberalize trade in “environmental goods,” a yet-to-be-defined term with potential application to a wide range of products and materials deemed necessary to improving global environmental sustainability. The environmental goods agreement (EGA) would, like the existing WTO Information Technology Agreement, eliminate or reduce tariffs on a most-favored-nation basis for covered goods imported from other WTO member countries.

This week’s development comes 13 years after the full WTO membership agreed, as part of the Doha Development Agenda, to reduce or eliminate tariff and nontariff barriers on environmental goods and services. The EGA negotiations will, however, begin with far less ambition—encompassing, at the outset, neither nontariff barriers nor services related to trade in environmental goods. Certain environmental services may, however, fall within the ongoing but separate negotiations for a possible multilateral Trade in Services Agreement (TISA).

The 14 original participants in the EGA negotiations, all of which have now completed their domestic consultation procedures authorizing participation in the negotiations, are Australia, Canada, China, Costa Rica, the European Union, Hong Kong, Japan, Korea, New Zealand, Norway, Singapore, Switzerland, Chinese Taipei and the United States. Notably absent from this list are Brazil, India and Indonesia—three major economies with their own ongoing efforts to stimulate their renewable energy industries.

According to the Office of the United States Trade Representative, the original participants in the EGA negotiations together account for 86 percent of existing global trade in environmental goods, which is estimated at nearly \$1 trillion annually. In 2013, the United States exported \$106 billion of environmental goods, but also ran a sizable trade deficit for such goods. With some WTO member countries applying tariffs as high as 35 percent on environmental goods, the participating countries hope that an EGA will substantially boost trade in these products.

Exactly which items would qualify as “environmental goods” for purposes of the EGA, however, remains uncertain. The starting point for the EGA negotiations is a list of just 54 products, defined at the six-digit harmonized tariff schedule level, for which the membership of the Asia-Pacific Economic Cooperation group (APEC) has already agreed to reduce tariffs. The APEC list encompassed only a few select industries and products, such as solar panels, certain wind and gas turbines, waste treatment equipment, air pollution control devices, and environmental monitoring and assessment equipment. In April 2014, the Obama administration released a significantly expanded list (“ITC Candidate List”), including more than 400 categories of additional products and materials, and tasked the U.S. International Trade Commission

with evaluating whether these items might merit consideration for inclusion in the negotiations. Some U.S. industry groups and individual companies have already joined the discussion, advocating for the inclusion of bicycles, advanced batteries, next-generation electronics and other items.

At the domestic policy level, the kickoff of the EGA negotiations complements a number of Obama administration initiatives, including the National Export Initiative, the President's Climate Action Plan and efforts to find discrete areas of the mostly moribund Doha Development Agenda that may still yield new international agreements.

As the EGA negotiations move forward, U.S. manufacturers, exporters and importers of products potentially within the scope of the EGA may wish to consider the following questions

- Are there products not included in the APEC and ITC Candidate Lists that may be considered "environmental goods" and should therefore be included in the scope of the EGA negotiations?
- How can the EGA be drafted so as to permit coverage of future products as product specifications and technology evolve?
- Should services associated with environmental goods be covered within the scope of the EGA or within the scope of the ongoing TISA negotiations?

With the EGA negotiations at an early stage, now is the time for companies with an interest in the outcome of these negotiations to evaluate their interests and to develop appropriate action plans in order to ensure that their interests are meaningfully represented in the negotiations.

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