



UN-ESCWA UNITED NATIONS - Economic and Social Commission for Western Asia

## The Liberalization of Trade in Environmental Goods and Services: Implications for the ESCWA and Arab Regions

Carol Chouchani Cherfane  
Chief, Water Resources Section  
Sustainable Development and Productivity Division  
United Nations Economic and Social Commission for Western Asia



## EGS Liberalization

- Liberalization of environmental goods and services (EGS) noted in Doha Development Agenda (Para 31)
- ESCWA was requested by member states to examine the potential liberalization of EGS as part of the priorities identified during regional T&E consultations.
- ESCWA study initiated to increase understanding and facilitate regional dialogue on the liberalization of EGS in the region: implications of different definitions key.
- ESCWA study then expanded to respond to a request by the **League of Arab States Council of Arab Ministers Responsible for the Environment (CAMRE)** in 2006 for:
  - Additional analysis at the Arab regional level
  - Trade analysis of the **Arab Reference List (ARL) on Environmental Goods**, which was developed as guidance by the CAMRE Technical Secretariat to assist Arab States.

## What are Environmental Services?

- The definition and scope of environmental services under discussion in WTO negotiations are agreed upon.
- **United Nations Central Product Classification (Provisional CPC)** being used
- Under the CPC, the Environmental Services sector comprises:
  - Sewage services
  - Refuse disposal services
  - Sanitation and similar services
  - Other (cleaning services for exhaust gases, noise abatement services, nature and landscape protection services, and other environmental services not elsewhere classified)

3

## Growth in ES Market evident

- **Global market:**
  - \$360 billion (1990)
  - \$550 billion (2001)
  - \$630 billion (2004)
- **Developing Countries** account for \$82 billion (2004) = **13% of Global EGS Market**
- **Middle East** market valued at \$9.7 billion (2004)
  - Equals about 1% of GDP
  - Accounts for **1.6% of Global EGS Market**
  - About \$4.4 billion spent on Environmental Goods
  - About \$5.3 billion spent on Environmental Services

4

## The Middle East ES Market

Environmental Services Sector	\$ million
Water treatment	600
Solid waste management	1,400
Remediation and industrial services	2,400
Hazardous waste management	400
Analytical services	100
Engineering and consulting services	400

Source: Environmental Business International  
(ESCWA countries, minus Egypt and Sudan; plus Turkey, Iran, Israel)

5

## Dynamic Gains from ES Liberalization

### ES trade liberalisation can:

- Increase FDI inflows, technology transfer
  - Turnkey projects, public/private partnerships (outsourcing)
  - R&D, innovation, customization
- Improve services infrastructure
- Improve local conditions for health and tourism
- Yield economic spillovers, i.e., increase demand for local capital and services inputs, generate employment opportunities, create new SMEs
- Reduce costs for consumers due to increased efficiencies
- Improve range and quality of services offerings
- Free-up government budget for other expenditures

6

## Dynamic Losses from ES Liberalization

### ES trade liberalisation may also:

- Not generate desired spillovers or employment opportunities for nationals if commitments are too loosely structured
  - Result in higher costs to consumers for ES
  - Not support universal access to essential services as former state-owned utilities had (important social implications; MDGs)
  - Result in employment dislocations for redundant utilities workers
  - Displace emerging national firms unable to compete with multinationals from participating in the sector
- **Gradual and measured liberalization and support measures would be needed to avoid undesired social consequences and allow local service suppliers (and associated environmental goods providers), especially SMEs, to benefit from new market opportunities.**

7

## Outlook for Arab Countries

- Tendency towards state-owned monopolies and service providers in Arab Countries [sewage, water treatment and distribution, refuse disposal infrastructure]
- In most cases liberalization will require privatization as a first step – proper timing & sequencing of steps must be well-planned
- Need to establish regulatory, competition and enforcement capabilities for private sector
  - Regulatory objectives: rates, universal access, standards & quality of the services, fair competition, and mitigating negative externalities
- Full-cost recovery from consumers may be long-term goal – need for subsidization or cross-payments for low income population
- Small size of some national ES markets may favor public-private sector partnership approaches to privatization followed gradually by liberalization as national firms may not otherwise materialize
- **A “one size fits all approach” does not exist**
  - **the best policies will be service-specific & country-specific**

8

## What are Environmental Goods?

- The Doha Declaration calls for negotiations on “the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services”
  - **But did not define what these goods are !**
- The WTO Committee on Trade and Environment (CTE) seeking to define and establish consensus on what are Environmental Goods

9

## Types of Environmental Goods

- There are two broad classes of environmental goods under discussion in WTO negotiations
  1. **Manufactured goods and chemicals used directly in the provision of environmental services** (Class A goods)
  2. **Raw and manufactured goods not associated with providing environmental services, but they have reduced negative, or positive, effects on the environment and which can thus be considered environmentally preferably products (EPP)** (Class B goods)
- All EGs belong to one of these two classes

10

# ESCWA Study

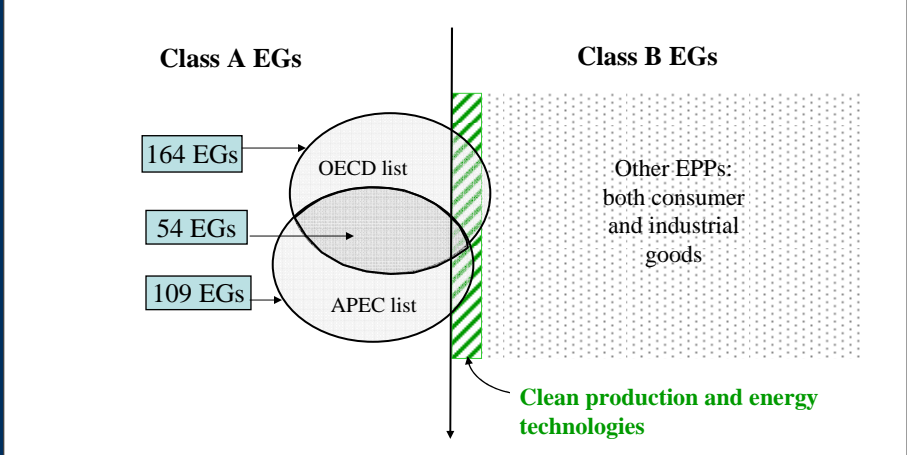
The ESCWA study analyses regional trade flows for the following sets of EGs:

–The OECD (O) and APEC (A) lists of EGs containing the Class A EGs proposed mainly by developed country members (**O+A list**)

–UNCTAD had developed a list of environmentally preferable products (EPP) Class B EGs that excludes goods that are not characterized as such based on their process and production methods (PPMs) (**EPP-Core list**)

–4 (of the 5) LAS Arab Reference List of EGs designed to guide Arab countries in their preparation of national lists of environmental goods (**ARL I – IV**)

## Mapping of the OECD and APEC lists of environmental goods & EPPs

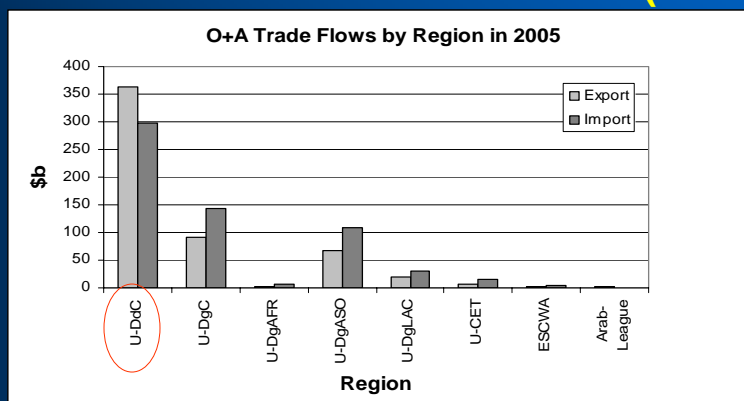


## Abbreviations

- U-DdC = Developed Countries
- U-DgC = Developing Countries
- U-DgAFR = Developing Africa
- U-DgASO = Developing Asia and Oceania
- U-DgLAC = Developing Latin America and the Caribbean
- U-CET = Countries with Economies in Transition in Eastern Europe and Central Asia
- Arab League = Countries that are members of the LAS, which comprise the Arab region
- ESCWA = ESCWA Member States

13

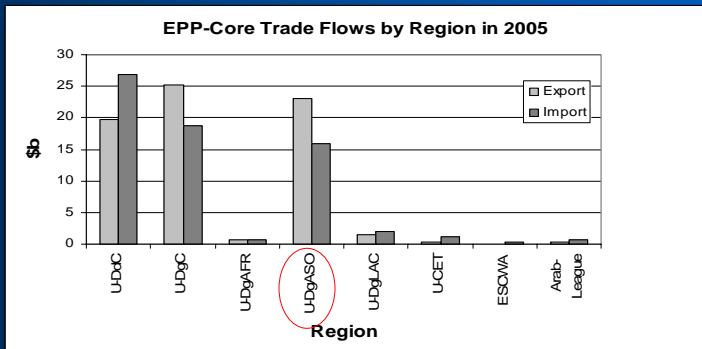
## O+A list trade flows with World (2005)



Year	2005			
EG Group	O+A			
Partner	World			
Trade Value (\$ '000)				
Reporter	Export	Import	% World Exports	% World Imports
U-DdC	362,043,225	297,252,673	79	65
U-DgC	91,220,870	144,068,787	20	32
U-DgAFR	3,144,970	6,389,380	1	1
U-DgASO	67,797,043	108,052,322	15	24
U-DgLAC	20,278,856	29,627,085	4	7
U-CET	5,850,509	14,237,984	1	3
<b>World</b>	<b>459,114,604</b>	<b>455,559,443</b>		
ESCWA	1,335,053	4,960,679	0.3	1.1
Arab League	1,622,137	7,255,448	0.4	1.6

14

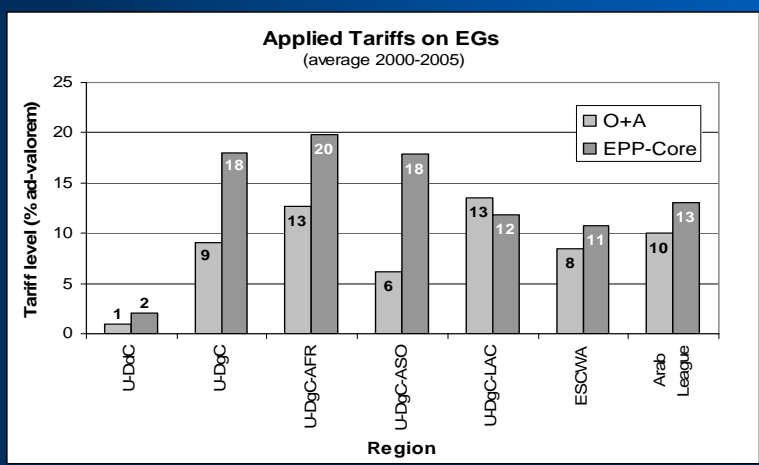
### EPP-Core trade flows with World (2005)



Year	2005			
EG Group	EPP-Core			
Partner	World			
Trade Value (\$ '000)				
Reporter				
U-DdC	19,773,456	26,833,709	44	57
U-DgC	25,228,875	18,675,660	56	40
U-DgAFR	720,579	641,205	2	1
U-DgASO	23,094,403	15,978,672	51	34
U-DgLAC	1,413,893	2,055,783	3	4
U-CET	370,861	1,202,666	1	3
World	45,373,192	46,712,036		
ESCWA	77,262	357,046	0.2	0.8
Arab League	269,905	601,254	0.6	1.3

15

### Regional tariff levels on environmental goods (2000-2005)

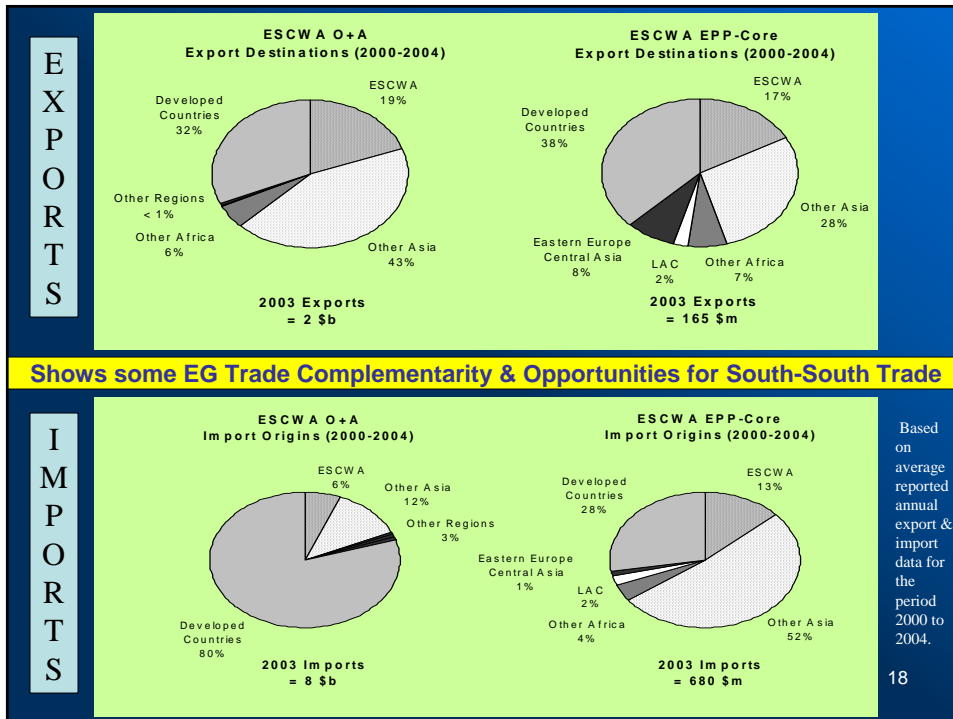
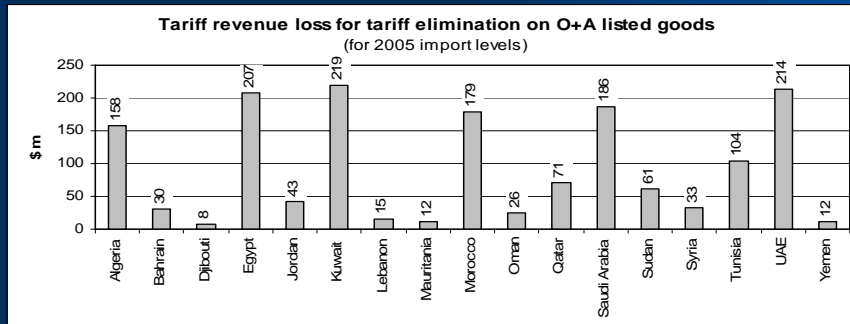
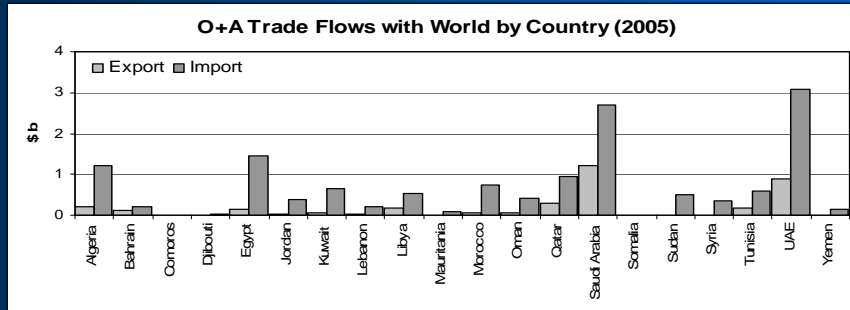


**Applied Tariffs higher on EPP-Core List Goods in Most Regions**

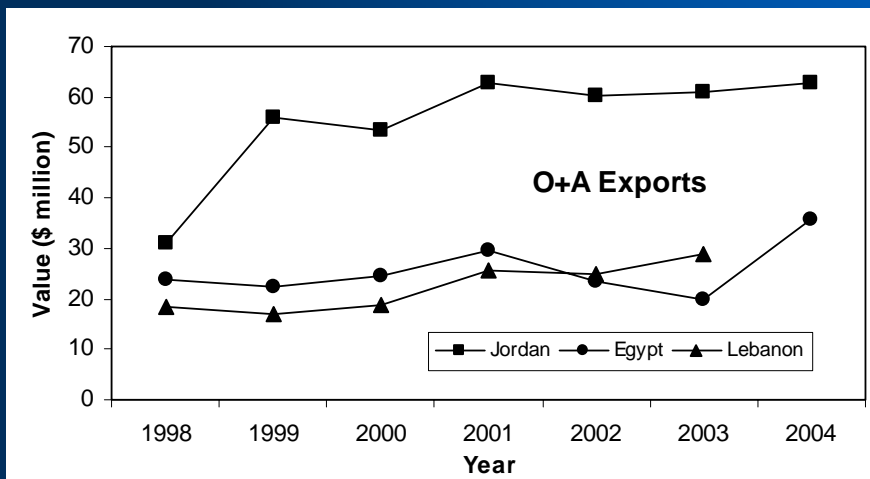
**Tariffs not very high, and already nearly zero in Developed Countries**



## For ESCWA and Arab Countries



## Growth in O&A EG Exports in selected ESCWA Countries



19

## LAS Arab Reference List (ARL) on EG

- **ARL I** Includes primary environmental goods of high commercial and developmental priority in the Arab countries that should be introduced into the WTO negotiations. [List contains 145 EGs]
- **ARL II** Includes primary environmental goods for which custom tariffs should be gradually reduced according to the needs of developmental programs and the economic situation in Arab countries. [234 EGs]
- **ARL III** Includes supplementary environmental goods in the Arab countries which are of limited environmental use in comparison with other uses, but are of interest to the Arab region [55 EGs]
- **ARL IV** Includes supplementary environmental goods of importance in least developed Arab countries, the use of which takes into account the compliance with international health and environment standards. [16 EGs]
- **ARL V** Includes environmental goods in the Arab countries that should not be opened to trade liberalisation commitments due to inherent environmental, health, safety, economic and technical concerns associated with their use and management. [List contains 387 goods.]
  - ARL V includes goods in which trade between the Arab countries is *prohibited* under the Greater Arab Free Trade Agreement (GAFTA) for environmental, health and safety reasons.

## Positive & Negative ARL EGs

- ARL I, II, III and IV, which are ‘positive EG lists’ – i.e., lists of goods for which trade liberalisation can be considered
- ARL V is a ‘negative EG list’ – i.e., a list of goods for which trade should be restricted in order to meet regional environmental and sustainable development objectives.
  - The introduction of a negative list is significant, as no such list has been introduced in the WTO negotiations thus far.

Arab ARL V Waste Imports (2005)			Arab ARL V Waste Exports (2005)		
HS Code	Description	Import (\$m)	HS Code	Description	Export (\$m)
711290	Waste/scrap, precious metals except pure gold/platinum	35	3915	Waste, parings and scrap, of plastics	54
3915	Waste, parings and scrap, of plastics	6	711210	Waste or scrap containing gold	52
711210	Waste or scrap containing gold	3	711220	Waste/scrap containing platinum	49
720441	Waste from the mechanical working of iron or steel nes	2	720441	Waste from the mechanical working of iron or steel nes	29
854810	Waste & scrap of primary cells	2	711290	Waste/scrap, precious metals except pure gold/platinum	13
2619	Waste from the iron or steel industry	1	854810	Waste & scrap of primary cells	5
711220	Waste/scrap containing platinum	0	2619	Waste from the iron or steel industry	3
Total		50	Total		206

21

**Interesting that LAS Countries have a trade SURPLUS in ARL V Goods**

### Positive criteria justifying for the retention of proposed environmental goods on the Arab List

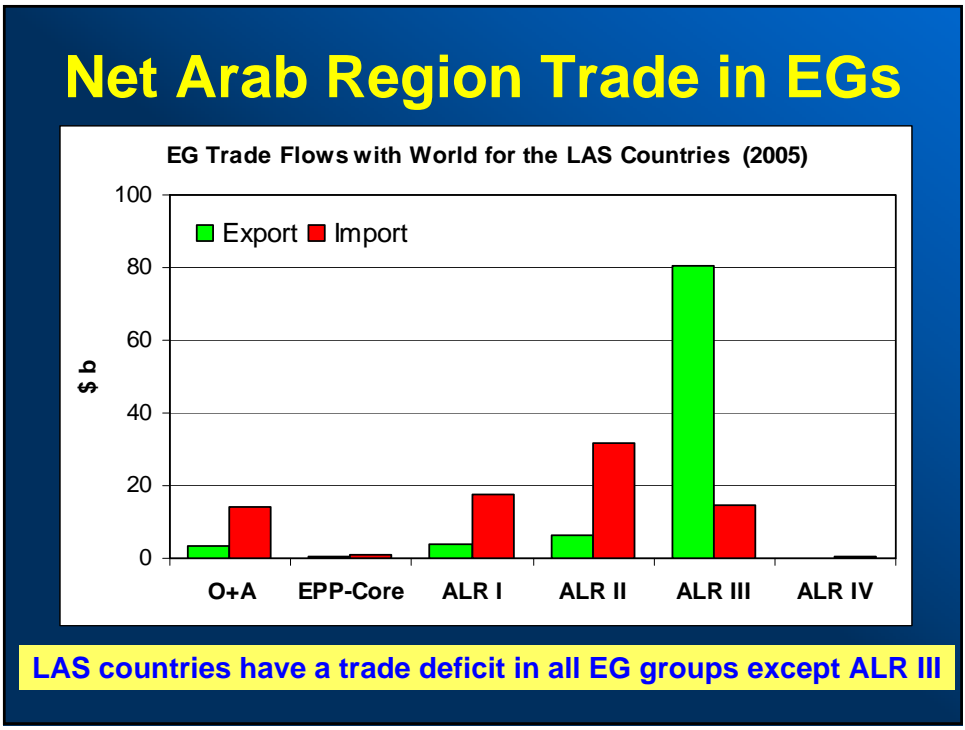
A	Support for development programs (especially those involving environmental services) and for the provision of imported environmental goods needed for such programs.
B	Increased <u>export opportunities</u> for Arab countries in international markets.
C	Use of modern technologies for the production of environmental goods in the Arab countries.
D	Opportunity to <u>transfer international experience and knowledge</u> into production processes of the Arab countries.
E	Encourage <u>investment in R&amp;D</u> for goods produced in Arab countries that have high export potential.
F	Encourage Arab countries' exporters to use <u>clean technologies</u> to satisfy environmental requirements of importers.
G	Achieve environmental commitment by national production facilities to produce environmental goods at low prices.
H	Achieve the objective of preserving resources and the environment as a result of the increased production of environmental goods.
I	Supply the needs of Arab countries in imported environmental goods at adequate prices.
J	Supply information technology and environmentally sound production technologies in the areas of renewable energy and genetic engineering.
K	Increase public environmental awareness by expanding eco-labelling and improving the product lifecycle of environmental goods.
L	Unify and use internationally-adopted standards for environmental products and environmentally sound production methods.
M	Liberalise trade in environmental goods of priority to developmental activities in the developing Arab countries.
N	Liberalise trade in environmental goods of priority to developmental activities in the least developed Arab countries.

Negative criteria justifying for the exclusion of proposed environmental goods	
O	Possible harmful impact on health and the environment in the Arab countries as a result of liberalisation of trade in harmful materials.
P	Pressure on local industries as a result of competition by imported environmental goods having lower price and better quality.
Q	Decrease in customs resources as a result of the increase in exemptions provided to imported environmental goods.
R	Expansion of customs exemptions for multi-use products that do not serve the direct objectives of environmental protection.
S	Use environmental priority as an argument to limit export of Arab goods to external markets.
T	Give preference to imported low-price environmental goods that are unsuitable for the local environment in least developed countries.
U	Conflict between the requirements of free trade in environmental goods with trade commitments of multi-lateral agreements.
V	Goods with no environmental or economic importance for Arab countries.

List developed by environmentalists with a view towards trade-related MEAs.

23

source: CAMRE Technical Secretariat of the League of Arab States, "Arab Reference List on Environmental Goods," Final Report, March 2007.



## Arab region's top traded goods included in ARL I

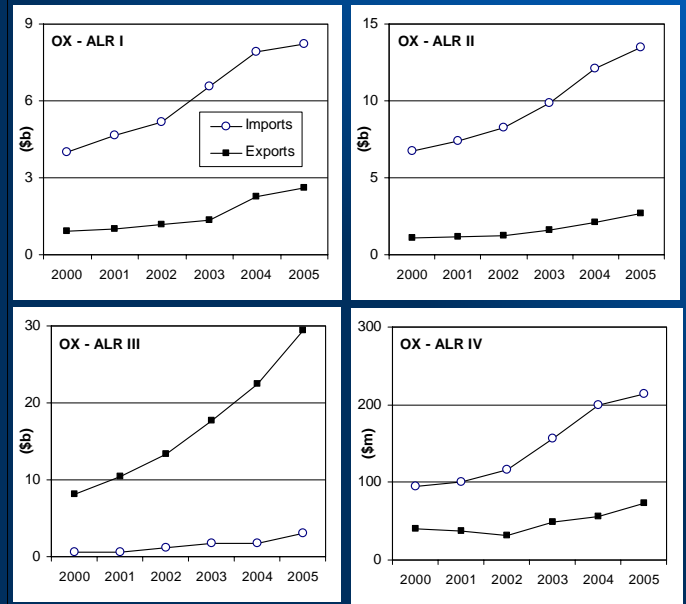
Top ARL I Imports (2005)			Top ARL I Exports (2005)		
HS Code	Description	Import (\$m)	HS Code	Description	Export (\$m)
48	Paper & paperboard, articles of pulp, paper and board	3,469	48	Paper & paperboard, articles of pulp, paper and board	786
8413	Pumps for liquids	1,817	740400	Copper/copper alloy waste or scrap	391
8421	Liquid, gas centrifuges, filtering, purifying machines	1,120	760200	Waste or scrap, aluminium	301
841199	Parts of gas turbine engines except turbo-jet/prop	1,025	3920	Plastic plate, sheet, film not cellular, reinforced	208
841182	Gas turbine engines nes of a power > 5000 kW	618	841199	Parts of gas turbine engines except turbo-jet/prop	198
841480	Air or gas compressors, hoods	591	841182	Gas turbine engines nes of a power > 5000 kW	163
841370	Centrifugal pumps nes	559	8421	Liquid, gas centrifuges, filtering, purifying machines	123
392690	Plastic articles nes	547	8413	Pumps for liquids	105
3920	Plastic plate, sheet, film not cellular, reinforced	510	841430	Compressors for refrigerating equipment	101
382490	Chemical preparations including natural products	487	382490	Chemical preparations including natural products	98
730410	Pipes, line, iron or steel, for oil or gas pipelines	470	392690	Plastic articles nes	93

25

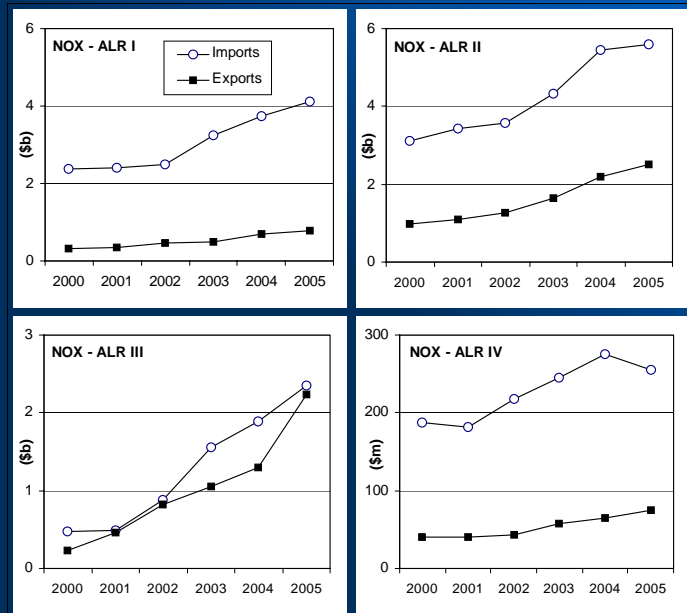
## Arab region's top traded goods included in ARL II

Top ARL II Imports (2005)			Top ARL II Exports (2005)		
HS Code	Description	Import (\$m)	HS Code	Description	Export (\$m)
8704	Motor vehicles for the transport of goods	4,290	8544	Insulated wire and cable, optical fibre cable	1,943
870322	Automobiles, spark ignition engine of 1000-1500 cc	2,199	281410	Anhydrous ammonia	599
8544	Insulated wire and cable, optical fibre cable	1,623	8536	Electrical switches, connectors, etc, for < 1kV	537
8536	Electrical switches, connectors, etc, for < 1kV	1,546	890190	Cargo vessels other than tanker or refrigerated	415
8415	Air conditioning equipment, machinery	1,542	8415	Air conditioning equipment, machinery	227
848180	Taps, cocks, valves and similar appliances, nes	1,442	8704	Motor vehicles for the transport of goods	167
852812	Colour television receivers	1,438	852812	Colour television receivers	154
8418	Refrigerators, freezers and heat pumps nes	1,198	6910	Ceramic bathroom, kitchen and other sanitary fixtures	149
8702	Public-transport type passenger motor vehicles	1,143	8418	Refrigerators, freezers and heat pumps nes	148
8535	Electrical apparatus for voltage over 1 kV	743	847170	Storage units	112
8450	Household, laundry-type washing machine, washer-drier	458	281512	Sodium hydroxide (caustic soda) in aqueous solution	78

**Recent evolution of trade in ARL product groups for the Oil exporting Arab countries (OX)**



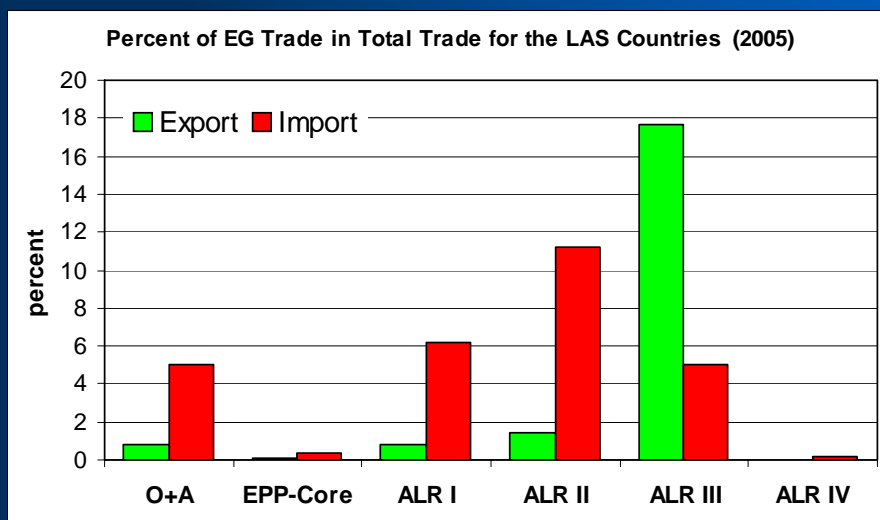
**Recent evolution of trade in ARL product groups for the Non-Oil exporting Arab countries (NOX)**



### Arab Region's top traded goods included in ARL III

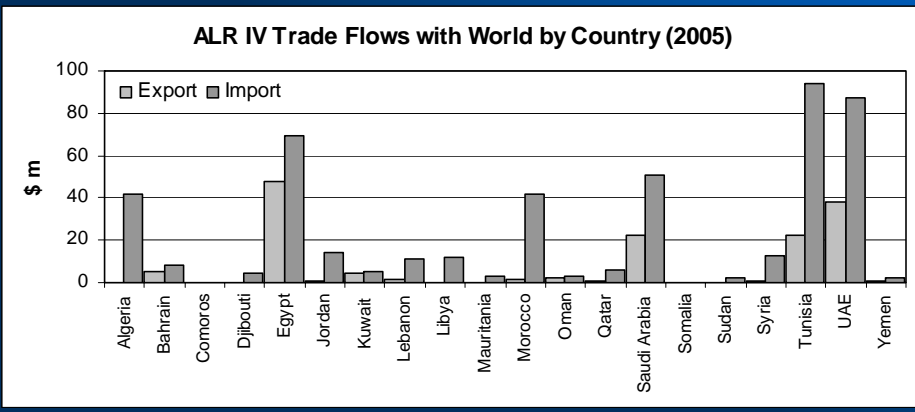
Top ARL III Imports (2005)			Top ARL III Exports (2005)		
HS Code	Description	Import (\$m)	HS Code	Description	Export (\$m)
271000	<b>Petroleum oils other than crude</b>	9,251	271000	Petroleum oils other than crude	45,374
7308	Structures, parts of structures of iron or steel, nes	1,097	271111	<b>Natural gas, liquefied</b>	<b>16,631</b>
271113	Butanes, liquefied	508	271112	Propane, liquefied	8,620
7318	Screws, bolts, nuts, rivets, washers, etc, iron, steel	333	271113	Butanes, liquefied	4,224
9032	Automatic regulating or controlling equipment	314	271121	Natural gas in gaseous state	2,062
903180	Measuring or checking equipment, nes	187	290511	Methyl alcohol	1,285
732111	Cooking appliances for gas fuel, etc, iron or steel	184	7308	Structures, parts of structures of iron or steel, nes	356
7312	Stranded steel wire, cable/etc, no electric insulation	181	7317	Nails, staples, etc, iron/steel, not office stationary	85
271111	Natural gas, liquefied	173	121190	Plants & parts, pharmacy, perfume, insecticide use nes	67
730820	Towers and lattice masts, iron or steel	144	903180	Measuring or checking equipment, nes	55
903289	Automatic regulating/controlling equipment nes	138	9032	Automatic regulating or controlling equipment	45

### Percentage of Arab Trade in EGs as Share of Total Trade



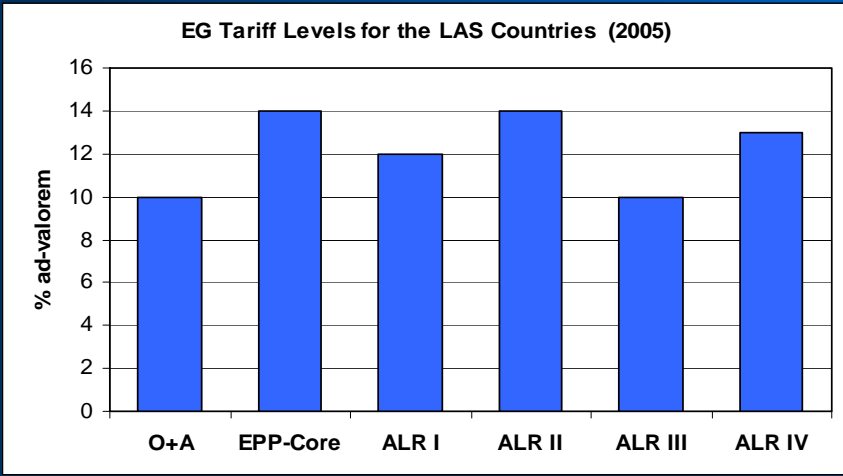
**ARL IV: Supplementary Goods important for Arab LDCs, linked to environmental, health, safety standards**

*... but also good (and better) for other Arab Countries*



Includes Worn clothing, Plastic waste, **Vegetable/textile fibers – paper yarn**, woven fabric  
 Gulf: **Limestone** materials for manufacture of lime or cement

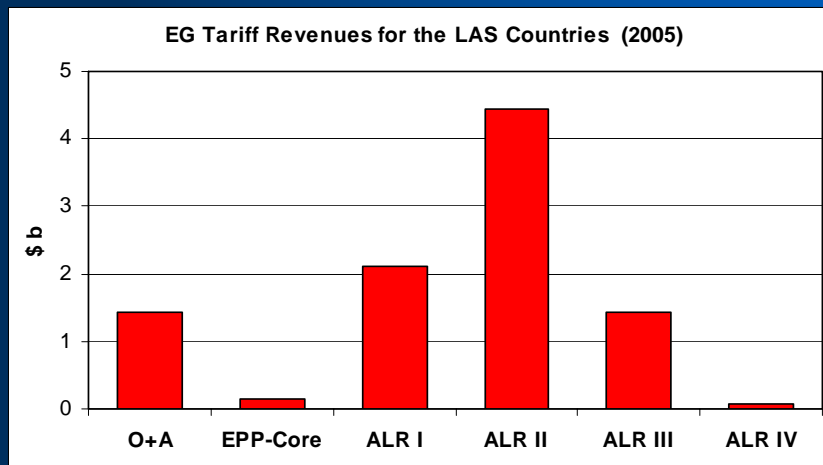
**Tariff Levels**



**LAS countries have moderate tariff levels for EGs**



## Tariff Revenue Losses



Impacts are better examined at the country level

33

## Conclusions

- While finding & report are Regional in Nature, scale and scope of impacts remains country specific.
- **ESCWA has prepared specific Country Briefs for ESCWA and Arab Countries** for the:
  - O&A List
  - EPP Core List
  - ARL I-IV
- Briefs consider for each EG grouping scenario the country's:
  - Top imports
  - Top exports
  - Tariff levels
  - National figures are provided as well as comparison to regional averages
- Available for representatives of country delegations

34

## Recommendations

- Proceed with EGS negotiations and ensure that products of export interest are included in the ultimate list proposed for liberalisation.
- Phase in tariff reductions over time to reduce shocks on:
  - Government revenue
  - Import competing industries *for all EGs*
- Seek concessions from developed countries in other areas of the negotiations
  - Developed countries want to increase their EGS exports to LAS countries, they will make concessions
- Make sure your concerns are identified through national trade analysis and consultation with national stakeholders  
*.....And adequately articulated in Geneva !*

35

## *Thank you.*



Economic and Social Commission for Western Asia  
United Nations

P.O. Box 11-8575

United Nations House – Beirut – Lebanon

Tel: 961.1.981.301

Fax: 961.1.981.510

Web: <http://www.escwa.org.lb>

E-mail: [chouchanicherfane@un.org](mailto:chouchanicherfane@un.org)