

ENVIRONMENTAL GOODS

Submission by New Zealand

Paragraph 31 (iii)

Statement by New Zealand at the CTESS Informal Meeting of 10 June 2005

Supplement

I. INTRODUCTION

1. New Zealand believes that we have made considerable progress on paragraph 31 (iii). This is a view that is shared widely in the CTESS and New Zealand was encouraged therefore to see this confirmed in the Chair's recent report to the Trade Negotiations Committee, which advised that there was a "general view that as a potential outcome for the Hong Kong Ministerial Conference, delegations could prepare a list of environmental goods."¹
2. New Zealand considers that the Chair's report accurately reflects the discussions in February and it is in this context that New Zealand is pleased to table its first list of environmental goods. Not only is this New Zealand's first list of environmental goods, I believe it is the largest one yet tabled at the WTO.
3. New Zealand also welcomes the contribution from Canada which is similarly designed to take us forward in the development of a consensus list of environmental goods.

II. ACHIEVING "BALANCE" IN THE ENVIRONMENTAL GOODS NEGOTIATIONS

4. When New Zealand presented its conceptual approach to the environmental goods negotiations, many Members underlined the importance they attach to a "balanced list" of environmental goods, i.e. a list of products which takes into account areas of commercial interest to developing countries.
5. A number of developing countries have questioned the benefits for them of freeing up trade in environmental goods, commenting that most environmental goods proposed thus far have been "high-tech" products that are primarily of interest to developed countries. New Zealand noted, for instance, that this point is referred to in the recent submission from India.² That is an intriguing argument. It is one which New Zealand took as a challenge in its own work to develop a list of environmental goods that could span this broad range of interests.

¹ TN/TE/11 of 14 March 2005.

² TN/TE/W/51 of 2 June 2005.

6. It was in that spirit that New Zealand developed the list contained in TN/TE/W/49. In addition to seeking to advance New Zealand's commercial interests and our interests in domestic and global sustainability, New Zealand sought to ensure that its list is a "balanced" one, i.e. a list that takes into account developing countries' very real and rapidly growing commercial interests in environmental goods.

III. INCORPORATING ENVIRONMENTALLY PREFERABLE PRODUCTS (EPPS)

7. New Zealand's approach consisted of two inter-related components. First, New Zealand analysed the work that UNCTAD has done on what it describes as environmentally preferable products. New Zealand wanted to take these items into account when developing its list. To incorporate these into the New Zealand list, a new category of products for the WTO negotiations is proposed. This category is described in our list as "Environmentally Preferable Products based on end use or disposal characteristics only."

8. The trade with New Zealand in these items is dominated by developing countries. Over the past eight years, more than 90% of the EPPs on the New Zealand list that were exported to New Zealand came from developing countries, including, for instance, countries like Bangladesh, Kenya, Zambia, South Africa, Tanzania and India. In other words, 90% dominance by developing countries and an example of very real South-North trade.

9. Second, New Zealand has reflected on a comment made at the last meeting to the effect that OECD countries are only interested in what one Member called a "costless" negotiation, i.e. that developed countries would list products for negotiation on which the existing tariffs were already extremely low or at zero, but were relatively higher in developing countries.

10. The reality is somewhat different in the case of the New Zealand list. A number of the items currently on its list are ones for which the bound rate is significant. In many cases the bound rates range from 10-15% and in some cases above that. Moreover, New Zealand has some bound rates of 30% in our Uruguay Round Schedule, including on, for instance, two EPP lines of interest to developing countries. These are the product lines of HS 560710 (twine made from jute) and HS560721 (twine made from sisal).

11. These are not the only examples of products on the New Zealand list that attract high bound rates designed for historical reasons to protect a local New Zealand industry from competition and raise revenue. There are a number of others which Members can readily verify by looking at our schedule.

12. It was in this context that New Zealand was confronted by a difficult decision as to whether to list items at the WTO around which there were quite serious tariff sensitivities. In the end, New Zealand made a conscious political decision to proceed and list these items despite the presence of these high bound rates.

13. New Zealand did this for two reasons. First, because it attaches great importance to these negotiations and understands the need to ensure a balance in outcomes. Second, this decision was made because New Zealand wanted to make it clear that this negotiation should not be about offering only to liberalise trade in products for which there is already essentially free trade. That would be meaningless.

14. In short, New Zealand has signalled to these negotiations that those very high bound rates on items detailed on the New Zealand list are up for reduction and potential elimination. This is in keeping with the spirit of what our Ministers intended when they drafted paragraph 31 (iii).

15. Second, having looked at the products which UNCTAD believed would be most interesting to developing countries, New Zealand undertook a rigorous analysis of all of the items on its list to see where developing countries' commercial interests might be, not just with New Zealand, but globally.

IV. DEVELOPING COUNTRY INTERESTS IN THE TRADE IN ENVIRONMENTAL GOODS

16. New Zealand appreciates the value of data. Good clear numbers robustly and rigorously generated have a truth all of their own. They have a particular appeal because their existence cuts through verbiage and rhetoric. Importantly, numbers also provide a context for statements which otherwise may sound too much like sweeping generalizations. The following is data drawn from an analysis of the New Zealand list:

- In 2003 exports of environmental goods on New Zealand's list accounted for nearly 3% of total exports from developing countries globally, compared to 4.7% for all countries combined.
- Between 1997 and 2004, the trade in environmental goods on the New Zealand list by OECD members rose at a per annum rate of 0.7%. For developing countries, however, the growth rate was nearly 10% per annum.
- For a large number of developing countries the growth rate in the trade in items on the New Zealand list exceeded an average of 15% per annum and for at least a handful of developing countries the growth rate averaged 35% per annum.
- New Zealand's own growth rate in this trade was higher than the OECD average, but still well below the bottom third of developing country traders.
- In three of the categories of environmental goods on our list, developing country trade has grown by nearly 25% per annum and in two of these categories developing countries collectively account for the majority of the global trade.
- Of the items on the New Zealand list which New Zealand currently imports, nearly 40% are already being supplied by developing countries. A projection New Zealand has done suggests that, within the decade, more than half and possibly as much as 65% of its imports of environmental goods will come from developing countries.
- The trend therefore is clear – this is a dynamic and evolving trade which over the past five to eight years has tilted very strongly in the direction of developing countries.

17. A significant number of items on the New Zealand list are ones in which developing countries have a rapidly growing commercial interest. Many of these items are of the "high technology" type which the submission TN/TE/W/51 observes were *not* of interest to developing countries. The following are some very specific items drawn from the New Zealand list that provide a context for that suggestion:

- HS854140 (photosensitive semiconductor devices, including photovoltaic cells): developing country global exports in 2003 were worth US\$2.1 billion and this comprised 19% of global exports in 2003. Exports from developing countries on this item have expanded at a rate of 15% per annum over the past eight years.

- HS853931 (electric discharge lamps (excl. ultra-violet lamps), fluorescent lamps, hot cathodes). Developing country trade in this item amounted to US\$680 million in 2003. Collectively, comprised nearly a fifth of global exports of this item.
 - In terms of New Zealand-specific data, 100% of New Zealand's imports of HS841011, hydraulic turbines and water wheels came from developing countries in 2003; 59% of HS851629 (electric space heating and soil heating apparatus) came from developing countries; 40% of cathode rays imported into New Zealand came from developing countries, as did 37% of multimeters (HS903031). 77% of New Zealand's imports of phosphate trisodium (HS283523) come from developing countries; 94% of New Zealand imports of matting for erosion control similarly come from developing countries.
18. In short, an examination of the statistics, particularly the trends, indicates that developing countries do have a very real commercial interest in the items on the New Zealand list.
19. A negotiation therefore that is focused on a list of environmental goods offers the best opportunity to capitalize on this important and rapidly expanding trade in a way that perhaps no other proposal does.

V. CATEGORIES OF ENVIRONMENTAL GOODS

20. The proposed environmental goods in the New Zealand list are organised into categories. These were selected to help illustrate the environmental purpose justifying the products' inclusion in the list. Most of the categories used have been previously proposed in the CTESS by Canada, apart from two. These were wastewater management and natural risk management proposed by New Zealand in February.³ However, in compiling New Zealand's list, it was considered necessary to include three new categories not yet proposed at the WTO. These are:

- Environmentally preferable products based on end-use or disposal characteristics;
- cleaner or more resource-efficient technologies and products; and
- waste and scrap utilisation.

21. Importantly, these latter categories were ones that comprise a significant and growing developing country trade. New Zealand encourages the Secretariat to include these latest three and the earlier two categories proposed by New Zealand in its revision of its compilation paper.⁴

VI. CORRIGENDUM TO TN/TE/W/49

22. There is currently a reference point missing for the last item in the Cleaner or More Resource Efficient Technologies and Products category (HS870390) motor vehicles, specifically electrical cars). The reference point is the OECD definition and New Zealand would be grateful if the Secretariat could make the necessary adjustment to TN/TE/W/49.

VII. ESTABLISHING A LIVING LIST

23. New Zealand attaches great importance to the concept of a "living list" which it first introduced in February this year. Since environmental goods are an evolving category, it is New Zealand's view that the process of developing a list of such products should be dynamic rather than static. The OECD has estimated that half of the environmental goods likely to be in use within the coming decade do not currently exist. There is a risk therefore that any list agreed at the

³ TN/TE/W/46 of 9 February 2005.

⁴ JOB(05)/57 of 19 April 2005.

conclusion of the Doha Round would rapidly be overtaken by the evolution of environmental technologies. In this context, New Zealand considers that any list of environmental goods that is developed at the WTO should be considered a living one.

VIII. CONCLUSION

24. In terms of the way forward to July and beyond, New Zealand encourages the Secretariat to revise its synthesis document to take into account those new lists being tabled by Members, including the New Zealand list. An updated compilation of the lists tabled at the WTO to date will provide a very useful focus for our discussions in July. New Zealand encourages other Members to submit their own lists to ensure that their interests are also accounted for in this negotiation.
