

Priorities for Environmental Goods Negotiations: Impacts of Tariffs and NTMs on Trade – Lessons from APEC

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**Advancing Free Trade
for Asia-Pacific Prosperity**



What does the APEC EG List endorsed in 2012 include?

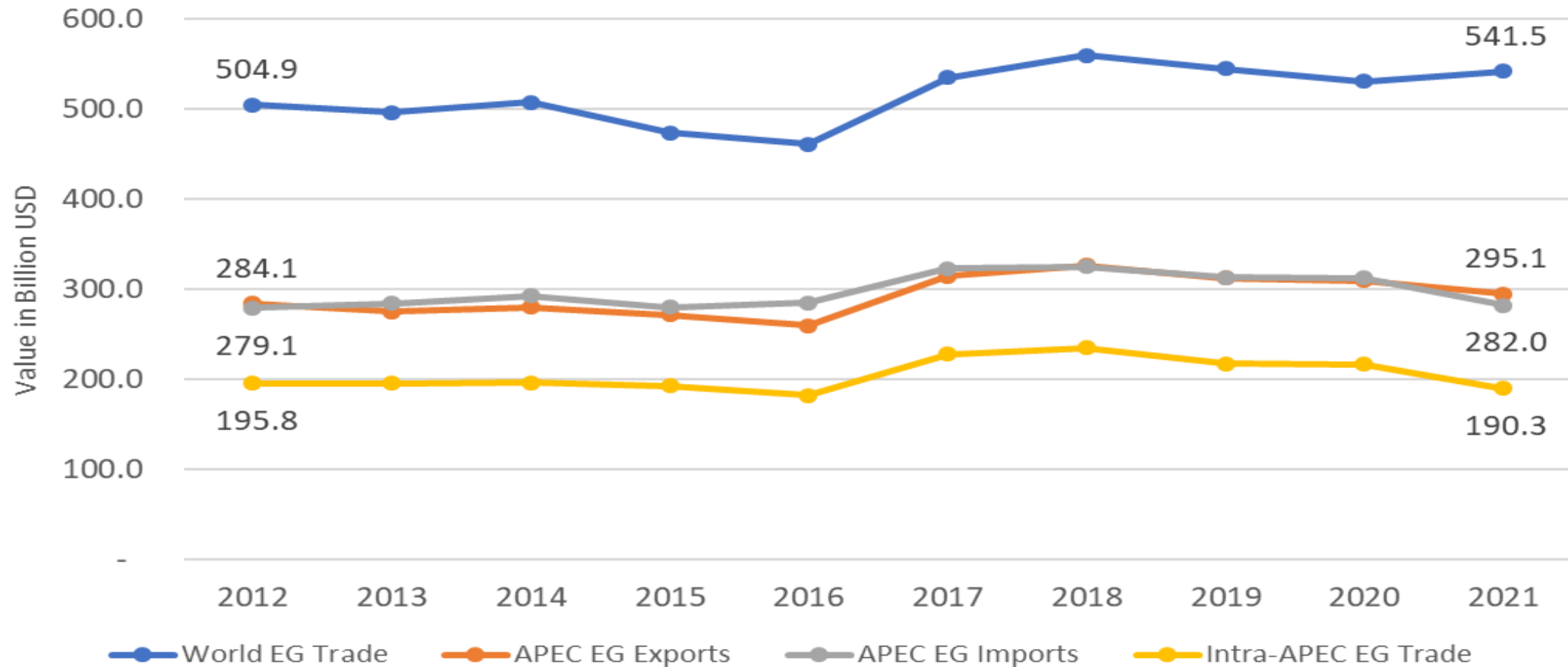
54 goods listed using HS 2012 nomenclature (6-digit level). List updated to HS 2017 nomenclature in 2021.

Category	Subheadings		Examples
	Number	Share	
Total HS sub-headings	54	100.0%	
Environmentally Preferable Products	1	1.9%	Bamboo flooring panels
Air Pollution Control	5	9.3%	Filtering and purifying machinery and apparatus for gases
Management of Solid and Hazardous Waste and Recycling Systems	12	22.2%	Fumaces, ovens and incinerators to destroy solid waste and pollutants
Renewable Energy Production	15	27.8%	Products for the generation of wind, solar, biomass, biogas, geothermal energy
Waste Water Management and Potable Water Treatment	5	9.3%	Sludge driers, water filters, water purification machines, parts of UV disinfection ozonizers
Natural Risk Management	1	1.9%	Surveying instruments and appliances
Environmental Monitoring Analysis and Assessment Equipment	15	27.8%	Manometers, gas and smoke analyzers, spectrometers, chromatographs, microtomes

Note: The HS sub-headings were grouped taking into reference the categories used by the Friends of the Chair of the EGS Group in WTO. See WTO document JOB(07)/54.

Trade of products in the APEC List of Environmental Goods

Trade flows are significant and peaked right before the pandemic.

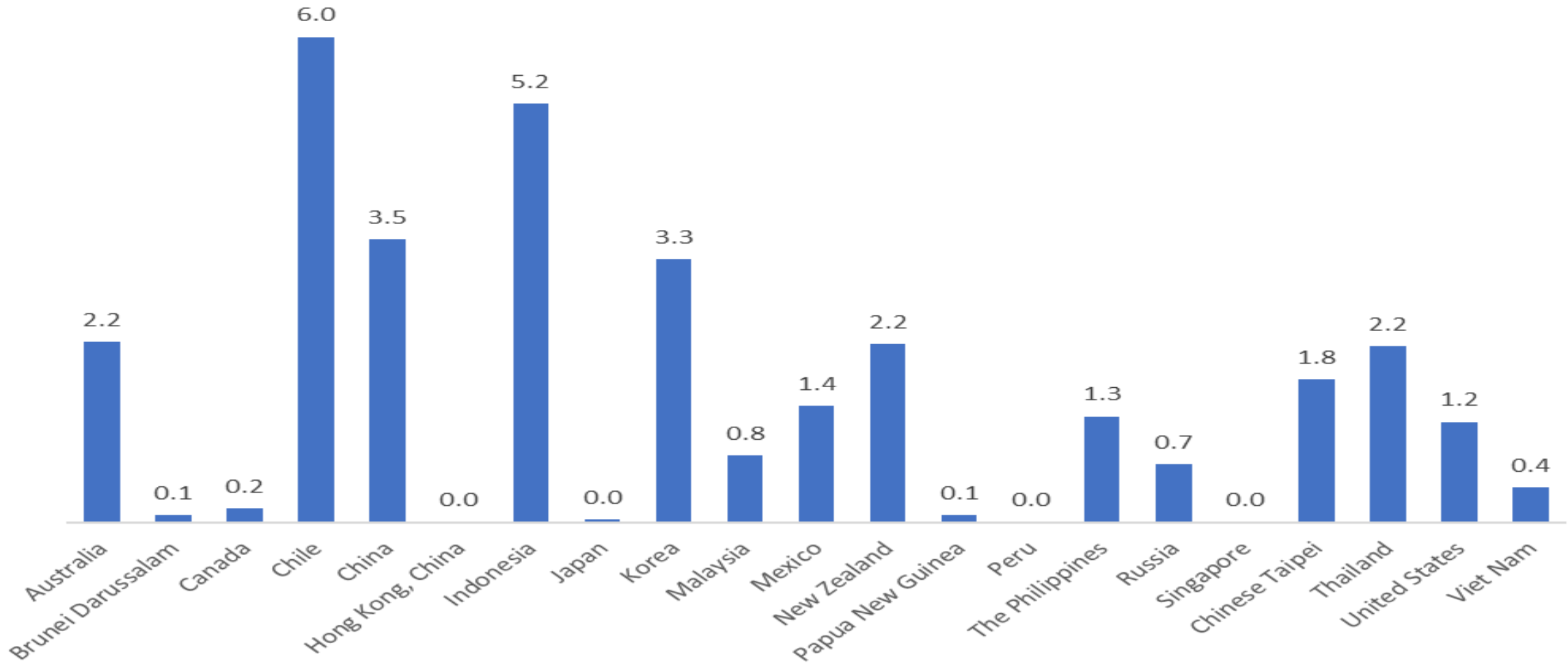


For 2012-2021 period, the APEC EG list **has been relevant**:
Growth of world EG trade flows (7.3%) > Growth of all products world trade flows (1.7%)

Why the global trade of products in the APEC Environmental Goods List has increased?

- Environmental technologies are **more affordable** nowadays.
- Stronger **environmental awareness**. Increasing **use of less polluting technologies** and more **environmentally friendly products**.
 - Largest trade increase in products for management of solid and hazardous waste and recycling systems, waste water management and potable water treatment, environmental monitoring analysis equipment and photosensitive semiconductor devices, including solar cells.
- **Instability in oil prices** and upward trend in recent years.
- Incentives for development of **alternative energy sources** and **energy efficient goods**.
- Implementation of **government regulations** to protect environment

Average MFN tariffs are low for the APEC list of Environmental Goods (Latest data up to 2021)



Note: Data does not reflect recent tariff reduction in Indonesia to fully implement APEC EG list commitment. Chile has a flat 6% MFN tariff system, however, Chile's applied average tariff taking into account its FTA network is very low (1.09%, 2019 data)

NTMs affecting the APEC List of Environmental Goods – Measures in place by APEC economies (end of August 2022)

Number of Non-Technical NTM Measures

(MAST Classification) Type of NTM		Number of NTMs	Share
Import-related	(D) Contingent trade-protective measures	3	1.2%
	(E) Non-automatic licensing, quotas, prohibitions, and quantity-control measures other than for SPS or TBT reasons	8	3.1%
	(F) Price-control measures including additional taxes and charges	1	0.4%
	(G) Finance measures	1	0.4%
	(I) Trade-related investment measures	8	3.1%
	(L) Subsidies, excluding export subsidies under P7	43	16.9%
	(M) Government procurement restrictions	8	3.1%
Export-related	(P7) Export subsidies	158	62.0%
	(P8) Export credit	1	0.4%
	(P9) Export measures not elsewhere specified	6	2.4%
	(P11) Export prohibition	11	4.3%
	(P13) Licensing or permit requirements to export	7	2.7%
Total		255	100.0%

- Tariffs on EG are already low in APEC. (Average MFN tariff = 1.6% in 2021)
- High number of NTMs, mostly subsidies (particularly export subsidies).
- Preliminary findings of current APEC study shows that **export-related measures** affected on average **US\$ 207.7 billion** of APEC exports of goods reducing GHG emissions per year between 2013-2021

Going beyond the current APEC List of Environmental Goods: Advantages

It could be beneficial for developing economies

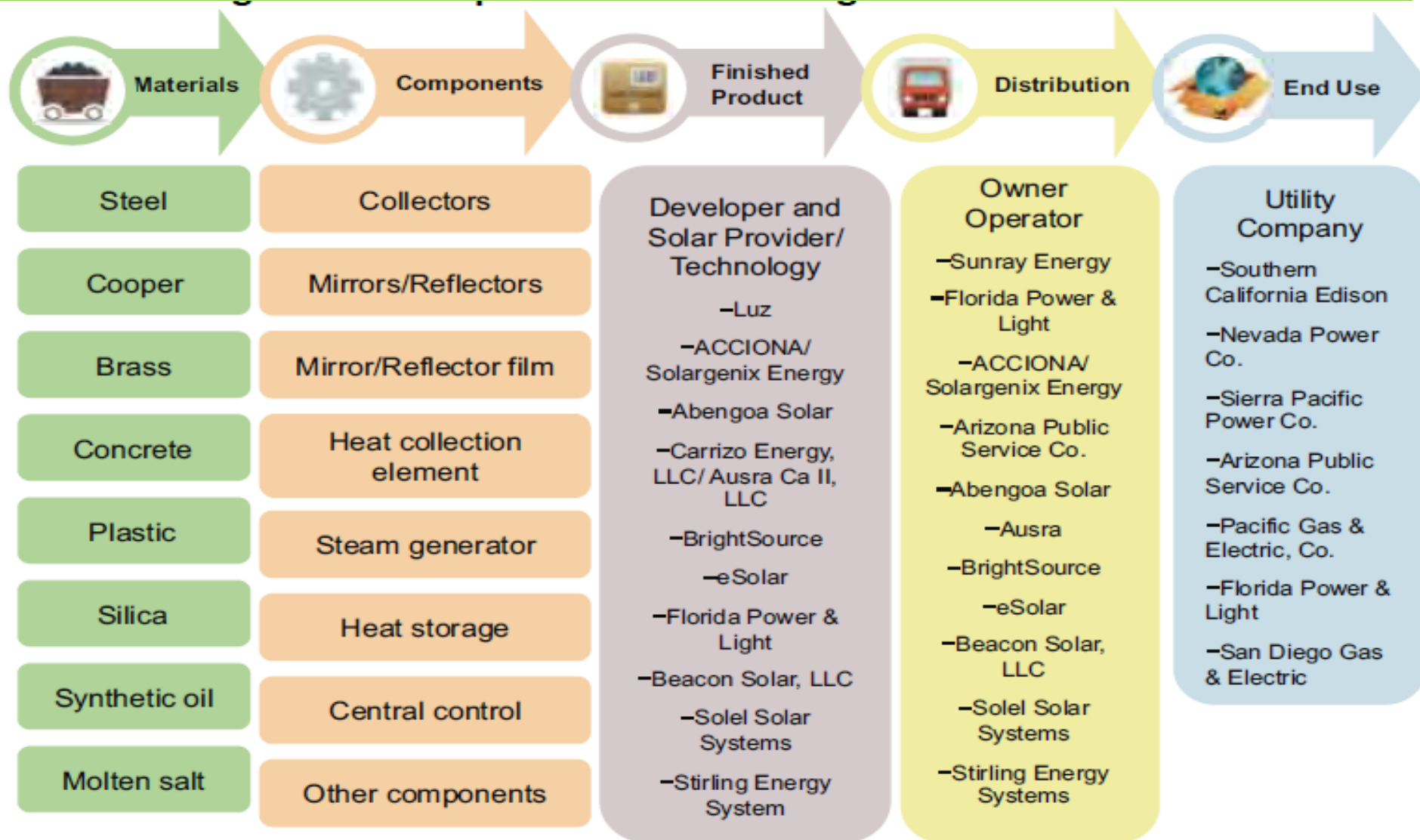
- Better market access. More **accessibility**.
- **New products/technologies** not available before.
- Participation of APEC economies in **global value chains of environmental goods** could be further encouraged.
- **Communities producing those goods within the global value chain** of environmental goods could benefit.
- Promoting use of more products to **support climate change adaptation and mitigation**. **Addressing** concerns of communities regarding **resource management, environmental protection and degradation**.

Global value chain of the solar power industry

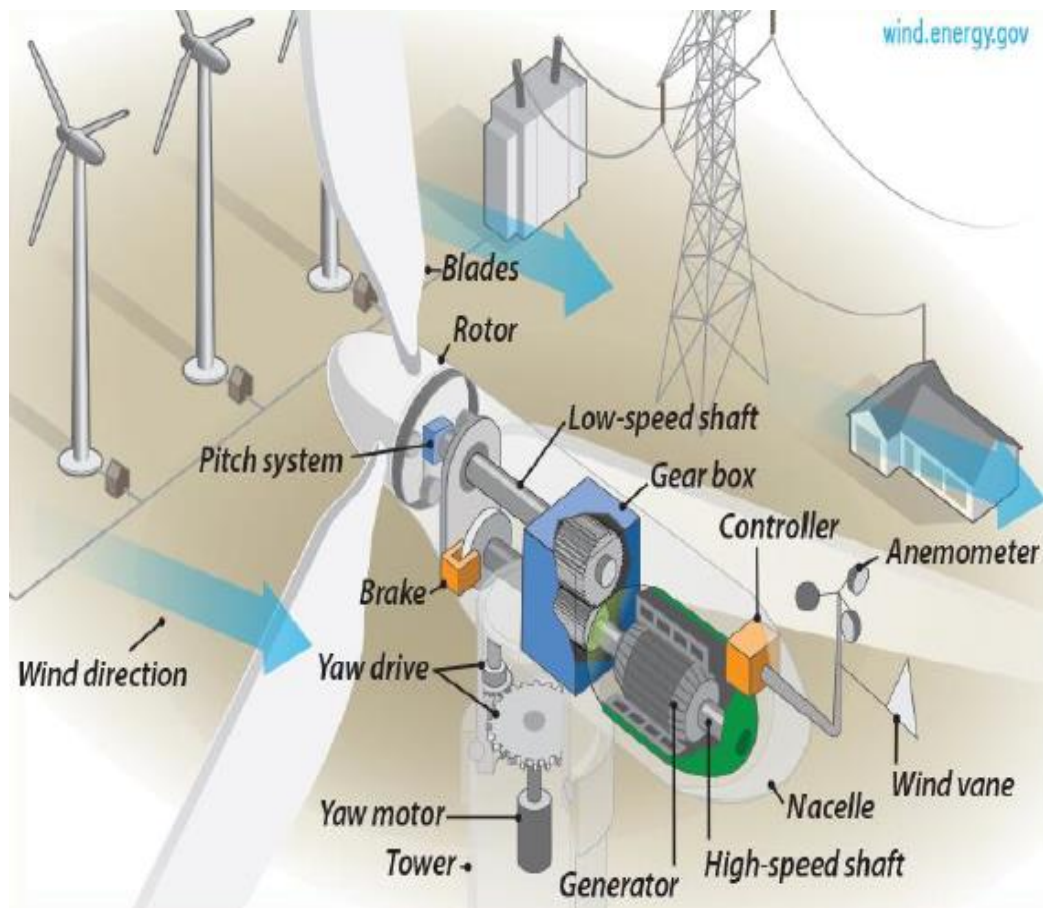
Complex value chain. From raw materials and intermediate goods to final products and services

Tariffs and NTMs to materials and components **affect** the solar power industry

Some **types of NTMs** affecting the global value chain of the solar power industry are: **local content requirements, subsidies, trade remedies, export restrictions**, among others.



Global value chain of wind turbines



- **8,000 different parts** could be needed to build a wind turbine!!

Latest discussions on environmental goods in APEC

- APEC List of Environmental Goods: **Transposition of HS codes** from HS 2012 to HS 2017 has been finalized https://www.apec.org/docs/default-source/groups/mag/apec-list-of-environmental-goods-in-hs2017-for-reference.xlsx?sfvrsn=b7fb6470_1.
- Ongoing work on transposition of HS codes from HS 2017 to HS 2022.
- Discussions to **explore expanding the APEC List of Environmental Goods**
- **Scoping study** on **new and emerging** environmental goods (finalized): <https://www.apec.org/publications/2021/12/scoping-study-on-new-and-emerging-environmental-goods>
- **Study** in progress on **NTMs on trade in goods reducing greenhouse gas (GHG) emissions**. It covers goods beyond the current APEC List of Environmental Goods

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