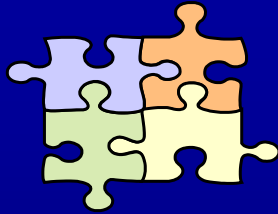

General Principles and the Impact of Environmental Requirements on Key Sectors in the Arab Region

Carol Chouchani Cherfane
Acting Team Leader / First Economic Affairs Officer
Technology and Enterprise Development Team
Economic and Social Commission for Western Asia
 United Nations

Outline of Presentation

- Part I **General Principles**
- Part II **Conceptual Framework** for examining
Standards and Technical Regulations
- Part III Standards and Technical Regulations
Impacting the **Textile/Garment Sector**
- Part IV Environmental, Health and Safety Measures
Impacting the **Pharmaceutical Industry**
- Part V Environment, Health and Safety Requirements
Impacting the **Fisheries Sector** in the Region
- Part VI Considering the Impact of Proposed
Environmental Requirements on the
Electronics Sector



PART I: General Principles

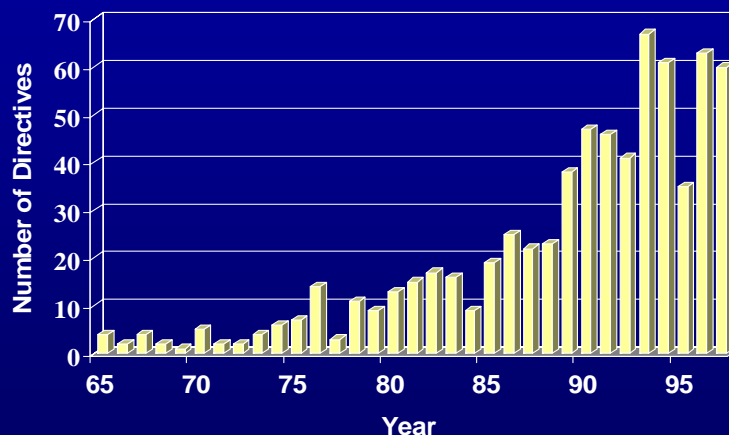
Sustainable Development & Trade

- Concept of **Sustainable Development** emerged during the 1980s alongside trade liberalization movements
 - Trade not an end in and of itself, but means to advance SD
 - Social, economic and environmental aspects of trade liberalization should thus also be considered
 - Standards and technical regulations were seen as instruments that can be used by countries to protect public health, safety and welfare
 - Companies drawing on consumer awareness to access niche markets
- **Trade liberalization** benefits were thus tempered by:
 - Non-tariff barriers to trade (technical regulations) & private standards
 - Limited access to reliable information on markets and poor information dissemination – information necessary for the adequate functioning of free and competitive markets, otherwise transaction costs increase and limit opportunities presented by trade liberalization.
 - **Costs to Small and Medium Sized Enterprises (SMEs)**- which are less able to adjust to new competitive pressures & less able to secure information needed to access new markets & trade opportunities.
 - **Resource constraints** – natural resource limitations, environmental degradation in absence of adequate preventive or mitigating measures.

Trade and Environment Linkages & Implications for Economic Development

- Trade liberalization initially focused on the elimination of “tariff barriers,” e.g., customs duties, quotas and import taxes.
- As trade liberalization advanced, it became evident that “non-tariff barriers” were emerging as alternative means for limiting imports.
 - Question of justifying these measures.
- **Non-tariff barriers include national regulations aimed at protecting the environment, human health and safety.**
 - Key components of Sustainable Development

European Union Legislation on Environment, Health and Safety



From: David Cadogan, Director, European Chemical Industry Council (CEFIC),
 “Phthalates and the European Regulatory Framework,” November 1999
<http://www.ecpi.org/technical-papers/ECPISeminar-nov99/cadogan.ppt>

Implications for Arab Countries

- Nothing wrong with environmental strengthening for the purpose of protecting public welfare.
- **However, developing country exporters generally have a harder time complying with more stringent environmental, health and safety regulations than producers in developed countries, particularly SMEs.**
 - Challenges/costs related to technical capacity; technology transfer; access to investment capital; need for information on standards, markets, consumer preferences, etc.
- Evident implications for national export-led economic growth strategies and for exporters.
- **Non-conformity with environmental regulations in export destination markets means reduced market access and losses to competitiveness in various consumer markets.**

Public International Economic Relations

- The General Agreement on Tariffs and Trade (GATT)
 - Post World War I, entered into force in 1948
 - Purpose: To negotiate **tariff concessions** between signatories and provide a mechanism for dispute resolution. No formal institution.
- World Trade Organization (WTO)
 - Operational January 1995; Secretariat based in Geneva
 - Accession process for Lebanon, Syria, Algeria, Libya, Yemen, Iraq
 - Purpose: To facilitate trade between nations (via trade rounds); **only international organization for negotiations on global trade rules.**
- GATT/WTO Agreements provide the basic legal framework governing international trade among Member States.
- Regional and Bilateral Trade Agreements often include similar framework provisions.

Selected WTO Agreements

(with environmental implications)

WTO Agreements for types of regulations:

- Agreement on Technical Barriers to Trade (TBT)
- Agreement on the Application of Sanitary & Phytosanitary Measures (SPS)
- Trade-Related aspects of Intellectual Property Rights (TRIPs)
- General Agreement on Trade in Services (GATS)
- Agreement on Pre-Shipment Inspection
- Agreement on Import Licensing Procedures
- Agreement on Subsidies and Countervailing Measures

WTO Agreements for specific sectors:

- Agreement on Agriculture
- Agreement on Textiles and Clothing

GATT/WTO General Principles

Article I	Most Favored Nation Clause
Article III	National Treatment Clause
Article VIII	Fees & Formalities Connected with Importation & Exportation
Article X	Publication & Administration of Trade Regulations
Article XI	Elimination of Quantitative Restrictions Clause
Article XX	General Exceptions

Product standards v/s Production methods
Transparency / Notification
Dispute Settlement

Most Favored Nation Clause

Countries must not discriminate between like imported products from different sources (countries).

National Treatment Clause

Countries must not discriminate between imported and like products that are produced domestically.

= Non-Discrimination Principle

- Most Favoured Nation (MFN) clause ensures that imports from all sources are subject to the same treatment.
- National Treatment (NT) clause ensures non-discrimination between domestic and imported goods.

Implications for environmental enforcement, customs, conformity assessment, consumer protection and standard-setting particularly for developing countries with weaker institutions

Article VIII: Fees & Formalities Connected with Import & Export

**Commitment to avoid use of customs
procedures as non-tariff barriers to trade**

For example, countries should not use the following procedures
in excess as way to restrict imports or exports:

- Sampling & testing of goods at customs
- Inspection and pre-inspection procedures
- Documentation requirements
- Certification of customs declarations and documents

*These procedures are a key source of concern for trade
within the Arab Region*

Article X: Publication & Administration of Trade Regulations

Applies to:

- **Transparency of rule-setting process**
- **Notification of rules when adopted**

= Transparency & Notification Principles

**Details in TBT and SPS Agreements & the
Code of Good Practice for the Preparation,
Adoption and Application of Standards
(Annex to the TBT Agreement)**

Transparency / Code of Good Practice

- Countries must NOTIFY the WTO of measures they intend to adopt that:
 - May have a significant impact on trade; and must
 - Provide justification for the rule
- Member States generally have up to 6 months to comment, request clarification or challenge proposed regulations prior to their adoption.
- WTO Secretariat maintains a Central Registry for Notifications and Member States have a WTO Inquiry Point with access to that information.
 - Problem is that only WTO Member State Governments have the right to access this service (not people, not companies unless via IP)

Notifications to the WTO (2000)

Objectives and Rationales	Notifications received in 2000
Consumer Information, Labelling	59
Prevention of Deceptive Practices and consumer protection	55
Protection of Human Health or Safety	254
Protection of Animal or Plant Life or Health	10
Protection of the Environment	58
Quality Requirements	61
Harmonization	74
Adaptation to New Domestic Law and Technology	80
Lowering or Removal of Trade Barriers	13
Trade Facilitation	6
Cost Saving and Increasing Productivity	6
Others	43
Not specified	6
Total	725

Source: WTO

Article XI

Elimination of Quantitative Restrictions

- Prohibits countries from banning the import of any product because only duties, taxes or charges “shall be instituted or maintained on the importation or exportation of any product.”
- Effectively means that WTO Member State can not ban (impose a quota of “zero”) on the export or import of harmful substances
 - *But what about toxic materials? hazardous waste? illicit drugs? sensitive military equipment? etc.*

Implications for

Multilateral Environmental Agreements

Some Multilateral Environmental Agreements (MEAs) conflict with the GATT/WTO principle seeking elimination of quantitative restrictions:

- Basel Convention on Hazardous Waste Trafficking
- Convention on International Trade of Endangered Species (CITES)
- Preventing Trade of Domestically Prohibited Goods

* **REMEMBER:** International trade agreements do NOT have supremacy over international environmental agreements.



General Exceptions to GATT – Article XX

Allows States **NOT** to apply WTO rules for measures:

- a) Necessary to protect public morals;
- b) Necessary to protect human, animal or plant life or health;**
- c) Relating to the importation or exportation of gold/silver;
- d) Necessary to secure compliance...[for] customs enforcement, monopolies, protection of patents, trademarks, copyrights and the prevention of deceptive practices;
- e) Relating to the products of prison labor;
- f) Imposed for the protection of national treasures or artistic, historic or archaeological value;
- g) Related to the conservation of exhaustible natural resources** if such measures are made effective in conjunction with restrictions on domestic production or consumption;
- h) Etc.

How does a Member State Claim Art XX?

- ✓ **Transparency** of process of adopting a technical regulation
 - ✓ **Notification** of expected regulation under Article XX
 - ✓ **Opportunity for Comment** by other Member States, including possible request **Clarification** regarding the draft regulation
 - ✓ **Justification** of regulation if questions asked
 - ✓ **Other procedures under “Code of Good Practice”** for standard-setting
- OR – if challenged (and ONLY if challenged) through
- ✓ **Dispute Resolution**



Dispute Resolution

- **WTO Dispute Resolution Understanding (DSU)** provides the legal framework for enforcing the trade agreement agreed to by its Members.
- **Three Levels of Dispute Resolution:**
 1. Countries are encouraged to engage in **consultations** to settle trade disputes amicably through bilateral or multilateral negotiations.
 2. If consultation is not fruitful, a country (or group of countries) may request the WTO to establish a **dispute resolution panel**
 - Countries in Dispute must Agree on the Panel Members
 3. If decision of Panel not accepted by one of the parties to the dispute, Member can request an **appellate body** to rule on the dispute.
 - But can only rule on the arguments made by the panel, not present or examine new information regarding the case.



But, Enforcement How?

- In the end, Members are Sovereign Countries
- WTO Secretariat can not force countries to change their laws or obey the rules
 - The WTO is only as strong as its Members
- **BUT** non-compliance with decisions of a panel or appellate body allows a country to **secure compensation or impose retaliatory measures** (for example, sanctions, countervailing duties, etc.) **to offset financial loss suffered due to the other country's non-compliance with a DSU ruling**
 - *Thus, Member needs to decide, is the dispute worth it?*



PART II:
**Conceptual Framework
for examining
Standards and Technical Regulations**

**WTO Agreements on
Technical Barriers to Trade (TBT) &
Sanitary & Phytosanitary (SPS)**

- Recognize the right of Member States to set product requirements, as long as technical regulations:
 - **Do not create unnecessary obstacles to trade;**
 - **Are not more restrictive than necessary; and**
 - **Are legitimate** (e.g., based on science, available technology, etc.)
- Applies to industrial and agricultural goods
- Exception for government procurement

Technical Regulations

- “Document which lays down **product characteristics** or their **related processes and production methods**, including the applicable administrative provisions, with which compliance **is mandatory**.”
- “It may also include or deal exclusively with terminology, symbols, packaging, marking and labelling requirements as they apply to a product, process or production method.”
 - TBT Agreement, Annex 1.1
- **Technical regulations should be based on performance, rather than design or descriptive characteristics** (TBT Agreement, Article 2)

Standards

- “Document approved by a recognized body, that provides, for common and repeated use, rules, guidelines or **characteristics for products or related processes and production methods**, with which compliance is **not mandatory**.”
- It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method.”
 - TBT Agreement, Annex 1.2

Four Types of Standards in International Trade

1. **Product Requirements**
 - For example, maximum contents requirements of carcinogenic or radioactive elements in foods or textiles; packaging requirements
2. **Production & Process Methods (PPMs)**
 - For example, water effluent standards, stack emissions on air pollution; use of organic inputs – often are domestic standards
3. **Conformity Assessment**
 - To prove conformity with product or PPM requirements.
 - Requires access to accredited laboratories (oftentimes based abroad), advanced understanding of certification and testing procedures
 - Increases the cost of compliance
4. **Dispute Resolution**
 - Public International Law = Inter-governmental dispute resolution – could go to WTO (highly politicized)
 - Private contract law = between firms; suppliers often disadvantaged.

Process and Production Methods (PPMs)

- Countries are generally NOT allowed to pass regulations that differentiate between products based on their process or production methods.
- Accordingly, even if two items are produced differently (one in a polluting manner and the other in a non-polluting matter), they ARE still considered LIKE products.
- Sample PPMs (which usually can *not* be tested for by testing the end-product itself, since it involves certification of the way it is produced):
 - Organic agricultural and agro-food products
 - Use of genetically modified organism (GMO) seeds
 - Highly energy intensive v/s energy efficient production
 - Child labor, prison labor

WTO Preference for International Standards

- The WTO strongly encourages States to adopt national standards that are in conformity with standards formulated by international standard-setting bodies.
 - Codex Alimentarius (UN Food and Agriculture Organization)
 - International Office of Epizootics
 - International Plant Protection Convention(as outlined in the WTO Agreement on Sanitary and Phytosanitary Standards (SPS), adopted in 1995)
- However, WTO does not require harmonization with international standards, since the adoption of technical regulations is the sovereign right of countries.

International Standards/National Regulations

- Governments may adopt standards (environmental, health, safety) that are ABOVE international standards as mandatory technical regulations, provided that they are:
 - scientifically justified and
 - provide for the least intrusive impact on trade.
- ★ Kindly recall: WTO Agreements do NOT contain specific standards, but provide the rules that govern how standards and regulations that may impact trade may be developed and enforced.

Conceptual Framework for Analysis

Thus, when considering the impact of environmental measures on output or trade, and possible policy implications and responses, one might think in terms of the following box

	Product Standards	Process & Production Methods	Conformity Assessment	Dispute Resolution
Regulatory Measures	<ul style="list-style-type: none"> Environment, Health & Safety Laws 	<ul style="list-style-type: none"> Compliance with Domestic Environmental Laws 	<ul style="list-style-type: none"> Laboratory Accreditation, testing and certification 	<ul style="list-style-type: none"> WTO Regional or bilateral negotiations
Voluntary Measures	<ul style="list-style-type: none"> Industry Standards & Specifications 	<ul style="list-style-type: none"> Eco-labeling Niche Markets 	<ul style="list-style-type: none"> Eco-labeling Importer testing 	<ul style="list-style-type: none"> Private Contract Law



METAP MedPolicies Initiative

- The MedPolicies Initiative of the Mediterranean Environmental Technical Assistance Program (METAP) supports capacity-building on ways to **assess the impact of conformity with environmental requirements on competitiveness & international trade.**
 - Project supported by the World Bank since 1997
 - Implemented by ESCWA since 2001 (HIID from 1997-2000)
 - METAP is a partnership between the EU, EIB, UNDP and the World Bank and bilateral donors (Swiss, Finn)
- Initiative focused on policy analysis, training, case studies, rapid assessments, consultations, and mechanisms for policy coordination.

Measuring the Cost of Compliance with Standards & Regulations

METAP MedPolicies Initiative: The Larson Model

- Simple (5 variables; Excel-based)
- Empirically tractable partial-equilibrium model
- Economic forecasting policy tool
- Estimates the percentage change in output, exports and imports from compliance with a standard or technical regulation (focus on environmental requirements)
- Environmental measure examined may be voluntary or regulatory and required in a destination market or by domestic environmental regulation, or the impact of a generic increase in the cost of production could be estimated.



Larson Model

The methodology is based on five main questions:

- 1) What is the environmental policy change?
- 2) How and by how much does the policy change raise costs to business (initially)?
- 3) By how much might output levels adjust to such cost increases?
- 4) How will these output changes translate into changes in trade flows (exports / imports)?
- 5) How can efficiency gains be accounted for during adjustment?
- 6) How much can costs be transferred to consumers in the international market place (for example, through eco-labeling regimes)?

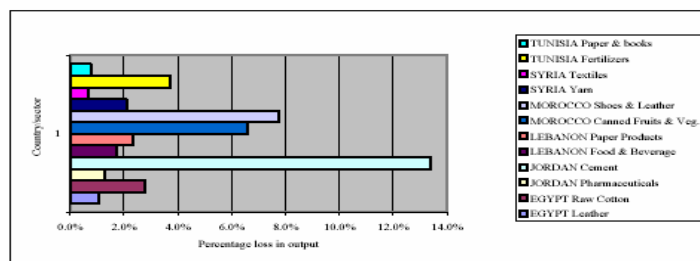
Larson Model

The main variables:

- 1) Input cost change
- 2) Profitability
- 3) Output
- 4) Exports as a share of total output
- 5) Input elasticity
- 6) Supply elasticity

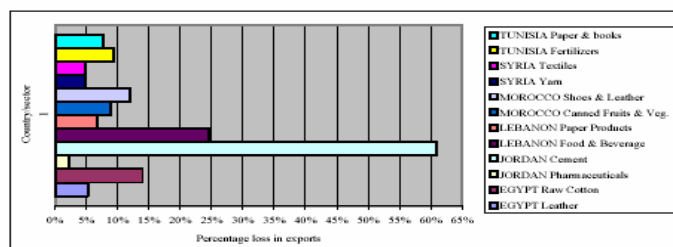
Can look at impact of
SAME REGULATION on DIFFERENT sectors or
DIFFERENT REGULATIONS to the SAME sector

Figure 1. Impact on output of 100 per cent increase in energy/electricity costs on selected sectors

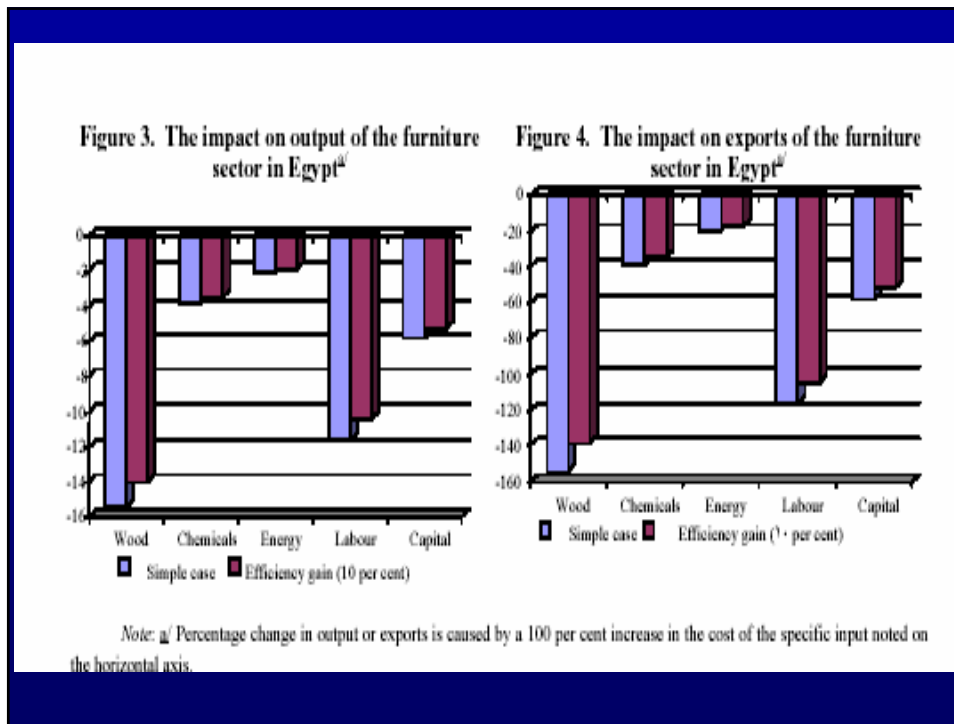


Source: B Larson, "Rapid assessment summary notes", which was a PowerPoint presentation given the METAP High Level Meeting on Economic Tools for Environmental Sustainability (Beirut, 25-27 June 2003).

Figure 2. Impact on exports of 100 per cent increase in energy/electricity costs on selected sectors



Source: B. Larson, "Rapid assessment summary notes", which was a PowerPoint presentation given the METAP High Level Meeting on Economic Tools for Environmental Sustainability (Beirut, 25-27 June 2003).



PART III:
Standards & Technical Regulations
Impacting the
Textile & Garment Sector

Textiles

Textile finishing stages of production



Characteristics of wastewater effluent from the textile finishing stage

Desizing	Scouring	Bleaching	Mercerizing	Dyeing
<ul style="list-style-type: none"> •High BOD •Neutral pH •High total solids 	<ul style="list-style-type: none"> •High BOD •High alkalinity •High total solids •High temperature 	<ul style="list-style-type: none"> •High BOD •Alkaline •High solids 	<ul style="list-style-type: none"> •Low BOD •Alkaline •Low solids 	<ul style="list-style-type: none"> •High BOD •High solids •Neutral to alkaline

TABLE 6. ENVIRONMENTAL EFFECTS AND HEALTH RISKS OF RESTRICTED SUBSTANCES IN APPAREL PRODUCTS

Description	Environmental effects	Health risks
Azo-dyes	W	C
Sensitizing disperse dyes	W, S	A
Flame retardants	A, W	I
Formaldehyde	A	C, A
Pentachlorophenol (PCP)	P, W	T
Organotin compounds (combines tin with organics)	A, W	E
Polyvinyl chloride (PVC)	P, T	T
Phthalates	A	O
Nickel	W, S	C, A
Metals, including antimony, arsenic, barium and selenium	W, S	V
Mercury	A, W, S	N, C
Cadmium	A, W, S	C
Lead	W, S	N, C, I, V
Chromium VI	W, S	C, A, S
Asbestos	A, W, S	C, O
Dioxins and furans	A, W, S, B, P	C, B
Pesticides	A, W, S	C, S

Key to abbreviations used in environmental effects	
A	Air pollution
B	Bioaccumulates
P	Environmentally persistent
S	Soil pollution
T	Results in toxic waste
W	Water pollution

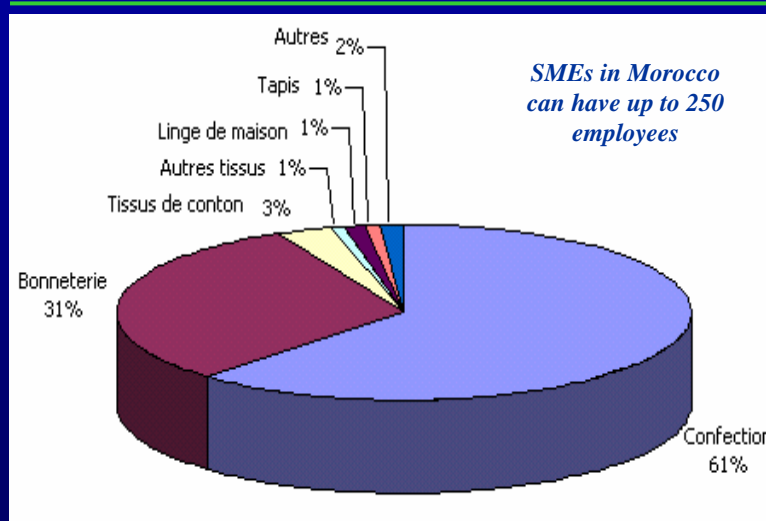
Key to abbreviations used in health risks	
A	Allergic reaction
B	Bioaccumulates
C	Suspected carcinogenic amines
E	Endocrine disrupters
I	Immune system
N	Damaging to nervous system and brain
O	Suspected harmful to body organs
S	Corrosive to skin
T	Toxic
V	Various negative effects on human health

Source: Business for Social Responsibility (BSR). "Restricted substances in apparel products: implementation resources" (January 2002), which is available at: www.bsr.org/CRResources/Environment/RSIImplementationResources.pdf

Textile/Garment Industry in Arab Region: Most Troublesome Environmental Requirements

	Product Standards	Process & Production Methods	Conformity Assessment	Dispute Resolution
Regulatory Measures	<ul style="list-style-type: none"> Azo dyes Flame retardants Heavy metals Labeling Packaging 	<ul style="list-style-type: none"> Compliance with domestic environmental laws: wastewater effluent treatment Rules of origin 	<ul style="list-style-type: none"> High cost of product testing prior to export Limited number of accredited labs in region 	<ul style="list-style-type: none"> Communication links between firms & trade ministries poor Politicization of inter-government dispute settlement
Voluntary Measures	<ul style="list-style-type: none"> Eco-labeling 	<ul style="list-style-type: none"> Eco-labeling ISO Labor standards 	<ul style="list-style-type: none"> Cost of maintaining eco-label On-site inspections by importer 	<ul style="list-style-type: none"> Time/cost needed to enforce contracts

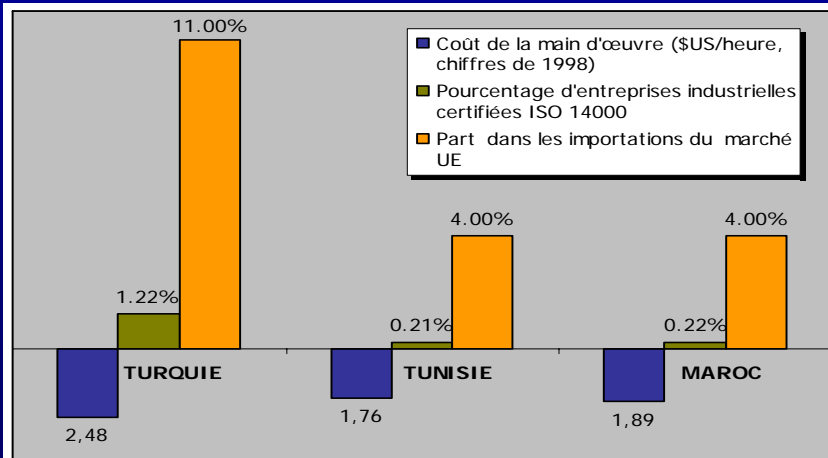
Case Study: SMEs in the Moroccan Textile/Clothing Sector



From case study prepared for METAP/ESCWA by Karim Laraki

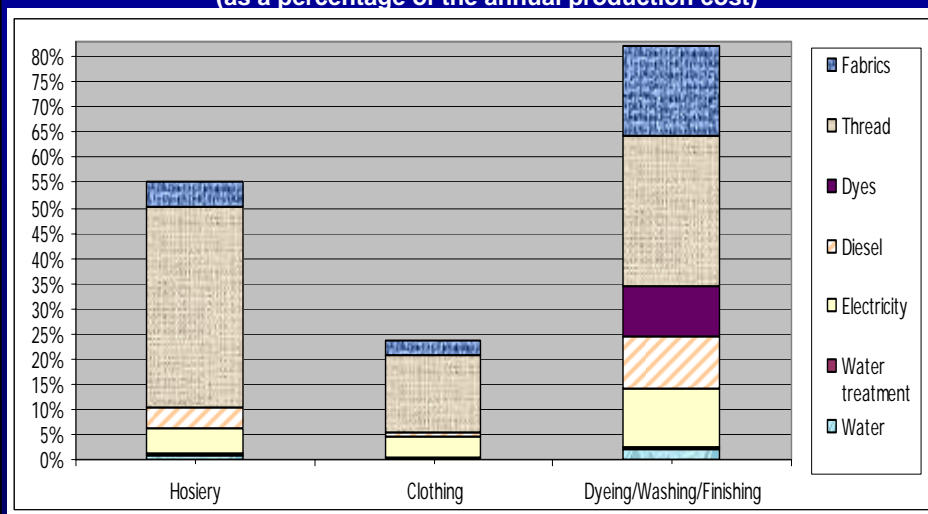
Morocco: Textile/Garment Sector Background

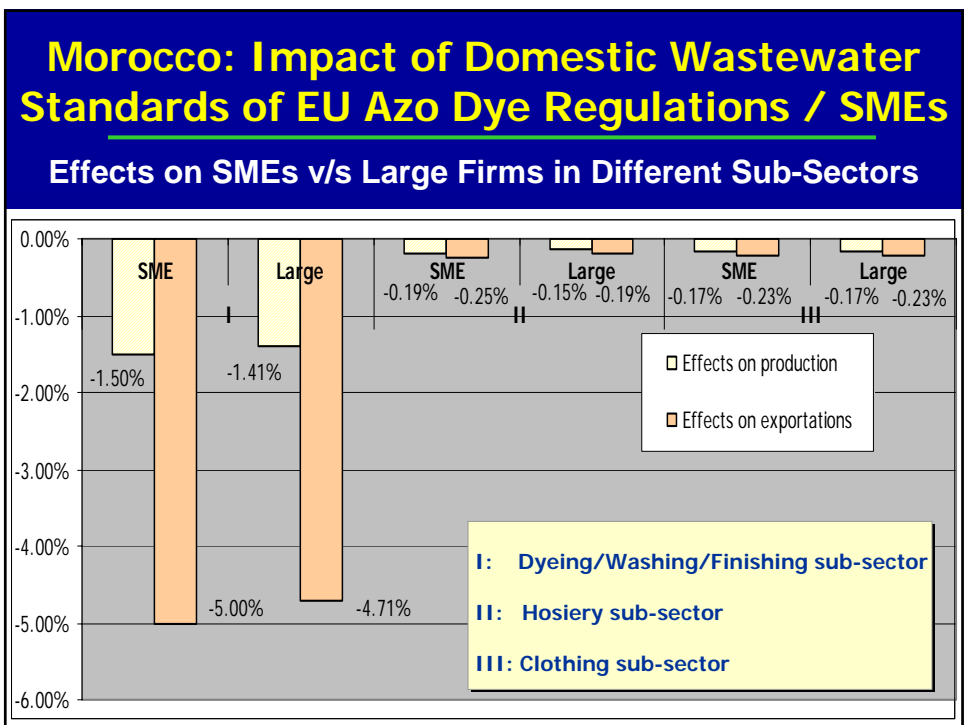
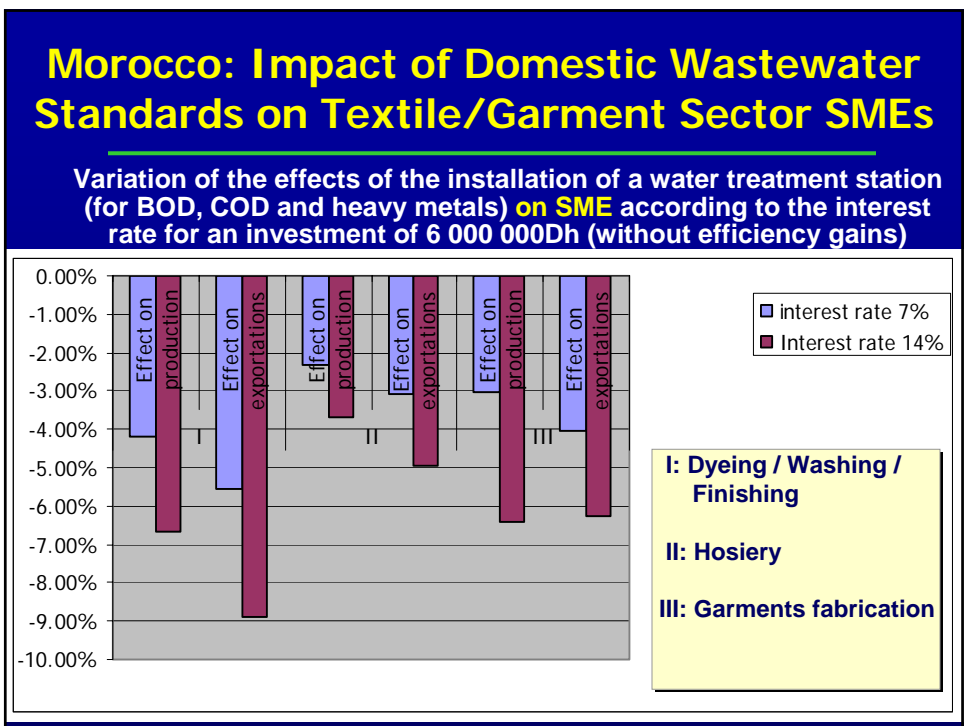
Comparison between labor costs, ISO 14000 certification and share in European imports for Morocco, Tunisia and Turkey

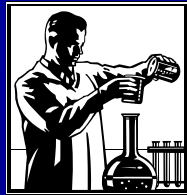


Morocco: Impact of Domestic Wastewater Standards on Textile/Garment Sector SMEs

Principal factors of production by branch (excluding labor)
(as a percentage of the annual production cost)







PART IV:
Environmental, Health and Safety Measures Impacting the Pharmaceutical Industry



Pharmaceuticals Industry in the MENA Region: Most Troublesome Environmental Requirements

	Product Standards	Process & Production Methods	Conformity Assessment	Dispute Resolution
Regulatory Measures	<ul style="list-style-type: none"> • Expiry date • Drug stability • Banned use of Bovine-derived materials • Labeling • Packaging 	<ul style="list-style-type: none"> • Good Management Practices (GMP) • Licensing • Patents (IPR) 	<ul style="list-style-type: none"> • High cost of product testing prior to export • Limited number of certified labs and technical equipment in region, plus costly 	<ul style="list-style-type: none"> • Communication links between firms & trade ministries poor • Politicization of inter-government dispute settlement
Voluntary Measures	<ul style="list-style-type: none"> • Eco-labeling 	<ul style="list-style-type: none"> • Good Lab Practices (GLP) – [required only by Qatar] 	<ul style="list-style-type: none"> • On-site inspections by importer • Product testing by importer 	<ul style="list-style-type: none"> • Time/cost needed to enforce contracts

Pharmaceuticals Industry: Examples from the MENA Region

- **Process Requirement and Conformity Assessment - Good Manufacturing Practices/Good Laboratory Practices:** GMP required by ~all Arab countries; GLP by Qatar – thus Qatar doesn't accept certification by countries in region, because none accredited to issued GLP certification. Hazardous waste disposal issue.
- **Syria – Licensing, IPR and Protecting Human Health**
 - Ministry of Health allows local production of imported drugs to provide cheaper alternatives to local population; matched with import ban.
- **Jordan v/s Lebanon: Registering new drugs:**
 - Could take 2 years in Jordan, and only 3 months in Lebanon.
- **Saudi Arabia – Product requirements**
 - No bovine-derived materials, coloring of medicines based on WHO standards, no alcohol in medicine (= cultural requirement)
- **Egypt – Non-discrimination principle challenge**
 - To export drug to Egypt, must be FDA approved, even though many drugs produced/sold in Egypt not FDA approved.



PART V: Environment, Health and Safety Requirements Impacting the Fisheries Sector in the Arab Region



Fish and Food Safety

- **EC Directive 2003/858L Commission directive laying down the animal health conditions and certification requirements for imports of live fish, their eggs and gametes intended for farming, and live fish of aquaculture origin and products thereof intended for human consumption**
 - Establishes Animal Health and Certification Requirements on Fish Imports intended for Human Consumption
- **On-line notification system indicating number and types of establishments certified for import to the EU**
- **Limited number of certified vessels from Arab countries**
- **Oman and Yemen have received considerable technical assistance to help their fishing fleets come into compliance with EC requirements**
- **Note: In March 2005, NO vessels from Kuwait or Saudi Arabia were certified for export to EC, now some in process.**

EC-Certified Arab Exporters of Fish Products

Country	Number of Establishments	Establishments Type	Date decision into effect	Date of Expiry
Egypt	4	PP	24/11/2004	Mid-2005
Mauritania	100 53	ZV PP	24/02/2005	None noted
Morocco	333 333	ZV PP	29/09/2004	None noted
Oman	24	PP	31/03/2004	None noted
Tunisia	31 75 2	ZV PP PPa	24/01/2005	None noted
United Arab Emirates	9 1	PP Ppa	24/02/2005	None noted
Yemen	22	PP	17/03/2004	None noted

ONLY ARAB COUNTRIES CERTIFIED KEY: **ZV** = Freezer vessel ; **PP** = Processing Plant; **PPa** = Plant processing only or partially materials derived from aquaculture (farmed products).

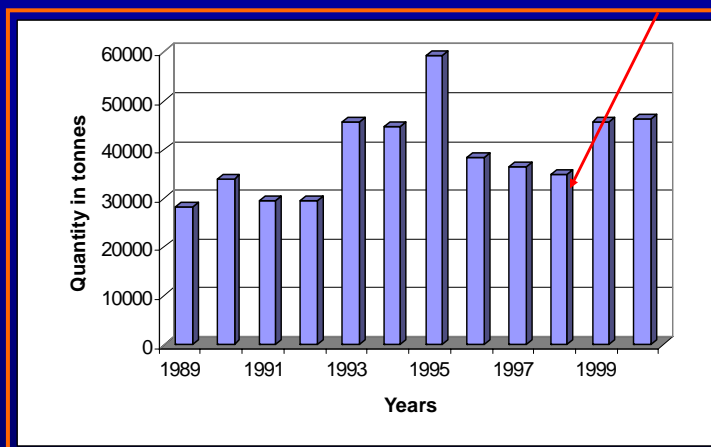
WTO Commitments and the Omani Fisheries Industry

- **Oman joined the WTO in 2000**
- **WTO Negotiations on Fisheries (not under CTE) focus on subsidies, including possible subsidies for artisanal fisheries sector (more traditional fisheries)**
- **Oman's commitments with respect to market access, domestic support and export subsidies are not particularly challenging as the applied tariffs for most products are historically low and the levels of domestic support and export subsidies are small**
- **The challenging task for Oman and the local fish industry is to meet the WTO requirements on sanitary and phytosanitary measures (SPS)**

From case study prepared for ESCWA by Hamed Al-Oufi, Sultan Qaboos University, Oman

Fish Exports Oman

EU ban



Exports to 60 countries by 2000, compared to 34 countries in 1996

Total Omani fish exports in metric tonnes (1989 - 2000)

SPS requirements have been addressed, with 50% of all processing plants in Oman now HACCP certified

In 2000, 46,409 tons of fish exported, valued at US\$ 97 million.



PART VI: Considering the Impact of Proposed Environmental Requirements on the Electronics Sector



New EU Directive on the Electronics Industry (1)

- Directive 2002/95/EC of the European Parliament and of the Council of 27 January 2003 restricts the use of certain hazardous substances in electronic equipment and states that of 1 July 2006
 - Means that these items sold in the EU cannot contain **lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) or polybrominated diphenyl ethers (PBDE)**.
 - ANNEX to Directive EXEMPTS lead which is commonly used for soldering. Without Exception, would have been problematic for electronics manufacturing, particularly since alternatives for soldering, such as **silver or antimony**, would need to be used. However, these two metals are expensive and can leach into water sources and cause adverse environmental and health effects, which may be worse than that caused by lead.
 - Without ANNEX, would bring into question whether banning lead in electrical equipment is the most effective (or least trade-restricting) option

New EU Directive on the Electronics Industry (2)

- Directive 2002/96.EC of the European Parliament and of the Council of 27 January 2003 on waste electrical and electronic equipment (WEEE), establishes a framework for regulating the recycling of waste electrical and electronic equipment (WEEE) within the EU
 - Sets various targets, including a 13 August 2005 deadline for Member States to establish the financial mechanism that ensure that the collection, treatment, recovery and environmentally sound disposal of WEEE (other than those purchased by private households) be provided by producers.
 - This is based on the polluter-pays principle and would require manufacturers of WEEE (including those abroad) to be responsible for its disposal. Manufacturers will need to demonstrate compliance with these two regulations if they are to access the European market.
 - Note that mechanisms will also be put into place to ensure that private households also recycle electronic items.
- Questionable whether this is an acceptable PPM measure.

Implications & Recommendations

1. Decision-makers need to consider socio-economic impacts (costs) of regulations on:
 - *Small enterprises v/s large enterprises*
 - *Different sub-sectors in an economic sector*
 - *Output v/s exports v/s imports*

Policy instruments need to be well targeted to meet policy objectives.
2. What is on the WTO Agenda is not necessary what is most important for Arab States:
 - *proactive efforts needed to shape the agenda*
3. Capacity building in standard-setting needed to:
 - *Establish (or question) scientific justification*
 - *Ensure transparency & notification (rights & responsibilities)*
 - *Strengthen conformity assessment*

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