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## Negotiations on EGS and the Implications for the Arab Countries and Jordan

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حلقة النقاش الوطنية حول التجارة والبيئة  
Ministry of Environment – Amman, Jordan  
11 December 2006*

## This presentation

The following acronyms  
will be used :

EGS – Environmental Goods & Services

EG – Environmental Good

ES – Environmental Service

EGTL – EG Trade Liberalisation

DCs – Developing Countries

ROW – Rest of World

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## EGS Trade Liberalisation

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### Why:

- Doha Mandate

*enhance the mutual supportiveness of trade  
and environment*

### What's involved:

- Worldwide reduction of EG tariffs
- Significant opening of ES sectors to foreign presence

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## EGS Trade Liberalisation & ESCWA

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### Future expectations:

Regional demand for ES (high)

- Regional EGS supply (growing)
- EGS imports from ROW (↑)
- EGS availability & infrastructure (improve)
- EGS costs (↓)

World demand for ES

- ESCWA EGS exports (↑)

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## EGS Trade Liberalisation & ESCWA

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### Assessment tools:

- Data on regional EGS demand
- Country experiences with ES liberalisation
- Data on EG tariffs (ESCWA and ROW)
- Data on EG trade (ESCWA and ROW)
- *State of Play* in EGS negotiations



Data analysis, interpretation and modelling

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## EGS Trade Liberalisation & ESCWA

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### Results:

- We can infer the direction and magnitude of static effects (immediate)  
*Results can guide negotiation strategies*
- We can say little about much more important dynamic effects (long term)
- **But** supportive national and regional policies should be developed to encourage net economic gains, including by developing regional supply capacities for ES and productive capacities for EGs

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## New ESCWA Study

- Reviews regional trends related to water, energy and solid waste management, and related market requirements for EGS
- Examines the potential of international trade to help meet these requirements, build EGS supply capacities, and generate EGS export opportunities for the region
- Discusses implications of multilateral EGS negotiations for regional markets

[Available soon on ESCWA website](#)

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## Today's Discussion

### *Part 1 - Environmental Services*

- The Doha Mandate on environmental services (ES) and the WTO CTE negotiations
- What is an ES ? – traditional public services
- How negotiated – GATS approach
- Trade in ES – some estimates
- Dynamic gains for Trade Liberalisation (TL)
- FDI
- Employment
- The Outlook for ESCWA Countries
- Recommendations for the negotiations

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## Doha Mandate on EGS

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- *commitment to sustainable development (SD)*
- *mutually supportive T&E policies*
- *a share in the growth of world trade for DCs*
- *needs of DCs' economic development*
- *enhanced market access for DCs*
- *less than full reciprocity in liberalisation commitments*

**Any agreement on ES  
should reflect these principles**

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## Doha Mandate on ES

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- The Doha Declaration calls for negotiations on "the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services"
- ES liberalisation negotiated under the (2<sup>nd</sup> round of) GATS negotiations
- Following four years of GATS negotiations on environmental services, most all developed countries, but few developing countries have made 'offers' to open their environmental services markets

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## What is an ES ?

- The definition and scope of environmental services under discussion in WTO negotiations are agreed upon: United Nations Central Product Classification (Provisional CPC) is used
- Under the CPC, the Environmental services sector comprises:

- sewage services
  - refuse disposal services
  - sanitation and similar services
- Members focusing on these services**
- other (cleaning services for exhaust gases, noise abatement services, nature and landscape protection services, and other environmental services not elsewhere classified)

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## GATS Negotiations

### General Agreement on Trade in Services

- Negotiated in the Uruguay Round (1996)
- GATS operates on four levels:
  - The main text containing general principles and obligations – *MFN, national treatment*
  - Annexes dealing with rules for specific sectors
  - Individual Members' specific commitments to provide access to their markets (schedules – NT and market access)
  - Lists showing where Members are temporarily not applying MFN

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## GATS Negotiations

- **Most Favoured Nation (MFN)**
  - If a Member allows foreign competition in a sector, equal opportunities in that sector must be given to service providers from all other WTO Members
- **National Treatment**
  - Members will not operate discriminatory measures that benefit domestic service providers over foreign service providers
- **Transparency**
  - Members must publish all relevant laws and regulations affecting services sectors and set up inquiry points providing information about regulations in any service sector

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## GATS Negotiations

- Four **modes of market access** are defined for each sector:
  - **Mode 1** – cross border exchange  
eg., outsourcing often based on ICT
  - **Mode 2** – consumption abroad  
eg., tourism
  - **Mode 3** – commercial presence  
eg., foreign enterprise moves into country
  - **Mode 4** – movement of natural persons  
eg., foreign workers temporarily in country to provide services

**Environmental services  
involves Modes 3 and 4**

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## Dynamic Gains

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### Positives

ES TL can:

- Increase FDI
- Improve services infrastructure with s-o-a technologies
- Yield economic spillovers – increase demand for local capital and services inputs
- Generate employment opportunities
- Reduce costs for consumers due to increased efficiencies
- Improve services offerings
- Free-up government budget for other expenditures

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## Dynamic Losses

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### Negatives

ES TL may:

- Not generate desired spillovers and employment of nationals if commitments are too loosely structured
- Result in higher costs to consumers if management encounters unanticipated costs – due to lack of awareness of local/national constraints or burdensome bureaucracy and red-tape
- Not support universal access as former state-owned utilities had
- May result in employment dislocations for many redundant former utilities workers
- May displace emerging national firms from participating in the sector

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## Dynamic Gains

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### Trade can play a pivotal role in:

- assuring the availability of modern cost-effective environmental services
- development of a domestic supply of some of environmental services through association of domestic with foreign firms, improved access to technology, and dynamic efficiency gains brought by increased competition
- Attracting FDI
- Generating direct and indirect employment

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## The Outlook for ESCWA Countries

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- Tendency towards state-owned natural monopolies in ESCWA Countries [sewage, water treatment and distribution, refuse disposal infrastructure]
- In most cases liberalization will require privatization as a first step – proper timing and sequencing of steps to take must be well-planned
- Need to establish regulatory, competition and enforcement capabilities for private sector
- Regulatory objectives: rates, universal access, standards and quality of the service, competition, and addressing negative externalities all must be set

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## The Outlook for ESCWA Countries

- Full-cost recovery from consumers is the ideal long-term goal – need for subsidisation or cross-payments for low income population
- Small size of some national ES markets may favour privatisation followed by liberalisation as national firms may not materialise
- An evaluation of public versus private policy alternatives is required
- A “one size fits all approach” does not exist – the best policies are service and country specific

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## Today's Discussion

### *Part 2 - Environmental Goods*

- The Doha Mandate on environmental goods (EGs) and the WTO CTE negotiations
- What is an EG ? – *no agreement*
- Proposed EGs and Project Approach
- Trade in EGs – *Trade flows and tariffs*
- Dynamic gains for Trade Liberalisation (TL)
- Trade complementarity among ctys ?
- Modelling TL in EGs – preliminary results
- The Outlook for ESCWA Countries
- Recommendations for the negotiations

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## Doha Mandate on EGs

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- 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 without defining what these goods are !*
- The WTO Committee on Trade and Environment (CTE) seeks to define EGs
- However, despite over four years of CTE negotiation on environmental goods, WTO members have been unable to agree on a definition of environmental goods or an agreed list of such goods

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## What is an EG ?

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- There are two broad classes of environmental goods under discussion in WTO negotiations
- Manufactured goods and chemicals used directly in the provision of environmental services
- Raw and manufactured goods not associated with providing environmental services. They have reduced negative, or positive, effects on the environment
- All EGs belong to one of these two classes

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## What is an EG ?

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**Environmental Goods**

**Class A**

Goods used to provide environmental services

- wastewater treatment
- solid waste management
- air pollution control
- noise abatement
- environmental remediation, ecosystem management

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## What is an EG ?

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**Environmental Goods**

**Class B**

Goods with positive environmental characteristics relative to substitute goods

Generally used for purposes other than environmental ones in commercial and household applications

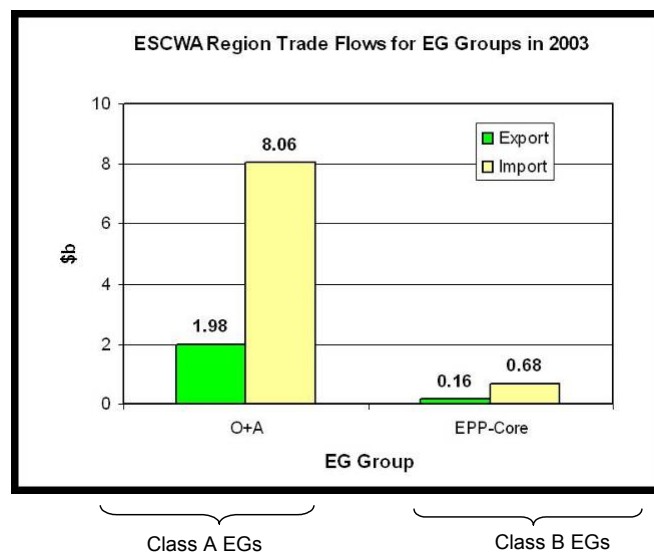
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## EG Trade; Trade flows and tariffs

- We examine trade in the Class A EGs including all of the OECD and APEC listed goods  
**We call these O+A EGs**
- We further examine the flows of Class B EGs, or EPPs, as compiled by UNCTAD  
**We call these EPP-core EGs**
- Also, we will look at current levels of tariff protection applied to these goods
- A special examination is made of ESCWA Country trade flows and tariffs

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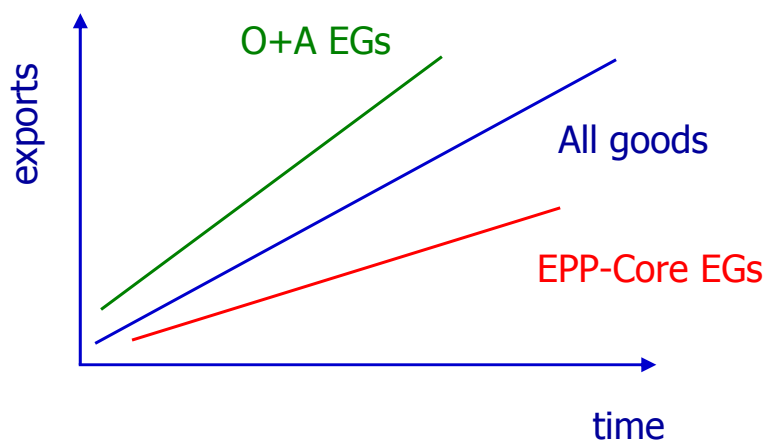
## EG Trade; Trade flows



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## Dynamic gains

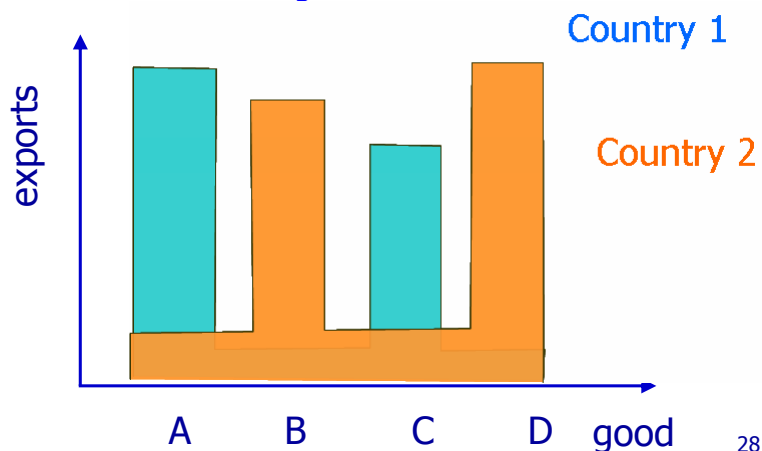
- Developing country export growth rates for EGs compared to overall export growth rates



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## Trade Complementarity

- This occurs due to trade specialisation, different countries tend to have export strengths in different sets of goods



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## Trade Complementarity

- Trade liberalisation of **O+A EGs** can increase South-South trade, but there will be some sensitive products – different for each developing country – whose producers may suffer from increased imports from the North
- **Dynamic gains are expected**
- Trade liberalisation of **EPP EGs** can increase South-North trade, but with continued competition among developing countries to access Northern markets
- Some increase in South-South trade should occur
- **Dynamic gains are much more limited**

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## The Outlook for ESCWA Countries

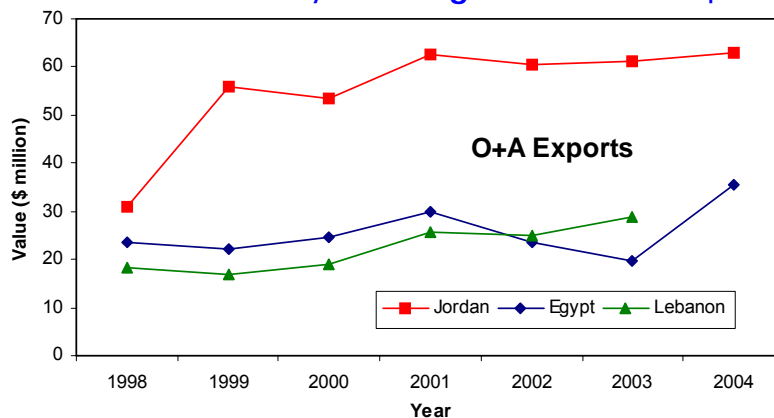
### **O+A - Limited data suggests:**

- O+A EGs account for 4% of ESCWA imports, but only 2% of ESCWA non-fuel exports (2003)
- Chemicals account for the major share of ESCWA O+A exports
- Data for Bahrain, Kuwait, Qatar and Saudi Arabia show they are major world exporters of two O+A chemical goods (Methyl Alcohol and Anhydrous Ammonia)
- Only Egypt, Jordan, Lebanon and Syria exhibit significant diversified exports of O+A manufactured goods

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## The Outlook for ESCWA Countries

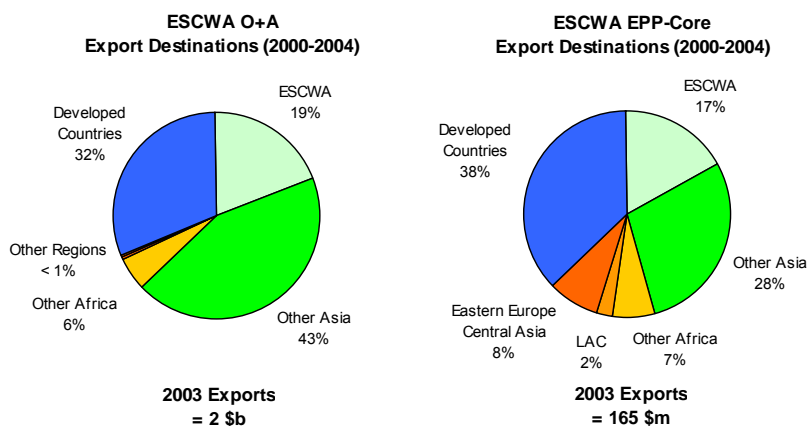
- Egypt (4%), Jordan (7%) and Lebanon (11%) all exhibit steady **annual growth** in O+A exports



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## The Outlook for ESCWA Countries

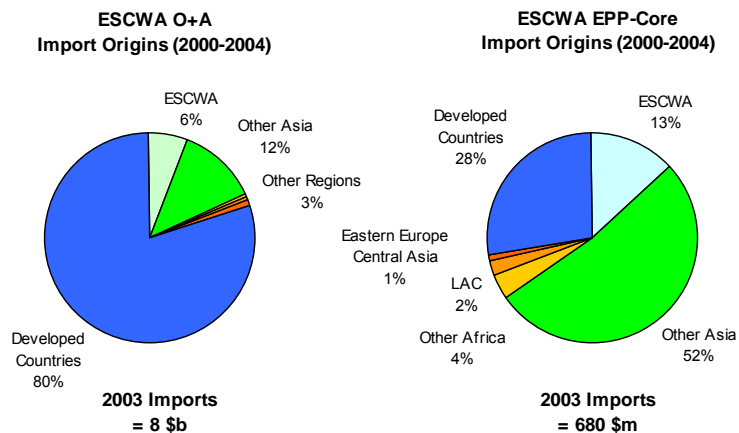
- Large share of EG exports to ESCWA and Other Asia



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## The Outlook for ESCWA Countries

- However, O+A imports remain predominantly from developed countries



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## The Outlook for ESCWA Countries

- Top O+A Trade of the Mashreq Countries

**Top 5 O+A Exports / Imports of the ESCWA Countries**  
(latest available data given, totals are value of top 5 exports / imports as percentage of total O+A exports / imports)

| ESCWA Country (year)   | Trade Flow   | HS 1996 code | Product   | Value (\$US) |           |
|--|--|--------------|---|--------------|-----------|
| Mashreq Countries (2004)   | Exports  | 392690       | Plastic articles nes                                      | 19,346,923   |           |
|  |  | 392020       | Sheet/film not cellular/reinf polymers of propylene       | 12,342,561   |           |
|  |  | 841381       | Pumps nes   | 12,293,475   |           |
|  |  | 854389       | Other electrical machines and apparatus with one function | 7,737,414    |           |
|  |  | 320990       | Polymer based paints & varnishes nes, aqueous medium      | 5,454,668    |           |
|  | <b>Total value of top 5 exports as percentage of total O+A exports</b> |              |   |              | <b>48</b> |
|  | Imports  | 847989       | Machines and mechanical appliances nes                    | 167,925,065  |           |
|  |  | 848180       | Taps, cocks, valves and similar appliances, nes           | 69,121,893   |           |
|  |  | 392690       | Plastic articles nes                                      | 56,388,529   |           |
|  |  | 392020       | Sheet/film not cellular/reinf polymers of propylene       | 44,201,938   |           |
| 841381   |  | Pumps nes    | 41,116,914  |              |           |
| <b>Total value of top 5 imports as percentage of total O+A imports</b> |  |              |   | <b>39</b>    |           |

Multiple-use... HS 392690 covers screens & strainers and household waste collection eqpt., HS 847989 covers recycling eqpt., but much more than that too...

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## The Outlook for ESCWA Countries

### - Top O+A Trade of Jordan

**Top 5 O+A Exports / Imports of the Jordan**

(latest available data given, totals are value of top 5 exports / imports as percentage of total O+A exports / imports)

| ESCWA Country (year)   | Trade Flow   | HS 1996 code  | Product   | Value (\$US) |           |
|--|--|---|---|--------------|-----------|
| Jordan (2004)  | Exports  | 392020  | Sheet/film not cellular/reinf polymers of propylene       | 5,877,060    |           |
|  |  | 731010  | Tank, cask or container, iron/steel, capacity 50-300l     | 4,413,410    |           |
|  |  | 854389  | Other electrical machines and apparatus with one function | 4,278,630    |           |
|  |  | 280110  | Chlorine  | 3,826,058    |           |
|  |  | 392690  | Plastic articles nes                                      | 3,040,381    |           |
|  | <b>Total value of top 5 exports as percentage of total O+A exports</b> |   |   |              | <b>38</b> |
|  | Imports  | 392690  | Plastic articles nes                                      | 19,985,363   |           |
|  |  | 392020  | Sheet/film not cellular/reinf polymers of propylene       | 14,605,699   |           |
|  |  | 847989  | Machines and mechanical appliances nes                    | 14,098,498   |           |
|  |  | 841381  | Pumps nes   | 11,599,465   |           |
| 842121   |  | Water filtering or purifying machinery or apparatus | 7,528,595   |              |           |
| <b>Total value of top 5 imports as percentage of total O+A imports</b> |  |   |   | <b>35</b>    |           |

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## The Outlook for ESCWA Countries

### - Top O+A Trade of the Gulf Countries

**Top 5 O+A Exports / Imports of the ESCWA Countries**

(latest available data given, totals are value of top 5 exports / imports as percentage of total O+A exports / imports)

| ESCWA Country (year)   | Trade Flow   | HS 1996 code | Product   | Value (\$US) |           |
|--|--|--------------|---|--------------|-----------|
| Gulf Countries (2002)  | Exports  | 290511       | Methyl alcohol                                      | 509,080,207  |           |
|  |  | 281512       | Sodium hydroxide (caustic soda) in aqueous solution | 87,764,965   |           |
|  |  | 281410       | Anhydrous ammonia                                   | 46,971,974   |           |
|  |  | 701990       | Glass fibres, glass wool and articles thereof nes   | 27,116,245   |           |
|  |  | 841989       | Machinery for treatment by temperature change nes   | 13,164,066   |           |
|  | <b>Total value of top 5 exports as percentage of total O+A exports</b> |              |   |              | <b>43</b> |
|  | Imports  | 841430       | Compressors for refrigerating equipment             | 202,434,167  |           |
|  |  | 848180       | Taps, cocks, valves and similar appliances, nes     | 151,636,043  |           |
|  |  | 848110       | Valves, pressure reducing                           | 101,561,834  |           |
|  |  | 840991       | Parts for spark-ignition engines except aircraft    | 100,627,516  |           |
| 841381   |  | Pumps nes    | 85,288,452  |              |           |
| <b>Total value of top 5 imports as percentage of total O+A imports</b> |  |              |   | <b>76</b>    |           |

Multiple-use... HS 701990 covers glass fibres used as air filters, HS 840991 covers noise reduction eqpt. for engines, but much more than that too...

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## The Outlook for ESCWA Countries

### EPP-core - Limited data suggests:

- EPP EGs account for 1% of ESCWA imports, but as much as 4% of ESCWA exports (2000-2003)
- Plants and natural fibres account for the major share of ESCWA EPP-core exports
- Data indicate that Egypt and Syria are major exporters of EPP-core goods, followed by Jordan, Oman and Lebanon which have significant exports
- Only Egypt exhibits a positive trade balance for EPP-core trade

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## The Outlook for ESCWA Countries

### - Top EPP-Core Exports of the Mashreq Countries

#### Top 10 EPP-Core Exports of the ESCWA Countries

(latest available data given, totals are value of top 5 exports / imports as percentage of total O+A exports / imports)

| ESCWA Country (year)   | Trade Flow | HS 1996 code | Product  | Value (\$US) |
|--|------------|--------------|--|--------------|
| Mashreq Countries (2003)   | Exports    | 121190       | Plants & parts, pharmacy, perfume, insecticide use nes | 23'399'273   |
|  |            | 530110       | Flax fibre, raw or retted                              | 8'138'308    |
|  |            | 530129       | Flax fibre, otherwise processed but not spun           | 6'913'574    |
|  |            | 321000       | Paints and varnishes nes, water pigments for leather   | 3'825'896    |
|  |            | 230690       | Vegetable oil-cake and other solid residues nes        | 2'713'637    |
|  |            | 530121       | Flax fibre, broken or scutched                         | 2'200'893    |
|  |            | 121110       | Liquorice roots  | 1'949'926    |
|  |            | 320910       | Acrylic & vinyl polymer based paint, varnish, in water | 1'667'645    |
|  |            | 510129       | Degreased wool nes, not carded, combed or carbonized   | 1'658'772    |
|  |            | 460120       | Mats, matting and screens, vegetable plaiting material | 1'479'153    |
| <b>Total value of top 10 exports as percentage of total EPP-Core exports</b> |            |              |  | <b>80</b>    |

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## The Outlook for ESCWA Countries

### – Top EPP-Core Exports of the Jordan

#### Top 10 EPP-Core Exports of the ESCWA Countries

(latest available data given, totals are value of top 5 exports / imports as percentage of total O+A exports / imports)

| ESCWA Country (year)   | Trade Flow | HS 1996 code | Product  | Value (\$US) |
|--|------------|--------------|--|--------------|
| Jordan (2003)  | Exports    | 321000       | Paints and varnishes nes, water pigments for leather   | 2,644,085    |
|  |            | 320910       | Acrylic & vinyl polymer based paint, varnish, in water | 1,121,488    |
|  |            | 850680       | Primary cells & primary                                | 571,773      |
|  |            | 510111       | Greasy shorn wool, not carded or combed                | 470,565      |
|  |            | 850780       | Electric accumulators, nes                             | 382,930      |
|  |            | 600199       | Pile knit, crochet fabric, natural yarn not cotton nes | 331,273      |
|  |            | 320300       | Colouring matter of vegetable or animal origin         | 92,787       |
|  |            | 121190       | Plants & parts, pharmacy, perfume, insecticide use nes | 70,441       |
|  |            | 460120       | Mats, matting and screens, vegetable plaiting material | 66,206       |
|  |            | 600291       | Knit, crochet fabric of wool or fine animal hair, nes  | 52,153       |
| <b>Total value of top 10 exports as percentage of total EPP-Core exports</b> |            |              |  | <b>96</b>    |

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## The Outlook for ESCWA Countries

### – Top EPP-Core Exports of the Gulf Countries

#### Top 10 EPP-Core Exports of the ESCWA Countries

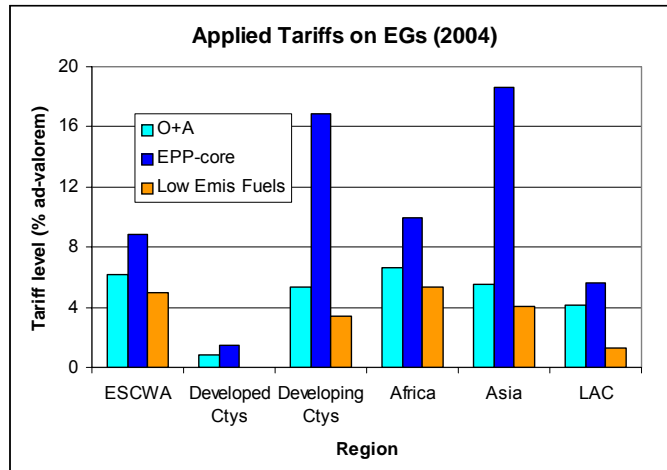
(latest available data given, totals are value of top 5 exports / imports as percentage of total O+A exports / imports)

| ESCWA Country (year)   | Trade Flow | HS 1996 code | Product  | Value (\$US) |
|--|------------|--------------|--|--------------|
| Gulf Countries (2002)  | Exports    | 630510       | Sacks & bags, packing, of jute or other bast fibres    | 5'833'797    |
|  |            | 320910       | Acrylic & vinyl polymer based paint, varnish, in water | 3'250'811    |
|  |            | 570110       | Carpets of wool or fine animal hair, knotted           | 3'190'709    |
|  |            | 310100       | Animal or vegetable fertilizers, in packs >10 kg       | 3'074'114    |
|  |            | 510111       | Greasy shorn wool, not carded or combed                | 2'629'116    |
|  |            | 560890       | Knotted netting, nets, of of natural materials         | 1'540'823    |
|  |            | 510129       | Degreased wool nes, not carded, combed or carbonized   | 1'525'770    |
|  |            | 510119       | Greasy wool (other than shorn) not carded or combed    | 1'481'686    |
|  |            | 960310       | Brooms/brushes of vegetable material                   | 1'125'904    |
|  |            | 850680       | Primary cells & primary                                | 1'065'001    |
| <b>Total value of top 10 exports as percentage of total EPP-Core exports</b> |            |              |  | <b>74</b>    |

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## The Outlook for ESCWA Countries

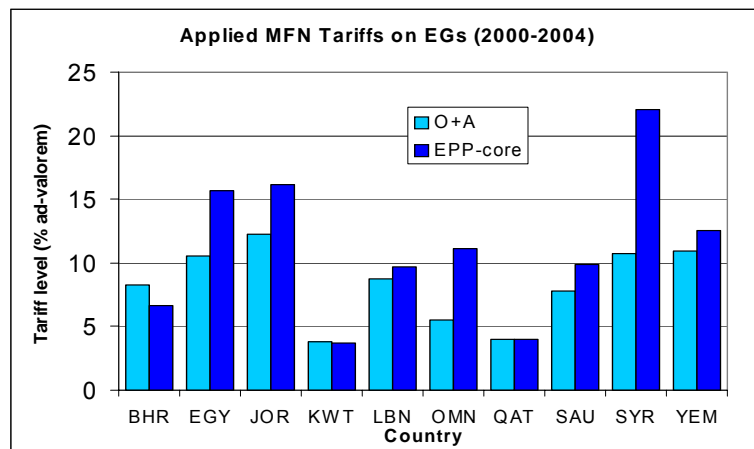
- Applied tariffs on EGs are not very high in ESCWA Countries



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## The Outlook for ESCWA Countries

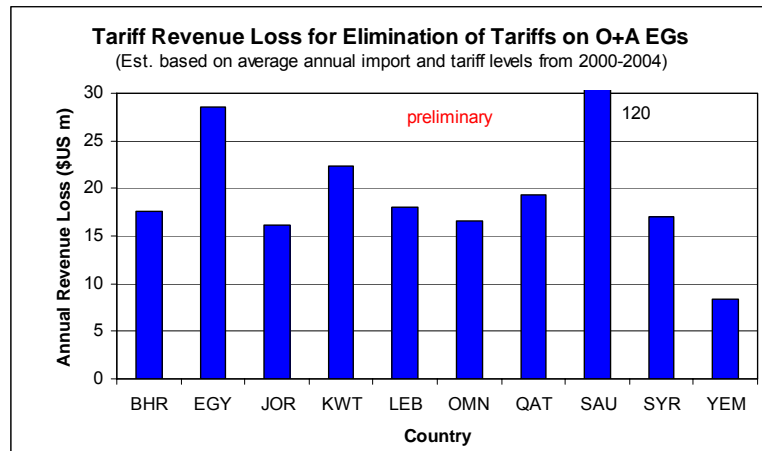
- Egypt, Jordan and Syria maintain the highest tariff levels on EGs



## The Outlook for ESCWA Countries

### Annual tariff revenue loss estimates

Extreme scenario (based on 2000-2004 data)



## The Outlook for ESCWA Countries

- For EGTL to constitute a net gain, tariff revenue losses will need to be offset by:
- Increases in EG exports due to lower tariffs in other developing countries (developed country tariffs already low) *dynamic exports, complementarity*
- Lower costs for consumers and improved environmental conditions (welfare gain) *yes*
- Lower production costs for producers (many EGs are intermediate goods used in production) *yes*
- Spill-over benefits of increased technology transfer *yes*

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## The Outlook for ESCWA Countries

Losses easy to measure and predict...  
tariff losses are eminent

Gains difficult to predict...  
only the future can tell

May outweigh costs in long run but this  
can not be assured

Suggests the need for ESCWA countries  
to seek concessions in other areas of  
Doha Round negotiations if they concede  
to EGTL

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## Recommendations for negotiations

- Proceed with EGTL negotiations and ensure that **both** O+A and EPPs (natural products and low emission fuels) are liberalised *make sure key exports on list*
- Consider EGTL as a self-contained testing ground for broader NAMA TL (recall that EGs make up only some 4% of ESCWA imports) *limit tariff reductions on sensitive products*
- Phase in tariff reductions over time to reduce shocks (to both government revenue and import competing industries) *for all EGs*

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## Recommendations for negotiations

- Decide whether to address or simply ignore multiple use aspect of many EGs *ignoring multiple use may improve competitiveness of domestic producers sourcing inputs for production from abroad*
- Seek concessions from developed countries in other areas of the negotiations *Developed countries want to increase their EGS exports to ESCWA countries, they will make concessions*
- Make sure your concerns are known *Be more vocal in Geneva*

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## Thank you for your attention

This PowerPoint File will be  
available for download at

[www.cen2eco.org/escwa-c2e-egs.htm](http://www.cen2eco.org/escwa-c2e-egs.htm)

password to open file is Alia

soon (as of 15 December 2006)

End of Presentation

11 December 2006

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