New Deal Could Slash Tariffs on Green Goods in OECD, China

International Centre for Trade and Sustainable Development
October 7, 2009

Key players in the climate change puzzle are negotiating a deal that could eliminate duties on environmental goods in China and the 30 rich-country members of the Organization for Economic Cooperation and Development (OECD). The EU and the US are spearheading the closed-door talks in an attempt persuade China to make hefty emissions reduction commitments during December's climate talks in Copenhagen.

Reuters reports that the proposed deal would phase out import tariffs on goods such as wind turbines, renewables, and green technologies - excluding environmentally friendly hybrid cars - in the 30 OECD countries and China. There is no word on how this would affect trade with countries that are not a part of the deal.

Reuters quotes an unnamed EU diplomat as describing the talks to be at an advanced stage. "Brussels and Washington hope this could be one of the incentives needed to get China on board in the lead up to the Copenhagen climate change talks," the diplomat said.

Doha frustrating efforts on EGS

Many key businesses involved in environmental goods and services (EGS) say they are frustrated by the slow pace of Doha Round negotiations at the WTO. Several US companies have called on US President Barack Obama to pursue alternatives to help boost EGS trade.

And while the current deal suggests Washington is doing exactly that, the office of the US Trade Representative says that it remains committed to the Round. "We remain eager to move ahead with negotiations to eliminate tariff barriers on climate-friendly technologies and spur momentum on a larger WTO Doha package on environmental goods and services," said USTR spokeswoman Carol Guthrie.

Paragraph 31 (iii) of the Doha Ministerial Declaration calls for a reduction, or as appropriate, elimination of tariff and non-tariff barriers (NTBs) on EGS. However, because the mandate does not define environmental goods or indicate the pace, depth or sequencing of liberalisation vis-à-vis 'other' goods and services, WTO members are deadlocked over what environmental goods to liberalise.

Informal consultations and meetings of delegations have continued under the guidance Philippine Ambassador Manuel Teehankee. The next phase of work will therefore involve a more substantive examination of the different sectors or categories identified in earlier discussions, namely air pollution control, renewable energy, waste management and environmental technology, among others.

China in position to profit from deal

Chinese manufacturing of the machinery needed to create renewable energy surged in recent years. The country is poised to become the world's largest producer of wind turbines this year and the its skyrocketing production of solar panels has triggered competition concerns among manufacturers in the West (see Bridges Trade BioRes, 18 September 2009, http://ictsd.net/i/news/biores/55441/).

China has been under immense pressure from developed countries to engage meaningfully at the fifteenth Conference of the Parties of the UN Framework Convention on Climate Change, scheduled to kick off on 7 December. The US and Europe maintain that as the world's largest polluter China should commit to significant carbon dioxide (CO_2) emissions cuts as a part of a new climate change deal.

For its part, China - and other developing countries - says the advanced state of global warming is the product of industrialisation in the West. As such, Beijing is requesting billions of dollars from developed countries to assist its adaptation to greener technologies.

The deal now being negotiated is thought to be an incentive to China, whose export-oriented economy could benefit greatly from slashed duties in strategic countries. “This deal would save Chinese exporters billions of euros and dollars and could form a large part of the overall package offered to Beijing to cut emissions,” another unnamed diplomat told Reuters.

EU trade ministers approved the negotiations earlier this month. Sources told Reuters that an update on the duty discussions was released to member states on 6 October. If approved, officials say formal discussions between the OECD and China could move forward before the start of the Copenhagen conference.

While negotiations will be convened among WTO representatives, the deal would be external to the WTO process.

China is the only developing country now involved in the negotiations. However, there are reports that India and Brazil - also key countries in the climate change talks - have been contacted by Brussels and Washington as well, but observers say they are unlikely to participate.

ICTSD Reporting; “EU, U.S. Eye Green Goods Tax Pact In Climate Fight,” REUTERS, 29 September 2009.