



Environmental Goods and Services

While increased trade in environmental goods and services has the apparent potential to contribute to both development and environment goals, the WTO by itself does not have the competence to oversee their liberalisation. Any WTO agreement on environmental goods and services must formally incorporate adjudication by other international bodies (e.g. UNCTAD, UNEP).

Originally placed on the agenda by the US in the lead up to the Third WTO Ministerial in Seattle, environmental goods and services are part of the limited package of 'trade and environment' issues that were mandated for negotiation as part of the current Doha round. Negotiations have so far focused on the difficult question of defining environmental goods and services. Developing countries have also expressed concerns that liberalisation of environmental goods and services may disadvantage them where they lack the necessary technological capacity or institutional flexibility to respond to the specifications of environmental goods and services.

WTO moves to reduce tariffs, and a subsequent increase in trade for environmental goods and services, holds the possibility for an increase in both economic development and environmental protection, while facilitating access to clean technologies for poorer countries. However, defining an environmental good or service is a complex problem, for example:

- Promoting the use of environmental goods and services which have a marginally lower environmental impact than others may encourage investment in technologies which are nonetheless fundamentally unsustainable.
- Lowered tariffs on technologies that lead to a marginal reduction in one environmental impact of a destructive production system can lead to an expansion of total production and an increase in overall environmental impact.
- The inclusion of non-product related processing and production methods (PPMs) in the definition of environmental goods should incorporate sophisticated life-cycle analysis, including indirect effects of product use and the consumption patterns they encourage.

The WTO lacks competence and expertise in these areas, and does not have the capacity, by itself, to deliver effective international administration of trade in environmental goods and services.

What Should Happen at Cancún?

1. Any WTO agreement on environmental goods and services must formally incorporate consultation with other international bodies on what constitutes an environmental good or service; in addition to UNCTAD, UNEP and UNDESA, a range of MEA Secretariats have competence in specific sectors.
2. WTO Members should agree that scope must be extended for non-product related process and production methods to be accommodated in a definition of environmental goods and services.
3. Any WTO agreement on environmental goods and services should include special and differential treatment provisions to address the concerns of developing countries.