

VOLUME 10, NUMBER 10 >>>

www.bnai.com

Asia-Pacific Economic Cooperation

APEC members agree to reduce tariffs for approved list of environmental goods

On September 9, 2012, the 21 Asia-Pacific Economic Cooperation (APEC) members reached an agreement on a list of environmental goods on which they will reduce tariffs to 5 percent or less by 2015 ("APEC Environmental Goods List" or "List").¹ Considering the substantial volume of APEC regional trade covered by the agreement, this historic outcome will create new business opportunities in the fastest growing economic region in the world. The United States is a significant exporter of environmental products on the List and has been a driving force behind the initiative.

APEC has been a global leader in promoting trade and investment in environmental goods and the underlying green-growth objectives since the 1990s. APEC facilitated the launch of similar negotiations to reduce trade barriers in the green-energy sector at the World Trade Organization (WTO), as part of the Doha Round negotiations. However, despite WTO members' efforts, and hundreds of product nominations, no global consensus has been reached on a list of environmental goods for tariff reduction. The initiative was then revived in November 2011 when APEC members agreed to develop in 2012 an APEC list of environmental goods that directly contribute to green-growth objectives and to reduce applied tariff rates on those products to 5 percent or less by 2015 (the November 2011 Declaration).

The APEC Environmental Good List includes 54 environmental goods, including such core products as:

- Renewable and clean energy technologies, such as solar panels, and gas and wind turbines (current tariffs as high as 35 percent);
- Wastewater treatment technologies, such as filters and ultraviolet (UV) disinfection equipment (current tariffs as high as 21 percent);
- Air pollution control technologies, such as soot removers and catalytic converters (current tariffs as high as 20 percent);
- Solid and hazardous waste treatment technologies, such as waste incinerators, and crushing and sorting machinery (current tariffs as high as 20 percent); and

- Environmental monitoring and assessment equipment, such as air and water quality monitors, and manometers to measure pressure, and water delivery systems (current tariffs as high as 20 percent).²

The November 2011 Declaration also expressly refers to environmental services, in connection with non-tariff trade barriers, such as local content requirements. Even though only goods are set for trade liberalisation now, future efforts will be made within APEC to promote trade in environmental services, in recognition of the fact that environmental goods and services are often traded as a package.³ Moreover, while the APEC initiative is not subject to binding dispute settlement to enforce the agreement, non-compliance will be obvious. In addition, this success could generate new momentum for negotiations to reduce or eliminate tariffs on environmental goods in the WTO.

In 2010, APEC regional trade in products on the APEC Environmental Good List totaled \$185 billion; the Asia-Pacific region accounted for 60 percent of world exports of these products. The United States is also a large exporter of products covered by the agreement. In 2011, it exported \$27 billion worth of listed environmental goods to other APEC members, of which \$1.2 billion would have benefited from the agreement. Therefore, the tariff reductions envisioned in the APEC agreement not only will help produce environmental and health benefits and achieve green-growth and sustainable development objectives, but also should have a large impact on exporting opportunities in the APEC region.⁴

Timothy J. Keeler, Partner, Government & Global Trade, Washington, DC

Email: tkeeler@mayerbrown.com

Tiffany L. Smith, Senior Policy Advisor, Government & Global Trade, Washington, DC

Email: tsmith@mayerbrown.com

Jing Zhang, Associate, Government & Global Trade, Washington, DC

Email: jzhang@mayerbrown.com

NOTES

¹ USTR, Fact Sheet on APEC List of Environmental Goods, available at <http://www.ustr.gov/about-us/press-office/fact-sheets/2012/september/apec-environmental-goods> ("USTR Fact Sheet").

² USTR Fact Sheet.

³ Bridges Weekly Trade News Digest (Nov. 16, 2011), available at <http://ictsd.org/i/news/bridgesweekly/118602>.

⁴ USTR Fact Sheet.