

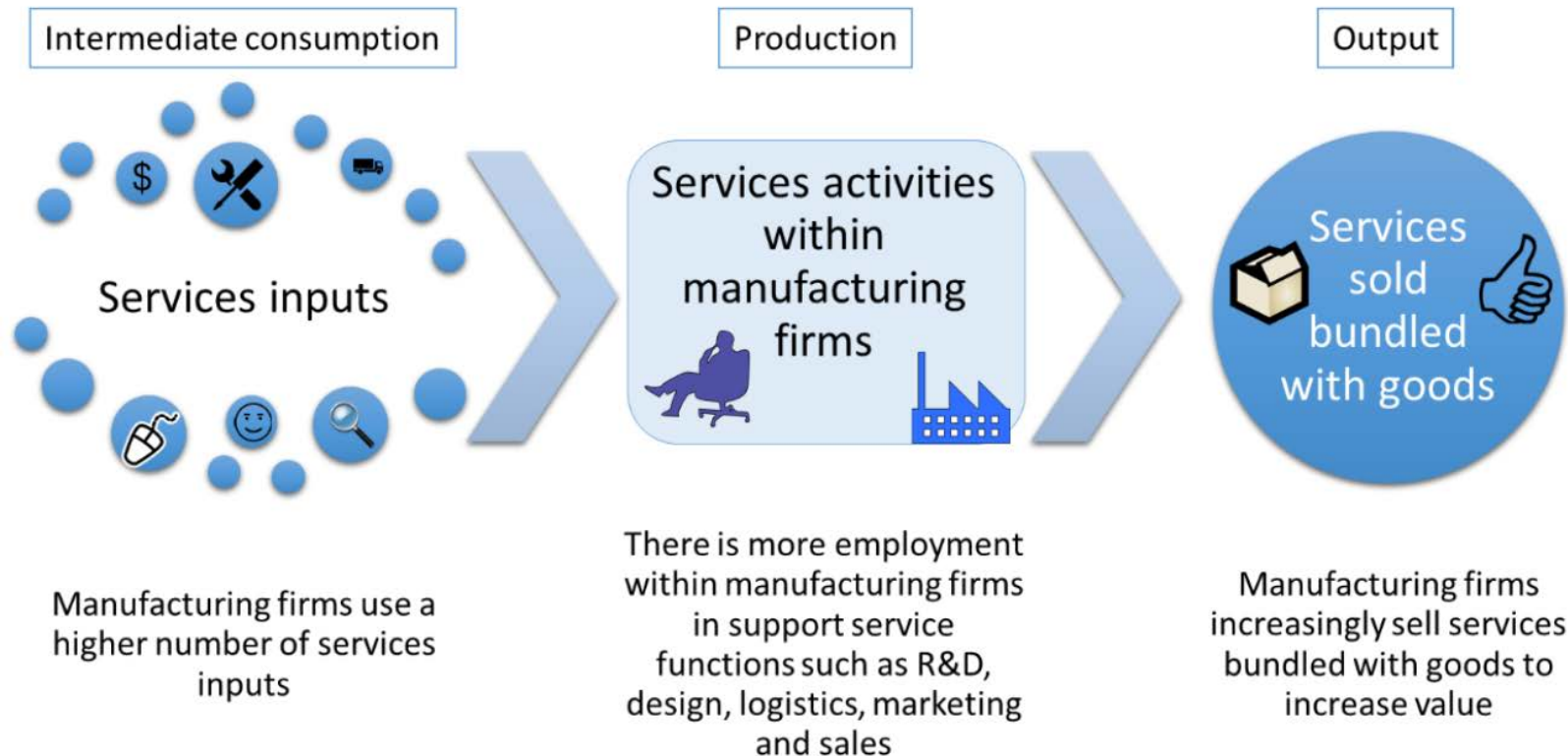


Synergies between environmental goods and services and policy implications

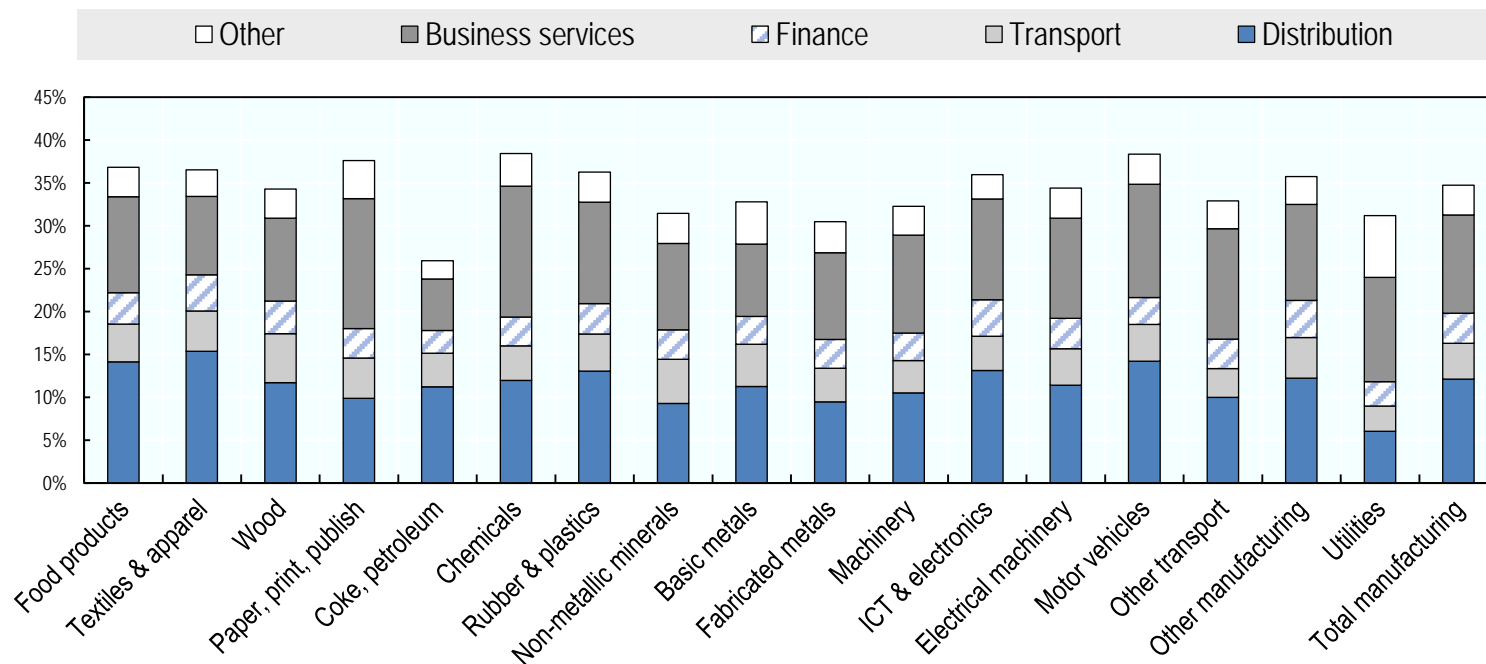
Jehan Sauvage, Counsellor
OECD Trade and Agriculture Directorate

APEC Workshop on Environmental Services
Hanoi, Viet Nam, 11 May 2017

» The “servicification” of manufacturing

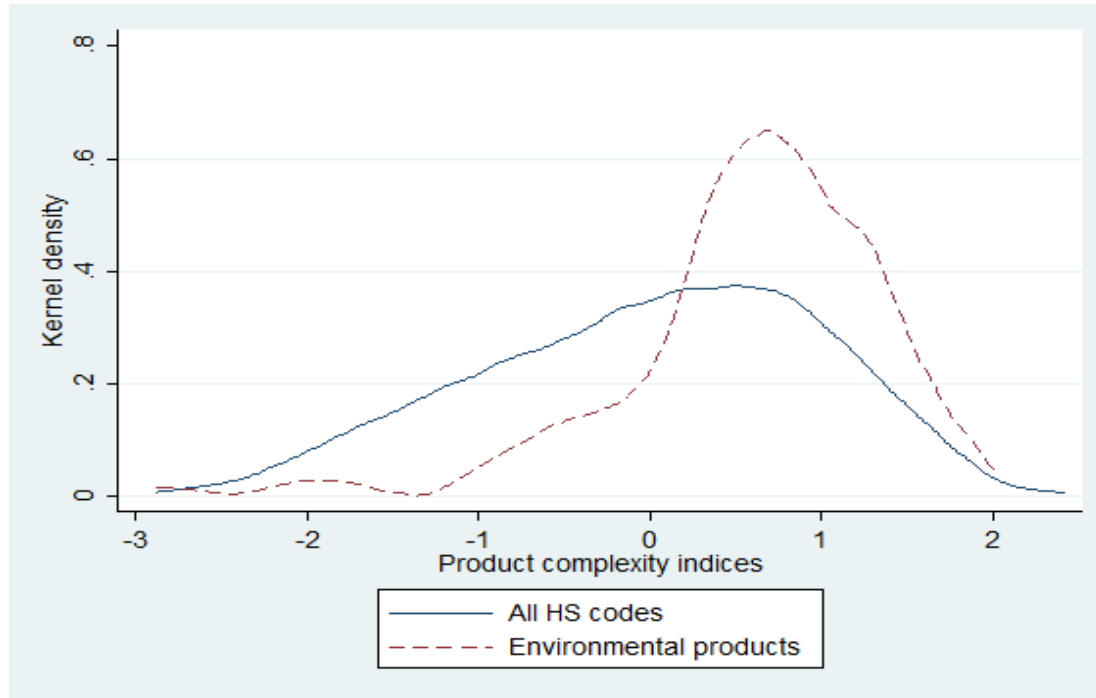


Services account for about a third of the value added embodied in world gross exports



Source: Miroudot, S. and C. Cadestin (2017), "Services In Global Value Chains: From Inputs to Value-Creating Activities", *OECD Trade Policy Papers*, No. 197, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/465f0d8b-en>

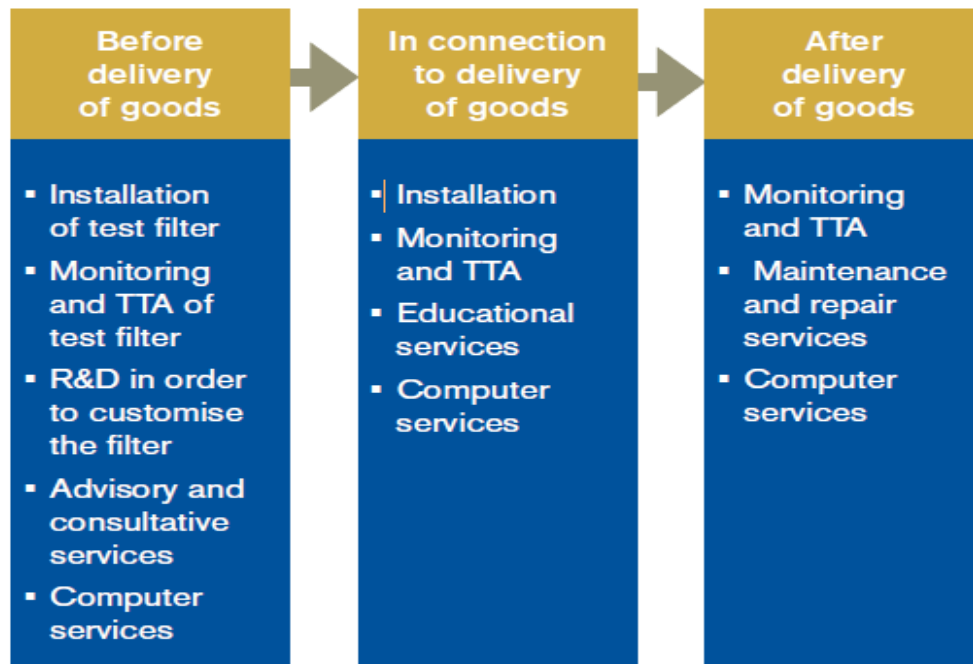
Environmental products often lie around the top of the complexity ladder



Source: Sauvage, J. and C. Timiliotis (2017), "Trade in services related to the environment", *OECD Trade and Environment Working Papers*, No. 2017/02, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/dc99bf2b-en>

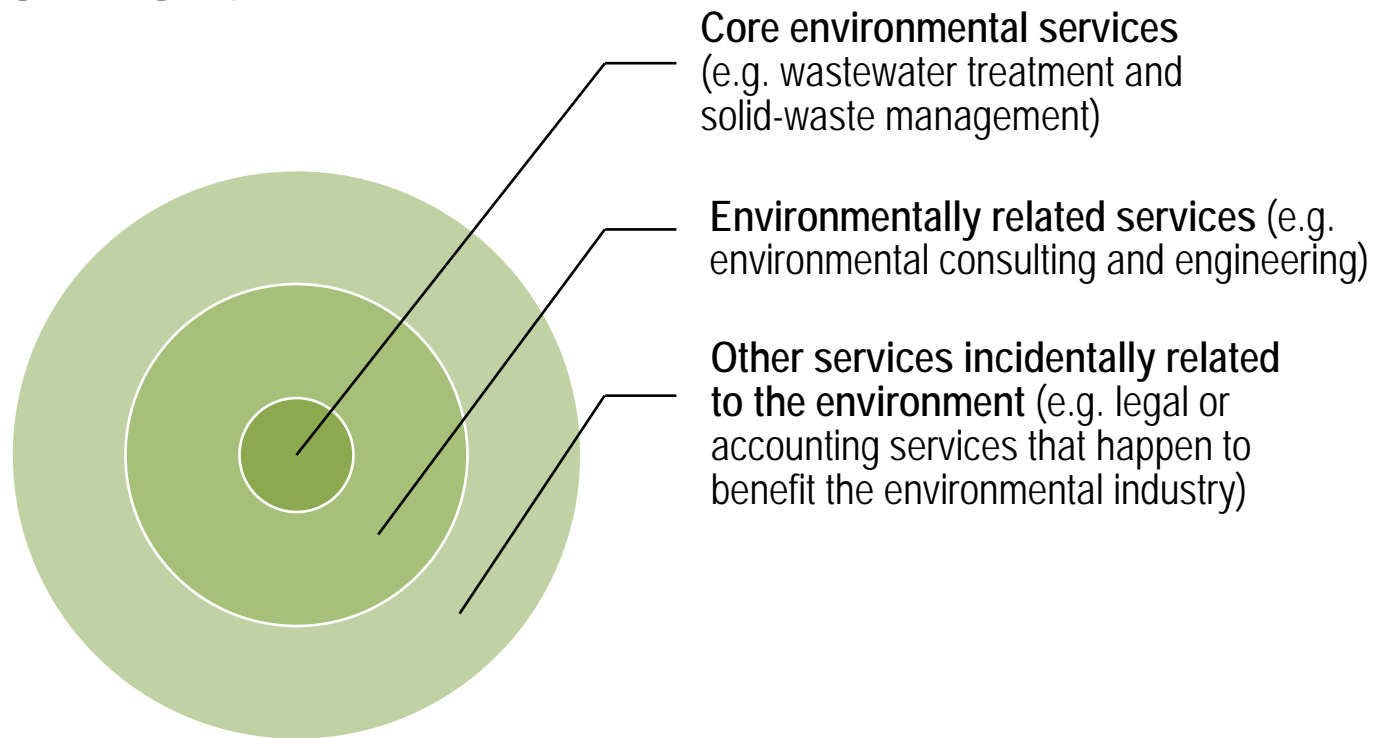
Services (the software) increase the value of the goods (the hardware): the example of water filters

The example of filters for purifying water (HS 8421.21)



Source: Sweden's National Board of Trade (2014).

But which services matter the most for the environment?

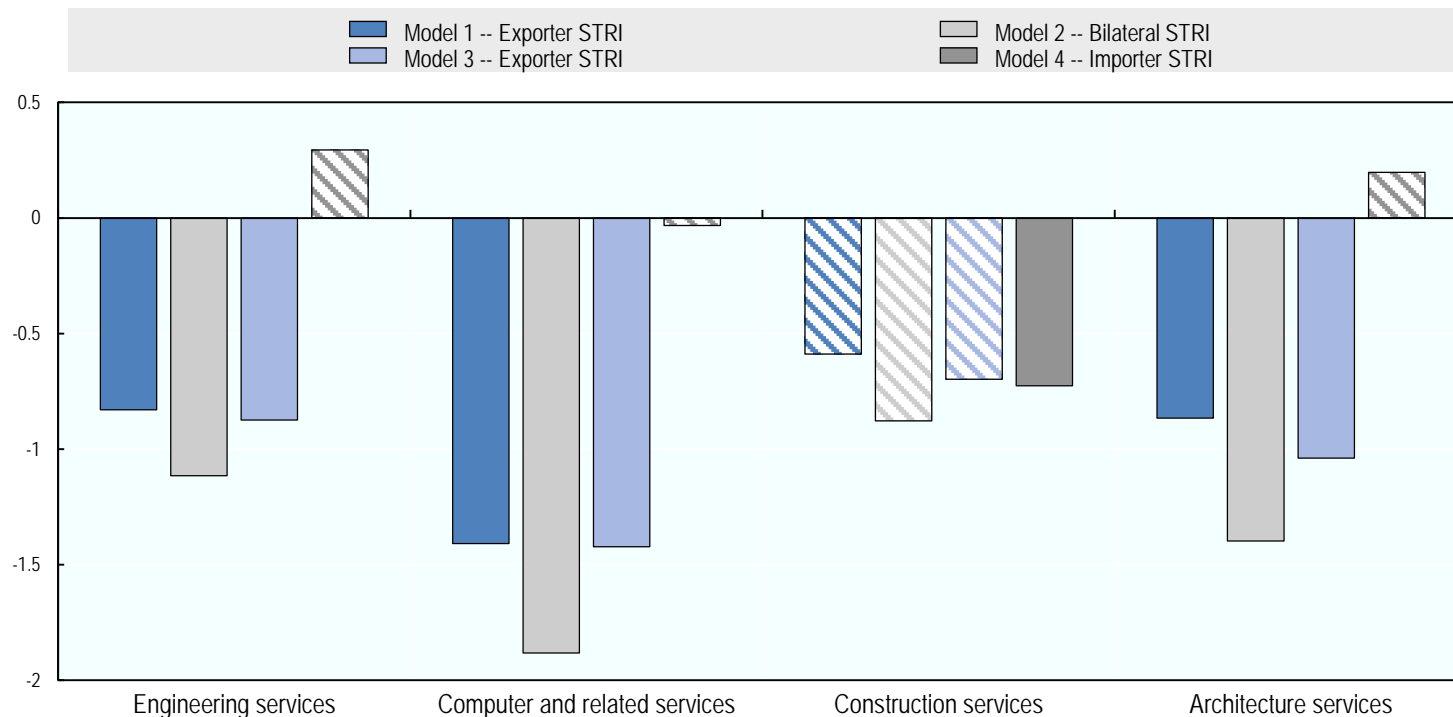


Source: Sauvage, J. and C. Timiliotis (2017), "Trade in services related to the environment", *OECD Trade and Environment Working Papers*, No. 2017/02, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/dc99bf2b-en>

The environmental purpose of a service remains a matter of degree

- Not all activities matter the same for the prevention and abatement of pollution.
- The determination of what matters ought to be based on a set of objective but flexible criteria:
 - **Market operation:** how critical is the related service to the provision of the core env service or environmental good?
 - **Relativity:** how important relative to other services is a particular activity for the provision of the core env service or environmental good?

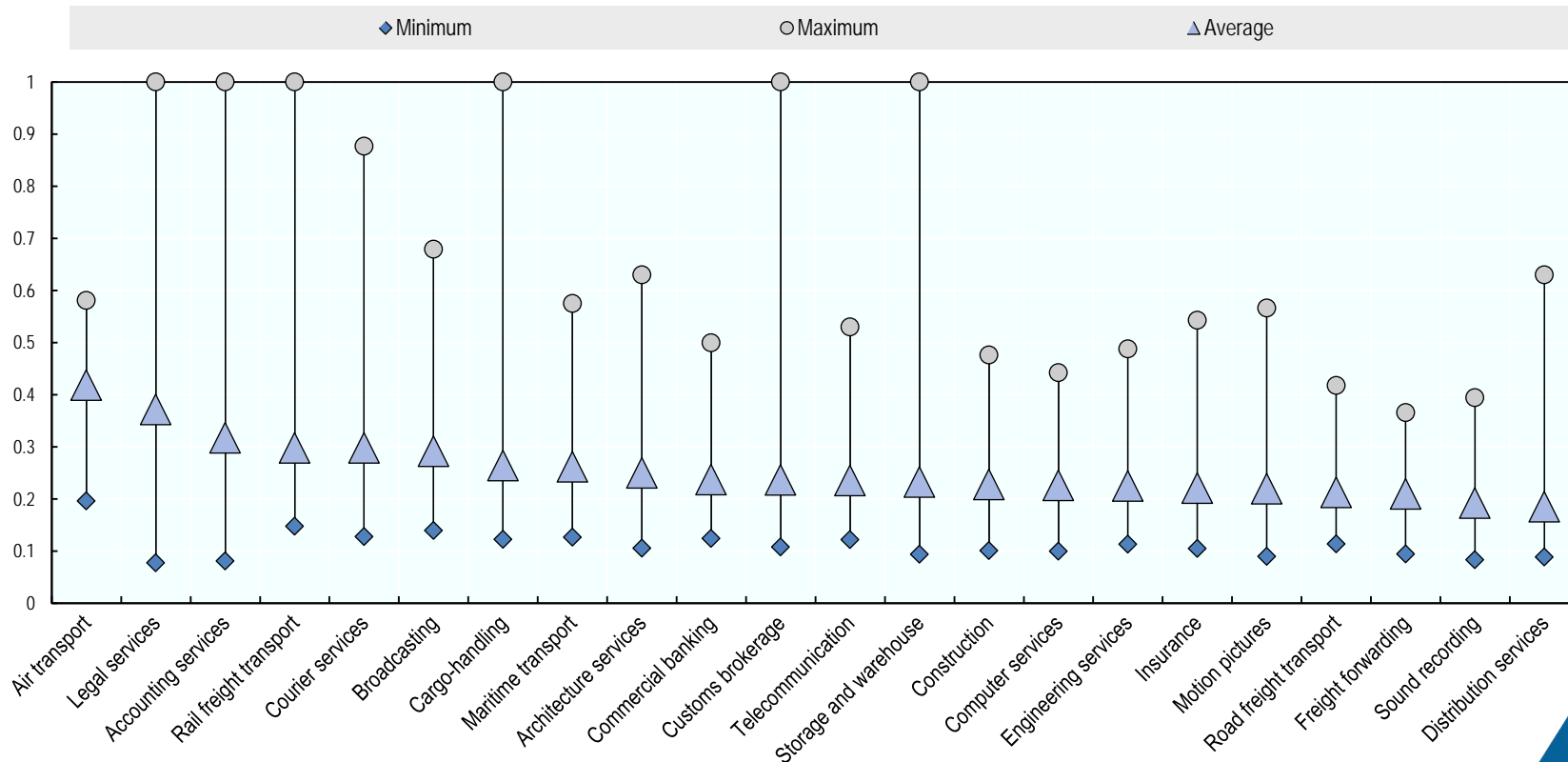
Defining the scope of environmentally related services: an empirical exercise



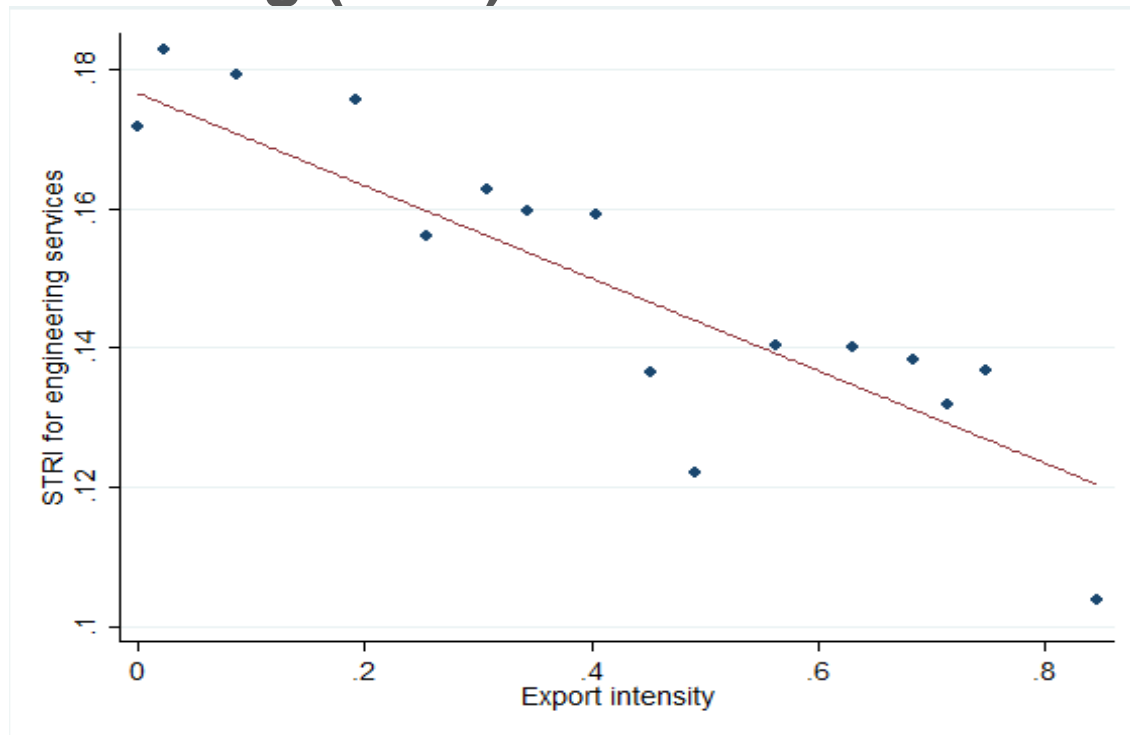
Source: Sauvage, J. and C. Timiliotis (2017), "Trade in services related to the environment", *OECD Trade and Environment Working Papers*, No. 2017/02

Note: Estimated coefficients on restrictions to services trade, by model specification and sector. Bars with stripes are those for which the estimated coefficients are not statistically significant at conventional levels (1%, 5% and 10%).

Background: The OECD's Services Trade Restrictiveness Index (STRI)



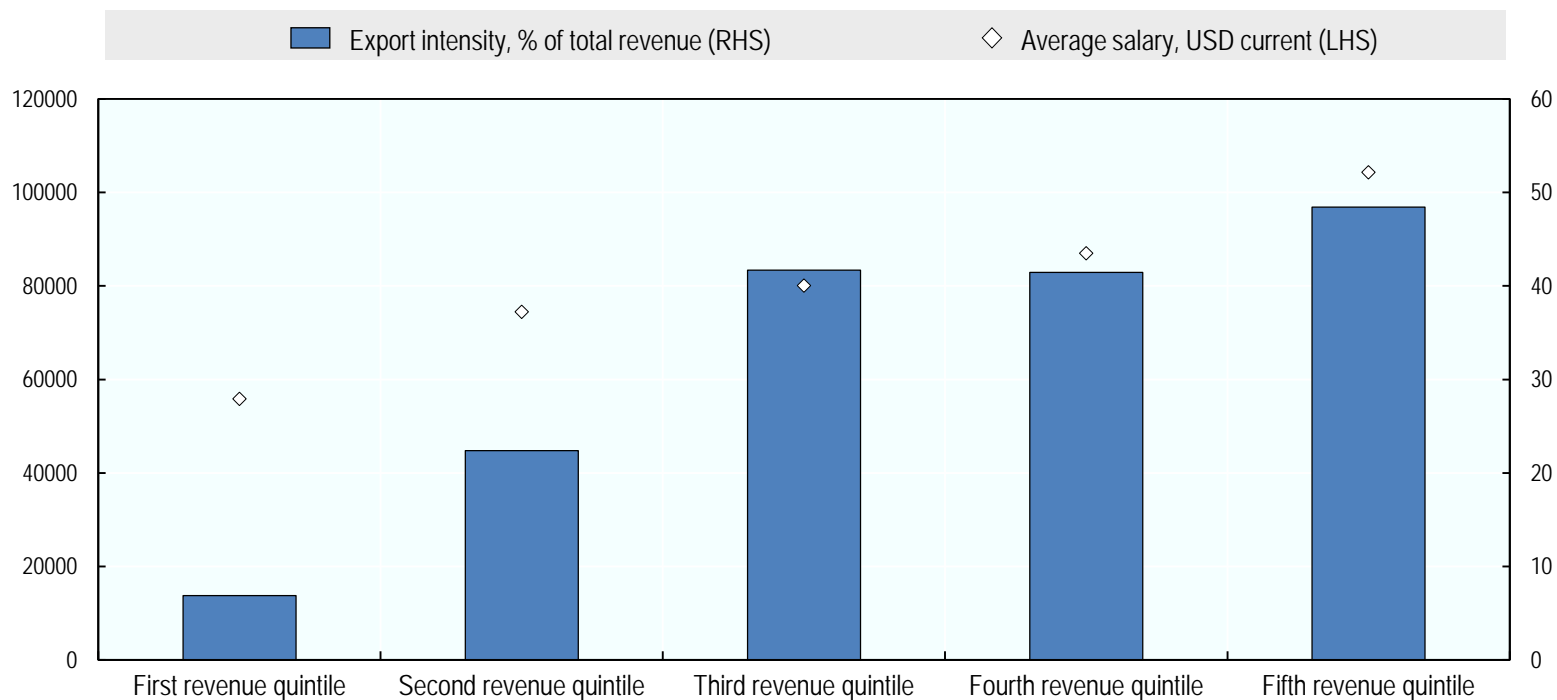
The specific case of environmental engineering and consulting (E&C) services



Source: Sauvage, J. and C. Timiliotis (2017), "Trade in services related to the environment", *OECD Trade and Environment Working Papers*, No. 2017/02, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/dc99bf2b-en>

Note: Export intensity is the share of a firm's revenue that is generated by its foreign affiliates. Values for both variables were averaged over 16 bins.

Exporting firms are larger, more productive, and pay higher salaries



Source: Sauvage, J. and C. Timiliotis (2017), "Trade in services related to the environment", *OECD Trade and Environment Working Papers*, No. 2017/02, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/dc99bf2b-en>

Firms continue to conduct most of their business in their home region

Environmental C&E revenue by home region and destination market, %

Markets served through commercial presence						
Home region	Western Europe	Eastern Europe	Asia-Middle East	Asia-Pacific	North America	Latin America
Asia-Pacific	6.4%	0.2%	2.8%	43.2%	44.2%	3.2%
North America	7.0%	0.7%	2.6%	6.6%	80.5%	2.6%
Western Europe	52.8%	2.6%	4.3%	5.9%	27.8%	6.7%

Source: Sauvage, J. and C. Timiliotis (2017), "Trade in services related to the environment", *OECD Trade and Environment Working Papers*, No. 2017/02, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/dc99bf2b-en>

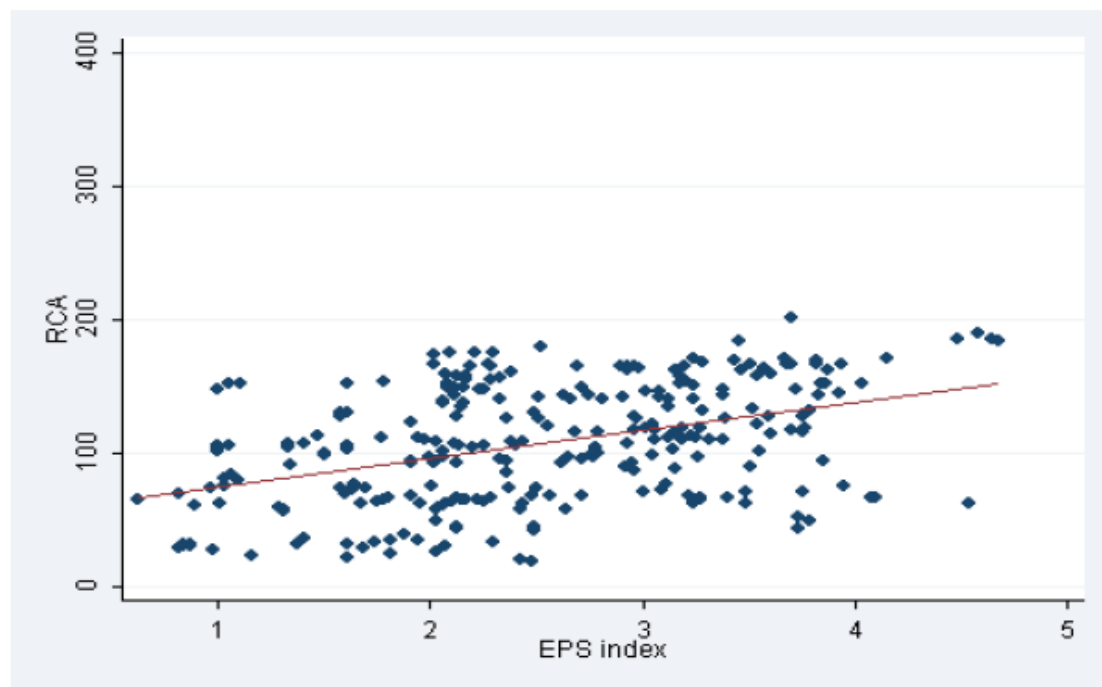


Policy implications

1. Overcoming the silo problem in trade negotiations.
2. Accelerating efforts to liberalise trade in services related to the environment.
3. Changing commercial realities call for a broader approach to liberalising environmental services.
4. The scope of environmentally related services ought to be kept open and flexible, though still based on considerations of environmental end-use or purpose.

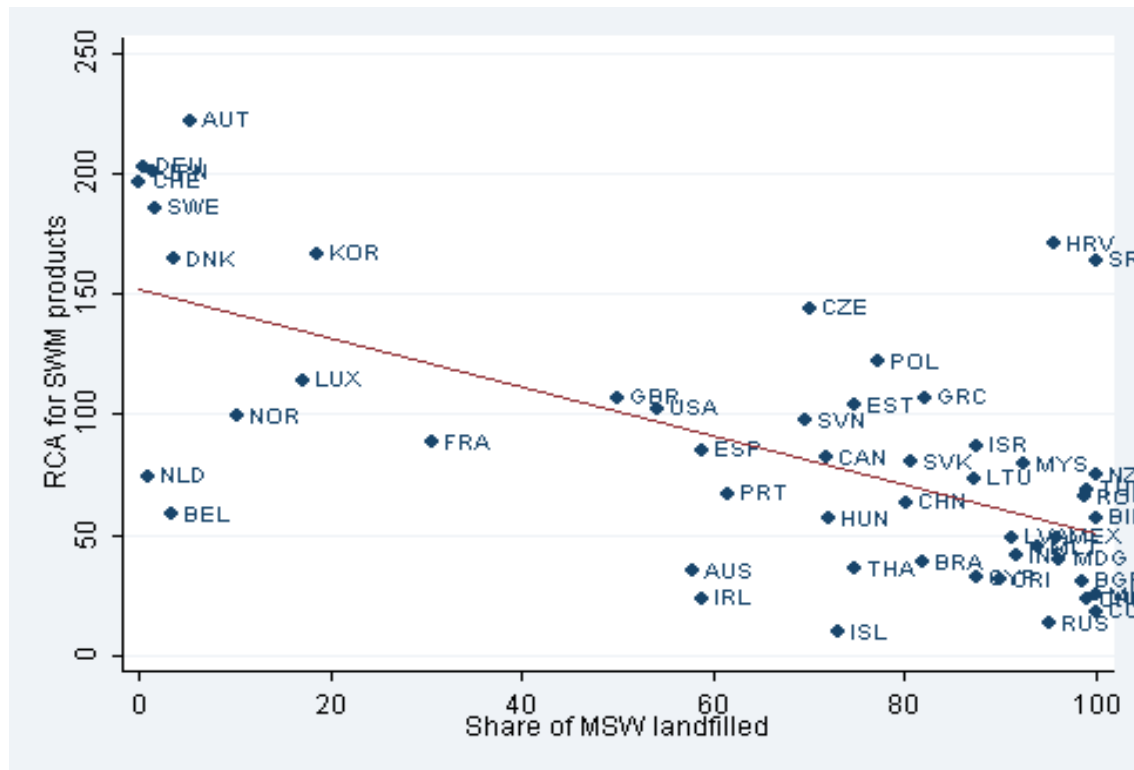
Mutually reinforcing trade and environmental policies

Environmental policy stringency and revealed comparative advantage in environmental products



Source: Sauvage, J. (2014), "The Stringency of Environmental Regulations and Trade in Environmental Goods", *OECD Trade and Environment Working Papers*, No. 2014/03, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/5jxrn7xsnmq-en>

Economies that recycle or recover more waste tend to be relatively large exporters of SWM



Source: Sauvage, J. (2014), "The Stringency of Environmental Regulations and Trade in Environmental Goods", *OECD Trade and Environment Working Papers*, No. 2014/03, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/5jxrn7xsnmq-en>



Contact us

We look forward to answering any questions you may have!



Access all of the information
about OECD work on trade and
environment

www.oecd.org/trade/envtrade/



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