

# **TRADE IN ENVIRONMENTAL SERVICES: THE “WHY?” AND THE “WHAT?”**

**APEC Workshop on Environmental Services  
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## **A QUICK OVERVIEW**

**Why liberalize trade in environmental services?**

**What should be liberalized?**

**Some questions for discussion**

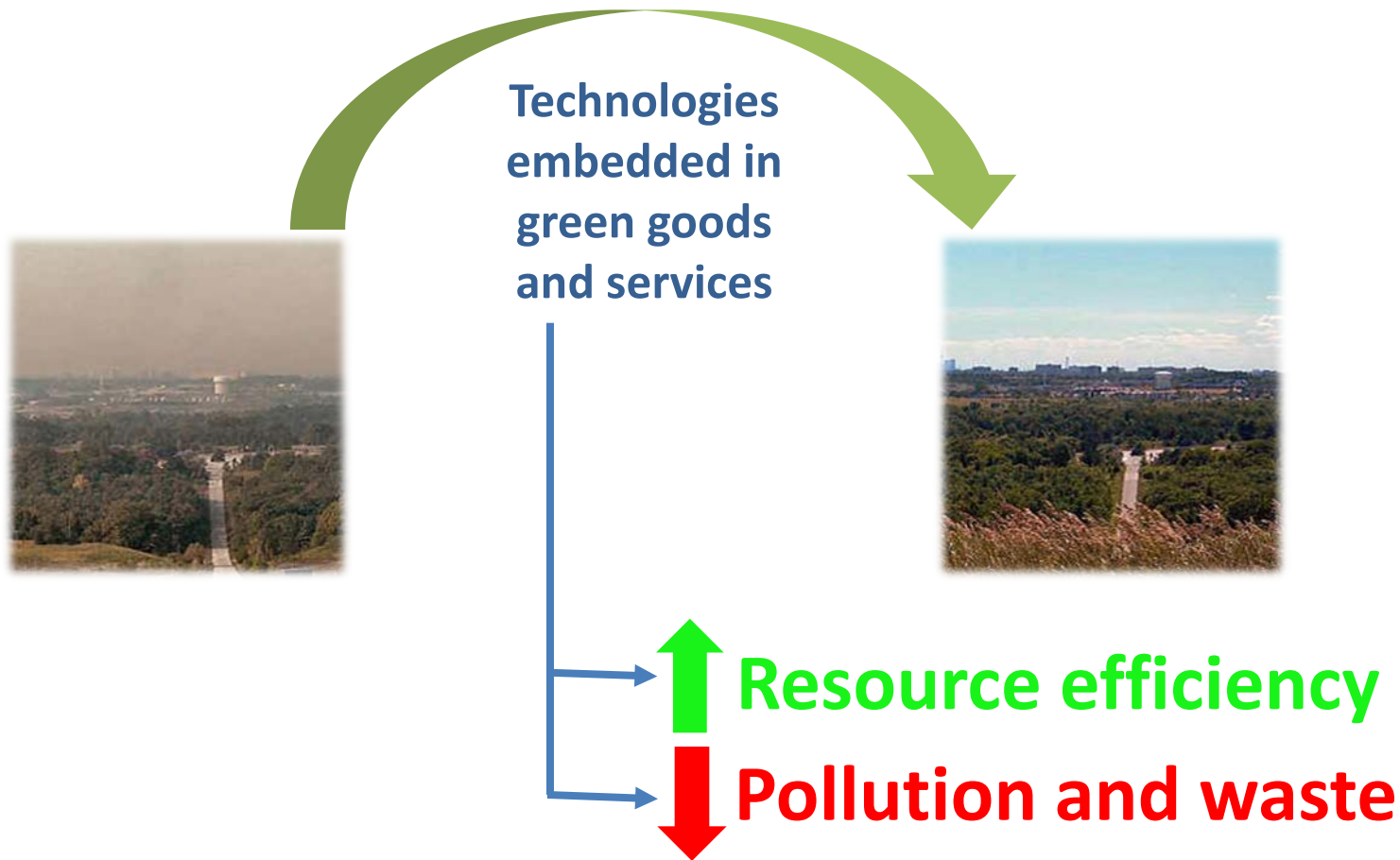
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# ENVIRONMENTAL SERVICES: A KEY TOOL TO ACHIEVE A BETTER ECONOMY AND A BETTER ENVIRONMENT



# TECHNOLOGY DEPLOYMENT CANNOT HAPPEN WITHOUT SERVICES

## “Pay-As-You-Go” Solar Could Electrify Rural Africa

by Sanjoy Sanyal - February 08, 2017

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More than 600 million people in sub-Saharan Africa lack access to electricity; 71 million in Kenya and Tanzania alone. Without any other options, these citizens are forced to either go without power or use kerosene, an expensive and oftentimes dangerous fuel that pollutes the air and creates fire hazards.

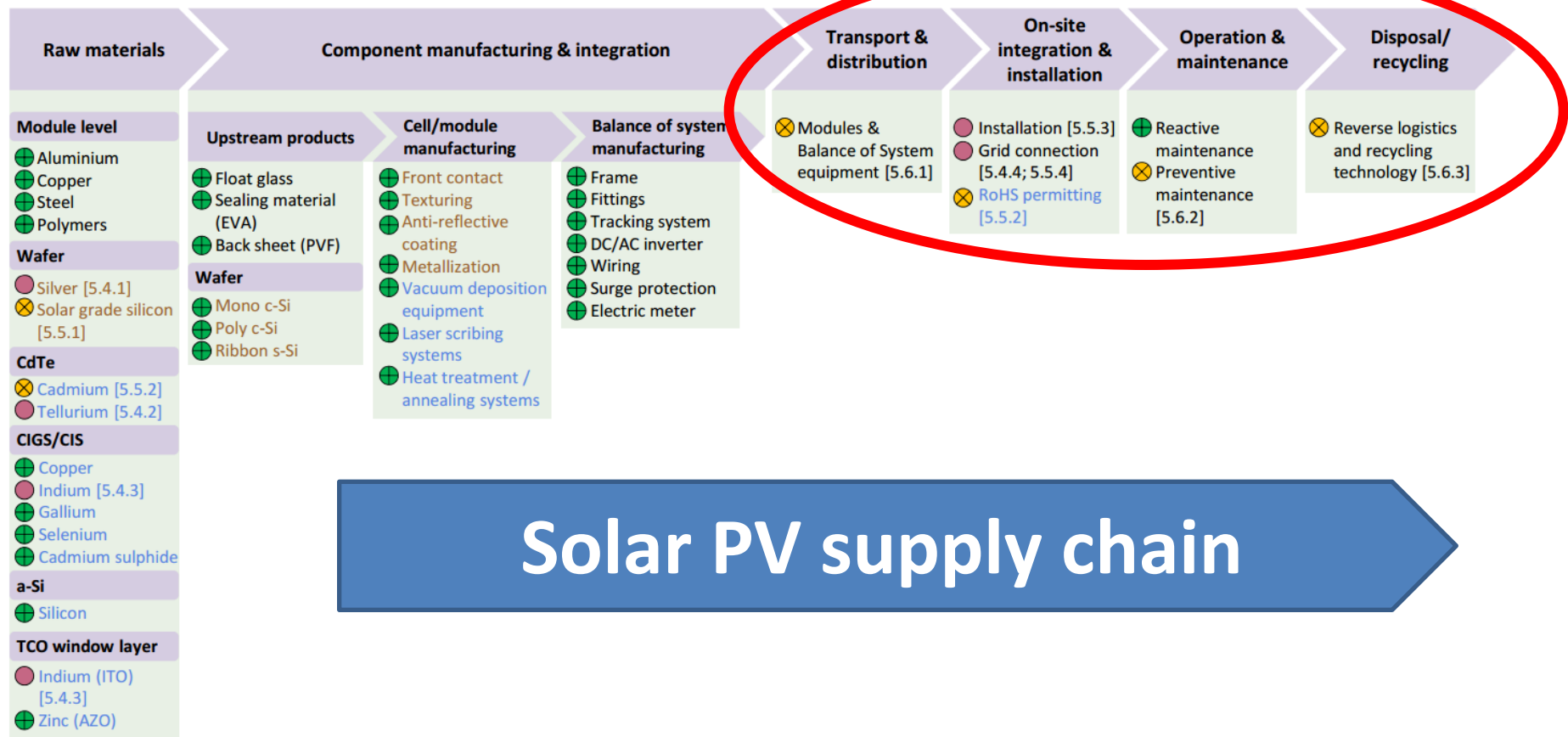
But **there is a solution** that could bring affordable electricity to unserved and underserved populations while growing the local economy: pay-as-you-go solar.



Tanzanian woman holds a solar lighting kit.  
Photo by Russell Watkins/DFID

**Source:** World Resources Institute (WRI), 8 February 2017

# INADEQUATE ACCESS TO WORLD CLASS, COMPETITIVELY PRICED ENVIRONMENTAL SERVICES IS A MAJOR BOTTLENECK TO GREEN TECHNOLOGY DIFFUSION



**Legend:**  
Crystalline-Si and thin films | Only crystalline-Si | Only thin films | ● Bottleneck existing or very likely to occur | ⊗ Bottleneck may potentially occur | ● Bottleneck is unlikely to occur

# MORE OPEN TRADE IN ENVIRONMENTAL SERVICES HAS MANY BENEFITS



**1** MORE AFFORDABLE PROTECTION  
OF THE ENVIRONMENT



**2** FASTER ADOPTION  
OF GREEN TECHNOLOGIES



**3** INCREASED INNOVATION & INVESTMENT  
IN EARTH-FRIENDLY SOLUTIONS



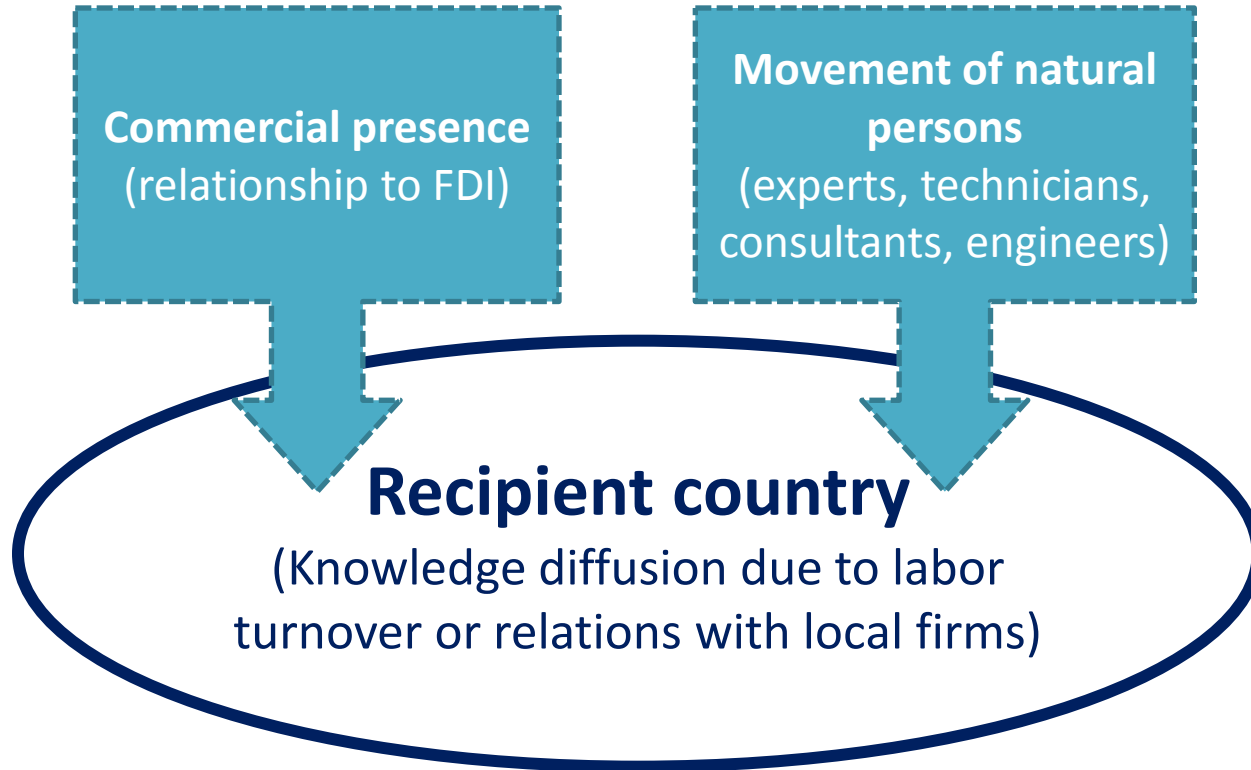
**4** OPPORTUNITIES FOR  
WORKERS & ENTERPRISES



**5** A CONTRIBUTION TO  
SUSTAINABLE DEVELOPMENT

# TRADE IN SERVICES IS A MAJOR CHANNEL OF CROSS-BORDER KNOWLEDGE SPILLOVERS

## TRADE IN SERVICES

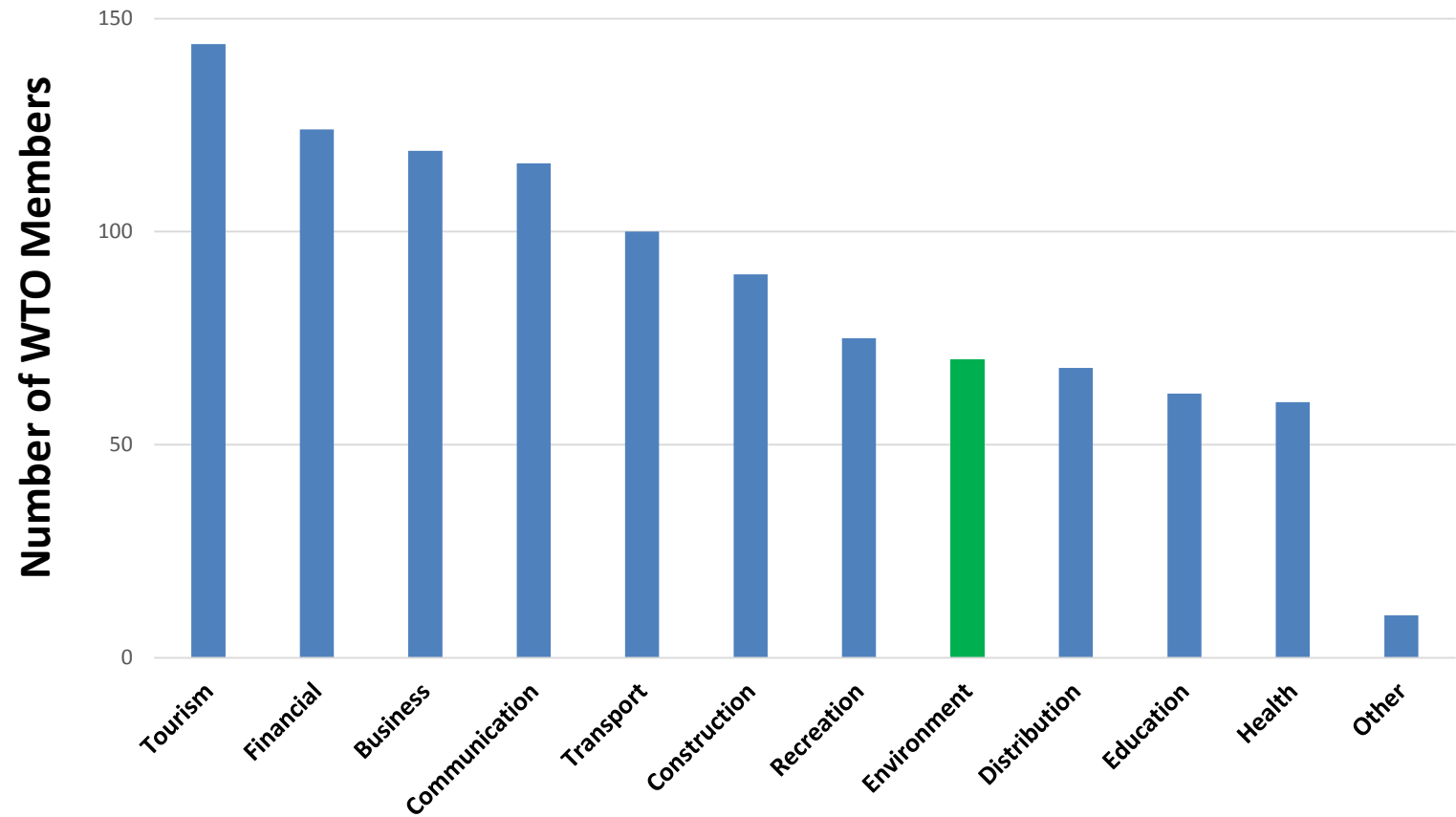




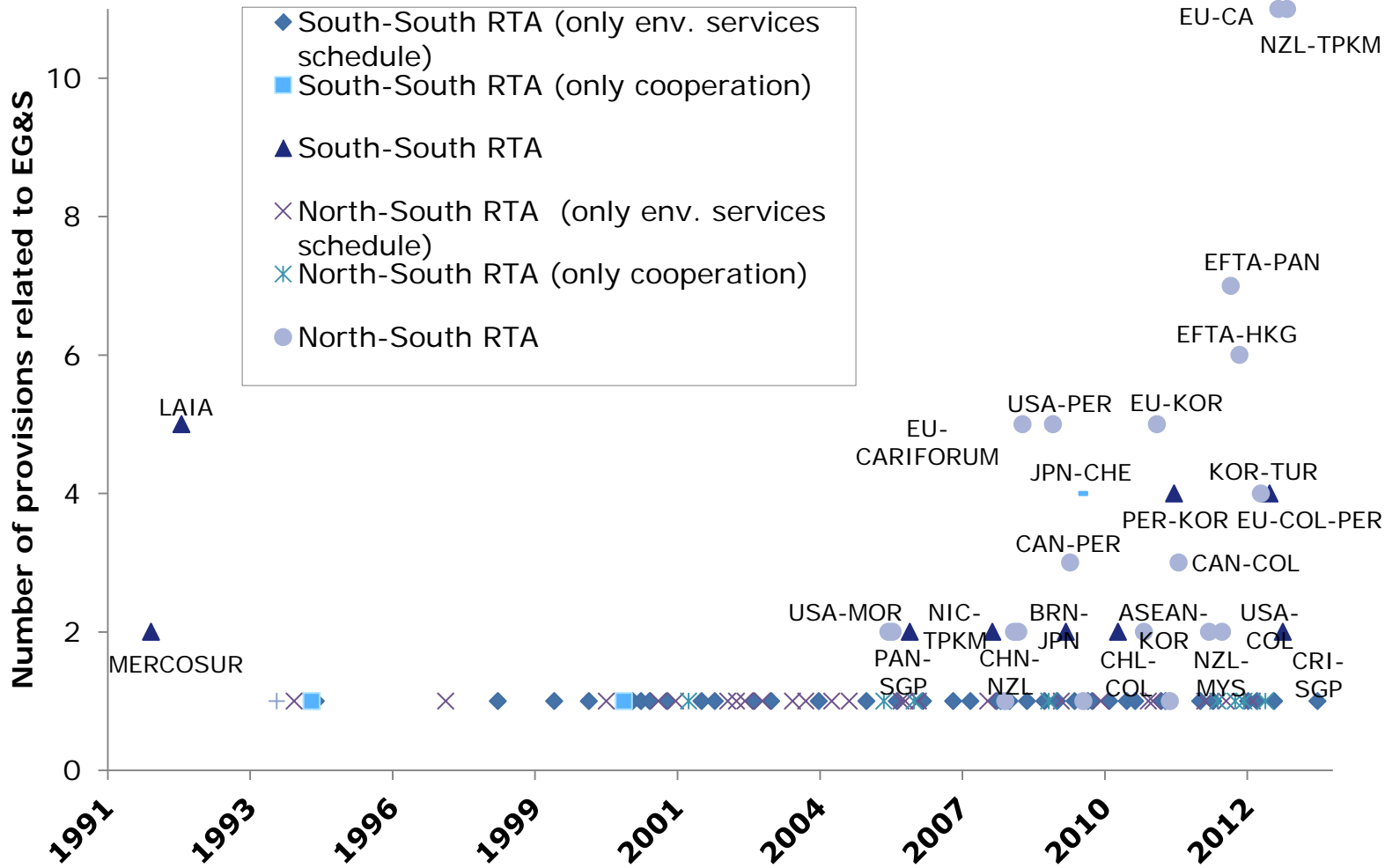
# ENVIRONMENTAL SERVICES: A BIG AREA OF OPPORTUNITY FOR TRADE POLICY TO SUPPORT THE SDGS



# GATS SPECIFIC COMMITMENT ACROSS SECTORS



## RTAS REFLECT A GROWING INTEREST IN ENVIRONMENTAL GOODS AND SERVICES



**Source:** Monteiro (2016)

## OTHER INITIATIVES TO LIBERALIZE TRADE IN ENVIRONMENTAL SERVICES



Paragraph 31(iii): With a view to enhancing the mutual supportiveness of trade and environment, we agree to negotiations, without prejudging their outcome, on [...]

iii) the reduction or, as appropriate, elimination of tariff and non-tariff **barriers to environmental goods and services**

# EGA

- Broad recognition that **services related to environmental goods** can play a role in improving the environmental impact of the EGA
- Discussions focused on a non-binding, open-ended **work programme** that would open a future exercise to identify services related to environmental goods and relevant trade barriers, and consider ways to facilitate trade

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## HOW ARE SERVICES DEFINED AND CLASSIFIED UNDER THE GATS?

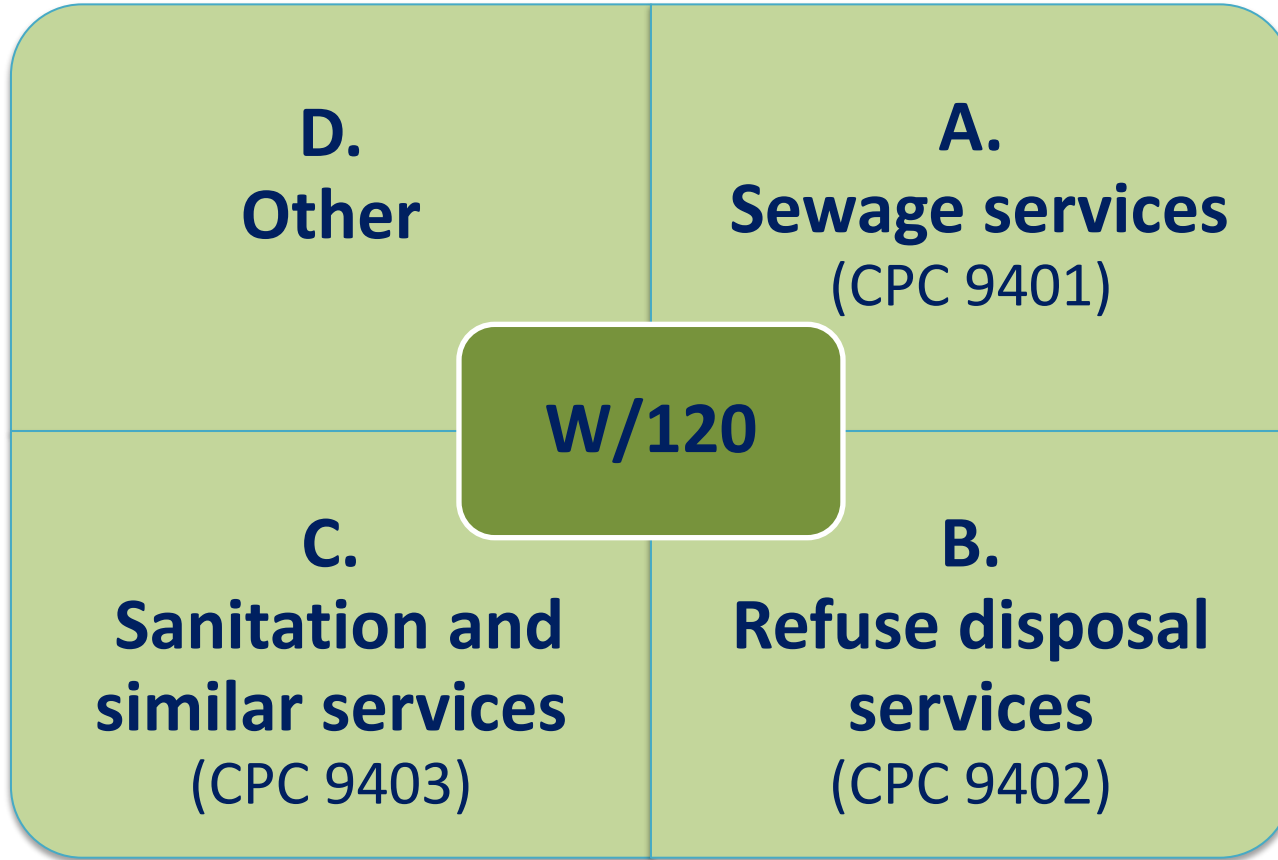
### Two reference instruments

- **Services Sectoral Classification List (W/120)**
- **UN Central Product Classification (CPC)**
  - WTO Members use the 1991 version (so-called CPC prov.)

### But no compulsory classification system

- WTO Members can use the **classification system of their choice**
- In practice, most Members use a **combination of W/120 and CPC prov.**

**THE CLASSIFICATION OF ENVIRONMENTAL SERVICES IN W/120 REFLECTS AN EARLIER (OUTDATED) CONCEPTION OF THE ENVIRONMENTAL INDUSTRY**



## CHARACTERISTICS OF THE CURRENT CLASSIFICATION

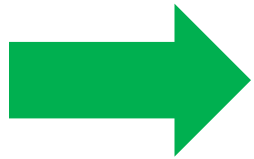
- Focus on “**infrastructure**” environmental services
  - Typically provided by **public authorities** with varying degrees of public participation
- Inadequate definition of “**non-infrastructure**” environmental services
  - Demand driven by **environmental legislation**, mostly B2B
- Many **other activities** have environmental component
  - These activities may have **several different end uses** and are classified under other generic items (e.g., business services, construction services, distribution services)



## WHERE ARE WE IN THE CLASSIFICATION DEBATE AT THE WTO?



- Members generally acknowledge that the current classification in the **W/120 is outdated**, but there is **no consensus** so far to modify it
- **New classification approaches** have been used in the market access negotiations and by acceding countries:
  - “Clusters” or “check lists”
  - Collective request on environmental services
  - Climate-friendly services



Variety of approaches reflects the considerable degree of **flexibility** offered by the GATS

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## BEYOND THE CLASSIFICATION DEBATE: HOW CAN WE ENHANCE OUR UNDERSTANDING OF ENVIRONMENTAL SERVICES TO ACHIEVE BETTER TRADE RESULTS?



How is **environmental policy** affecting the environmental services industry?



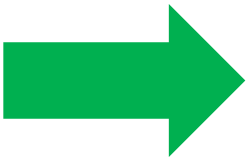
What are the real-life **trade barriers** affecting environmental service providers?



How is the structure of the **environmental services industry** evolving?



How can **accounting/statistics frameworks** (CPC 2.1, SEEA, OECD/Eurostat) be used to enhance our understanding of the industry?



**A continued dialogue between trade negotiators, environmental policymakers, the private sector, and other stakeholders is critically important**

# A unique forum for policy dialogue



## CTE supports WTO members in:

- Understanding the **links between trade and environmental policies**
- Learning from **national experiences**
- Avoiding **green protectionism** and strengthening the **positive interaction** between trade and the environment

**Thank you for your attention**

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