

Fourteen WTO Members Announce Plan to Negotiate New Environmental Goods Agreement

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The United States and 13 other World Trade Organization (WTO) members have announced their intention to negotiate a plurilateral agreement that would eliminate tariffs on an array of environmental goods. Negotiators intend to build on and expand a list of 54 environmental goods on which Asia Pacific Economic Cooperation (APEC) countries agreed in 2011 to reduce tariffs to 5% or less by 2015.

The January 24, 2014 joint statement—issued by Australia, Canada, China, Costa Rica, the European Union, Hong Kong, Japan, Korea, New Zealand, Norway, Singapore, Switzerland, Taiwan, and the United States—commits countries accounting for 86% of global trade in environmental goods to enter an agreement once a “critical mass” of WTO members participates. In the context of the Information Technology Agreement (ITA), a similar plurilateral agreement within the WTO, negotiating countries considered a “critical mass” to be 90% of trade in IT goods.

An agreement that expands upon the coverage of the APEC list and that eliminates tariffs on goods currently included would represent a significant opportunity for U.S. manufacturers of environmental goods. Currently, the United States’ average applied MFN tariff rate on the 54 goods under the APEC agreement is 1.5%, while some countries apply tariffs of up to 35% on some of these goods, which include solar panels and solar water heaters, wind turbines, gas turbines, and waste treatment equipment. As a result, U.S. exporters of environmental goods could see substantial gains from trade if high tariffs are eliminated in major foreign markets. Plurilateral

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negotiations among “like-minded” WTO member countries have been an effective model for pursuing such ambitious objectives in the past, though disagreement regarding the scope of the goods to be covered may delay progress, as in the ITA negotiations.

According to United States Trade Representative (USTR) Michael Froman, the agreement would focus on eliminating tariff barriers to trade in environmental goods and would not cover trade in environmental services. Rather, the environmental goods agreement would “complement U.S. led efforts to remove barriers to global services trade, including environmental services ... as part of the Trade in Services Agreement.” In addition, it is unclear whether the environmental goods negotiations will address non-tariff barriers (NTB). While reducing tariff barriers is an important goal, many U.S. environmental goods exporters face equally significant barriers in the form of local content requirements, domestic technology standards, and other NTBs. It is also possible that countries will simply replace tariffs with new NTBs, such that they do not ultimately open their markets as a result of an agreement that focuses exclusively on reducing tariffs. Therefore, any meaningful agreement should address both tariffs and NTBs, and these negotiations would be an appropriate forum to do so in the WTO context.

The text of the joint statement can be found [here](#).

USTR Michael Froman’s remarks regarding the announcement can be found [here](#).

The attorneys in Wiley Rein’s International Trade Practice are experts in the field of international trade in environmental goods and services and are actively advising clients in the context of regional, plurilateral, and multilateral trade negotiations.