THE VLADIVOSTOK DECLARATION: A GAME CHANGER?

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Outline

- Aspects of deadlock at the Doha negotiations on EGs
- The Vladivostok declaration: Reduction in tariffs for fast-growing EG products in APEC trade
- EG lists continue to reflect mercantilistic motives
- Not much reduction in applied tariffs
- ..but some reduction for some members once differences in national tariff schedules worked out
- APEC still has higher applied protection.
- APEC 'forging ahead' while Doha negotiations have stalled for a decade?

Doha Negotiations on Environmental Goods (EGs)

(conclusions from Balineau-de Melo review of progress as of 2010)

- Members did not act on article 31 mandate
  - Strategic behavior was encouraged by multi-dimensionality of negotiations cum consensus
  - Stakes not sufficiently high (5<tariff<10% range) for «request-and-offer »bargaining to be worthwhile—the locomotive of early GATT rounds
  - Technical difficulties in defining EGs (GEMs and EPPs)
  - Genuine differences in interests (better resolved by negotiations at regional level)
  - Political-economy of submissions on lists (only those with low tariffs – around 3% were proposed along those with revealed comparative advantage)
- Implications
  - Follow the regional route à la Ostrom to build confidence
  - Drop multilateral negotiations for plurilateral negotiations (allowed under WTO, e.g. GPA, ITA)

The Vladivostok Declaration and Reactions

"…In that light, we are pleased to endorse the below APEC List of [54 according to 2012 HS-5 classification] Environmental Goods that directly and positively contribute to green growth and sustainable development objectives on which we will reduce applied tariff rates to 5 per cent or less by the end of 2015 taking into account economies' economic circumstances and without prejudice to their positions in the World Trade Organization (WTO), as we committed in 2011…. We believe that reducing our tariffs on environmental goods demonstrates our commitment to pursuing green growth objectives, addressing climate change and securing sustainable economic development, and are committed to continuing APEC's leadership role in this regard.»

- APEC= 70% of world exports for 54 products in 2010 ($270 billion); (2002-2011) annual growth rates [manufactures]: Exports = 18.9% [10.5%]; Imports = 16.1% [12.1%] Top importers and exporters are the same group. A good case for 'request' and offer' approach of the old GATT days.
- At November 18 meeting of WTO's Comittee on Trade and the Environment, some members welcomed the move as a breakthrough in the stalemate (since the start of the negotiations in 2001, members have been unable to agree on an approach (project; request and offer; list).
- ….others did not want the deal to influence the talks at the WTO.

EG lists continue to reflect mercantilistic motives

APEC (48) Products in Core (26) list

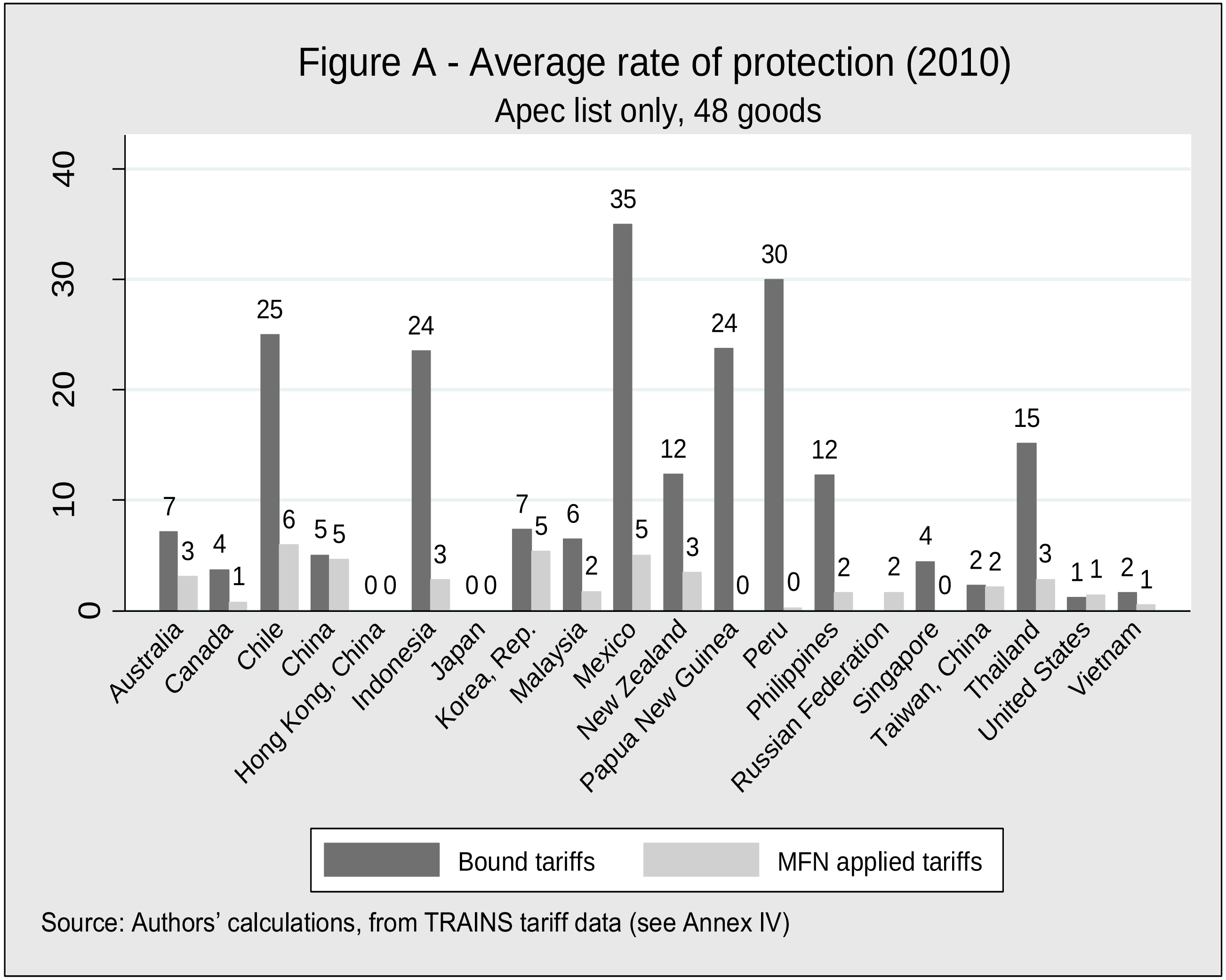
Table 1 – The 'Core List'

N°	HS 2002 CODE	HS CODE DESCRIPTION	MEMBERS[a]	CATEGORY(IES)[b]
1	460120	Mats, matting and screens of vegetable materials	PHL	WM/WT
2	730820	Towers & lattice masts	9M, PHL, SGP	RE
3	732111	Cooking appliances and plate warmers.	9M	ET
4	732490	Other sanitary ware and parts thereof, of iron or steel	9M, SAU	WM/WT, ET, CCS
5	840290	Steam or other vapour generating boilers; super-heated water boilers: Parts	9M, SAU, PHL	WM/WT, ET, CCS
6	840410	Auxiliary plant for use with boilers of heading 84.02 or 84.03; condensers for steam or other vapour power units	9M, SAU, PHL	WM/WT, ET, CCS
7	840510	Producer gas or water gas generators; acetylene gas generators and similar water process gas generators	9M, SAU, PHL, SGP	APC, RE, WM/WT, ET, CCS
8	840681	Steam turbines and other vapour turbines for marine propulsion: Of an output exceeding 40 MW	9M, SAU, PHL	RE
9	840999	Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08	9M, SAU, SGP	APC, ET, CCS
10	841011	Hydraulic turbines and water wheels of a power not exceeding 1,000 kW	9M, SAU, PHL	RE, ET, CCS
11	841012	Hydraulic Turbines and Water Wheels, Power 1, 000-10, 000kw	SAU	ET, CCS
12	841090	Hydraulic turbines, water wheels, and regulators ; parts, including regulators	9M, SAU, PHL	RE, ET, CCS
13	841181	Other gas turbines of a power not exceeding 5,000 kW	9M, SAU, PHL, QAT	RE, ET, CCS, OTH
14	841182	Other gas turbines of a power exceeding 5,000 kW	9M, SAU, PHL, QAT	RE, ET, CCS, OTH
15	841861	Other refrigerating equipment; heat pumps: Compression-type units whose condensers are heat exchangers	9M	RE
16	841919	Instantaneous or storage water heaters, non-electric: Other	9M, PHL	RE
17	841950	Heat exchange units	9M, SAU, PHL	RE, ET, CCS
18	847989	Other machines and mechanical appliances: Other	9M, SGP	APC, WM/WT, RE
19	850231	Other generating sets: Wind-powered	9M, PHL, SGP	RE
20	850410	Ballasts for discharge lamps or tubes	SAU	ET, CCS
21	853710	Boards, panels, consoles, desks, cabinets and other bases, for electric control or the distribution of electricity	9M, PHL	RE
22	854140	Photosensitive semiconductor devices, including photovoltaic cells; light emitting diodes.	9M, PHL, SGP	RE
23	900190	Lenses, prisms, mirrors and other optical elements, of any material, unmounted: other	9M	RE
24	900290	Lenses, prisms, mirrors and other optical elements, of any material, mounted: other	9M	RE
25	902730	Spectrometers, spectrophotometers and spectrographs using optical radiations (UV, visible, IR)	9M, SGP	ET
26	903210	Thermostats	9M, SAU, SGP	ET, CCS

Only 8 products in the APEC list belong to the Core list drawn in 2010 (see arrows)-
Note that many products in the «friends 9 member list» not in APEC list

APEC list fits in the WTO combined list of 411 products, but only 10 from WB list of 49 products. ….Thermostats, compact fluorescent lights not in list. Often parts (e.g. steam turbines) included but not the final product…

…Small reductions in applied tariffs (what about binding at applied rates?)



… room for reductions via selecting products from national tariff schedules (HS-8, HS-10)

		MFN applied tariffs						
	Bound tariffs (simple average)	Simple average	Tariffs max	nbr of TL	nbr of TL under 5%	% of TL above 5%	average tariffs for TL above 5%	share of import value > 5%
Australia	7.14	2.73	5	62	62	0%		
Canada	3.75	0.43	6.5	97	93	4%	6.5	1.20
Chile	25	6	6	74	0	100%	6	n.a
China	5.06	4.72	35	114	78	32%	9.49	18.68
Hong Kong, China	0	0	0	75	75	0%		
Indonesia	23.53	5.38	10	141	125	11%	8.86	20.82
Japan	0	0	0	64	64	0%		
Korea, Rep.	7.36	5.41	8	222	75	66%	7.48	n.a
Malaysia	6.48	1.76	21.25	78	69	12%	14.9	4.44
Mexico	35	2.37	10	235	178	24%	7.84	21.43
New Zealand	12.35	3.46	5	67	63	6%	n.a	3.44
Papua New Guinea	23.77	0	0	48	48	0%		
Peru	30	0.28	9	97	94	3%	9	0.40
Philippines	12.32	1.65	10	169	163	4%	8	1.12
Russian Federation		1.28	10	131	111	15%	7.18	5.85
Singapore	4.48	0	0	139	139	0%		
Taiwan, China	2.3	2.14	10	118	108	8%	8.87	n.a
Thailand	15.18	2.86	10	163	130	20%	7.74	16.10
United States	1.21	1.46	5.6	133	126	5%	5.6	0.00
Vietnam	1.67	0.55	10.25	143	135	6%	10.13	n.a
TOTAL	11.68	2.12	35	2370	1936	18%	7.63	

Ex: China has 114 Tariff lines with 32% above 5% for an average tarif of 9.5% accounting for 19% of imports under the 48 product list.

Problem is handling tariff codes and product descriptions for the «ex-outs»

Among APEC, Australia, HK, Japan, Singapore, PNG already in compliance. China, Mexico, Thailand could expect adjustment in trade flows

APEC tariff reductions follow world trends but members still have higher average applied tariffs

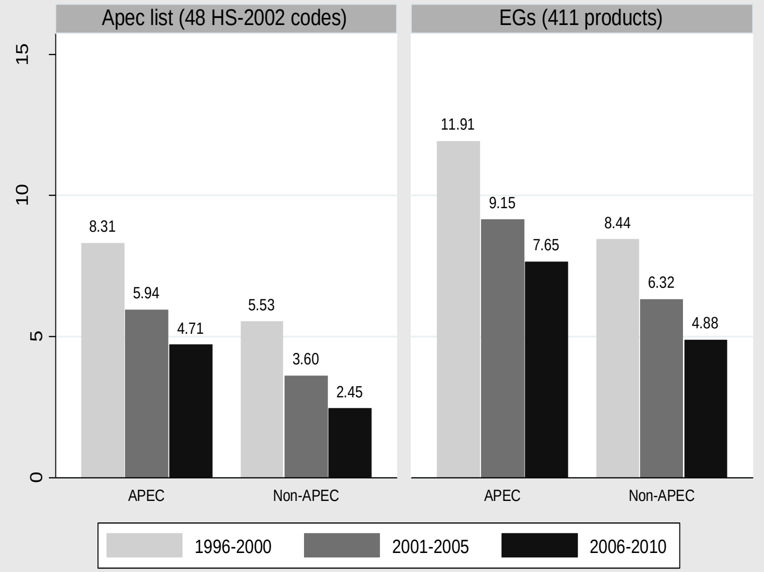
APEC list (48 in HS-2002 class.)

WTO combined list (411)

Core list (26)

All HS-6 products

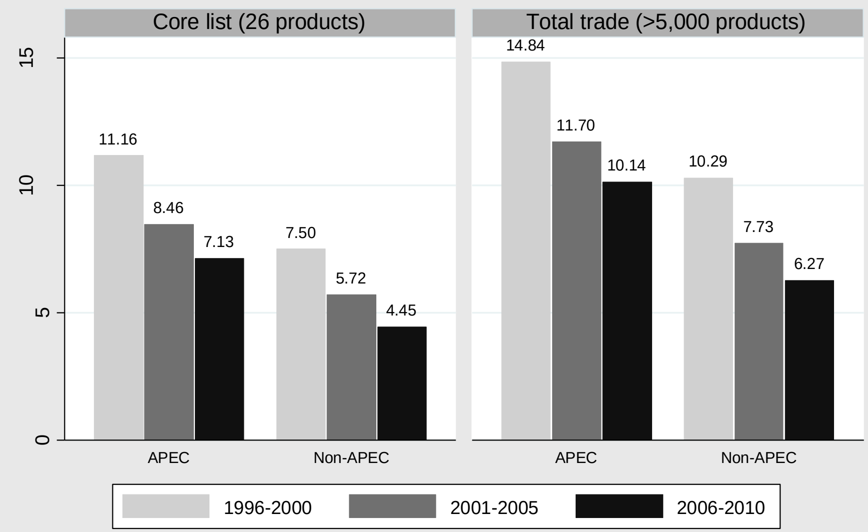
Figure 2quater - Evolution of the average rate of protection, 1996-2010



Source: Authors' calculations, from TRAINS tariff data (see Annex IV)

Figure 2ter - Evolution of the average rate of protection, 1996-2010

APEC vs non-APEC members



Source: Authors' calculations, from TRAINS tariff data (see Annex IV)

APEC Forging Ahead?

- Not much reduction in applied tariffs. Technical work ahead to clarify application.
- Non-tariff barriers (local content requirements, subsidies, restrictive standards) not addressed.
- Some signalling, though also confirmation of «made-to-measure» approach in selection of products on lists.
- Confirmation that request and offer approach works when stakes are sufficient (70% of world trade in these 54 products)
- «The» Signal: Confirmation that unilateral/ regional approach likely to continue to dominate any progress on environmental policies.

References

Gaelle Balineau and Jaime de Melo (2011) «Stalemate at the Negotiations on Environmental Goods and Services at the Doha Round» available at http://www.ferdi.fr/uploads/sfCmsContent/html/112/P28.pdf

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