



Stakeholder Questionnaire Report

*For the Trade Sustainability Impact Assessment on the
Environmental Goods Agreement*

This project is being implemented by:

DEVELOPMENT
Solutions



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The EGA Trade SIA Questionnaire covered a wide spectrum of stakeholders

METHODOLOGY

Distribution:

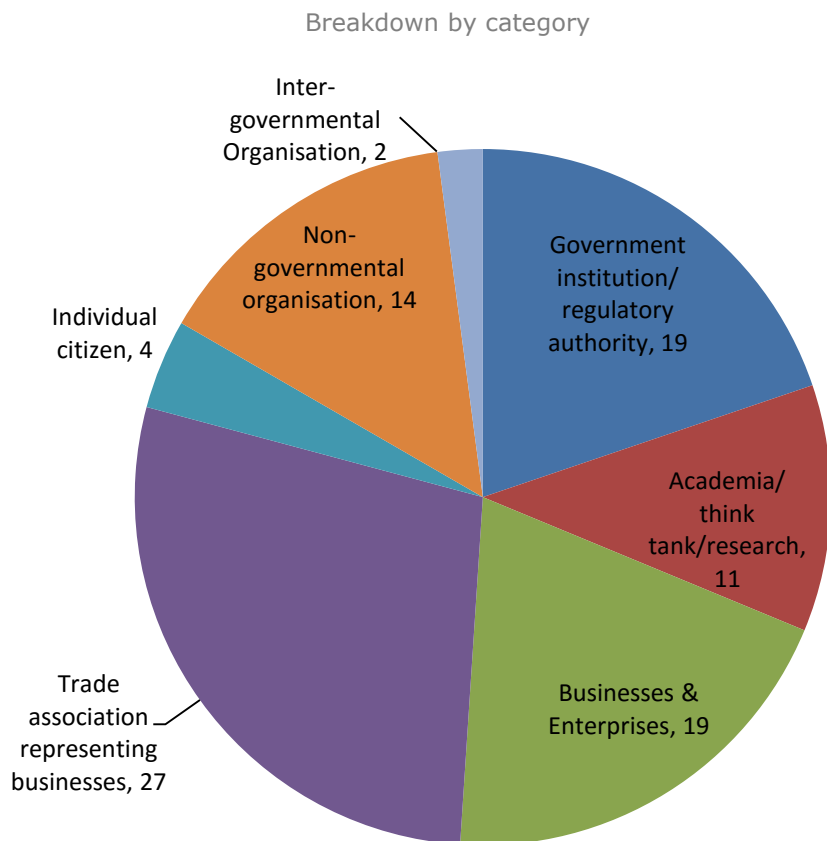
- At two workshops:
 - Southeast Asia and Latin America
 - For Latin America, Spanish-version questionnaire used
- Newsletter Distribution
 - Two newsletters
 - Links and description to questionnaires provided
- Social media outreach:
 - LinkedIn
 - Twitter
- Canvassing:
 - Passed out questionnaire at trade events and expositions
 - IEGM 2015
 - The GREEN Expo
 - CWP 2015

96
stakeholders
completed the
questionnaire

Results:

- High response from workshops:
 - Southeast Asia: 13 responses
 - Latin America: 13 responses
- Significant number of overall respondents
- Private sector and industry associate stakeholders represent nearly half of total respondents
 - Also significant number of government, NGO and think-tank respondents

Most respondents come from the private sector (private enterprises and trade associations)



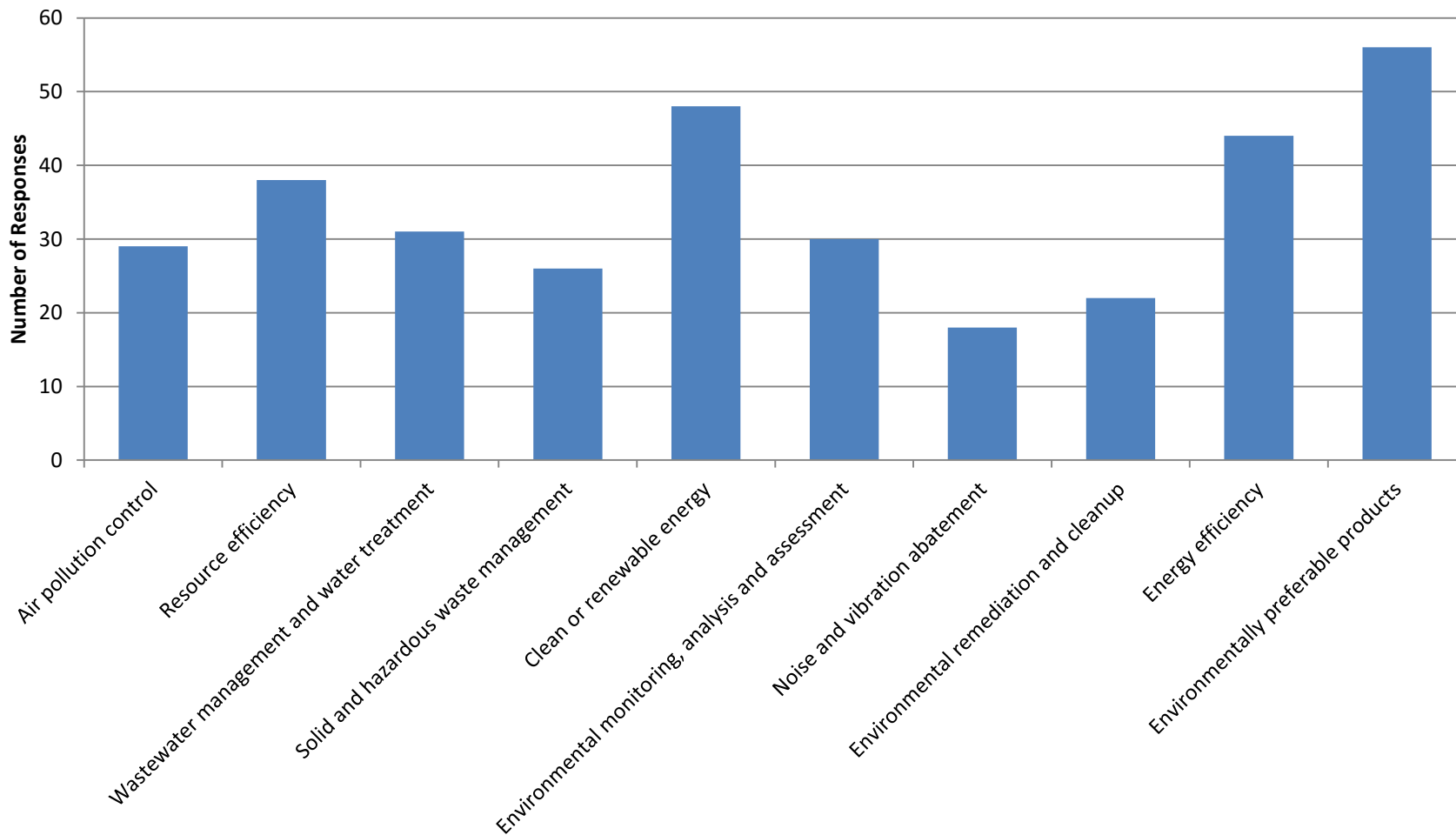
- Private sector:
 - CRE and parts manufacturers
 - Chemical companies
 - Bicycle and parts manufacturers
 - Heating and Cooling manufacturers
 - Telecom manufacturers
 - Paper makers
- Trade associations:
 - Bicycle manufacturers
 - Chemical makers
 - Recycling companies
 - Biofuel makers
 - Forest Industries
 - National service trade association
- Academia / Think tanks
 - Universities
 - Trade research institutions
 - Environmental Research Institutions
- Government Institutions
 - U.K.
 - Norway
 - Denmark
- Non-governmental Organisations
 - International trade-related organisations
 - Environmental organisations
- Individual citizens
 - Lawyers
- Intergovernmental Organisation
 - OECD
 - The Commonwealth

The respondents' interests in different environmental sectors are very diverse*

This Project is financed by the European Commission and executed by DEVELOPMENT Solutions



Question: what are your main areas of activities or interest*?

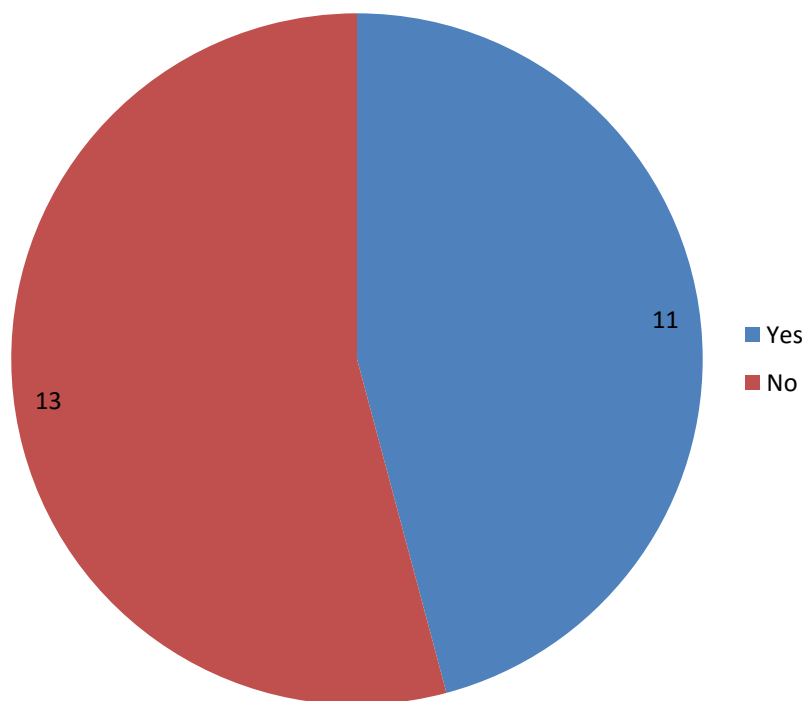


*A respondent may select multiple areas of interest

The sectors covered by non-SMEs and by SMEs are also very diverse



Question: is the your company a small-or-medium sized enterprise (SME)*?



- Industries of non-SMEs:
 - Sealing devices
 - Environmental monitoring devices
 - Chemical inputs into environmental goods
 - Biotechnology
 - Bicycle parts
 - Industrial heating and cooling equipment
 - Domestic heating and cooling equipment
 - Paper and paper-making equipment
- Industries of SMEs
 - Bicycles and bicycle parts
 - Bioethanol
 - Biomass products
 - Sustainable forestry products
 - Solar panel installation and distribution

*According to the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p.36), a company qualifies as an SME if:

1) It employs less than 250 persons (including managers, etc.)

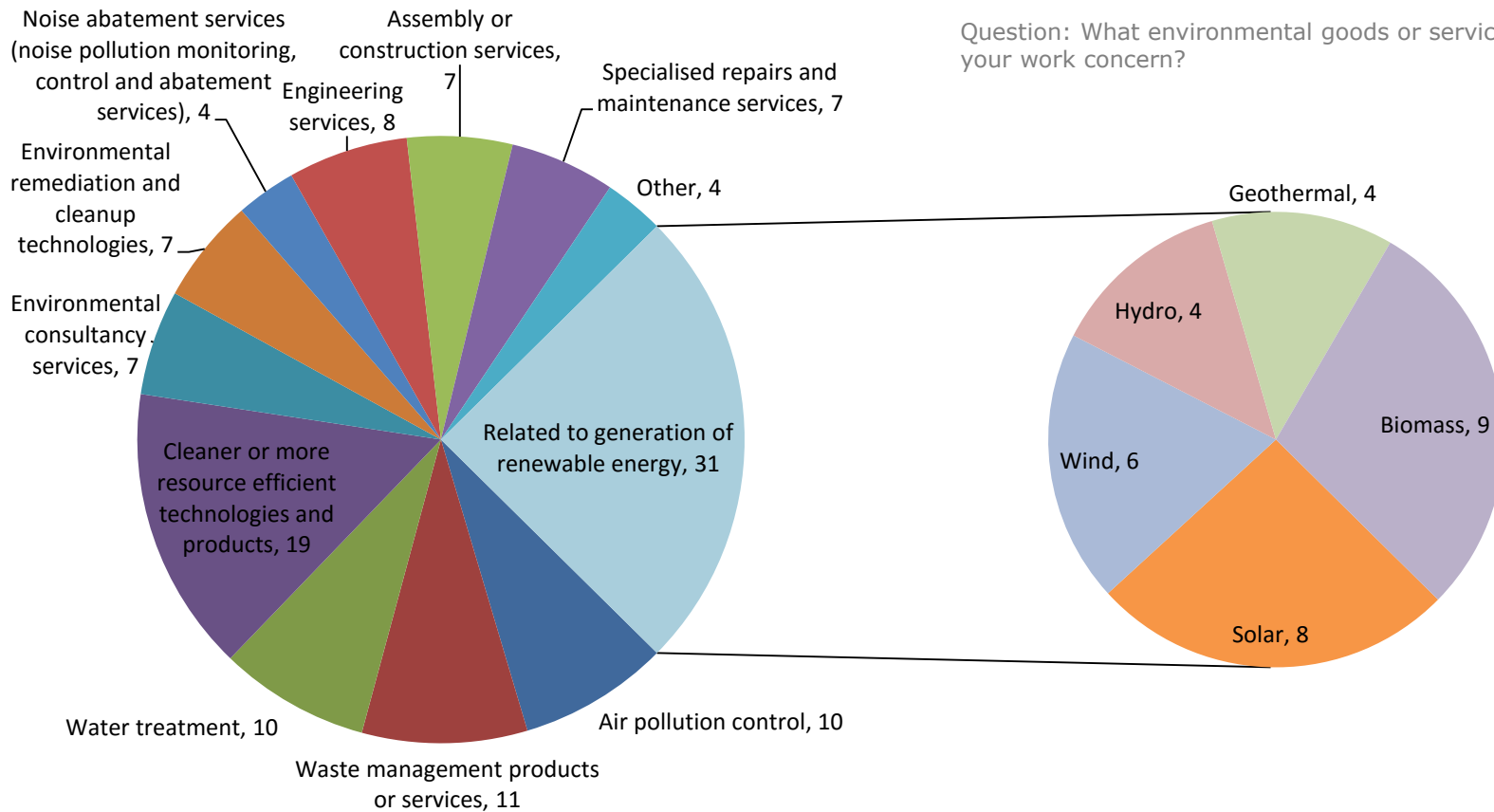
AND

2) It has an annual turnover not exceeding 50 million EURO and/or its annual balance sheet does not exceed 43 million EURO.

Of those respondents who are active participants in the environmental goods and services industry, a plurality do work related to generation of renewable energy; however, all sectors are represented*



Question: What environmental goods or services does your work concern?

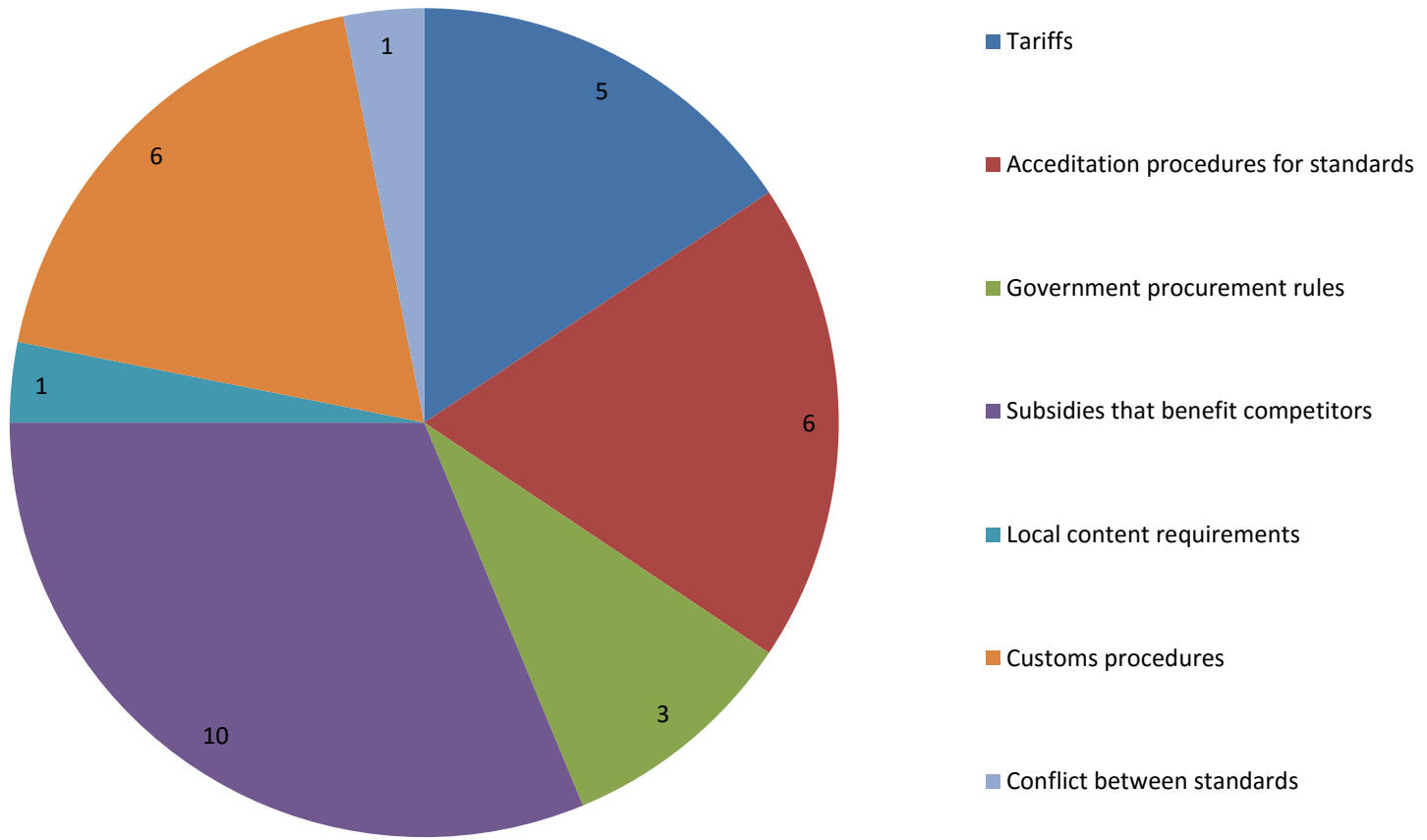


*A respondent may select multiple sectors

The respondents encounter a plethora of barriers in the trade of goods...



Question: does your company, or companies you represent, encounter barriers to trade that you would like to see addressed by the EGA (goods)*?

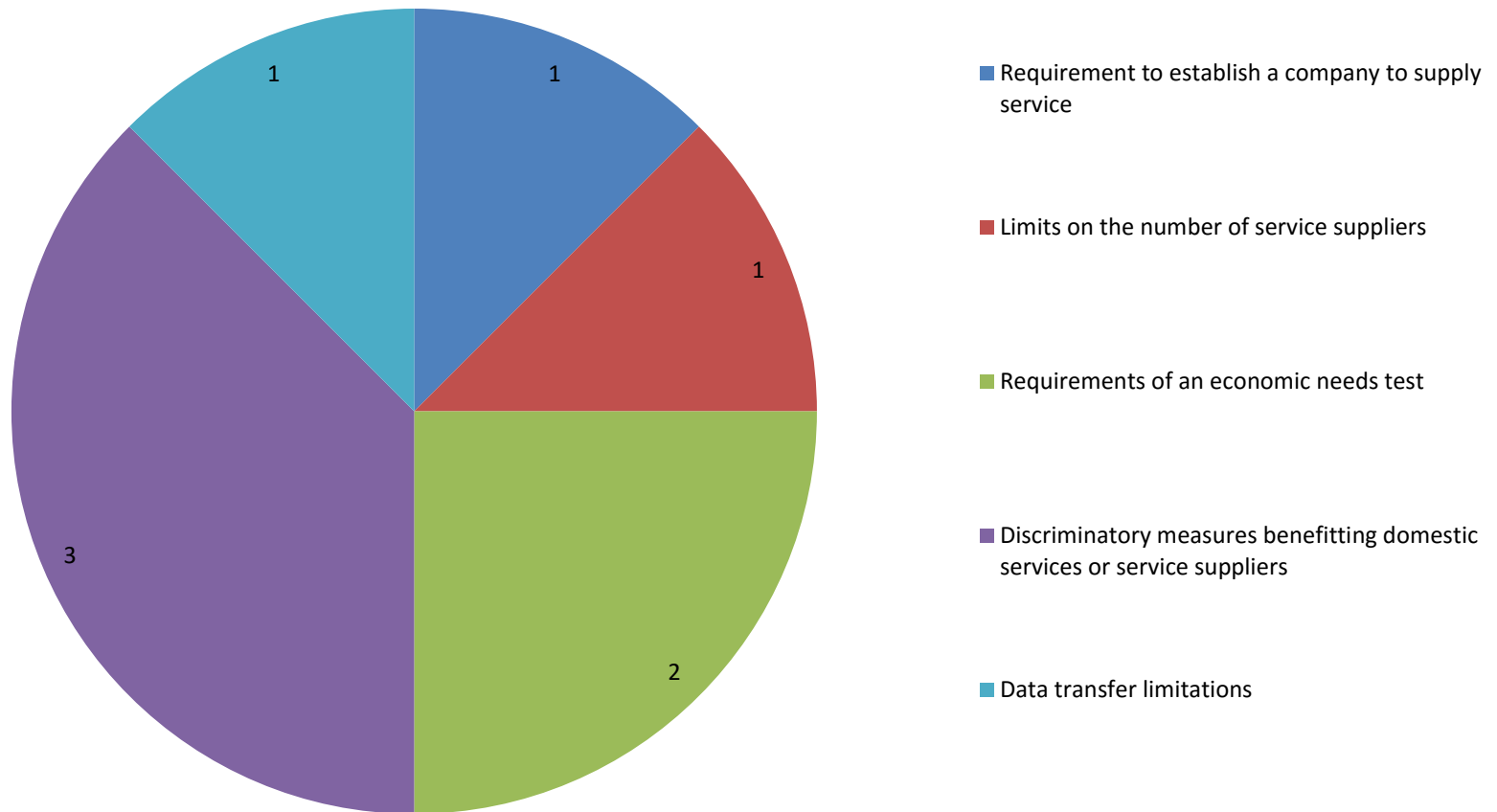


*A respondent may select multiple barriers

In the trade of services...



Question: does your company, or companies you represent, encounter barriers to trade that you would like to see addressed by the EGA (services)*?



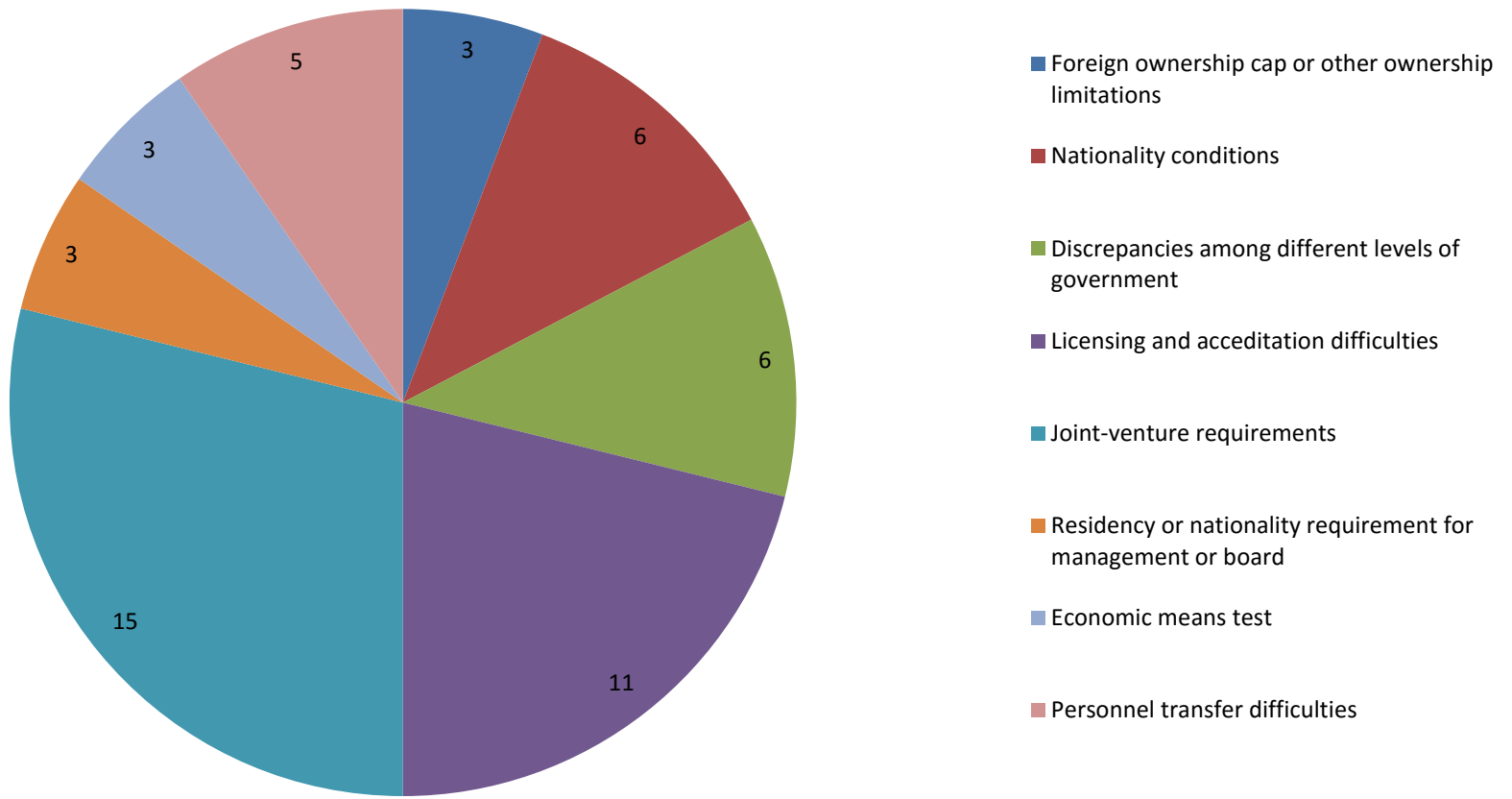
- Requirement to establish a company to supply service
- Limits on the number of service suppliers
- Requirements of an economic needs test
- Discriminatory measures benefitting domestic services or service suppliers
- Data transfer limitations

*A respondent may select multiple barriers

And in attempting to establish their operations abroad.



Barriers to establishing a commercial presence cited by questionnaire respondents:



*A respondent may select multiple barriers



Stakeholder Questionnaire Report – open ended responses

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Goods or services that should be included in the EGA, according to the respondents

The suggestions from respondents contain individual products and technologies, product sectors, entire list of services, as well as more general suggestions on how the EGA negotiation partners should construct their lists.

For individual products, pipes, rain water harvesting systems (both by Agnes Chanut of Diplomatic Academy, Austria), water purification systems (Fitzgerald Temmerman of the World Trade Institute), air quality assessment goods (anonymous Chinese stakeholder), and inductors and energy storage systems (IETA) were nominated by some of the respondents. One respondent, Amelia Porges, nominated nuclear technology because it is potentially a source of zero-emission energy.

For product sectors, many of the trade associations of chemical manufacturers and individual chemical makers suggested that all products belonging to HS chapters 28 – 39 (including most chemical products), without ex-outs, should be included in the EGA. As Sefic Gören from the European Chemical Industry Council (CEFIC) stated, “Chemicals are essential building blocks for a diverse range of environmentally friendly technologies and chemicals play an indispensable role in all the 10 designated areas, such as air pollution control, waste water management, energy efficiency etc. No wind-turbine, no solar panel, no ‘green’ tyre [c]an be produced without chemical inputs.” Additionally, Reinhard Quick of the Verband der Chemischen Industrie e.V. noted that certain product choices in the EGA are paradoxical; for example, tariffs for polyurethanes will be eliminated under the EGA, but polystyrenes will not be, even though they are both products used for insulation purposes. The inclusion of most chemical products in the EGA would therefore eliminate such discrepancies.

Goods or services that should be included in the EGA, according to the respondents (cont'd)



The members of the chemical industries also strongly argued for the inclusion of bioethanol and related products such as industrial sugar into the EGA. Sefic Gören noted that these products are vital inputs to the European chemical industry, and the import duties on these products can go up to 65% *ad valorem*. He also added that these products are considered renewables, and the inclusion of these along with other agricultural products onto the EGA list would entice more developing countries to join the EGA. This sentiment is shared by a respondent from the Brazilian Sugarcane Industry Association, who noted, "Sugarcane ethanol saves up to 90% greenhouse gases emissions compared to fossil fuels and can significantly contribute to fight climate change."

Some respondents from developing countries were keen to include biomass and organic agricultural products into the EGA. Helena Massote of the Brazilian Ministry of External Relations, Lai Van Manh, an academic stakeholder from Vietnam and an anonymous respondent from Thailand were among those who made the suggestions. Helena Massote believes that limiting the EGA goods to industrial products will produce balance of trade issues to developing countries, at least in the short term.

Some stakeholders in the paper industry believed some paper products should be designated environmental goods for the EGA. Bernard Lombard of CEPI - Confederation of European Paper Industries believed all products of HS chapters 47 (pulp and recovered paper) and 48 (paper and paperboard) "should be designated as environmental goods for the purpose of the EGA negotiations." He added, "discriminating paper grades based on the nature of their fibres would be unjustified, would create substantial market distortion and be a threat to multilateral trading system[\'s proper function]." He added that machinery, mechanical appliances and boilers that help improve the efficiency of resources used in paper manufacturing should be included in the EGA, many of which are included in HS chapter 84.

Goods or services that should be included in the EGA, according to the respondents (cont'd)



For the recycling industry, Eric Harris of the Institute of Scrap Recycling Industries believed that there should be a “separate and stand-alone category” for recycled commodities (‘such as, steel, copper, aluminum, precious metals, plastics and rubber’) as well as related recycling equipment (‘such as automobile and electronics shredders, loggers/balers, shears, sorting/separating systems, material handlers, granulators, and conveyors’).

As for full list suggestions, Jehan Sauvage of the OECD believed that multiple-use products, i.e. products with environmental as well as non-environmental uses, should be included in the EGA. He wrote, “liberalising products that are not necessarily environmental (as where a single 6-digit HS code contains both environmental and non-environmental products) would still yield gains from trade, while not liberalising products that may not be exclusively environmental runs the risk of hampering (i) trade in general and (ii) the uptake of cleaner technologies if the products in question turn out to have some environmental uses.” Peter Bay Kirkegaard suggested similarly that “as many environmentally friendly product as possible should be covered,” adding, “EU companies are world leaders within this field, so we have clear offensive interests.” In contrast, there were also those who argue that only final goods/end-products for an exclusive environmental use should be included in the final EGA list (anonymous European respondent).

Mario Filadoro of the Centre for Socio-Eco-Nomic Development believed the EGA should “include flexibilities” for developing countries.

Dina Margrethe Aspen of the Norwegian University of Science and Technology suggested that goods “that have a documented (preferably quantified) environmental beneficial performance compared to similar products serving the same function” should be included in the EGA “in general”, adding, “The performance should cover all impacts in a life cycle perspective.”

Goods or services that should be included in the EGA, according to the respondents (cont'd)



As for services, Anders Aeroe of the International Trade Centre suggested that "for core environmental services, "the entire section 6 in w/120 list should be included, e.g. Sewage services (9401), Refuse disposal services (9402), Sanitation and similar services (9403) and Other. The 'Other' category deserves particular attention, which may include many new types of environmental services that were not in existence during the Uruguay round."

He added, "Success of environmental projects would also depend on many supporting services: construction, engineering, legal services, landscape and urban planning, transportation, installation and maintenance in particular. It would be preferred if these supporting services are also addressed in the negotiations, along with the issues of movement of natural persons, and domestic regulatory issues such as licensing and qualifications." In particular, moving workers across borders and licensing and qualifications issues were also service-related barriers mentioned by other respondents in the questionnaire.

Mubariz Mammadli of Economic Think, Azerbaijan contributed a short list of potential services to liberalise: "Regarding services we suggest the following areas to be included into the agenda of negotiations: Urban planning and landscape; research and development services; market research and public opinion polling; services incidental to mining, manufacturing and energy distribution and full chapter under environmental services."

Goods or services that should NOT be included in the EGA, according to the respondents



The individual goods that some respondents did not want to be included in the EGA's final list overlap with some of the goods that other respondents would like to see on the final list. Biofuels and bioethanol, bicycles and bicycle parts, nuclear technology and wastewater management and water treatment facilities and services appear on both lists.

For bioethanol, a respondent from the German Bioethanol Industry Association (BDBe) and another from ePURE, an association for European bioethanol makers, made identical arguments against adding bioethanol to the EGA. They both alleged how third countries' subsidies for their domestic ethanol industries would undermine the viability of the EU domestic ethanol industry. They also aired concerns that opening ethanol products to free trade could lead to weakening EU's trade barriers for other agricultural goods. Amelia Porges, a trade lawyer, believes using food crops to produce biofuel is a "moral abomination." Jodie Keane from the Commonwealth Secretariat believed certain types of biofuel "that release GHG emissions above a certain threshold" should be excluded from the EGA without specifying the threshold.

For bicycles, almost a dozen nearly identical responses were submitted by trade associations representing European bicycle manufacturers throughout the EU. They alleged Chinese subsidies puts European bicycle makers at a disadvantage, and that the Chinese manufacturing process for bicycles generates more greenhouse gasses compared to the European process. Moreover, they argued that the European bicycle industry is more innovative, and allowing Chinese competition would destroy that innovation and put European workers out of their jobs.

Kaja Brundtland Edren from the Ministry of Foreign Affairs, Norway argued that "nuclear energy has no place in the EGA."

Goods or services that should NOT be included in the EGA, according to the respondents (cont'd)



Chan Jong Park of the International Emissions Trading Association believed wastewater management and water treatment facilities and services should be excluded from the EGA without elaborating.

Additionally, an anonymous European stakeholder argued for the exclusion of man-made fibres "of chapters 54 and 55" of the HS from the EGA without elaborating.

For broader categories of products, several respondents (anonymous respondent from Europe, Jean Bertrand Azapmo from the Federated States of Micronesia) believed that goods without direct environmental applications should be excluded from the EGA. One issue with accepting goods without clear environmental end uses was that it "undermines the environmental credibility of the agreement" according to Jehan Sauvage of the OECD, though he made the ultimate argument that the increase in trade outweighs this risk.

In the meanwhile, Anders Aeroe from the International Trade Centre believed "Goods and services that have limited environmental impact, but rather representing trade interests of a particular party" should be excluded from the EGA.

Finally, a respondent from EUROALLIAGES believed that "any product which is protected by anti-dumping measures in any part of the world should not be covered by the Environmental Goods Agreement" because that would "create... a problem of unfair competition."

Respondents' concerns about the EGA

The respondents' main issue with the EGA was its lack of definition for environmental goods. Respondents believed this raises several issues:

ACEA - European Automobile Manufacturers' Association believes the list-based approach of the EGA meant "... the product coverage can only depend on subjective value judgments that will change over time." The ACEA considered this a flaw that threatened to overcomplicate international trade, and attempts to make it a living agreement would be ineffective without defining environmental goods.

In particular, the ACEA's comments touched on the proposed review mechanism that is supposed to introduce new products and remove out-dated ones from the EGA. ACEA stated, "[such] a review mechanism would institutionalize the conceptual flaws of the initiative and would exacerbate the damage caused to the international trading system. ACEA is of the view that it would also be very challenging to operate the system in practice as keeping the list up-to-date could be very difficult (also considering the pace of technological progress) and changes in the list of environmental products would need the consent of the WTO members signing up to the agreement." Such a system without the support of a widely-accepted definition of environmental good would lead to horse-trading and political posturing for every update.



Respondents' concerns about the EGA (cont'd)

The arguments made by the European chemical industry echoed the ACEA's arguments, though they arrived at the opposite conclusion made by the ACEA.

Servet Gören of CEFIC cited the discrimination between chemical products (for example: polyurethane is on the list but polystyrenes are not) as an example that the list-based approach "leads to discrimination and arbitrariness". A respondent from the UNION DES INDUSTRIES CHIMIQUES made the observation that it is also very difficult to know what will be the part dedicated to the manufacture of environmental goods because the chemical industry "provides large volumes to other producers in the world, with sometimes very long processing/distribution channels." Jonathan Vanherberghen of BASF argued that "goods should be included based on clear parameters and criteria. Without these parameters a list based approach, such as this EGA, is bound to be incomplete, biased and runs the risk of discriminating certain products that are not on the list."

Servet Gören urged the negotiating partners to "define precisely what is meant by environmental goods in a manner that is not subjective or discriminatory", and to liberalise entire lists and industries rather than a list of products. In essence, he, and fellow member of the European chemical industry (BASF, UNION DES INDUSTRIES CHIMIQUES, Verband der Chemischen Industrie e.V.) believed the scope should be much wider, and should at least include most of the products manufactured by the chemical industry, as a way to avoid the limitations caused by the lack of a widely-accepted definition of environmental good.



The impact of the EGA on developing countries

Respondents held varying beliefs regarding the impact that the EGA has on developing countries. Some believed it to be positive: multiple respondents (Magdalena A K Muir of the Coastal and Marine Union (EUCC); respondent from Green Watch of India; respondent from the UK Department for International Development) believed the EGA would lead to technology transfers to developing countries that would give them the ability to participate in the global value chain. The respondent from the UK Department for International Development also pointed out that the EGA “will lower the cost of a wide-range of environmental technologies”, which could encourage the use of environmental technologies. The respondent also believed the use of these technologies “will result in long term benefits being accrued in a country’s economy, including through increased employment (both in terms of an increase in jobs, and an increase of local knowledge on relevant skills) and technological diffusion.”

Anders Aeroe of the International Trade Centre argued that “cheaper imports [of environmental goods] will help developing countries better handle environmental issues, which is often more critical in developing countries”.

Several respondents (Anna Marhold of European University Institute (EUI); Anne Ehrenreich of Ministry of Foreign Affairs, Denmark; Dina Margrethe Aspen of Norwegian University of Science and Technology) also believed that the EGA can help developing countries meet climate targets. Dina Margrethe Aspen additionally believed the agreement could lead to “increasing human well-being in a sustainable manner”.

The impact of the EGA on developing countries (cont'd)



On the other hand, several respondents expressed concern at certain ramifications of the EGA for developing countries. Mohammad Farhad of the Bangladesh Foreign Trade Institute believed that for developing countries that join the EGA, “they have to invest more in new technology which would increase their cost of production.” Amelia Porges argued, on the other hand, that by joining the EGA, developing countries would gain access to capital to finance those projects, which would alleviate some of the concerns.

Anders Aeroe raised the risk that since developing countries have relatively high tariffs on environmental goods, “reducing tariffs might mean greater competition with imported products and greater pressure on domestic industries.” An anonymous Thai respondent added to this concern, stating that “increasing exports from developed countries to developing countries... may lead to... developing countries depending on import from developed countries [in the absence of] technology transfer.”

A respondent from the Directorate for Foreign Trade of Belize raised the issue that removing the trade barriers on environmental goods also means the loss of customs revenue generated from those products, which could lead to the “loss of financial resources to fund social programmes.” This argument was countered by the respondent from the UK Department for International Development who believed “an ambitious agreement will boost growth and with it tax revenues.”

The impact of the EGA on developing countries (cont'd)

For Jehan Sauvage of the OECD, the participation of developing countries in the EGA is also a chance to participate in the global value chain, which is facilitated by “technology transfers and learning by doing”. However, some respondents disagreed with this claim. For example, Reinhard Quick of the Verband der Chemischen Industrie e.V. argued that “EGA works against [the global value chain]. It does not lead to the liberalisation/elimination of tariffs along value chains but eliminates tariffs for some arbitrarily chosen and negotiated products.”

Communication to stakeholders could also be important, especially to those living in disadvantaged communities, according to Gloria Castillo of Comunicacion y Educacion Ambiental SC. Without such adequate communications, cultural damages, ecological damages and losses due to easy access to local markets could result.

Finally, some respondents raised suggestions as to how to encourage more developing countries to take part in the EGA. An anonymous respondent from Thailand believed that “EGA participating countries should allow other interested WTO members to participate in EGA negotiations as observers to gain more information”. Reinhard Quick mentioned the lack of agricultural products in the EGA as a disincentive for developing countries to join the EGA, and respondents from developing countries (Tanda Godwin Ade of the Environmental Protection and Development Association (EPDA) of Cameroon and an anonymous Thai respondent) both argued for the inclusion of sustainable and organic agricultural products to be included in the EGA. Helena Massote of Brazil believes that technical assistance should be provided to developing countries interested in joining the EGA.

The EGA and SMEs

Regarding SMEs, the respondents had a few inputs. Amelia Porges in particular noted that SMEs far more than multinationals are hurt by trade barriers. She wrote, “when big stakeholders (domestic solar or wind producers) bring trade remedy cases seeking a monopoly of the local market, SMEs usually don't have anything to say about the remedy. They are not big enough to manipulate markets or public policy – so they are victims and bystanders, not actors with a voice that is listened to.” Removing trade barriers would therefore benefit SMEs.

Reinhard Quick of the Verband der Chemischen Industrie e.V believed the complicated nature of the EGA could hurt SMEs: “the negotiations could lead to trade complication (eg ex-Outs or PPMs), bureaucracy might therefore deteriorate SMEs[’s abilities] to Export.” In the meanwhile, Mubariz Mammadli of Economic Think, Azerbaijan, noted that removing trade barriers and adding in new regulations too quickly could hurt SMEs. “Developing countries’ SMEs will face with technical difficulties in maintenance and application of new standards and regulations. Transition period along with technical assistance programmes will be needed [to acclimate to the EGA],” he wrote.



Conclusion

The respondents to this questionnaire came from diverse backgrounds: both the developed and developing world were well-represented, and additionally the respondents were involved in a plethora of fields related to environmental goods, and worked in nearly every major environmental goods and services sector. Many showed interest in environmental sectors beyond their immediate work areas. From their responses, many respondents were shown to be passionate about the plethora of issues affecting the trade of environmental goods and interested in the outcome of the EGA.

Different respondents' preferences could be very different, and this was demonstrated by some respondents arguing for a specific goods' inclusion while other respondents argued for their exclusion. The views of government, academia and NGO stakeholders at times also differed significantly from their private sector peers; of the former, most believed that the EGA will positively contribute to a host of socio-economic and environmental goals, whether it be boosting the economies of developing countries, to solving local environmental issues, to meeting broader climate targets. In contrast, some private sector players were much more reserved about the potential impact of the EGA; they were especially concerned about the lack of a clear definition for "environmental goods", and how that could affect the EGA's implementation and its aspirations to become a "living agreement", among other issues.

Developing countries' stakeholders also raised some unique concerns. They were keen on the inclusion of agricultural products, biomass and biofuels, and these hopes were supported by some of the private stakeholders in developed countries – already hinting at the potential of a global value chain. However, some of the stakeholders in developed countries were against the incorporation of these products into the EGA, citing fair competition concerns. On the flip side of the coin, many developing country stakeholders were also concerned about opening their domestic markets to manufactured goods from developed countries, and the effect those goods could have on less technologically advanced local competitors. The offensive and defensive interests of stakeholders in developing and developed countries could therefore be roughly drawn along the following line: developing countries' raw material producers and developed countries' finished goods manufacturers on one side and sharing each other's offensive and defensive interests, and developed countries' raw material producers and developing countries' manufacturers on the other.

Final words

Given the amount of interesting data and views the questionnaires were able to gather, the questionnaire's results overall achieved its goal in learning more about the trade barriers that the EGA is designed to address and shedding light on many of the hopes and concerns that a very diverse group of stakeholders have regarding the EGA.

Many thanks to all respondents who contributed to this Trade SIA.

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