

**UNICE PRELIMINARY POSITION ON THE REDUCTION AND/OR ELIMINATION OF
TARIFFS AND NON-TARIFF BARRIERS TO ENVIRONMENTAL GOODS**

This position paper elaborates on the UNICE Position Paper on Non-agricultural Market Access Negotiations dated 25 October 2002 with respect to tariff reduction/elimination on environmental goods as contained in paragraph 31 (iii) of the WTO Ministerial Declaration. It does not deal with environmental services.

UNICE fully supports the position reflected in the Ministerial Declaration that the product coverage for market access negotiations shall be comprehensive and without *a priori* exclusions. Paragraph 31 (iii) needs to be understood in the light of the overall goal of substantially reducing and, where appropriate eliminating, tariffs on industrial goods. A sectoral approach, like the one on environmental goods, has to be fully embedded within this overall policy goal. Once agreement on this overall goal has been achieved, nothing precludes the WTO membership from agreeing to deeper cuts or even the elimination of tariffs in a given area.

UNICE would like to point out the difference between *environmental good* and *environmentally-friendly good*. This difference is important since the Doha mandate only relates to environmental goods. The tariff schedule distinguishes between products and not between the uses of those products. A chemical used to insulate a house might be environmentally friendly, the same chemical might however have other applications which are either environmentally-neutral or even environmentally questionable. The tariff schedule treats this chemical as a product independent of its use. UNICE is of the view that the tariff negotiations on environmental goods cannot and should not lead to distinctions between *goods on the basis of their end-use*. Our view is based on the traditional GATT/WTO definition of *like* products. Given the fact that the tariff classification is one criterion to distinguish between products, a use category introduced into the tariff schedule could also be used as a justification to prohibit the importation of the product. In addition, the introduction of an *end-use* category would be difficult to apply in practice because customs authorities do not have the tools to evaluate *end-use* environmental qualities. And if they did, only a few WTO members would have the resources to fully implement *end-use* environmental testing at the border. This could transform an *end-use* category into a source of potential discrimination between WTO members' goods.

UNICE also has strong reservations about the suggestion regarding the inclusion of those products "*whose sustainable materials or production characteristics mean that increased trade in those products would also be environmentally supportive*". This suggestion would introduce into the WTO the hotly debated and controversial PPM issue, by allowing a WTO Member to distinguish at the border between products on the basis of their non-product-related process and production measures. UNICE strongly believes that it cannot and should not be the function of the tariff schedule to introduce controversial issues which the WTO membership, so far, has rejected to discuss let alone negotiate. Moreover, distinguishing between producers of environmentally-friendly and environmentally-unfriendly goods within WTO member countries would be problematic because tariffs are applied based on the country-origin.

UNICE believes that the WTO should, on the basis of objective and non-discriminatory criteria, establish a list of goods which can be considered environmental. The work undertaken in both OECD and APEC can provide useful examples, as long as these lists deal with products as such and not with uses of products. We would furthermore be very cautious to separate specific products which are contained in basket positions since this will only create further administrative hurdles and will make the application of the tariff schedule to imports rather burdensome. The exceptions within a specific basket will be difficult to control and will only lead to abuse. In addition, experience shows the difficulty of modifying or extending existing lists. UNICE therefore suggests elimination of the tariff on the whole basket altogether.

As far as country coverage is concerned UNICE is of the view that all WTO Members should eliminate their tariffs on the list of products eventually to be agreed. Whilst European industry recognises the development aspect of the DDA, this aspect cannot, however, be accepted in this context. If the prerequisite for these negotiations is correct, and UNICE believes that it is, then all WTO Members can and should do the utmost to protect the environment. There can, therefore, be no country exceptions on the list of environmental goods.

UNICE would also like to stress that not only tariffs but also non-tariff barriers need to be reduced and/or eliminated. It therefore sees a close link between paragraph 31 (iii) and 32 (i). Paragraph 32 (i) calls on the WTO Committee on Trade and Environment to analyse the effect of environmental measures on market access. UNICE is concerned that many regulatory measures adopted for perfectly understandable environmental reasons develop into formidable non-tariff barriers to trade which developing countries in particular are not able to overcome. In order to give meaning to the development aspect of the DDA UNICE suggests combining paragraphs 31 (iii) and paragraph 32 (i) with a view to eliminating tariffs for environmental goods but also with a view to harmonising environmental regulations/standards and to enabling developing countries to comply with these environmental regulations/standards.

UNICE will review/complement this UNICE preliminary position as the negotiations develop in Geneva on the matter. It is keen to continue the dialogue with all interested parties in order to contribute to an approach which is acceptable to all WTO members.
