

The Green Goods Agreement: Neither green nor good?

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On the margins of this year's World Economic Forum in Davos, 14 countries launched plurilateral negotiations on liberalizing trade in so-called environmental goods. The talks will build from the Asia-Pacific Economic Cooperation (APEC) list of 54 green goods slated for preferential tariff treatment within that trading block. While the intent is welcome, the agreement will do little for the environment and will present a morass of challenges for the parties involved.

The agreement is touted as benefiting the environment, but if it follows the APEC model and just focuses on tariffs—which is the short-term plan—then it will not address the real obstacles to trade in these goods. Primary among these are countervail and anti-dumping policies (a fast-growing category in the renewable energy sector), weak intellectual property regimes and a host of non-trade policy variables to which investors are sensitive. Among these variables are national laws and regulations for employment of the technologies, tight financing and a lack of national environmental policies that create the demand for such goods. Most of the negotiating countries already assess low or zero tariffs on most green goods, with a few notable outliers. In a [2009 paper](#), my colleague Peter Wooders calculates that the maximum conceivable greenhouse gas reduction possible from liberalization (using the much larger list of 153 goods proposed in the World Trade Organization [WTO] talks), under impossibly optimistic assumptions, would be between 0.1 and 0.9 per cent of 2030 total greenhouse gas emissions. Tariffs just are not that important here.

Is the agreement advisable from the trade regime's perspective? That's complicated. It is good that these countries have taken the initiative to move beyond the impasse that is the Doha Round, and good that they seem to care enough about the environment to choose a green goods agreement as a first exploratory step in that sort of coping strategy. However, they have entered a minefield, seemingly blind to the challenges. As my co-authors and I point out in a [2010 paper](#) that looked at multilateral environmental agreements and ecolabels as a guide to best practice, any scheme for preferential treatment of certain marketed goods has special needs. Most important to a green goods agreement would be a mechanism that regularly assessed the items on the list, performing three functions:

- Listing: deciding which entirely new green items deserved listing.
- Delisting: deciding which were no longer “green” relative to the competition (e.g., compact fluorescent lights, in the face of environmentally superior LEDs).
- Revising: deciding which performance standards needed ratcheting up, in light of improving technology (e.g., automobile fuel-efficiency standards).

In other regimes, these functions involve an independent scientific advisory body making regular reviews and recommendations to the formal rule-making body. APEC lacks this, and it is unlikely to appear at the WTO level either; that would be completely out of institutional character.

Even more fundamentally, it is difficult to make listing, delisting and revision decisions without two prerequisites: a statement of objectives and a definition of green goods following from that statement. All multilateral environmental agreements that give special treatment (usually negative treatment) to certain traded goods start with a clear idea of what they are trying to achieve. This helps them define the class of goods to be covered (e.g., those species of plants and animals threatened with extinction). Although the WTO has been negotiating on environmental goods for over a decade now, it has no such objective or definition. Are green goods those that are created in a green way (e.g., organic foods)? Are they goods that, in their use or disposal, perform better than most of their substitutes (e.g., efficient refrigerators, wind turbines)? Or are they goods whose purpose is environmental protection (e.g., equipment for monitoring pollution)?

Lacking these basic foundations for decision, an advisory body would be at a loss, and the rule-making body’s decisions would be heavily influenced by negotiating dynamics rather than by environmental realities. Imagine a country proposing to list its organic cotton, and other members saying: “When we said ‘green’ we didn’t mean green production and processing.”

In the worst-case scenario, no advisory body is created, no objective enunciated, and we are stuck ten years from now giving preference to last decade’s green goods, perversely tilting trade preferences away from the new goods that deserve them. Pity the future trade negotiators in that scenario, struggling to decide what constitutes a cutting-edge green washing machine.

Why haven’t the negotiators thought of these things? Because they are used to creating such lists as a political exercise in which each country suggests those goods in which it has a particular interest, and others agree in return for their own suggestions being accepted. The final result only accidentally reflects what should be prioritized from a social welfare perspective, and there is usually no critical need to revisit or regularly revise the resulting list. Environmental goods take us into new territory, and the negotiators need to acknowledge it before they create a mess that will be hard to fix, that serves the environment poorly, and that will ultimately tarnish any green credibility they might gain from signing an agreement.

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