



**Asia-Pacific
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Global Business Letter on Environmental Technologies

Submitted by: National Foreign Trade Council (NFTC)



**Trade Policy Dialogue on Environmental
Goods Non-Tariff Measures
Big Sky, United States
12 May 2011**



May 6, 2011

The Honorable Dr. Craig Emerson
Minister for Trade, Australia

The Honorable Pehin Orang Kaya
Pekerna Dewa Dato Seri Setia Lim
Jock Seng
Minister of Foreign Affairs & Trade,
Brunei Darussalam

The Honorable Peter Van Loan
Minister of International Trade,
Canada

The Honorable Jorge Bunster
Vice-Minister of Trade, Chile

The Honorable Chen Deming
China International Trade
Representative, People's Republic of
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The Honorable Bureau Gregory So
Acting Secretary for Commerce and
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The Honorable Mari Elka Pangestu
Minister for Trade, Indonesia

The Honorable Banri Kaieda
Minister of Economy, Trade, and
Industry, Japan

The Honorable Takeaki Matsumoto
Ministry of Foreign Affairs, Japan

The Honorable Jong-hoon Kim
Minister for Trade, Republic of Korea

The Honorable Mustapa bin
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Minister of International Trade and
Industry, Malaysia

The Honorable Bruno Ferrari
Secretary of Economy, Mexico

The Honorable Tim Groser
Minister of Trade, New Zealand

The Honorable Fidelis Semoso
Minister for Trade, Papua New
Guinea

The Honorable Mercedes Aráoz
Minister of Foreign Trade and
Tourism, Peru

The Honorable Gregory L. Domingo
Secretary of Trade and Industry,
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The Honorable Elvira Nabiullina
Minister of Economic Development,
Russia

The Honorable Lim Hng Kiang
Minister for Trade and Industry,
Singapore

The Honorable Shih Yen-Shiang
Minister of Economic Affairs,
Chinese Taipei

The Honorable Porntiva Nakasai
Minister of Commerce, Thailand

The Honorable Ronald Kirk
U.S. Trade Representative, United
States of America

The Honorable Vu Huy Hoang
Minister of Industry and Trade,
Vietnam

RE: Environmental Goods Non-tariff Measures

Dear Ministers:

In advance of the Senior Officials meetings taking place in Big Sky, Montana from May 7-21, we write to suggest that APEC has an opportunity to strengthen its role as one of the premier forums to promote economic growth and sustainability by taking bold action as part of the 2011 work program to address non-tariff measures (NTMs) affecting environmental goods. Addressing barriers to environmental goods would spur growth in an industry that will help drive the 21st Century global economy and help member countries better address the pressing challenge of climate change.

Over the years, APEC has made energy and environment issues an important focus. Last year in Yokohama, APEC Leaders emphasized the link between economic growth and sustainability, stating that

“both economic growth and environmental sustainability should be advanced in a holistic manner, and progress toward a green economy should be accelerated by promoting trade and investment in environmental goods and services, developing this sector in APEC economies and enhancing energy efficiency and sustainable forest management and rehabilitation.” Leaders agreed to “take further concrete actions on EGS, prioritizing work related to addressing non-tariff measures on environmental goods, technology, and services.” APEC has also been at the forefront in analyzing trends in environmental markets of member economies and has done important work to identify potential NTMs in energy efficiency standards.

This year, economies have the opportunity to take further action to encourage the development and adoption of environmental technologies. While eliminating tariffs is critical to the expansion of markets for environmental goods, companies increasingly face more opaque impediments behind the border that affect their ability to compete.

APEC can help advance global efforts to identify, catalogue and address NTMs affecting environmental goods. Although there are a variety of NTMs, APEC Governments could usefully address several categories of barriers which global businesses often cite as priorities:

Government procurement policies.

Discriminatory government contracting procedures is a growing problem. Examples include the adoption of local content requirements for particular projects and bidding processes for government procurement contracts that are either closed or which give preference to local producers. One area of particular frustration is the formal or informal priority governments may give to local content in the auction of clean energy projects, where such consideration goes above and beyond established minimum content requirements.

Local input requirements.

The adoption of laws and policies requiring or favoring local labor, parts or manufacturing processes accelerated following the onset of the global economic downturn. One example is the series of “buy national” policies that were included or contemplated as part of efforts to stimulate economies following the economic downturn. Buy national policies are particularly troubling as they are politically popular and are mentioned often in the context of clean energy projects. The adoption of such measures encourages other countries to enact similar policies, which leads to higher project costs and delays around the world as businesses scramble to retool production according to a series of national requirements or abandon efforts to enter some local markets altogether.

Standards development.

While reasonable standards and voluntary labeling programs can encourage energy efficiency and the adoption of low-carbon technologies, overly-prescriptive local standards and obstacles to the development and recognition of internationally-accepted standards and conformity assessment programs can create compliance and cost headaches for producers and exporters and can serve to limit trade. Examples of standards include: renewable energy generating requirements for utilities,

renewable fuel standards, green building codes, mandatory or voluntary eco-labeling or energy measurement arrangements, and in-country testing and certification programs. Taking steps to encourage collaboration between regulatory agencies, develop international criteria, and harmonize standards among APEC member countries would promote green growth and could lower the cost to adopt technologies.

Lack of transparency.

Any lack of transparency in government regulation or decision-making is troubling for businesses. Companies cite issues such as insufficient lead time in publishing procurement opportunities and a lack of transparency in the criteria and decisions surrounding contract awards as obstacles to doing business. Non-transparent or seemingly arbitrary customs, licensing and regulatory procedures may also frustrate businesses looking to invest or sell environmental goods locally. Regulations which attempt to promote sustainability, environmental goals or local innovation may also be unclear and have the potential to be unevenly applied. There is a particular need for transparency in the renewable energy sector with respect to publishing laws, regulations and standards in a timely, transparent manner. Companies in the renewable energy sector operate in a fast-moving policy environment in which full information about proposed policy measures – whether portfolio standards, feed-in tariffs, loan guarantees, grants, or energy efficiency standards – is key to their ability to understand and operate effectively in the marketplace.

Subsidies and preferences.

Subsidies for investments in environmental technologies may be harder to detect, but can significantly alter the competitive playing field. To the extent that governments provide consumption or investment incentives to encourage the production or adoption of environmental technologies, they should create a level playing field that enables local and global companies to compete fairly.

Attempts to tilt the playing field through non-tariff measures conflict with the reality of the 21st Century global economy and may harm local industries and consumers. Products, particularly the kind of large, complex manufactures that comprise much of the environmental goods market, are rarely made entirely with labor and materials from one country. Global supply chains permit the manufacture of efficient, high-quality products at the lowest-possible cost using inputs from across the globe. Enacting discriminatory rules that favor one producer or technology over another threatens to disrupt those supply chains, eliminates the benefit of economies of scale, could raise government project or consumer energy costs, and potentially sacrifices quality and expertise. Such policies undermine international rules and encourage imitation by trading partners, which leaves all countries worse off. Non-tariff measures can be particularly challenging for small and medium-sized companies, which tend to have a more limited reach into overseas markets.

Addressing green trade barriers through APEC

APEC could serve as a particularly useful forum in crafting solutions to the issues outlined above. Options for addressing NTMs to environmental goods by APEC could include the following:

- Commit to eliminate local content requirements. APEC economies could take the lead in phasing out and pledging to avoid local content requirements, which are increasingly outdated in a world of complex global supply chains.
- Develop a model agreement to promote transparency in environmental technologies. APEC could draw from efforts under the Organization for Economic Cooperation and Development (OECD), which has developed a model agreement on the exchange of information on tax matters, to promote transparency among member countries. Leaders could leverage current anti-corruption and transparency efforts underway in APEC to develop a framework to promote best practices related to government procurement, trade and tax issues affecting environmental technologies and energy efficiency measures, potentially in consultation with the OECD.
- Expand upon APEC's work surveying standards and evaluating environmental markets to ensure open trade among APEC members. Leaders should build upon the work that APEC has already done to survey members' energy efficiency standards. Efforts should be made to encourage greater cooperation on standards development and harmonization among APEC economies.
- Develop a resource on NTMs and behind the border measures. APEC would be a useful forum to research and catalogue NTMs and behind the border measures.

Finally, although our focus here is on NTMs, APEC can also play an important role in driving progress on green tariff barriers. APEC economies are leading the world in the production and use of environmental technologies. While countries often see lowering their own tariffs as a price they must pay, getting rid of high taxes on a broad set of environmental goods would lower the costs of mitigating and adapting to the effects of climate change. Removing environmental tariffs encourages green development and can lower the cost of adopting advanced clean technologies by emerging and least-developed economies.

Thank you for your consideration of these comments. We look forward to working with you on these issues to improve the development and adoption of environmentally-friendly goods and clean technologies.

Sincerely,

Australian Industry Group
BusinessNZ
Federation of Korean Industries
National Foreign Trade Council