

APEC's Liberalization Efforts on Environmental Goods

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Liberalization of Environmental Goods and Sustainable Growth

In September 2012, APEC Leaders reached an agreement to endorse the APEC List of Environmental Goods (hereafter the “APEC 2012 EG List”). It consists of 54 environmental goods subject to applied tariff cuts to 5 percent or less by 2015, taking into account economic circumstances, without prejudice to the position of APEC economies within the WTO, as APEC leaders committed in 2011.

It is regarded as a remarkable achievement since any international consensus on identifying environmental goods has yet to be established, and is being anticipated to reactivate WTO discussions on the liberaliza-

tion of environmental goods in the coming years. APEC has played a leading role in liberalizing environmental goods since the Early Voluntary Sectoral Liberalization (EVSL) in 1997. Recognizing that the environmental industry is a new engine for sustainable growth, APEC developed and released the APEC Environmental Goods List (hereafter the “APEC 1997 EG List”) in 1997. Since then, ceaseless discussions and actions to modify the List resulted in the endorsement of the APEC 2012 EG List.

It is arguable that the voluntary and non-binding principle of APEC facilitated the consensus. Nevertheless, this breakthrough will have positive repercussions and spillovers at the bilateral and multilateral level.

Characteristics of the APEC 2012 Environmental Goods List

The APEC 2012 EG List has its own distinctive feature compared with the OECD and the WTO Lists. The APEC List follows narrowly focused definitions of environmental goods using the bottom-up approach (greater specificity), whereas the OECD List follows broad-based definitions for analytical purposes, starting from general categories. In this respect, the APEC List is more practical and specific to obtain favorable tariff treatment while the OECD List deals with comprehensive environmental goods but has no particular policy consequences.

Table 1 provides the characteristics of each List in terms of environmental category. The APEC List places more importance on tradable and renewable goods under the categories of “environmental monitoring, analysis, and assessment equipment (30%)” and “renewable energy plant (30%).” On the other hand, the OECD List puts more weight on goods that solve pollution problems that features “wastewater management (48%)” and “air pollution control and others (26%).” The WTO goods are more uniformly spread in each environmental category.

Table 1. Comparison of APEC, WTO and OECD EG Lists

Environmental Category	(Unit: %)		
	APEC	WTO	OECD
Environmental Monitoring, Analysis, and Assessment Equipment	30	20	12
Renewable Energy Plant	30	18	3
Management of Solid or	22	16	11

Hazardous Waste			
Wastewater Management	9	20	48
Air Pollution Control and others	9	26	26

Source: Authors.

By HS code, the APEC 2012 EG List consists mainly of Chapter 84 (Machinery and mechanical appliances),¹ Chapter 85 (Electrical machinery and parts),² and Chapter 90 (Measuring and medical instruments, and parts).³ As shown in Table 2, “Machinery and mechanical appliances” (23 goods) and “Electrical machinery and parts” (20 goods) take the greater part of the EG List. There are 16 out of 20 goods under Chapter 90 that fall in the category of “environmental monitoring, analysis, and assessment equipment.” There are 8 out of 23 under Chapter 84 that fall into “management of solid or hazardous waste” and 6 out of 10 under Chapter 85 that fall under “renewable energy plant.”

Table 2. Categorization of APEC 2012 EG List

Environmental Category	(Unit: EA)			
	APEC EG			
	Chapter 84	Chapter 85	Chapter 90	441872
Air Pollution Control	5	0	1	-
Environmental Monitoring, Analysis and Assess-	0	0	16	-

¹ Nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof.

² Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles.

³ Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof.

ment Equipment				
Management of Solid or Hazardous Waste	8	4	0	-
Renewable Energy Plant	6	6	3	1
Waste Water Management	4	0	0	-
Total	23	10	20	1

Source: Authors.

Korea's Trade in APEC Environmental Goods

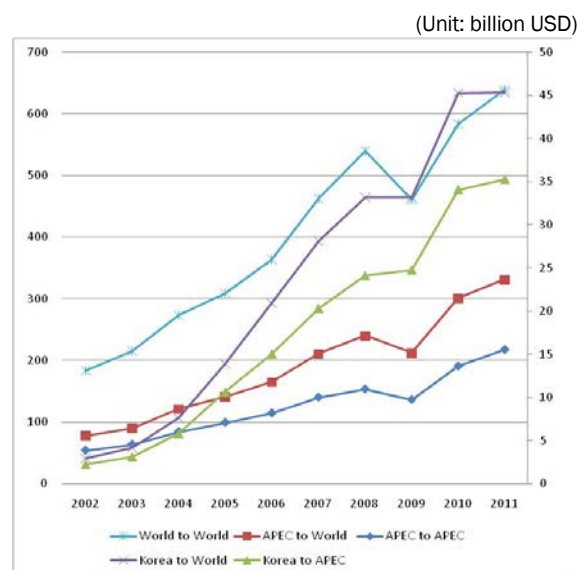
Among 54 APEC environmental goods, Korea holds competitiveness in 901380 (Other devices, appliances and instruments), which features renewable energy plant, and 73% of its exports go to China. In contrast, the import of goods under Chapter 84 from Japan and the United States is substantially high, contributing to a trade imbalance particularly sharp against Japan. The trade of 847990 (Parts of machines and mechanical appliances having individual functions) highly depends on Japan and the United States, indicating that the great amount of machinery parts still comes from Japan and the United States.

Korea's exports of APEC environmental goods (EGs) to the world have grown consistently in a trajectory similar to its exports to APEC economies for the period of 2002-2011. Korea's EG exports to APEC economies jumped from 2.2 billion USD in 2002 to 35.2 billion USD in 2011, while its overall exports to the world grew from 2.9 billion USD in 2002 to 45.3 billion USD in 2011. Intra-APEC economies' exports also increased from 53.8 billion USD in 2002 to 217.6 billion USD in 2011.

Korea's EG exports do not take up the lion's share of total exports; their growth rate, how-

ever, is high. For the period of 2003-2009, the growth rate of Korea's EG exports surpassed those of global APEC exports. The growth rates of Korea's exports ranged from 40% to 80% for the period of 2003-2007, while the world's and APEC economies' growth rates stayed around 20% as indicated in Table 3.

Figure 1. Korea's Exports of APEC Environmental Goods



Source: UN Comtrade (accessed on Dec. 1, 2012).

Major trade partners are China, Japan and the United States, as indicated in Table 4. In particular, Korea's EG exports to China account for approximately 73.3% among APEC economies, followed by the United States (5.2%), Mexico (4.9%), Japan (4.3%) and Hong Kong (4.3%). Korea's EG imports to Japan take up about 43.8%, followed by the United States (24.9%), China (22.5%) and Singapore (4.1%).

Table 3. Export of APEC Environmental Goods (2002-2011)

(Unit: million USD, %)

Year	Korea to World		Korea to APEC		World to World		APEC to World		APEC to APEC	
	export	growth rate	export	growth rate	export	growth rate	export	growth rate	export	growth rate
2002	2,971	-	2,270	-	182,957	-	77,191	-	53,898	-
2003	4,185	40.8	3,157	39.1	214,728	17.4	89,604	16.1	63,746	18.3
2004	7,634	82.4	5,822	84.4	272,944	27.1	120,714	34.7	84,610	32.7
2005	13,915	82.3	10,644	82.8	308,767	13.1	140,752	16.6	99,298	17.4
2006	20,917	50.3	15,044	41.3	363,179	17.6	164,716	17.0	114,582	15.4
2007	28,146	34.6	20,330	35.1	462,448	27.3	210,506	27.8	140,278	22.4
2008	33,215	18.0	24,122	18.7	539,041	16.6	239,892	14.0	153,578	9.5
2009	33,170	-0.1	24,771	2.7	459,864	-14.7	211,942	-11.7	136,473	-11.1
2010	45,293	36.5	34,061	37.5	583,440	26.9	300,675	41.9	190,882	39.9
2011	45,356	0.1	35,235	3.4	639,345	9.6	331,339	10.2	217,654	14.0

Source: UN Comtrade (accessed on Dec. 1, 2012).

Table 4. Korea's Trade Partners of APEC Environmental Goods (2002-2011)

(Unit: %, million USD)

Rank	Export			Import		
	Partner	Ratio	Amount	Partner	Ratio	Amount
1	China	73.38	25,856	Japan	43.78	8,829
2	USA	5.16	1,817	USA	24.88	5,016
3	Mexico	4.90	1,726	China	22.49	4,536
4	Japan	4.30	1,515	Singapore	4.05	816
5	Hong Kong	4.28	1,508	Malaysia	1.33	267
6	Malaysia	2.01	707	Mexico	0.55	111
7	Viet Nam	1.08	381	Philippines	0.52	105
8	Canada	0.99	347	Hong Kong	0.51	102
9	Thailand	0.81	284	Canada	0.50	101
10	Singapore	0.66	234	Australia	0.39	77

Source: UN Comtrade (accessed on Dec. 1, 2012).

Conclusion

As EG trade is growing remarkably and APEC member economies are committed to attaining EG liberalization by 2015, each economy needs to develop its own plans to carry out its commitment effectively. First, it is suggested that each economy conduct in-

depth studies to assess the product-by-product competitiveness also taking its own circumstances into account. Second, based on these studies, member economies should design their own short- and long-term strategies to boost national competitiveness by customizing specific needs and developing suitable technology.

As for APEC-wide efforts, further discussions on the additional product specification should be made to advance EG liberalization beyond the Asia-Pacific region so as to contribute to WTO EG liberalization. Also, it is essential to develop specific action plans to implement EG liberalization with the goal of providing policy support and seeking ways for further economic cooperation. 