

Environment Goods Agreement

Why in news?

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During the Environmental Goods Agreement (EGA) in Geneva (December 2016), the participants were unable to close their differences on trade liberalisation of environmental goods (EG).

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What is Environment Goods Agreement?

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- The EGA is a trade agreement being negotiated by 18 participants representing 46 members of the WTO, **focusing on reducing tariffs on products that benefit the environment.**

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- The WTO defines EG as a **host of products that can help to achieve environmental and climate protection goals.**

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- On 8 July 2014 participating WTO members released the 'Joint Statement Regarding the Launch of the Environmental Goods Agreement Negotiations.'

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- The Statement marked the start of negotiations on the goods to be included for tariff elimination.

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- Once concluded, the EGA will also play a role in helping to implement the Paris Agreement on climate change and the UN Sustainable Development Goals.

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- Countries originally involved in the discussions are Australia, Canada, China, Costa Rica, Chinese Taipei, Hong Kong, Japan, Korea, New Zealand, Norway, Switzerland, Singapore, and the US, and the EU.

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- Israel, Turkey and Iceland are recent entrants.

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What are the products included in the agreement for the tariffs?

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- The EGA builds on a list of **54 environment-related products** on which the negotiating countries are advocating to create a consensus seeking to reduce tariffs.

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- The products include solar panels, wind turbines, and energy efficiency, as well as air pollution, waste and water management technologies.

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What is the role of India in Environment Good Agreement?

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- India has so far **opposed the EGA** fearing the developed countries could use it as a **new trade-restrictive measure**, and it is reluctant to reduce tariff lines for identified goods.

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- Another reason for the opposition is the identification of goods, as some of the identified ones can be used for both environmental and non-environmental purposes.

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- Ex. Pipe, which can be used as an input for a renewable energy plant or a waste water treatment plant but can also be used to transport oil.

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Is India committed to the green growth and reduction of GHG emission?

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- Green growth has been part and parcel of India's economic and environmental policies.

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- In this context, India announced its **National Climate Change Policy in 2008**, a slew of measures to reduce carbon emissions have been taken.

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- India has implemented the **National Solar Mission** with the ambitious target of achieving 20 GW of solar energy by 2022, besides taking the initiative to anchor an **international solar alliance** of all solar-rich

countries.

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- India also declared a voluntary goal of reducing the emissions intensity of its GDP by 2030 from the 2005 level, despite facing enormous development challenges.

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Is it important for India to participate in EGA?

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Some key reasons why India should participate in the EGA are as follows:

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- **First**, the EGA **may facilitate greater import of EGs**, technologies, and knowledge-sharing that developing countries could benefit from, but the export potential for India will depend largely on **non-tariff barriers (NTBs)** being addressed.

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- India's concerns, therefore, that the developed countries may set up NTBs consequent to an agreement can only be resolved if it is a part of the discussions.

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- **Second**, India's concern about tariff reductions that the developed economies have higher tariffs on many of the identified goods and hence the concessions, if made, would be much higher for developing than developed economies, thereby denting its market.

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- However, If India does not reduce tariffs, its **domestic consumers will be bereft of EGs which are affordable.**

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- Tariff reduction can have benefits of forward linkages for developing countries as it can lead to investments in the relevant sectors.

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- **Third**, India cannot afford to undertake an 'infant industry' approach by protecting renewable and other related industries.

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- Global exports of the identified EGs products as in 2015 stood at \$492 billion, while India exported EGs worth just \$3 billion.

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- The import of EGs by India on the other hand was three times more, at \$9 billion. This **deficiency can be plugged by allowing investments** in

products that are causing a trade deficit in EGs for India.

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- **Lastly**, it has been observed that the investments of the developing world in renewable energy have increased significantly.

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- It was also for the first time that investments in clean energy from the developing world were greater than those from developed countries.

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- The developing world committed a total of \$156 billion in 2015, a 19% increase from 2014, while developed countries invested \$130 billion, down 8%.

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- Investment in EGs, especially when India suffers from trade deficit, would help India manufacture locally with foreign investments under the Make in India initiative, and possibly even **become a manufacturing hub for EG** gradually.

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What is the way forward?

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- An alternative could be for India to explore the possibility of **engaging with the other developing economies**.

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- Tariff liberalisation in EGs will help India integrate in global and regional value chains.

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- Opening up trade in EGs will help achieve the desired climate adaptation and mitigation goals of not only India, but also globally, by transitioning to a lower-carbon economy.

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Source: Business Line

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