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MEMORANDUM

TO : **All Bureau Directors**

FROM : **The Undersecretary for Policy, Planning, Research and Legislative Affairs**

SUBJECT : **DFA Request for List of Environmental Goods to be Used in Negotiations**

DATE : **APR 21 2005**

We are furnishing you copy of the letter from Asst. Secretary Maria Lourdes V. Ramiro-Lopez informing us of the highlights of the discussions of the Special Session of the Committee on Trade and Services held on 24-25 February 2005.

The Department of Foreign Affairs (DFA) is requesting us to prepare a list of what should be included in market access negotiations on the environmental goods sector, as well as possible environmental products for inclusion in the suggested common ASEAN list.

In this regard, please submit to this Office not later than 27 April 2005 your inputs on what should be included in the ASEAN list of environmental goods.

FOR PROMPT ACTION. Thank you.

  
**DEMETRIO L. IGNACIO, JR.**

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OFFICE OF UNITED NATIONS AND  
OTHER INTERNATIONAL ORGANIZATIONS

6 April 2005

**URGENT****Dear Secretary Defensor,**

I am pleased to inform you of the Special Session of the Committee on Trade and Environment held on 24-25 February 2005. The meeting's discussions focused primarily on market access on environmental goods and included proposals from the European Community (EC), Korea and New Zealand.

The following are the highlights of the meeting:

**1. European Commission's (EC's) Proposal (TN/TE/W/47)**

The EC proposed that the identification of environmental goods should be guided by internationally agreed environmental priorities as those laid down in Multilateral Environmental Agreements (MEAs). Corollary to this, the EC also proposed that environmental goods should be comprised of the following two categories:

- a. Goods used in pollution and resource management.
- b. Goods that have high environmental performance or low environmental impact

However, the EC's proposal met with much resistance, in particular, the inclusion of the second category of products, i.e., "products that have a high environmental performance or low environmental impact". The EC acknowledged that some of these products might have to be defined through standards that require certification, and proposed to use schemes in the existing international Global Eco-Labeling Network. Nevertheless, the proposal was widely rejected by developing countries which resisted the inclusion of production and processing method (PPM) based environmental goods and eco-labels.

**2. Korea's Proposal (TN/TE/W/48)**

Korea proposed that the end use of the product should be primarily for environmental purposes and that products should be classified under the HS Code. Korea recommended that goods defined by PPM's or by their superior environmental performance (EPP) should be excluded for practical reasons.

**Secretary Michael P. Defensor**

Department of Environment and Natural Resources  
Visayas Avenue  
Diliman, 1100, Quezon City

In contrast to the EC proposal, Korea's proposal attracted considerable support as a practical way forward. Developing countries, in particular, stressed that Korea's proposal offers a practical and simple methodology for drawing up a list of environmental goods.

ASEAN countries also expressed their preference for Korea's approach. The Philippines and Indonesia, in particular, observed that Korea's approach would avoid the tedious and long-winded debate on definitions, and elaborate methodologies that inevitably lead to issues that have proven to be controversial in the Committee. Thailand, Malaysia, Indonesia and the Philippines, for their part, each stressed the importance of Korea's suggestion not to include PPM and EPP as criteria for identifying environmental goods.

### **3. New Zealand's Proposal (TN/TE/W/46)**

On the other hand, New Zealand suggested the use of certain "reference points" that could be cited to initiate "a discussion about the environmental credential of a specific good". New Zealand suggested that reference points may be the following: a) the OECD definition of environmental industries, b) the APEC's conceptualization of environmental goods, or c) an approach to environmental goods agreed through "high quality and comprehensive regional or bilateral Free Trade Agreements (FTAs). New Zealand also suggested that the environmental list to be agreed upon should be a "living list", which could be updated at a later stage to respond to the dynamic nature of environmental goods.

Although New Zealand's proposal was generally well received, several delegations were skeptical regarding the use of FTA's, questioning, in particular, the definition of "high quality" FTA's. Most countries, including individual ASEAN members, also expressed concern about the concept of "living list", particularly as this conveys the possibility of several phases of negotiation on environmental goods. Developing countries reiterated their concern that the inclusion of environmental goods in the Doha Round represents a trade off for the EC.

### **Possible ASEAN Common List on Environmental Goods**

It was deemed that a common approach, in the form of a common ASEAN list on environmental goods for purposes of negotiations, could help take pressure away from individual ASEAN members. It was understood that ASEAN will not formally table such a list, but that it would at least serve as a useful reference for ASEAN and as a means to avoid yielding to external pressures.

Malaysia proposed that a possible ASEAN common list could be based on ASEAN-CEPT products that already have low tariff rates within ASEAN. Further, without a definition on environmental goods, the identification of what falls under "environmental products" could be based on the APEC list. Products that are nationally sensitive to ASEAN members should be left out of the list. This should be facilitated by the CEPT list, which does not include sensitive products of ASEAN members.

If ASEAN members agree to this idea, it is suggested that if possible, a first draft list be ready by April 2005 for ASEAN Geneva to review and to further weed out products where there is no ASEAN consensus. It should be noted that Malaysia also encourages direct exchanges of draft list among ASEAN countries to facilitate the process.


It should also be noted that at the CTE Special Session, Thailand and Indonesia both indicated that they have commenced preparations of their respective lists of environmental goods for the purpose of the negotiations. In addition, at the ASEAN coordination meeting, they likewise expressed willingness to look to consider a possible ASEAN list.

In view of the July timeframe for a draft first approximation of modalities in NAMA, it is anticipated that negotiations on market access on environmental goods will intensify. As such, it would be highly appreciated if your office could **prepare a list of what should be included in the market access negotiations on the environmental goods sector, as well as possible environmental products for inclusion in the suggested common ASEAN list.**

UNIO would appreciate your feedback as soon as possible.

Very truly yours,

For the Secretary of Foreign Affairs:

  
**MARIA LOURDES V. RAMIRO LOPEZ**  
Assistant Secretary