



Session 6: International Aspects Trade and EHS

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» Some trade terms (1)

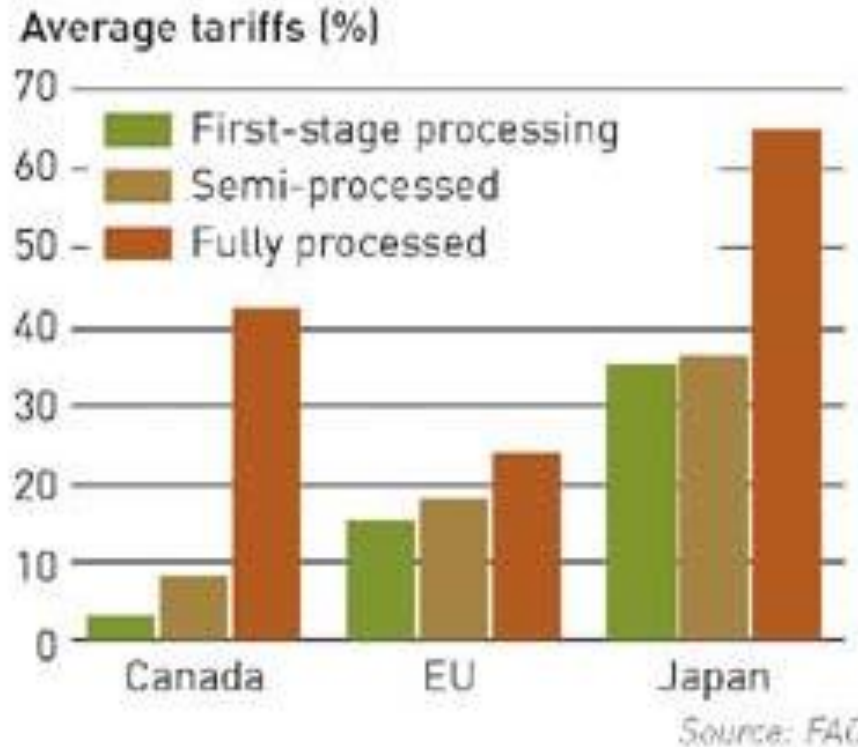
- **Import tariffs** – *ad valorem* or specific-rate (e.g., € per tonne) taxes applied on goods at the border.
- **Trade remedies** – specific-rate taxes applied on goods at the border to protect against dumping (anti-dumping duties) or subsidies (countervailing duties) affecting imports of a particular product exported by a particular country.
- **FTAs** – free-trade agreements negotiated bilaterally, covering most of the trade among the parties. (e.g., Canada-EU FTA)
- **RTAs** – regional trade agreements negotiated among three or more countries, covering most of the trade among the parties. (e.g., TPP)
- **Plurilateral trade agreements** – agreements among a subset of WTO members that cover either a practice (e.g., government procurement) or a defined set of goods (e.g., civilian aircraft, information technology; environmental goods).

» Some trade terms (2)

- **Tariff escalation** – a situation in which tariffs rise along processing chains. For example, import tariffs on processed products (breakfast cereals, steel pipes, gasoline) are often higher on an ad valorem basis than tariffs on less-processed goods (wheat, iron ore, petroleum)
 - This practice can afford significant protection to processed products in importing countries, depending on the share of value-added in final output.
 - It can also encourage greater marine transport of raw materials.
- **Export restrictions** – restrictions such as export taxes or quotas, typically applied on raw materials or sensitive goods (e.g., endangered species or armaments)
- **Dispute settlement** – a formal process for arbitrating trade disputes between governments that are adjudicated by a quasi-additional body.



Tariff applied to different foodstuffs by G7 economies in early 2000s



Relationships between EHS, trade and trade processes

Type of support	Trade	Trade rules & processes
Border protection (e.g., import tariffs; trade remedies)	Inhibits trade (reduces imports in the good; reduces export opportunities for others)	WTO tariff rounds; RTAs; plurilateral agreements; WTO & FTA dispute settlement
Support (including export subsidies) to producers	Reduces imports of the good; puts downward pressure on international prices; reduces export opportunities for others.	Subsidy rules set out in WTO, RTA and plurilateral agreements; WTO & RTA dispute settlement
Support to consumers	Stimulates trade in the supported products. Puts upward pressure on international prices.	Generally do not apply, except when the support is for an important input to production of a traded good
Export restrictions on raw materials	Reduces domestic price of raw materials, favouring domestic processing	WTO rules and dispute settlement

Trade issues for fisheries

- International trade in fish and fish products depends on the **flag** of the vessel on whose deck it first lands, not where in the world it is caught.
- Main EHS issue is subsidies related to fishing capacity and fishing effort. Tariff escalation also an issue.
- To the extent that overfishing in domestic waters results, domestic production may actually decline (“backwards-bending supply curve”), leading potentially to more *imports*. So exporters to subsidizing country may benefit.
- What often happens, instead, is that domestic fleets become distant-water fleets, competing for access to fisheries in poorer countries.
- WTO subsidy disciplines (designed for industrial goods) have not been effective. Attempts are being made to create new, fish-specific disciplines.

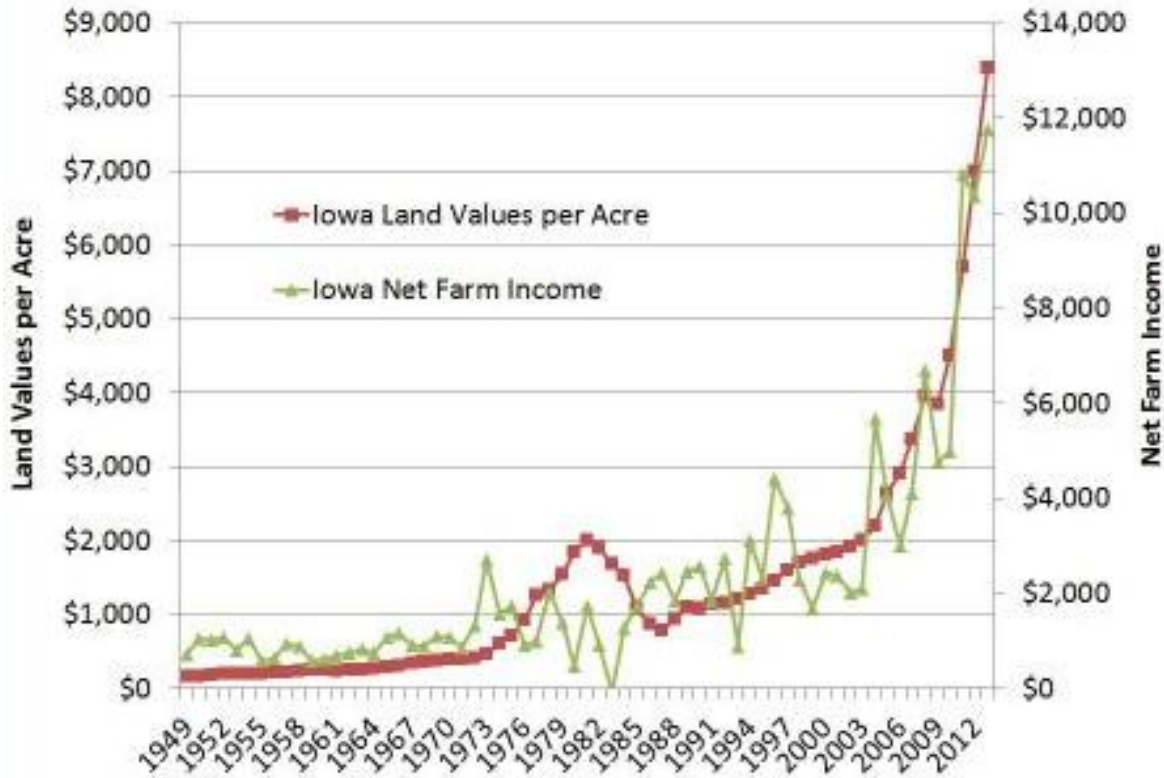


Trade issues for agriculture & irrigation

- Main EHS issues arise from import tariffs, subsidies to inputs (fuel, fertiliser, water).
- Main trade issues relate to effects on international prices and trade opportunities of producer support, including export promotion.
- In terms of *trade* effects, subsidies and producer protection are conventional.
- Difficulty is that many price-related subsidies, and irrigation subsidies, have been around for years, so have been incorporated into the value of land: reforming such policies leads to losers. *Should they be compensated?*
- WTO subsidy disciplines have been comparatively effective against export subsidies, and to some extent to production support. But subsidies to inputs have eluded challenge.



➤ Iowa (USA) farmland values and net farm income



Source: USDA

“Buy land, they're not making it anymore.”
-- Mark Twain

Trade issues for fossil fuels

- Main EHS issues arise from low consumer prices, poor transmission of price changes. Subsidies to coal mining were a major issue.
- Import tariffs are on average low.
- Production of oil & natural gas is supported, but through complex tax arrangements and royalty concessions. Proving trade effects is difficult.
- Support of consumption is *trade facilitating*, and usually not *specific*.
- WTO subsidy disciplines have been comparatively ineffective. For one, most major petroleum-exporting countries are either recent members or non members of the WTO
- **Fun fact:** fossil fuels account for 40% of the volume (tonnage) of world trade.





Contact us

We look forward to answering any questions you may have!



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