

October 19, 2015

Office of the Secretary
United States International Trade Commission
500 E Street, SW
Washington, DC 20436

Comments of the BlueGreen Alliance on:

WTO Environmental Goods Trade Negotiations: Advice on the Probable Economic Effect of Providing Duty-Free Treatment, Second List of Articles

Investigation No. TA-131-040

Thank you for the opportunity to make comments on behalf of the BlueGreen Alliance (BGA) on the U.S. International Trade Commission's (USITC) investigation into the probable economic effects of providing duty-free treatment to those articles relevant to Investigation No. TA-131-040.

BGA is a national partnership of some of America's largest labor unions and environmental organizations. We work together to turn today's biggest environmental challenges into our biggest economic and job-creating opportunities. Together with more than 15 million members and supporters, we are a powerful, unified voice calling for good, family-sustaining jobs, a clean environment and a thriving and fair American economy.

BGA and its 15 labor and environmental partners recognize the importance of fair trade to the proper functioning of the global economy and to meeting the needs of global businesses, workers, and consumers. America's economy depends in large part on our ability to export domestically manufactured goods to markets around the world. However, BGA is also deeply concerned about the potential economic and environmental impacts of international trade agreements currently being discussed and negotiated, including the Environmental Goods Agreement (EGA), which is the subject of this investigation.

Too often, international trade has enabled a global race to the bottom for workers and the erosion of environmental protections. Instead of free trade, which simply removes as many tariff and non-tariff

barriers as possible, the United States should be negotiating “fair trade” agreements that improve quality of life and raise standards protecting workers, consumers, and the environment.

In the context of the current EGA negotiations, the U.S. Trade Representative has sought to expand the list of environmental goods identified by the Asia-Pacific Economic Cooperation (APEC) forum. However, while some of the goods identified to date are arguably beneficial to the environment, the list has grown to increasingly include a host of goods for which the connection to environmental benefit is at best tangential and, at worst, actively detrimental to the environment. In fact, a recent Transport and Environment study found that 120 items on the list are either potentially environmentally destructive or have no environmental connection.¹ To maintain basic credibility, it is essential that this agreement not be undertaken simply to seek reduced duties for a host of trade goods under the auspices that these goods are “environmental,” inferring that they are -simply by virtue of being included on the list- somehow of environmental benefit.

Originally, the Administration and APEC countries reviewed a potential list of 54 items to be considered for duty preference under this agreement, but now the list has exploded to include hundreds of products. These products include, for example, yachts, human blood, lasers, and insecticides. The potential of products being added to a list of “environmental goods” absent criteria as to the meaning of the term, significantly erodes the very purpose of this agreement. Without objective criteria, such an agreement merely becomes a back door for countries and industries that are making no commitments on either labor or environmental standards to receive preference to the U.S. market. Rather, it is simply a cash cow for those seeking to achieve hundreds of millions of dollars in duty savings.

Further, the very fact that these products would be transported across oceans would lead to an expansion of greenhouse gas (GHG) emissions. For example, the environmental costs associated with moving dense, bulk materials on this list, such as glass cullet, multitudes of scrap metal, and pulp scrap paper, must be acknowledged and accounted for in any economic evaluation of removing trade tariffs purportedly for “environmental” reasons. Nor does this list begin to account for the GHG emissions associated with making or processing certain products in countries with poor or unenforced environmental standards as compared with the U.S. or other countries under well-developed environmental safeguards and compliance mechanisms.

For example, U.S. steel producers emit far fewer greenhouse gasses per ton than producers in China, Russia, Brazil, and other foreign countries. Nonetheless, the U.S. is already experiencing the negative environmental impacts of weak environmental regulations in foreign countries. The National Academy of Sciences recently identified unregulated manufacturing in China of goods intended for export to the United States as the source of significant air pollution in the western

¹ Environmental Goods Agreement Briefing, Transport and Environment, Cecile Toubeau, September 2015
http://www.transportenvironment.org/sites/te/files/publications/2015%2009%20TE_EGA%20briefing%20note_FINAL.PDF

United States.² Thus, lowering tariff barriers for reasons divorced from environmental criteria would have the perverse effects of further encouraging environmentally irresponsible manufacturing abroad, and increasing rates of global GHG emissions. Additionally, failing to account for the economic follow-on effects of such environmentally disastrous practices would only further compound this mistake and undermine the basic credibility of the goals purportedly being pursued through negotiation of the EGA.

The lack of a universally accepted definition of an ‘environmental good’ makes it functionally impossible to evaluate goods included on the list against any set of environmental or other criteria. Further, in the context of this hearing, it is similarly difficult to evaluate the economic effects of including such goods as their environmental effects must first be understood—whether beneficial or detrimental—to practically evaluate the economic effects of removing barriers to their trade.

For instance, a good whose broader use would lead directly to increased environmental harm, or which may be used as a part of activities particularly harmful to the climate and environment—and any follow-on harm resulting to human communities—must have the economic costs of those environmental and human damages factored into the evaluation of its economic effects. To ignore these environmental effects simply externalizes such costs, which would result in an economic calculation that is neither meaningful nor accurate.

In order to properly evaluate the economic effects of trading in the listed goods, a preliminary step must be taken to define—through a transparent process of stakeholder engagement—the term “environmental good.” A comprehensive set of criteria must be developed for traded goods to account not only for a good’s life-cycle environmental impacts, but also the life-cycle economic impacts of promoting the trade of a particular good to capture the associated environmental and human benefits or costs. Lacking the most basic of definitions and criteria, the current list of goods cannot be appropriately assessed for these costs or benefits. Credibility demands a common understanding as to the environmental impact of the trade goods being assessed—for good or ill—before a meaningful economic evaluation is possible.

Accordingly, we urge the Administration to engage with stakeholders in creating these basic definitions and criteria to allow for the proper economic accounting of all costs and benefits, and avoiding the externalization of economic costs and benefits that would otherwise occur.

While we appreciate the work being done to advance the idea of promoting trade in goods that are truly beneficial to the environment, the Administration must first engage with the public and affected stakeholders to define the term ‘environmental good’ in a thoughtful, responsible manner that is

² *China’s International Trade and Air Pollution in the United States*, Jintai Lin, et al., February 4, 2014. <http://www.pnas.org/content/111/5/1736.full.pdf>

consistent with the legitimate goal of promoting technology aimed at protecting and enhancing our natural environment and, critically, helping to fight climate change. To live up to its name, it is critical that any EGA truly work for the environment, for the economy, and for hard-working American women and men upon whose livelihoods international trade agreements can have such a profound effect.

We thank the USITC for its work to date, and look forward to working with you in the future to ensure America's trade obligations are fair and effective for workers and the environment.

Thank you.

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