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31 July 2014



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We are pleased to present the latest edition of the Deloitte Customs Flash in Switzerland – a Deloitte "hot topic" newsletter focusing on updates related to customs and international trade developments in Switzerland and the European Union.

WTO launches negotiations on the Environmental Goods Agreement

Amid growing concerns about environmental protection and climate change, 14 members of the WTO launched negotiations on the Environmental Goods Agreement (EGA) on 8 July 2014. Together, the EU, Australia, Canada, China, Costa Rica, Chinese Taipei, Hong Kong, Japan, Korea, New Zealand, Norway, Switzerland, Singapore and the US have announced their intent to liberalise the trade of green goods.

The "green" goods at stake in the EGA are products that act to contain and minimise pollution as well as products that help generate renewable energy. The EGA will eliminate tariffs and customs duties on both finished products and their components (such as solar panels, engines and parts for wind turbines, etc.), building on the already established APEC List of Environmental Goods. Indeed, many of the goods in scope relate to goods which are industrial in nature (e.g. "green" manufacturing items, products used in the waste processing or disposal industry, testing and analysis equipment, etc.).

At a later stage, the Members hope to extend the negotiations to non-tariff barriers (NTBs) and environmental services.

This agreement could potentially extend dramatically in scale as the EGA will apply the "critical mass" decision making tool at WTO level. Under this "critical mass" concept, the scale of the agreement would automatically be extended to cover all WTO countries as soon as the participating members account together for 90% of the global trade in 'green' goods. For the moment the 14 negotiating countries already account for 86%

of global trade in "green" goods, 4% short of the WTO's "critical mass" concept of 90%. Should enough additional participants join the negotiations, the EGA will be extended and all WTO members will be able to benefit from the reduced import rates on "green" goods.

What does it mean for you?

The EGA negotiations have only begun but it is important for companies that operate in fields related to "green" goods to identify which of their goods/services could benefit from the EGA and understand the impact that lower tariffs and customs duties could have on their operations, competitiveness and supply chain.

This also applies to business flows outside of the 14 members cited above, as the scale of the agreement could foreseeably change in the future.

What to do?

Deloitte's Customs and Global Trade team will closely monitor the developing talks and inform you when further details arise. If you would like more detailed information on the EGA negotiations or the goods involved, please contact one of the listed contacts.

Deloitte' specialised environmental taxes team can also help you assess how EGA could affect your supply chain and revenue flows.

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