

Towards Identification of ESGs

Emerging Challenges for India

S. K. Mohanty

Professor/Senior Fellow, RIS

Workshop on Trade, Investment and Regional

Integration: Lessons for Policy Makers

Organised by MoC, India and ArtNet, ESCAP

March 12, 2010

New Delhi

Scheme of the Presentation

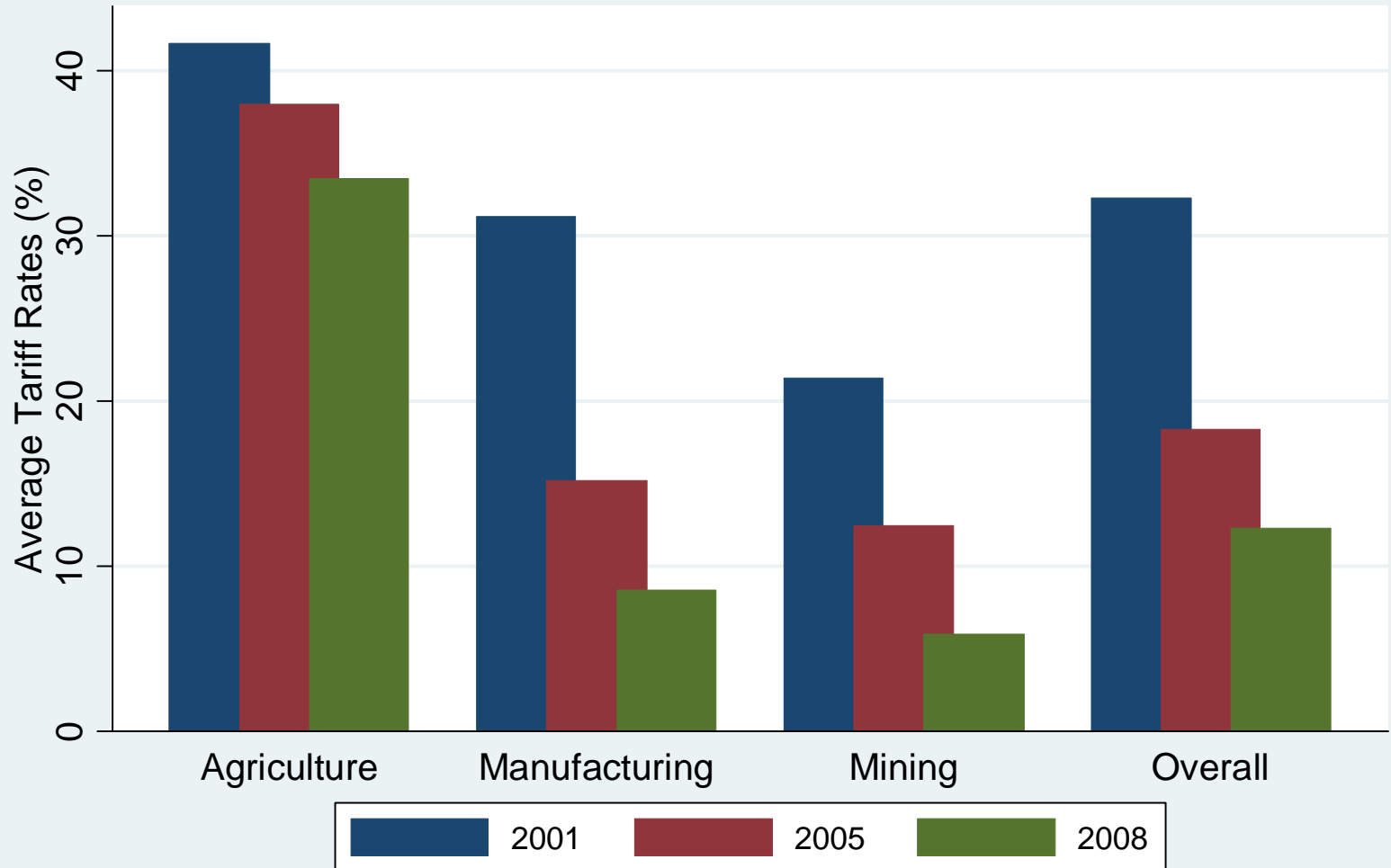
- Trade policy consistent with the sustainable growth
- Identification of Environmentally Sensitive Goods (ESG)
- APEC and OECD Lists
- Alternative Approach to Identify ESGs
- Relevance of these products for the domestic trade sector

Background

- Trade policy supports growth oriented development policy
- India followed ELG and DDLG approaches simultaneously
- External sector a major contributor to domestic growth
India's concern for climate change issues
- 'Pollution haven hypothesis'- World Bank in the 1990s
- Work on Environmentally Sensitive Goods – late 1990s
- Alternative Approach to Identify ESGs
- Relevance of ESG trade for India
- Magnitude of Indian trade in ESGs
- Coverage of ESGs

Trade Policy of India

Declining trend of India's sectoral tariff

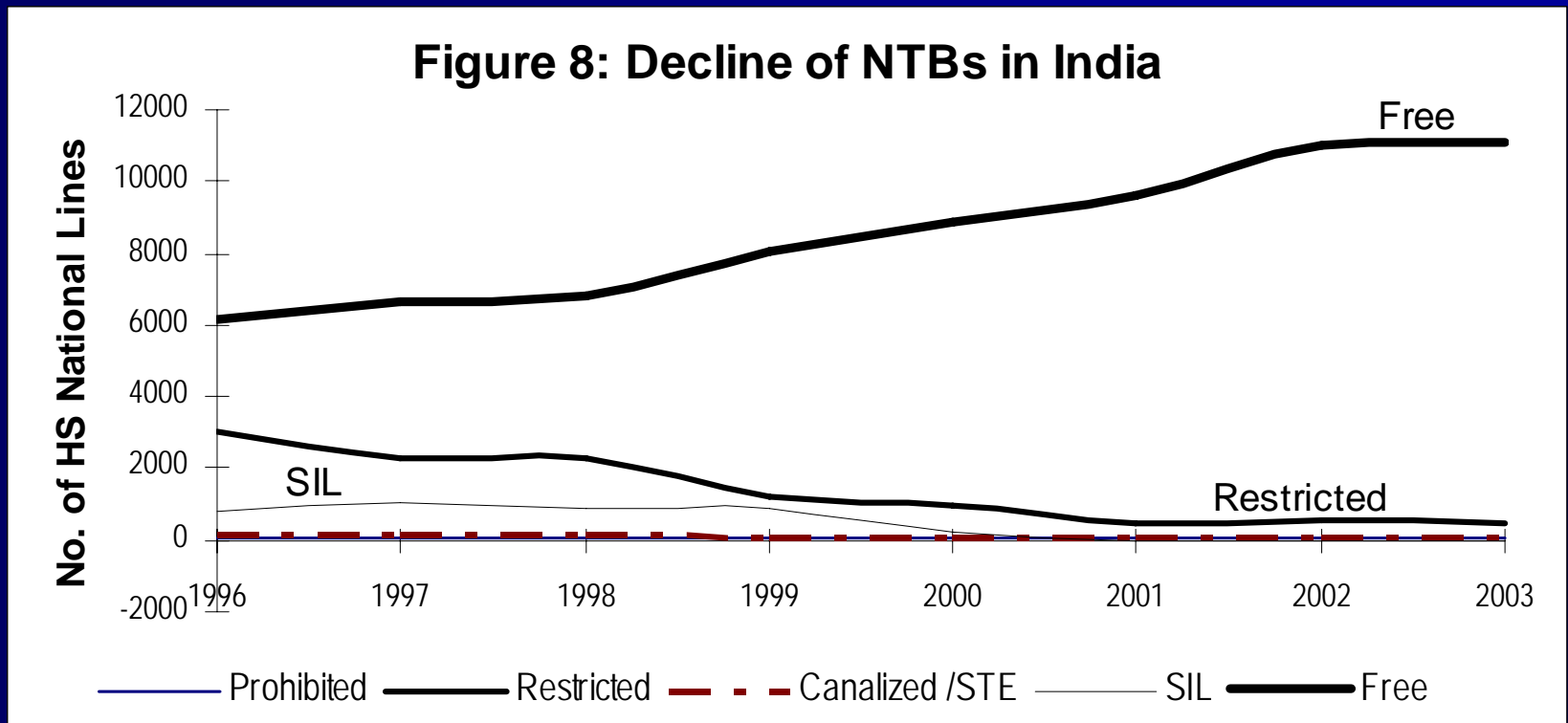


Source: Estimation based on Trains WITS, Online

Sector-wise simple average tariff of India during the period 2001-08

India	Description	2001	2005	2008
1	Live Animals and Animal Products	36.6	31.1	30.4
2	Vegetable Products	37.2	35.7	32.9
3	Animal or Vegetable Fats & Oils	67.0	65.4	27.0
4	Prepared Foodstuff, Beverages, etc.	47.5	42.5	39.4
5	Mineral Products	21.4	12.5	5.9
6	Products of Chemicals	33.4	15.6	8.2
7	Plastics & Articles thereof	34.7	15.3	9.4
8	Raw Hides & Skins, Leather, etc.	21.9	12.8	7.4
9	Wood & Articles of Wood	29.0	13.6	9.3
10	Pulp of wood or of other Fibres	28.8	13.3	8.8
11	Textile & Textile Articles	30.9	15.4	9.4
12	Footwear, Headgear and Umbrella	35.0	15.0	9.8
13	Articles of Stone, Plaster, Cement	34.4	15.0	9.7
14	Natural or cultured pearls, Jewellery	35.0	15.0	8.9
15	Base Metals & Articles of Base Metal	33.4	16.5	7.3
16	Machinery & Mechanical Appliances	26.3	13.6	7.0
17	Vehicles, Aircraft and Vessels	39.7	23.9	19.5
18	Optical, Photograph & Cinematography	28.1	13.7	8.3
19	Arms and Ammunition	35.0	15.0	10.0
20	Miscellaneous Manufactured Articles	33.4	15.0	10.0
21	Works of Art Collectors' Pieces	30.0	12.9	8.6

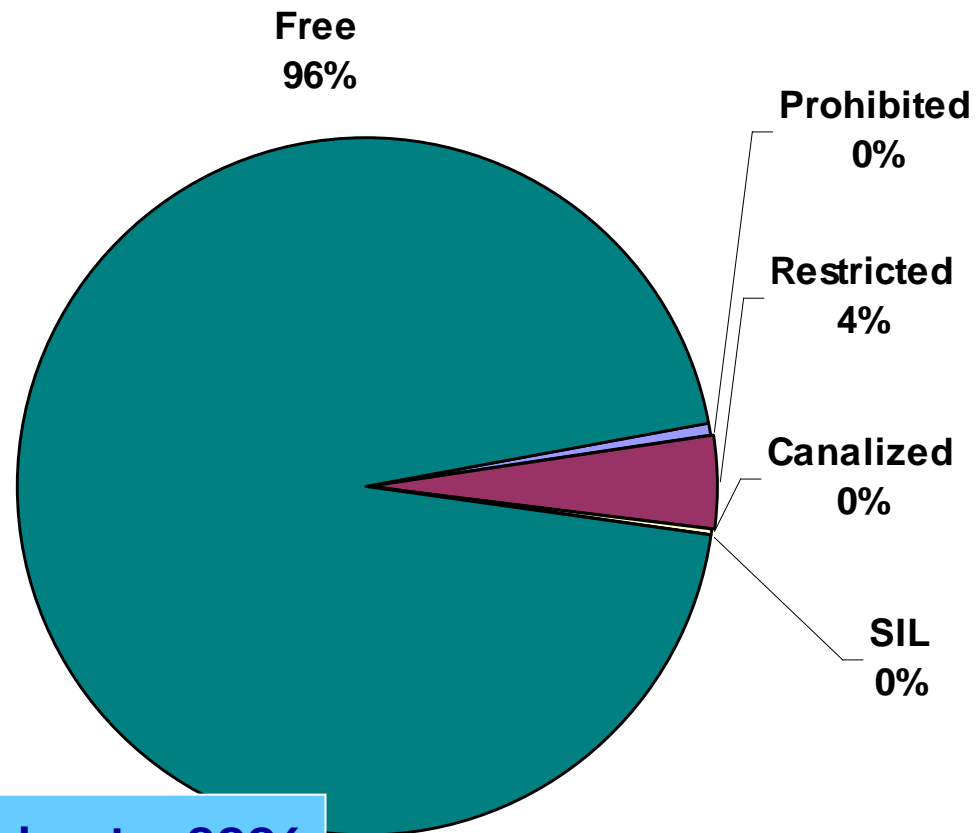
Trends in NTBs in India



Mohanty, 2006

Trends in NTBs in India in 2005

Figure 7: Structure of India's NTBs in 2003



Mohanty, 2006

Key Issues in ESGs

- How to identify ESGs?
- Growing consumer expectations for 'green products'
- What is the size of ESG market in India?
- What extent ESGs are technology-intensive?

Definition of ESG: Alternative Approach

- ESG lists: APEC, OECD, TERI, India, etc.
- Emerging gaps between theory and Practice
- Entire industry can not be designated as ES – World Bank Study
- Classification to be based on current practices
- Negotiation Requirements: Trade classification (ISIC/HS)

Alternative Approach

- Developed countries: sensitive to environment
 - Environmentally Sensitive Measures base on scientific developments
 - Assumption: approach of developed countries
- UNCTAD database
- Comprehensive list based on ES NTBs in six DCs/Reg

Structure of Globally Traded ESGs

Structure of Trade in ESGs

- Agricultural sector
 - live animals and vegetables cover
- Industrial sector: Main sectors - Chemicals & Textiles
 - Other sectors: leathers, wood products, machinery, vehicles, etc
- Incidence of multiple NTMs
- Protection using other instruments: Specific tariff, peak tariff, etc.

Number or ESG products

Section	Description	APEC	OECD	RIS
1	Animal Products			141
2	Fruits & vegetable			231
3	Fats & Oils			36
4	Prepared Food	1	2	40
5	Minerals & metals		4	2
6	Chemicals		27	95
7	Plastics	2	4	1
8	Skin & Leather			48
9	Wood Products	1		45
11	T&C	2	1	81
12	Footwear			16
13	Cement, etc	10	3	5
14	Gems & Jewel			1
15	Base Metals		2	8
16	Machinery	48	83	64
17	Vehicles, etc	2	1	27
18	Photography	42	26	15
19	Arms & Ammu			1
20	Other Mnufactures			16
21	Works of Art			1
Total		108	153	874

Technology Intensity of ESGs in different Lists

Technology-Intensity	APEC	OECD	RIS
Primary	1	2	367
Resource based	7	27	180
Low Tech-intensive	8	5	153
Med. Tech-intensive	45	81	141
High Tech-intensive	47	38	33

Size of ESG Exports in India: RIS List

(Mil US\$)

Sector	2004-5	2005-6	2006-7	2007-8	2008-9
Others	68040	84904	105061	134550	154304
ESG	15390	18098	21139	28358	28708
ESG in total%	18.4	17.6	16.8	17.4	15.7

Sectoral Composition of ESGs in Indian Exports (US \$ Mn.)

Sector	Description	2004-5	2008-9	Share (%)2009
1	Animal Products	1899	2717	9.5
2	Fruits & vegetable	4794	8260	28.8
3	Fats & Oils	338	569	2.0
4	Prepared Food	771	2355	8.2
5	Minerals & metals	761	0	0.0
6	Chemicals	2260	5563	19.4
7	Plastics	5	17	0.1
8	Skin & Leather	906	1326	4.6
9	Wood Products	62	67	0.2
11	T&C	952	1524	5.3
12	Footwear	826	1445	5.0
13	Cement, etc	18	34	0.1
14	Gems & Jewel	47	102	0.4
15	Base Metals	27	21	0.1
16	Machinery	366	1070	3.7
17	Vehicles, etc	1312	3555	12.4
18	Photography	9	13	0.0
19	Arms & Ammu	0	1	0.0
20	Other Manufactures	36	64	0.2
21	Works of Art	1	2	0.0

Employment Effects of ESGs in Manufacturing Sector: Distribution across Sectoral

Sectors	Description	Total Share %
6	Chemicals	29.2
7	Plastics	0.0
8	Skin & Leather	18.9
9	Wood Products	1.5
11	T&C	18.3
12	Footwear	13.9
13	Cement, etc	0.5
14	Gems & Jewel	1.1
15	Base Metals	0.3
16	Machinery	6.9
17	Vehicles, etc	6.8
18	Photography	0.4
19	Arms & Ammu	0.7
20	Other Mnf	1.3
21	Works of Art	0.1

Employment effects of ESGs in Manufacturing Sector: Share of Direct Employment in Total

Sectors	Description	Direct Employment (%)
6	Chemicals	51.4
7	Plastics	52.9
8	Skin & Leather	44.1
9	Wood Products	62.3
11	T&C	58.5
12	Footwear	51.5
13	Cement, etc	45.9
14	Gems & Jewel	50.0
15	Base Metals	48.2
16	Machinery	46.6
17	Vehicles, etc	60.3
18	Photography	50.4
19	Arms & Ammu	47.6
20	Other Mnf	50.3
21	Works of Art	61.7

Thank you