

ODS TRADE IN THE GLOBAL AND REGIONAL CONTEXT

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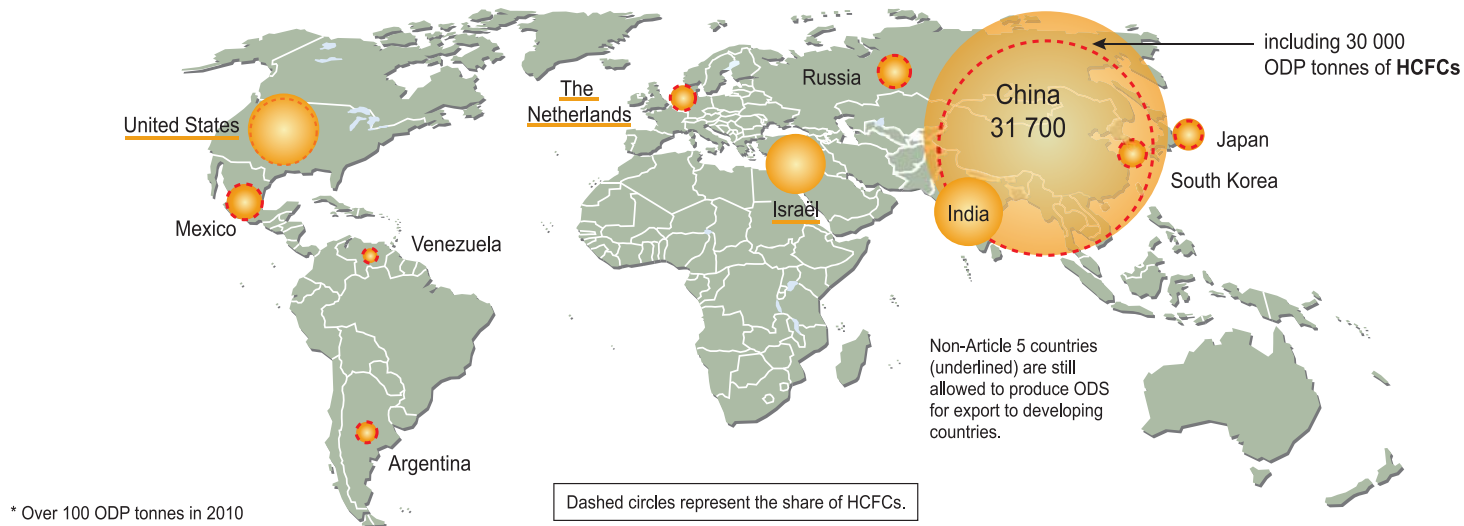
Outline of Presentation

- ⦿ Global production and trade with ODS and ODS-containing products
- ⦿ Trade with MP Parties and Ban on Trade with non-Parties
- ⦿ Transshipment harbours, production, disposal, reclaim facilities in the region
- ⦿ Regional and global trade agreements
- ⦿ Impact on trade and economy

Context: ODS Production Worldwide

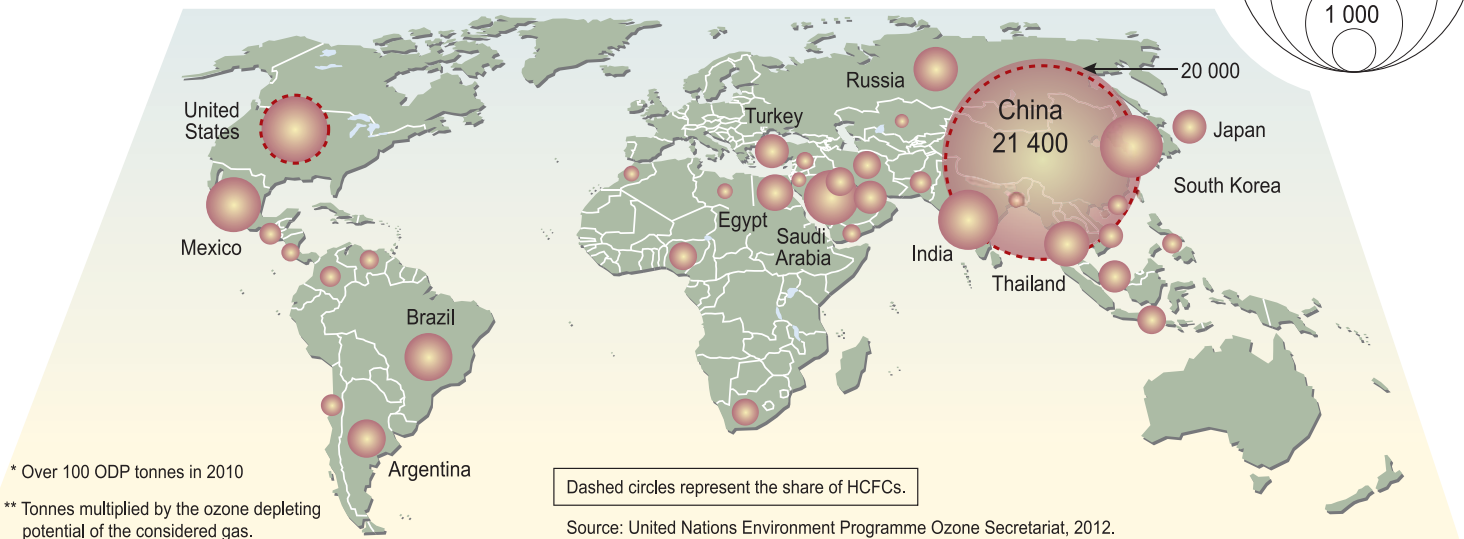
Production of ozone depleting substances *

as reported to the Ozone Secretariat by Parties of the Montreal Protocol.



Consumption of ozone depleting substances *

as reported to the Ozone Secretariat by Parties of the Montreal Protocol.



ODS Production

- ⦿ "Calculated levels of Production" means the amount of controlled substances produced, minus the amount destroyed by technologies to be approved by the Parties and minus the amount entirely used as feedstock in the manufacture of other chemicals (paragraph 5 of Article 1).

Annex A, Group I (CFCs)

	Party	2012	Baseline
1	Australia	-15.2	15,385.40
2	Belgium	-3.3	
3	Cameroon	-11	
4	China	270.4	47,003.90
5	Czech Republic	-25	1,977.60
6	Denmark	-87.5	
7	Finland	-24.4	
8	France	-330	71,018.40
9	Germany	-165.2	123,652.80
10	Hungary	-0.5	
11	India	-15.4	22,632.40
12	Poland	-4.3	
13	Romania	-4.9	

Annex A, Group I (CFCs)

	Party	2012	Baseline
14	Russian Federation	80	105,296.00
15	Slovakia	-0.2	
16	Sweden	-74.7	
17	United Kingdom of Great Britain and Northern Ireland	-5.9	102,014.40
18	United States of America	-1,014.80	311,021.20

Annex A, Group II (Halon)

	Party	2012	Baseline
1	Australia	-69.8	
2	China	-0.8	40,993.00
3	Estonia	-14.3	
4	Finland	-7.9	
5	France	-97.5	34,465.00
6	Sweden	-2.4	
7	USA	-60.6	58,756.00

Annex B, Group II (Carbon Tetrachloride)

	Party	2012	Baseline
1	Belgium	-12.7	26,592.50
2	China	219.5	32,479.70
3	France	815.5	5,119.40
4	Germany	-177.2	8,067.40
5	USA	-317.4	56,036.20

Annex B, Group III (Methyl Chloroform)

	Party	2012	Baseline
1	USA	-116.4	31,517.00

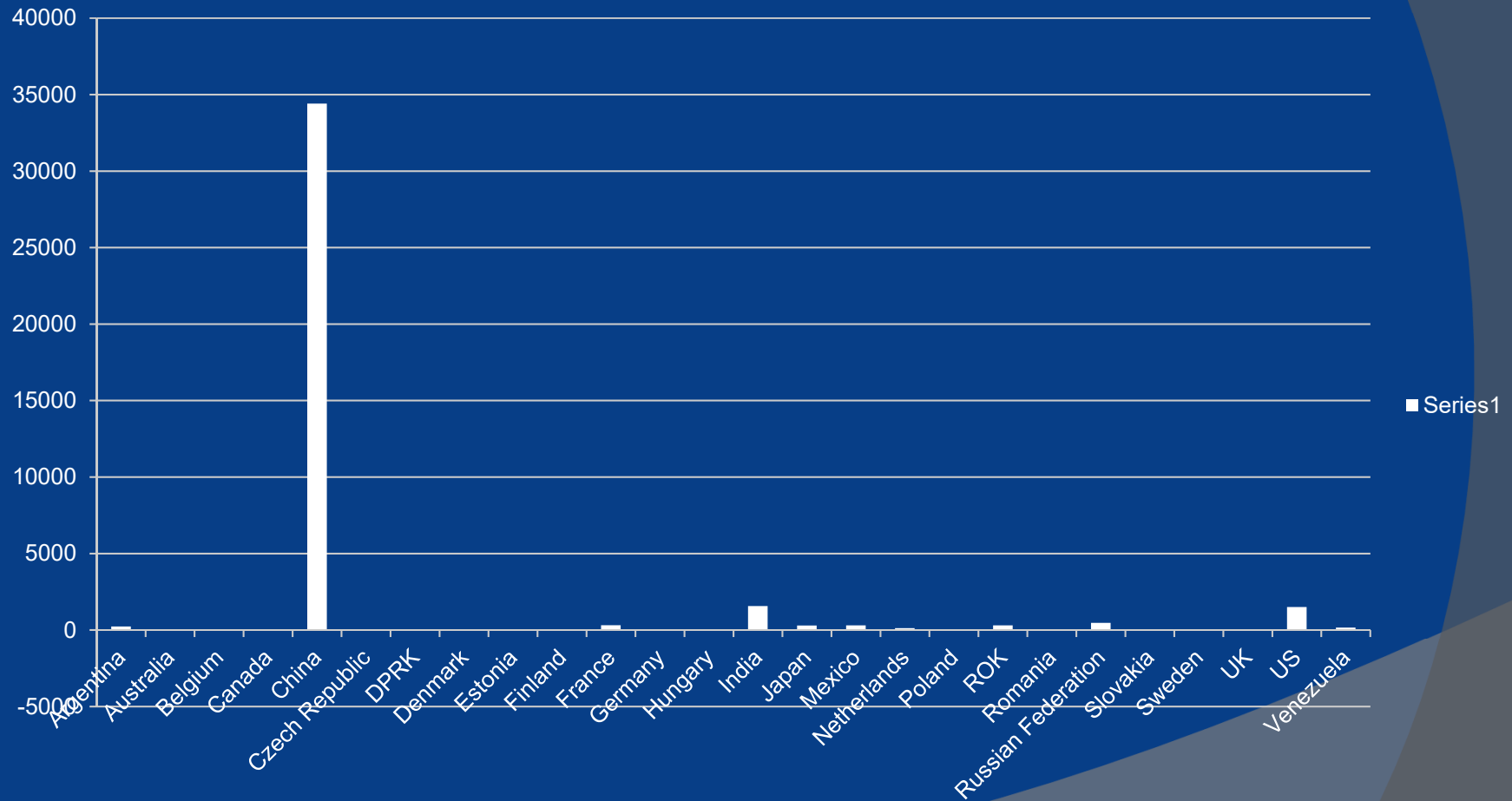
Annex C, Group I (HCFCs)

	Party	2012	Baseline
1	Argentina	230.45	224.6
2	Australia	-7.34	587.1
3	Belgium	-0.91	
4	Canada	49.14	819.6
5	China	34,413.51	29,122.00
6	Czech Republic	-0.02	107.6
7	DPRK	28.66	27.6
8	Denmark	-0.95	68.9
9	Estonia	-0.02	2.8
10	Finland	-1.16	36.5
11	France	310.11	2,337.50
12	Germany	-7.94	3,425.60
13	Hungary	-0.04	67.9

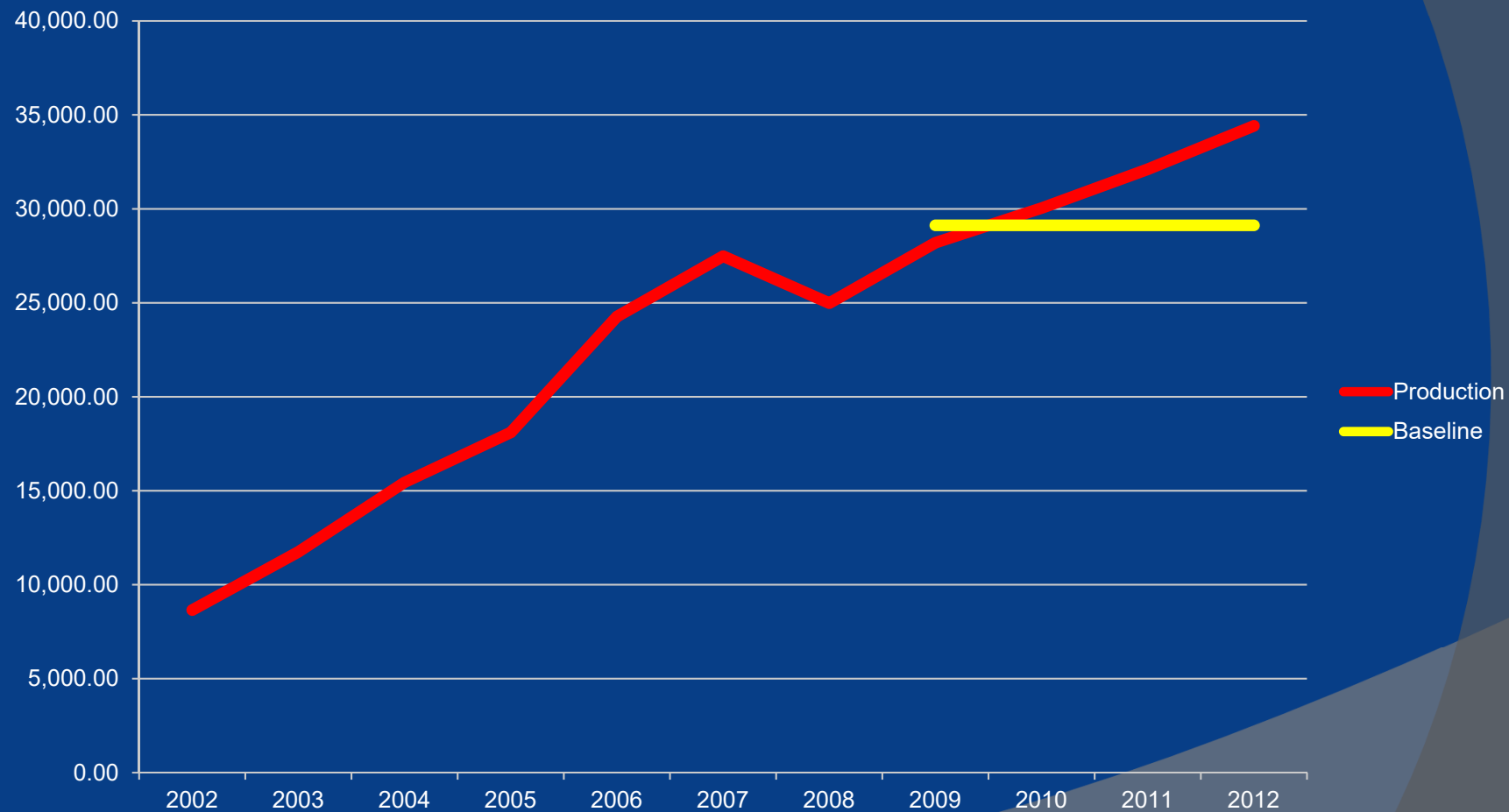
Annex C, Group I (HCFCs)

	Party	2012	Baseline
14	India	1,565.40	2,399.50
15	Japan	297.23	5,645.40
16	Mexico	298.32	697
17	Netherlands	116.6	1,568.70
18	Poland	-0.24	97.3
19	Republic of Korea	306.67	395.1
20	Romania	-0.98	
21	Russian Federation	466.62	4,066.10
22	Slovakia	-0.13	29.1
23	Sweden	-0.79	78.6
24	UK	-0.05	2,755.80
25	USA	1,498.18	15,389.60
26	Venezuela	160.27	123.1

HCFC Production Worldwide



China HCFC Production



Trade under the Montreal Protocol

Trade with Parties

- ⦿ MOP recommended that **each Party adopt legislation to regulate (including labelling) export and import** of products, equipment, components & technology whose functioning relies on ODS or contains ODS as described in Annexes A & B of the Protocol; *Dec. VII/32*
- ⦿ MOP recommended that **Non-Article 5 Parties adopt appropriate measures to control, in cooperation with the importing Article 5 Parties, the export of used products and equipment, other than personal effects, whose continuing functioning relies on supply of substances listed in Annexes A and B of the Montreal Protocol**; *Dec. IX/9*

Trade with Parties

- ⦿ Following the Montreal Amendment of 1997 each Party has to establish a licensing system for imports and exports of all new, used, recycled or reclaimed ODS; Art. 4B of the MP
- ⦿ **Countries which do not want to receive products & equipment** containing controlled substances from Annex A and B of the Montreal Protocol may request to be included on a list of countries maintained by the Ozone Secretariat. *Dec. X/9* Customs officers should be aware whether their country is listed or not.

Ban on Trade with non-Parties

- ⦿ **Non-party**: any country whose government has not ratified, accepted, approved or accessed the Montreal Protocol or one or more of its Amendments
- ⦿ **1990** Ban on all **imports** of Annex A substances from any Non-Party states.
- ⦿ **1993** Ban on **exports** of Annex A controlled substances to non-Party states from Party states

Countries that have not yet ratified any ozone treaties:

NONE → universal ratification!

Transshipment Harbours in Asia

- ⦿ Singapore, Singapore
- ⦿ Hongkong, China
- ⦿ Shanghai, China
- ⦿ Kaohsiung, Taiwan
- ⦿ Busan, ROK
- ⦿ Tanjung Pelepas, Malaysia
- ⦿ Dubai, UAE
- ⦿ Salalah, Oman
- ⦿ Klang, Malaysia
- ⦿ Colombo, Sri Lanka

Countries with Known Commercial ODS Destruction Facilities Worldwide (ICF 2009)

- Argentina, Australia, Austria, Belgium, Brazil, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Indonesia, Italy, Japan, Netherlands, Poland, Slovakia, Spain, Sweden, Switzerland, UK, USA, Venezuela

Regional Context:

Examples of Trade Agreements

- ④ Trade agreements may have an impact on MP implementation because Parties are at different stages of adopting different Amendments as well as other international agreements such as the harmonized system
- ④ RTAs may also affect if a country can introduce import taxes or other trade restrictions

Regional Trade Agreements and Associations

ASEAN Free Trade Area (AFTA)

Asia-Pacific Economic Cooperation (APEC)

South Asia Free Trade Area (SAFTA)

Asia-Pacific Trade Area (APTA)

Pacific Island Countries Trade Area (PICTA)

Regional Trade Agreements and Associations

- AFTA: trade bloc agreement by the Association of Southeast Asian Nations supporting local manufacturing in all ASEAN countries
- APEC: forum for 21 Pacific Rim member economies that seeks to promote free trade and economic cooperation throughout the Asia-Pacific region
- SAFTA: seven foreign ministers of the region signed a framework agreement on SAFTA to reduce customs duties of all traded goods to zero by the year 2016

Regional Trade Agreements and Associations

- APTA: Signed in 1975, oldest preferential trade agreement between countries in the Asia-Pacific region, aims to promote economic development and cooperation through the adoption of mutually beneficial trade liberalization measures
- PICTA: aims to establish a free-trade area between 14 of the Pacific Islands Forum countries

Impact on trade and economy

Trade Restrictions under the Montreal Protocol

- The main trade restrictions introduced under the Montreal Protocol were:
 - i. control of trade in ODS with non-Parties¹⁰,
 - ii. control of trade in products containing ODS with non-Parties¹¹ and
 - iii. import-export licensing systems
- In addition, national governments party to the Protocol also introduced a range of trade measures, such as import quotas and bans, as part of their strategies to meet consumption and production phase-out targets.

International trade impacts of Montreal Protocol

- ⦿ Trade provisions contributed considerably to attracting signatories
- ⦿ Reducing the world market for ODS and ODS using products
- ⦿ Illegal trade in ODS, particularly in CFCs, which led to mandating ODS import/export licensing systems in 1997
- ⦿ New customs codes relating to substances controlled under the Montreal Protocol in the Harmonized Commodity Description and Coding System (HS) codes to improve the monitoring and control of trade

Impacts of Phase-out

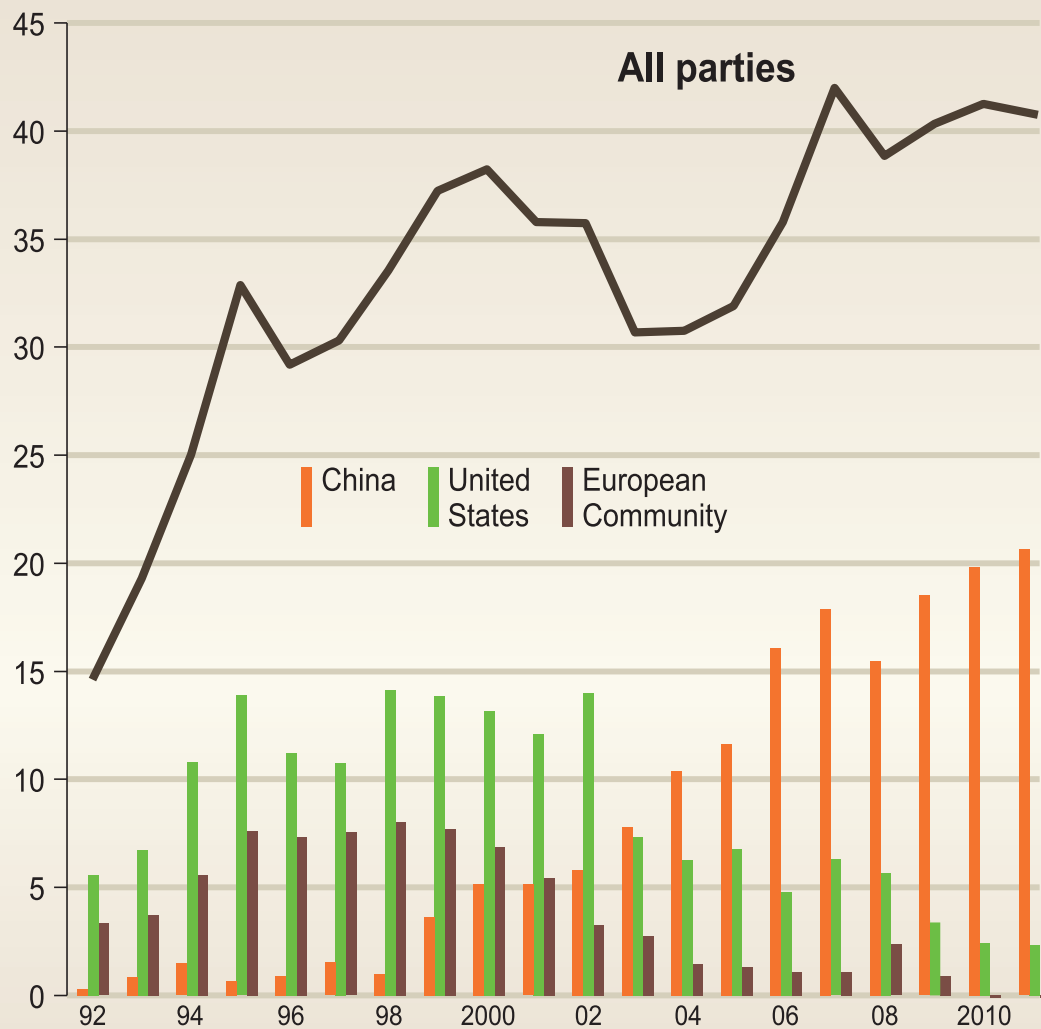
- ⦿ Global declines in ODS consumption and production since 1987
- ⦿ Increase in trade of ODS replacement substances and technologies (including HCFCs and HFCs)
- ⦿ Creation of considerable international trade in chemical products that replace ODS, non-ODS containing equipment and related services such as training in new technologies and processes.

Impacts of Phase-out

- Rapid expansion in recent years of manufacturing exports from emerging economies such as China has coincided with and to some extent been stimulated by the opportunities provided by ODS phase-out.
- Furthermore, many developing and CEIT countries have been able to seize the export opportunities having been aided by MLF and GEF funded projects for transfer of technology and capacity building.

HCFC: A TRANSITIONAL SUBSTITUTE FOR CFC

Reported* HCFC consumption
Thousand ODP tonnes



Growing demand for
HCFC in China

Growing demand for HCFC in China

Gradually replaced by **HFCs** and, to a lesser degree by natural refrigerants in developed countries (where the HCFC phase-out deadline for production was reached in 2004).

Not harmful for the ozone layer, **HFCs** are very powerful greenhouse gases.

* 73 reporting countries in 1989, 169 in 2010.

Source: United Nations Environment Programme Ozone Secretariat, 2012.

Contribution to GDP

- ⦿ Given the data available, it is not possible to precisely quantify the extent to which national and global economic wealth measured by GDP has grown as a result of the MP compared to BAU scenario.
- ⦿ MP provided opportunities to increase competitiveness through improved production efficiencies, introduction of new technology and industrial rationalisation set the stage for expansion of production and exports in manufacturing sectors such as refrigeration and air conditioning.

Contribution to GDP

- For example, the value of the refrigerator and freezer manufacturing sector in China reached US\$ 26 billion in 2008. In India, the refrigerator market which has been growing at a rate of about 15% per year and is estimated to be about 3.5 to 4 million units per year, valued at Rs. 50 billion (about US\$ 1.1 billion) 15.

Cost of Illegal Trade

- Illegal trade in 1996 accounted for as much as 12–20% of global trade in ODS.
- It was once quoted in the US as being second in value only to cocaine.
- CFCs alone accounted for 7,000 to 14,000 tonnes of this trade, valued at US\$ 25 to US\$ 60 million (2006 estimate).

Cost of Illegal Trade

- ⦿ Alternatives can often be no more expensive than ODS, but the problem arises because equipment must often be retrofitted, sometimes even completely replaced, to use the new chemicals.
- ⦿ This maintains the incentive for illegal trade, and it will most likely remain attractive until all ODS-using equipment is finally replaced with newer technology that works with ODS alternatives.

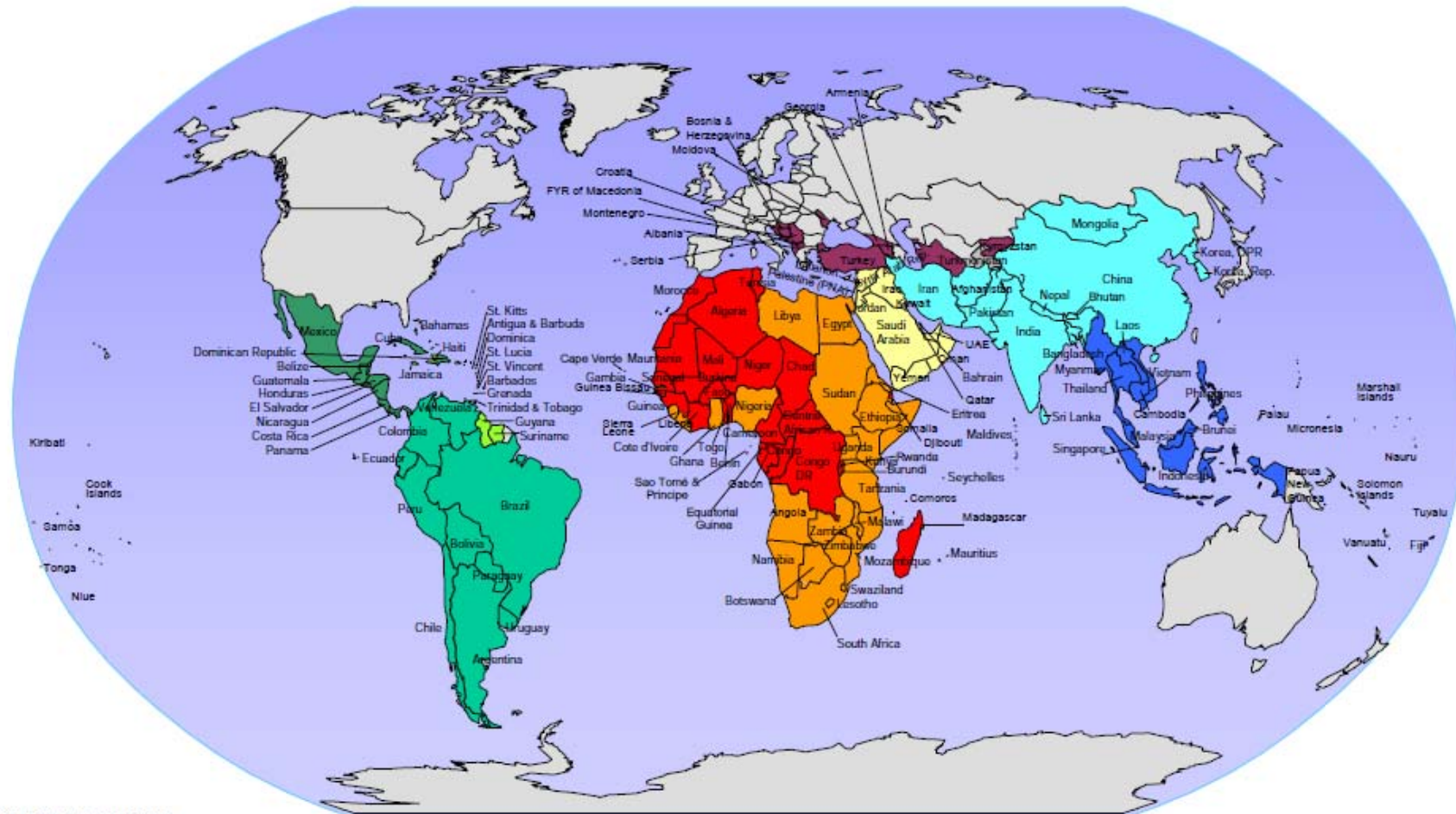
EXAMPLES OF ODS SMUGGLING PATTERNS IN ASIA AND THE PACIFIC



Examples of ODS Smuggling Patterns in Asia-Pacific

From Vital Ozone Graphics (2012)

REGIONAL NETWORKING



Note: "This map is for illustrative purposes only and is not an official United Nations cartographic document. The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations."



Salamuch po!