
ANNUAL 2008 SESSION OF THE PARLIAMENTARY CONFERENCE ON THE WTO

Geneva, 11-12 September 2008

Organized jointly by the Inter-Parliamentary Union and the European Parliament

Item 3(b)

PC-WTO/2008/3(b)-R.1
26 August 2008

CAN INTERNATIONAL TRADE HELP MITIGATE CLIMATE CHANGE?

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A common fight against climate change

The temperature of our planet has risen by 0.7°C since 1800. The Intergovernmental Panel on Climate Change (IPCC) scenario limiting future global warming to between +2 and +2.4°C assumes that greenhouse gas emissions will have decreased by 25-40% by 2020 in all the developed countries and by 80% in 2050. If the early deadlines are not met, global warming will inexorably exceed 3°C, at a cost that the Stern report estimates at €5 trillion.

1. Common but differentiated responsibilities

Obviously, responsibilities and costs differ from country to country.

Although the Northern countries are responsible for most of the carbon dioxide gas in the atmosphere, they have (with the exception of the United States of America) begun a process of reducing emissions (though there is still a long way to go).

On the other hand, the developing countries remain for the most part below the threshold of what the earth's ecosystem can absorb per inhabitant. However, the 'emerging' countries are on the way to exceeding this threshold. Although the countries that extract fossil fuels have already gone beyond this limit, it would actually be legitimate to count local emissions caused by the extraction process or primary transformation of fossil fuels in the 'ecological footprint' of the countries that consume them.

Because agriculture plays a more important role in the Southern countries, they are the particularly exposed to climate change, while their limited resources make it more difficult for them to adapt.

To sum up, those principally responsible for past climate change are in the North, and increasingly the emerging countries, while the principal victims are also the poor countries in the South. That is why the Earth Summit in Rio and the Convention on Climate Change (CCC, 1992) speak of 'common but differentiated responsibilities and respective capabilities'. Accordingly, the developed countries (Parties) should take the lead in combating climate change and the adverse effects thereof. All policies must be permeated with this common objective.

2. International trade and the greenhouse effect

For the last 20 years, international trade has grown more than twice as fast as global production. This reflects an international redistribution of work to optimise payroll and tax costs, yet transport costs do not include the cost of the resulting greenhouse gas emissions. Furthermore, for products that generate large greenhouse gas emissions (such as cement), relocation of industry sometimes provides an escape from national climate protection regulations. There is therefore a need for a global agreement to prevent this type of movement ("carbon leakage") and establish a level playing field.

In certain cases the international distribution of work has positive effects: it is essential for the production of raw materials where geography determines the location.

The cost of transport in terms of greenhouse gas emissions should be reduced, the "climate cost" should be integrated into the price, and intermodal platforms should be built for forms of transport that produce low greenhouse gas emissions (sea, river and rail transport).

However, transport is just one source of greenhouse gas emissions. Emissions should be evaluated over the entire chain, from the subcontractors to the final producer, and from the producer to the consumers. It is therefore the greenhouse gas emissions associated with a product, rather than the distance it has travelled, that needs to be evaluated. From an educational point of view, it would be desirable for consumers to know the amount of these emissions which can be translated into costs.

3. Appropriate policies

In order to promote a courageous fight against climate change, decision makers should seek direct all policies, including trade policy, towards this aim.

This requires diplomatic efforts to encourage all the Annex B countries to ratify the Kyoto Protocol, and all the countries in the world to ratify a post-Kyoto protocol from 2013.

In addition to this multilateral effort, countries can act bilaterally and unilaterally. Those countries that are quick to invest in clean technology and energy-efficient production, transport and building technology are likely to gain an important competitive advantage. However, can we rule out the possibility of a few large greenhouse gas-producing countries still refusing after 2012 to commit themselves to this common effort of humanity?

To make trade policy work for the environment and against climate change, positive measures should be preferred to negative ones. Examples of positive discrimination have already been given by the WTO in article 31 of the Doha Declaration (additional liberalisation for environmentally friendly goods and services) and by the EU in its GSP plus scheme. Negative discrimination (higher tariffs, import restrictions etc.) would encourage trade policy instruments to be used for protectionist purposes, which would ultimately undermine the credibility of trade and environmental policies.

4. Seeking a global agreement

There is a broad scientific and political consensus on the seriousness of climate change. The ideal would be to secure a long-term agreement involving every country on the planet, following the Bali Conference where all countries, including the United States, made a commitment to reach a comprehensive and ambitious post-Kyoto agreement.

It would be necessary to bring the other multilateral agreements (WTO, International Civil Aviation Organization, World Intellectual Property Organization) into conformity with the post-Kyoto agreement, which would require some adjustments.

Close cooperation between the WTO and the United Nations Environment Programme (UNEP) and the Climate Change Convention will be needed.

It will also be important to promote swift progress in updating the WTO's definition of environmental goods and services, in order to reduce or remove tariff and non-tariff barriers to 'green goods and services'.

5. Regional trade agreements

Regional and inter-regional trading arrangements must include the climate dimension, in accordance with the letter and the spirit of the CCC. The same goes for the lending policies of regional and multinational financial institutions, which should grant loans taking into account the targets to combat climate change defined by the IPCC's '+2°C' scenario, which would imply phasing out support for fossil fuel-based projects. The same guidelines should be applied by national export credit and direct investment agencies.

Many developing countries, whether or not they are themselves producers of fossil fuels or biofuels, are among the first victims of climate change. It would be undesirable to contribute ever larger amounts to solidarity funds that might be required to fund adaptation to climate change under the 'cooperation' heading of the association agreements if the trade heading of these same association agreements were helping to make the greenhouse effect worse and not better.

6. Promoting an autonomous policy to combat climate change

Unilaterally, major trading powers should concede a zero tariff on 'clean' products (very low energy bulbs etc.), following the rules laid down by the WTO. At the same time, and in line with the CCC, they should make clean technologies available at 'concessionary rates', taking inspiration from the 'compulsory licence' principles adopted in Doha for medicines.

Furthermore, WTO Members could ban the import of exotic timbers where this contributes to climate change through their transportation or the reduction of greenhouse gas absorbing ecosystems. The Forest Law Enforcement, Governance and Trade agreements governing this problem should be made compulsory.

Ideally, the targets a country or customs union sets itself should be based not on the emissions caused by its manufacturers, but on the mass of products it consumes (known as the 'ecological footprint'). But this is very difficult to do at present. The most effective way of controlling emissions is by acting at the time of production and by using emissions trading schemes.

The European decision to include aviation in the European quota scheme, including for aircraft coming from third countries unless these countries have an equivalent scheme, is a first step towards including the total carbon emissions cost in the price of goods and services at destination.

In case a post Kyoto agreement is not accepted by all significant greenhouse gas producers, signatories to the post-Kyoto agreement may need to consider introducing measures that would ensure fair competition between firms subject to limits on their greenhouse gas emissions and those producing in countries that are outside the agreement and which would otherwise enjoy a competitive advantage.

Investment in industry must also be optimised to prevent unnecessary transportation as far as possible. Multimodal platforms, providing access to waterways and the rail network, would encourage the most environmentally friendly forms of transport. Industrialised countries should cooperate with developing countries concerning the selection and financing of such 'clean' intermodal systems.

As regards standards of operation for consumer goods (vehicles, domestic appliances), all WTO Members are free to impose ambitious standards for energy efficiency on their domestic markets, provided they follow the WTO's 'domestic product' rule (i.e. the same standards apply regardless of where the product originates).

Within this perspective, we should remember that paragraph 17 of the European Parliament's resolution of 31 January 2008 on the outcome of the Bali Conference on Climate Change (COP 13 and COP/MOP 3), 'welcomes the decision to launch a strategic programme to scale up the level of investment for the development, transfer and deployment of both the mitigation and adaptation technologies to developing countries, as well as the allocation to the Expert Group on Technology Transfer of the task of assessing the gaps in and barriers to the use of, and access to, financial resources'.