

**WTO Public Forum: High-Level Panel on Mutual Supportiveness of Trade,  
Climate Change and Development Objectives and Policies**

**24 September 2008**

**Introductory remarks by Pascal Lamy**

Let me start by saying that climate change is an extremely serious issue for us in WTO. Why? Not because of individual beliefs, but because we have a constitution, a mandate which lies in the Marrakech Agreement of 1994, and which says that trade opening has to serve sustainable development. This is the reason why we take it so seriously. As other international organizations, we are bound by our mandate, our duty stands from this mandate and this mandate has to do with sustainable development.

Looking at the intersection between trade, development and climate change, I would like to make a few points on the three ways of looking at the relationship: the first one has to do with economics, which raises the question: Is trade good or not for climate change? The second angle is about trade measures: can trade policy and climate change work together? The third angle is more political: it has to do with geopolitics and where the trade system interacts with the international system on environment.

With respect to the first angle, there *is* an issue as to whether trade in itself is good or bad for climate change, but it is a small issue as compared to much bigger economic challenges from a purely domestic nature. There is a debate about the carbon footprint of international trade, notably because of transport, because more trade means more transport. If you look at the numbers, most of the international trade in goods is shipped and shipping is a very low carbon emitter; it is in fact by far the lowest emitter of all the modes of transportation. I know there is a technical debate as to whether shipping also emits other greenhouse gases than CO<sub>2</sub>, but this is not a big issue. And the solution to this lies mostly on the side of energy pricing. If energy pricing is right then international transport internalizes the cost of CO<sub>2</sub> emissions.

On the other side, trade makes the system more efficient and the gains of efficiency standing from more trade also apply to the use of natural resources. We have seen the debate on the issue of food miles, for instance, with first intuitive notion that bringing goods from far away is terrible. But in fact if you look at the numbers, in many cases bringing things from far away is very good, because they produce it over there in a way that is much less carbon emitting than if it were produced here. I am not saying that it is true everywhere - there is a debate on this - and again let's keep the sense of proportion: as compared to domestic policy issues that have to do with energy, transport, agriculture, heating or consumption patterns, international trade is a relatively minor issue in economic terms.

Looking at the angle of trade measures, my sense is that there is a debate about trade measures but it is not the main debate, it is not where lies the main issue. Yes, opening trade can in a classical way lead to more climate-friendly results. We have a mandate within the DDA to "favour" environmental goods and services - there is a market of about 500 billion out there - and we can try to ensure that environmental goods, services and clean technologies are traded more easily. If we open trade more, then we will do it on other issues. This is clearly part of the Doha negotiations. If Minister Pangetsu gets steam condensers on the list of environmental goods that will have a specific tariff rebate, she will be very happy because Indonesia is a very efficient producer of steam condensers, and many other developing countries are in this situation.

There are issues relating to border measures, which are new trade measures considered here and there, such as carbon taxes on energy intensive imported goods, or schemes that would require energy intensive importers to purchase pollution permits to offset their emissions production, or

rebating carbon taxes on exports of energy intensive goods to offset the domestic competitive advantage. I am not going to take a position on the legal side. The problem of WTO compatibility of such measures is terribly complex and cannot be answered in general terms. All serious lawyers having a look at this would answer: "It depends". Therefore, I will concentrate not on the legality but rather on the desirability of such measures. It all depends on whether it is part of an overall agreement within the UNFCCC framework or whether there is a sort of "go-it-alone". I am very much on the same line as previous speakers on this point: it is in the environmental arena and not in the trade arena that a solution to climate change must be found; if you do not manage to find it in your arena, we are not going to find it in ours. The trading system will adjust, when the time comes to go to precise policy solutions, in the light of any international system, consensus, or convention that hopefully will appear within the UNFCCC.

If we look at the relationship between WTO rules and previous Multilateral Environment Agreements, we see that while there may be theoretical issues here and there, in practice, MEAs that have a trade limiting component (e.g. MEAs on chemical substances, endangered species) there have been no problem of interaction between trade and these agreements. If there is an MEA post-Kyoto, I do not think we will have a problem adjusting. Going back to Minister Pangetsu's point on sequencing, I would say first, start at home. Most of these policies are to be developed at home and should not wait for international issues to be solved; there is also a need for an international convention that will work on the interface; and if there is a trade problem at the end of the day my guess is that WTO members would look at it in a supportive way. In fact, the current UN Framework Convention on Climate Change already says that measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade. This provision may already contribute to achieving coherence between WTO rules and the future climate regime that builds on the UNFCCC.

Finally, looking at the geopolitical angle, the biggest problem in the post-Kyoto negotiations is an issue of fairness or equity. There are countries on this planet who emit 1 ton of carbon per head and per year, and you have countries who emit 20 to 25 tons of carbon per head and per year. This raises an important burden-sharing issue that relates to the principle of "common but differentiated responsibilities". The whole problem lies in this and how you cope with it. Who should cut its emissions and by how much is a crucial fairness and equity issue. In my own belief, we have to be clear on this: developing countries, notably the big emerging ones, will not step into the necessary commitments - without which there is no solution, but which are politically difficult for them - without more trust in the system, i.e. that the rules of the games are balanced in a way that brings them comfort. This notion that if they do not understand we are going to force them to understand - i.e. coercion - will not work. It is probably even more dangerous than that since it risks creating a push-back which could make the negotiations much more complex. In domestic politics, blaming the foreigner always works, but let us make sure that the sort of "populistic" avenue is not the way out of a difficult political climate change negotiation.

This is where there is a systemic geopolitical intersection between the Doha Round and climate change negotiations. For most developing countries, the politics of the Doha Round - leaving all the technicalities aside - are about rebalancing the rules of world trade which we inherited from previous periods where the balance of forces worldwide was different. There are new balances in today's world which have to be reflected in the rules of world trade. If we do not succeed in doing this, public opinion will not believe that it is because of a coefficient here, or a billion of this or that, they will believe it is for political reasons and the inability to cope with this will be what a prolongation of the Doha Round will mean for most people. There is an issue of political momentum: our first duty if we want to help with respect to climate change, is to try and do in the WTO what we decided to do between ourselves. The relationship between trade and climate change is like a string: with a string, you can pull but you can not push. Trade can help the pulling, but the push has to come from your side.

---