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Editor
Dr. Anil K. Kanungo

Associate Editor
Ms. B. Pankti

The Institute brings out the bi-monthly Magazine, *FOCUS WTO* exclusively dealing with WTO and WTO-related issues. Each issue is dedicated to a particular theme. A distinct feature of the Magazine is its section, "Lead Articles" focusing on the theme. As the next issue is devoted to the theme "Developing Countries & WTO", we at *FOCUS WTO* invite highly analytical articles focusing on the theme for publication in the Magazine with a word limit between 3000 and 3500.

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From the Director's Desk

Dr. Surajit Mitra

THE issue of trade and environment has assumed alarming proportion in the context of global climate change. Both developed and developing countries are engaged in a serious debate over the issue of reducing emission significantly so that the risk to the environment is minimized. In the past, series of consultations at various fora were carried out to arrive at a consensus so that a sustainable world environment is in sight. Doha Ministerial Round of the WTO in 2001 had brought the issue of trade and environment into sharp focus. Deliberations emanated out of this discussion played an important role in sensitizing all member countries to cooperate and enhance mutual supportiveness in an attempt to promote trade of environmental goods and services, keeping in mind that a sustainable world environment is a primary concern for all. However, not much progress has been made in this regard.

Currently, global economy is experiencing increased trade of environmental goods and services. Classification of such products and services, especially in a world of technological advancement and upgradation whether some of them are environment friendly for the society is difficult to undertake. Besides, many environmental goods would have environmental and non-environmental use. Cost of technology and its access and affordability *vis-à-vis* low cost technology adopted in many developing countries needs to be worked out. All these constraints pose a huge challenge in ensuring a sustainable world environment.

Against this backdrop, it is desirable that both developed and developing countries need to deliberate intensely to strive for an environmental proposal which would be more effective and workable keeping in view that the world needs a clean and safe environment.

Climate Change and Trade: Issues and Concerns

Nitya Nanda*

Debate over trade and environment has assumed critical dimension with the emergence of global climate change. As expansion of global trade is causing environmental and ecological hazards, the developed and developing countries are negotiating at different fora to strike a balance as to how world environment can be protected from such serious crisis. This paper makes ant attempt to deal with the issue in detail and highlights how multilateral organizations like the WTO, UNFCCC can provide a platform to reduce or minimize the conflict associated with the issue.

* Area Convenor, Centre for Global Agreements, Legislation and Trade, The Energy and Resources Institute (TERI), New Delhi.

Introduction

THE linkage between trade and environment has long been a controversial issue. In recent years some developed countries have started restricting trade through environmental policies, which led developing countries react to such situations. Despite most developing countries opposing the idea of linking trade and environment, the issue got a formal place in the multilateral trading framework in 1994 through the Marrakesh Agreement, placing sustainable development among the objectives of the WTO. It is argued that trade openness in the presence of inter-country differences in the stringency of environmental regulations will lead to a 'race-to-the-bottom' and polluting activities will shift to developing countries. This will mean that competitiveness of developed countries will suffer while the environmental objectives will not be met. However, the empirical evidence in support of such a hypothesis is still lacking.

On the other hand, from the part of developing countries, it is argued that trade has a potential to promote development which will contribute to environmental conservation. This is based on the so-called Environmental Kuznets Curve argument by which, in the beginning of economic development, little weight is given to environmental concerns, raising pollution along with industrialization, but after a threshold, when basic physical needs are met, interest in a clean environment rises, reversing the trend (Harbaugh *et al*. 2002). In the context of climate change however such an argument is difficult to sustain as developed countries did not show any decline in their emission of carbon dioxide which is the main contributor to greenhouse gases. When people demand better environment as a result of increased income, they might be quite comfortable if their immediate environment is kept clean at the same time exporting the pollution to other countries or regions. Moreover, the full impacts of climate change can be felt only in the long run and the costs of climate change will be borne by the future generations. Thus, demand for better environment may not translate into demand for reduced climate change.

However, trade itself can be damaging to the environment due to transportation of goods as shipping causes pollution. This can be quite significant as one EU estimate says that ships are likely to emit more greenhouse gases

than all land sources combined by 2020, unless some measures are taken. Such concerns are valid even for domestic trade. It is thus important to ask how much environmental price we would be willing to pay to promote efficiency and choice through trade particularly when much of it is of intra-industry type and not guided by resource endowment (Nanda 2008a). International trade can lead to specialization across nations promoting efficiency. However, what we see often in practice is not so much of specialization but intra-industry trade. Intra-industry trade can also play a positive role in promoting competition and thereby efficiency as well as more choice for consumers. Nevertheless, such benefits may involve environmental costs if such intra-industry trade occur in bulky goods that require substantial shipping.

Such concerns may be valid even when there is no intra-industry trade but international specialization does take place. The comparative advantage theory typically does not take into consideration the transport costs. But in practices, when economic agents make their decisions, they do take account of transportation costs. However, do they take into account the costs imposed on the environment or climate? There is no reason that this should happen on its own unless trade policy factors tkae this into account. Such trade can take place also due to other policies at the national level. If we take the example of India that exports rice at the same time importing wheat, one question that may crop up is if such a situation is good for the environment. Is it because of distorted incentive structure like subsidies? Can it be good for the country both economically and environmentally if it stops exporting rice, and grows more wheat?

In a large country like India such specialization particularly in agricultural goods can occur even within the country. One state may specialize in one crop and supply the entire nation. Such specialization may not be due to agro-climatic conditions or other economic reasons but simply due to tradition. But this also leads to transportation requirements that can be avoided. Should there be then efforts to break such tradition? Trade however can work as a means for introduction and diffusion of climate-friendly technologies. Technologies embodied in goods can reach to countries that trade with countries that invent such technologies. Closer trade relations among nations can also promote awareness on the existence of climate friendly technologies even when such technologies are not embodied in tradeable goods or services.

Climate Change and Trade

Whether trade can be restricted on the basis of climate friendliness of production process is still a contested territory. There has been a demand that if developed countries have to take emission cuts, they must have some border tax adjustment mechanism for imports coming from countries that do not take emission cut commitments. However, it is not clear whether such unilateral measures will be compatible with the WTO rules. These measures may be targeted at the way products are produced rather than the inherent qualities of the products. Thus, the PPMs (processes and production methods) issue, and the definition of a like product are relevant to the examination of climate change measures. The general approach under WTO rules has been to acknowledge that some degree of trade restriction may be necessary to achieve certain policy objectives as long as a number of carefully crafted conditions are respected. The Appellate Body, in the Shrimp-Turtle case has opened the door to the possibility of trade measures based on PPMs. Though the issue is still not very clear, it may be noted that the recent academic literature in Europe has been more supportive of PPMs based trade measures (Dröge *et al.* 2004; Green 2005).

Interestingly, neither the UNFCCC nor the Kyoto Protocol provides for specific trade measures. In fact, UNFCCC stipulates that the 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 (UNFCCC Article 3.5). In any case it is doubtful if such measure would amount subversion of the principle of 'common but differentiated responsibility' as

developing countries would be forced to share burden of climate change mitigation in the name of avoiding carbon leakage and protecting competitiveness.

Carbon taxes have already been implemented by several countries, such as Finland, Sweden and Denmark but none have introduced border tax adjustment so far. However, in the US, the Waxman-Markey Bill which was introduced and passed by the US House of Representatives in June 2009, proposes to put a cap on GHG emissions, which would require high-emitting industries to reduce their output to specific targets between now and 2050. The Bill also envisages measure to levy a charge on imports of carbon-intensive products from countries that do not adopt similar climate change mitigation measures. US importers would have to buy carbon allowances for such products. It is being argued that such a measure is necessary to maintain a level playing field between domestic and foreign producers. There has been demand for similar measure in Europe as well. In particular, the French President Nicolas Sarkozy is also in favour of implementing a direct carbon tax on some industries along with border tax adjustment.

However, such a measure would be difficult to implement in a fair manner. PPMs would be different for different producers and they would also be difficult to measure. Thus a single adjustment rate for all producers is likely to be discriminatory. Moreover, such a single rate would be a serious disincentive for producers adopting energy efficiency measures on their own. The case for strong border adjustment may not be very strong as a study has shown that the overall impacts of domestic policies like carbon tax and energy efficiency standards on competitiveness have not been very strong. While they have been negative in some sectors, in others due to subsidies and exemptions, the impacts have actually been positive (World Bank 2007).

The issue of emissions from shipping has also drawn the attention of the global community and there are talks of imposing tax on shipping.[1] However, such an approach may not be appropriate. There is a need to distinguish between avoidable and unavoidable trade. For example, if country cannot produce certain goods then it has to import them. On the other hand some countries may have resource endowments such that they can produce only a few goods and export much of them. It may not be appropriate to put restrictions on such exports and imports. Moreover, a tax on shipping only will not take care of the emissions caused by transportation over land.

Private Trade Barriers

In case of border tax adjustment, the issue is of government policies and measures that can restrict trade. Individual purchasers are, however, free to make their buying decisions that may include sustainability criteria. In fact there are, albeit extremely limited, evidences that such measures are being adopted by individual buyers in the developed world. There is at present no legally binding global law to stop on the basis of labour standards. Exporters from developing countries often find essential to get their products certified that they did not involve the use of child labour in their production process.

Exports from developing countries to developed countries get considerably affected by the eco-labelling in the EU and the US. Eco-labelling tries to ensure that the exports from a country are harmless for the consumers and environment of the importing country, looking at the entire life cycle of the product and analyzing the production and process related criteria. Thus emission norms will enter the eco-label criteria in future with greater measure (OECD 1997; ESCAP 1997; CUTS 2005).

Recently in the US, product standards introduced by companies and NGOs are gaining importance, as there is a price premium for the labelled products (Wiemann 2007). It is found that sometimes while placing the orders, importing firms ask the exporters to purchase specific machines (from their country) for producing the final product in order to avoid hassles at later stages. Often they are also asked to use specific

[1] This is being discussed within the framework of the Marine Pollution Convention, MARPOL 73/78, of the International Maritime Organization (www.imo.org).

components and raw materials. Thus, developing countries will be forced to share the burden of emission reductions in developed countries through the trade route, even if they do not have any emission reduction target as such or developed countries do not adopt border tax adjustment mechanism.

In the developed world there are already some private initiatives to discourage consumption of goods that have been transported from a distant place. The so-called idea of "food miles" is promoted in some places. Consumers are informed about the distance that some particular item has covered to reach the store who might take their decision with such knowledge. Consumers are typically discouraged to buy products that have come from far off places through campaigns. It may appear to be justified in view of the question raised earlier whether trade should be restricted to reduce avoidable transport. However, the issue is not so simple. It is perfectly possible for a product to remain less carbon intensive even after it has been airlifted from Africa to a store in Europe compared to the similar products grown in the neighbourhood if carbon intensities of the production processes are very different.

Climate Change at the WTO

Meanwhile, the issue of climate change has already entered the WTO through its trade and environment agenda. The WTO members have already been discussing on liberalization of tariff and non-tariff barriers in trade in environmental goods and services. It is understandable that such measures can facilitate transfer of climate friendly technologies but as of now there is little understanding on the extent to which they can reduce the emission of green house gases.

It has been estimated that using currently available technologies if 20 per cent of energy is conserved in developing countries, the increase in CO_2 emissions from developing countries from 2000 to 2020 would decline to almost half (METI 2004). While some argue that great reductions can be made in greenhouse gas emissions using current technologies (particularly by increasing efficiency), this is still debated. This argument assumes, among other things, that companies replace their current capital stock with the most efficient available today—something that is not likely to occur in the near future even in developed countries due to its considerable cost (Saunders and Turekian 2007). To what extent trade can facilitate this process is doubtful.

There has now been a call to have special focus on climate friendly goods with this. The World Bank (2007) has already identified a list of 43 goods that can be good for the climate. However, many find this approach to be not so useful. All the goods listed may not have the same environmental or emission performance. The World Bank study has tried to look at the possible impacts of tariff elimination in four categories of products, namely clean coal technology, wind power, solar power and compact fluorescent lamp and found that such elimination will increase import of such products in major developing countries only by 7.2 per cent.

Moreover, energy efficient durable goods may not be able to achieve the desired emission reduction objectives. Increased energy efficiency can increase the use of these products. If cars and air conditioners become more energy efficient, people may simply use them more. It is also doubtful if technology can be the only solution to climate change. If we assume that developed countries have good access to technologies and financial resources, yet the emission levels in these countries are five to ten times higher than that can be acceptable. It is also noteworthy that North America and Western Europe have similar levels of standard of living as well as similar access to technologies. However, the emission level in North America is almost the double of that in Western Europe. Economic and environment policies as well as attitude of the people play an important role in this regard. Town planning and public transport arrangement as well as the way different activities are organized can also play a crucial role.

Moreover, technology being dynamic in character, a static list may not be of much value and revising the list on a regular basis would not be so easy. Surprisingly, the issue of transfer of technology did not receive much attention in the WTO

discussion on trade and environment though it is an important component of UNFCCC agenda. Nevertheless, the issue of role of intellectual property rights (IPR) in access to environment-friendly technologies has been raised by some countries in the WTO Committee on Trade and Environment. Most notably, Cuba has demanded the shortening of patent protection period to facilitate transfer of clean technologies (WTO 2008). However, as the issue of IPR is not explicitly mentioned in the Doha Agenda on trade and environment, it would be difficult to make any substantial progress on this at the WTO. Similarly, there is also a Working Group on Trade and Technology Transfer at the WTO wherein not much happened that can have bearing on this. Since, an important item on the WTO trade and environment agenda is the clarification of the relationship between the WTO agreements and the multilateral environmental agreements, the issues like border tax adjustment can also get addressed here.

Much of the discussion on technology transfer has been concerned with the issue of climate change mitigation. However, for developing countries technology would probably be more important for adaptation. They will need technology in agriculture so that the crops can withstand the impacts of climate change. They will need technology to deal with water stress as well as to deal with greater occurrence of existing diseases and arrival of new diseases.

Greater Vulnerability to Climate Change

In most developing countries, per capita emission is very low, and even lower than 2 ton which some suggest to be the target for 2050. Even otherwise, since they already operate at a very low level of energy use, their mitigation efforts are not likely to contribute much to the possible global emission reduction. It is also true that some degree of climate change is inevitable no matter what we do now. Developing countries thus need to have elaborate preparations for adaptation to climate change. Vulnerability to climate change is considered to be higher in developing countries due to social, economic and environmental conditions. Climate change will further reduce access to drinking water, negatively affect the health of poor people, and will pose a real threat to food security in many countries in Africa, Asia, and Latin America (AfDB *et al*. 2003).

Climate change is also likely to increase the frequency and magnitude of extreme weather events such as droughts, floods, and storms. It is well known that poor countries and poorer people always suffer more due to such natural calamities. Over 96 per cent of disaster-related deaths in recent years have taken place in developing countries. The impacts of climate change are likely to be superimposed on existing vulnerabilities. But they have very limited institutional and financial capacity to anticipate and respond to the effects of climate change.

In many developing countries a huge majority of the people depend on the climate-sensitive sectors like agriculture and fisheries for their livelihoods. In seasonally dry and tropical regions, crop productivity is projected to decrease for even small local temperature increases (1–2 °C). By 2020, in some African countries, yields from rain-fed agriculture could be reduced by up to 50 per cent (IPCC 2007). For many countries, these sectors are also the major sources of their exports. Climate change is thus likely to adversely affect their macroeconomic and trade performance as well livelihood and food security in developing countries.

Climate change is expected to exacerbate current stresses on water resources. Though some developed regions will also suffer a decrease in water resources due to climate change, developing regions will suffer more. In Africa by 2020, between 75 and 250 million people are projected to be exposed to increased water stress due to climate change (IPCC 2007). Decreased availability of water will also affect hydropower potential as well as agricultural production particularly in Asia where irrigation plays an important role.

Another important concern is the impacts on health. When the health status in most developing countries is already quite bad, climate change is going to make it worse. Since most developing

countries are in tropical region, any increase in temperature is likely to increase the incidence of tropical diseases which take many lives even now. Arrival of new diseases due to climate change cannot be ruled out as behaviour pattern of microbes, etc. might change due to climate change.

Given this scenario, for low income developing countries, with severe resource constraints, it makes perfect sense to concentrate entirely on adaptation rather than on mitigation efforts. Thus forcing the developing countries to adopt mitigation measures may impose undue burden on them. Many developing countries are of course quite vulnerable in terms of their energy security. More importantly, energy prices are likely to be on an upward path in the long run (Nanda 2008b). Hence, they are likely to improve their energy efficiency which will contribute to climate change mitigation as well.

Conclusion

Most developing countries are currently dealing with the challenges of engaging at the global level where much of the focus is on mitigation. The real challenge for them however is to understand the potential impacts of climate change and to take appropriate adaptation measures. They need to develop technical, institutional and human capabilities to face up to these adaptation challenges. They cannot of course ignore the issue of mitigation as well as that is linked to their energy security even if mitigation need not be a priority, particularly in countries where emission is low.

They are also likely to be forced to take some mitigation measures to maintain their trade performance. However, trade measures like border tax adjustments are likely to be discriminatory and unlikely to serve any useful purpose. It is another matter that such measures would be extremely difficult to implement and might even be disallowed by the WTO trade regime. In most countries, exporting sector is not the major source of greenhouse gas emissions. Hence trade measures are unlikely to be effective in forcing countries to adopt climate change mitigation measures. However, such measures are bound to create controversy and the affected countries might

adopt retaliatory measures. Since most developing countries are operating well below their bound tariff rates in most product lines such action may not be difficult to initiate.

There have been some concerns that if sufficient progress is not made in UNFCCC and the WTO in resolving the relevant issues, then that might legitimize the potential unilateral trade measures by developed countries. This however is unlikely to make developing countries rush towards multilateral settlement of such issues if they are not convinced that that will be in their interests. After all trade measures, if at all adopted, are likely to impact only a segment of their economy, but commitments at the multilateral levels will impact the whole economy. Moreover, in the global discourse on trade and climate change, the issue of mitigations gets the focus. But for developing countries, the issue is of adaptation to climate change including how climate change might affect their trade performance as well as their access to technology, both for mitigation and adaptation.

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Indonesia Approves Landmark Forest Protection Project

INDONESIA recently approved a rainforest conservation project that sets aside an area roughly the size of Singapore and rewards investors with tradable carbon credits in the first of its kind to win formal backing in the country.

Four years in the making, the Rimba Raya Biodiversity Reserve will protect nearly 80,000 hectares (200,000 acres), much of it carbon-rich peat swamp forest at risk of being felled for palm oil plantations.

Russian energy giant Gazprom and German insurance firm Allianz are backers of the project, the world's first on deep peat.

A senior Indonesian official announced the approval on the sidelines of UN climate talks in Doha, Qatar. Forestry Minister Zulkifli Hasan said the project had passed all the key steps.

"We hope projects like Rimba Raya will lead the way in proving that conservation can address the rural development needs of the communities and also preserve our forests for generations to come," Mr. Hasan said in a statement.

Indonesia has the world's third-largest expanse of tropical forests but these are disappearing quickly in the rush to grow more food and exploit timber and mineral wealth. Forest clearance is a major source of greenhouse gases.

By saving the forest and locking away planet-warming carbon, investors such as Gazprom will receive carbon credits they can sell for profit or use to cut their own emissions. Money from credit sales will also fund local livelihood projects.

The project area, in Central Kalimantan province on Borneo island, is brimming with rare animal species and adjoins a national park. It is designed to be a sanctuary for endangered orangutans.

Rimba Raya is part of a UN-led scheme called reducing emissions from deforestation and degradation (REDD). The aim is to show forests can pay for themselves and compete with powerful palm oil, mining and timber interests.

It challenges Indonesia's often poor conservation record and lax enforcement where national parks are illegally logged. Palm oil firms have also been found guilty of flouting laws and illegally clearing forest for plantations.

"This is a small but significant step in terms of contributing to the government's efforts to reduce carbon emissions and showing that larger volumes of forest carbon credits can be sold to credible buyers," said Andrew Wardell, program director, forests and governance, at the Center for International Forestry Research in Indonesia.

But he said REDD projects remain costly to develop and validate. Over Rimba Raya's 30-year life, the project will generate about 104 million credits, each representing a metric ton (1.1023 tons) of carbon. In total, that equates to 300 to 500 million euros ($390 to $650 mn) based on current market rates for REDD carbon offsets.

Powerful Friends

Mr. Hasan's comments mark a dramatic swing in Rimba Raya's fortunes.

The project initially met all the ministry of forestry milestones and look set for approval in 2010. But it fell foul of opaque land use rules and pressure from a palm oil firm.

After being approved to cover 90,000 ha, the project in early 2011 was slashed in half, jeopardizing its viability. The ministry cited overlapping claims to the land. The ministry also granted palm oil firm PT Best Agro International 9,000 ha of land previously allotted to the Rimba Raya project.

A Reuters special report last year on the project highlighted the ministry's about-face and the mismatch between the government's green goals and the power of palm oil firms.

After the Reuters story, the project found powerful backers that eventually restored the ministry's support.

These included Indonesian businessman Rusmin Widjaja, who stepped in as a white knight to use his influence and financial backing. Singapore-based Mr. Widjaja supplies flight simulators to the Indonesian military but also invests in waste-to-energy projects. He recently told Reuters of his worries about the rapid loss of Indonesia's forests.

"Forests in Indonesia need good governance, need clear rules and this project is a good for Indonesia and the world. That's why I wanted to save this project from disarray," he said.

Central Kalimantan governor A. Teras Narang also offered critical support.

Perhaps most influential, though, is Triwatty Marciano, a special adviser to Rimba Raya and wife of the Marciano Norman, the head of Indonesia's State Intelligence Agency.

Ibu Watty, as she is known, helped resolve differences within the ministry and overcome opposition from PT Best. The firm effectively renounced its claim to any overlapping concessions in return for replacement land elsewhere.

For the project developers, Americans Todd Lemons and Jim Procanik, it marks the end of long and at times bitter process.

"Our mistake was in assuming that the logic of REDD and Rimba Raya was self-evident," said Mr. Lemons, CEO of project development firm InfiniteEARTH.

Both men, along with Gazprom, invested heavily in Rimba Raya to ensure it met the toughest verification standards. Credits are expected to start to flow to Gazprom, Allianz and other buyers in early 2013.

(http://uk.reuters.com, 5 December 2012)

Saudi Arabia Sees Need to Act on Climate Change

TOP oil exporter Saudi Arabia said scientific evidence showed the need for the world to act on climate change, although it stopped short of making any pledge to cut its own emissions.

Officials from the kingdom, led by the Saudi Arabian oil minister, were speaking at United Nations climate change talks in Qatar, a gas and oil power that has the world's largest per-capita greenhouse gas emissions.

"We believe that all people, and all governments, share this responsibility and each and every one of us has a role to play, taking into account the need for developed countries to take the lead in this regard, based on their historical responsibility," Saudi Oil Minister Ali al-Naimi said in a speech.

Mr. Naimi said the kingdom was "striving hard to diversify its economy away from over-reliance on hydrocarbons".

Saudi Arabia has been working to boost the share of renewables, particularly solar, in its energy mix, as part of a broader effort to diversify its oil-focused economy.

Saudi Arabia has repeatedly said the world will depend on fossil fuels for decades to come, but says technological advances can help to manage the consequences.

It is implementing carbon capture storage in the world's biggest oilfield, Ghawar, where injecting carbon dioxide back into the field helps to raise pressure and increase oil output, as well as trapping planet-warming gas.

"Based on scientific evidence on climate change, the world needs to take action," remarked a senior Saudi Official.

But asked if Saudi Arabia was willing to pledge to cut its emissions within a specific period of time, the official declined to provide a figure.

The UN climate change talks that continued for many days in the Qatari capital, Doha, aimed for an agreement on how to build on the Kyoto pact on tackling climate change, which runs out at the end of this year. Without that treaty, there is no binding international pact to curb climate emissions.

Negotiators are seeking ways to bridge several gaps, including on financing to help poor nations manage the consequences of climate change and on emissions pledges.

So far, too few countries are making the kind of commitments to cut emissions that scientists say are needed to keep global warming below the 2 degrees Celsius (3.6 Fahrenheit) limit that should ward off the most devastating effects of climate change.

(http://uk.reuters.com, 5 December 2012)

India Against Trade Barriers on Environmental Grounds

INDIA has strongly opposed any unilateral trade measures (UTMs) such as tariff and non-tariff measures by developed countries seeking to combat climate change.

It wants a specific prohibition of use of any UTMs by developed countries on environmental grounds. UTMs include tariff, non-tariff and other fiscal and non-fiscal border trade measures that may be taken by developed countries against goods and services from developing countries.

India has proposed the inclusion of UTMs as an additional item in the provisional agenda of the 17th Conference of Parties (COP 17) of the United Nations Framework Convention on Climate Change to be held at Durban later this year.

Besides, it has also proposed inclusion of the accelerated access to critical mitigation and adaptation technologies and related intellectual property rights (IPRs) and equitable access to sustainable development on COP 17's provisional agenda.

"Parties should expressively prohibit use of UTMs on environmental grounds as they will have negative environmental, social and economic consequences for developing countries and will compromise the principles and provisions of the Convention," India said in an explanatory note on the proposed additional agenda.

At Cancun last year, countries had agreed to promote a supportive and open international economic system. They had decided 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.

Last April, countries such as Italy and France had urged European Union to consider a carbon tax imports from developing countries.

India believes that recourse to UTMs on any grounds related to climate change, including protection and stabilization of climate, emissions leakage and/or cost of environmental compliance would be tantamount to passing mitigation burden onto developing countries.

"This would clearly contravene the fundamental principles and provisions of equity, common but differentiated responsibility," India said.

Further, India felt that an effective and efficient global regime for accelerated access to IPRs of critical climate friendly technologies is essential for the global efforts for development, deployment, dissemination and transfer of such technologies.

"In the absence of such an arrangement, the objective of advancing the nationally appropriate mitigation and adaptation actions at the scale and speed warranted by the Convention cannot be met effectively and adequately," India said.

The Conference of Parties should urgently decide on addressing the issue of treating and delivering climate technologies and their IPRs as public good in the interest of global goal of early climate stabilization, India said.

(*The Hindu Business Line*, 16 June 2012)

Environment Ministry Begins Consultations for Emissions Trading Scheme

THE Environment Ministry had recently launched a national technical consultation for air pollutants on a emissions trading scheme.

Speaking at the inaugural session, the former Union Environment Minister, Shri Jairam Ramesh, said it is a necessary step in environ-mental regulation to address global climate change.

"There is a debate on carbon trade globally. Today what India is doing with this initiative is a carbon trade for local polluters," Shri Ramesh said.

The Minister also called for stricter and more robust environmental regulations. But he added that stricter environmental regulations would help in fewer regulators. "We had to find a way of regulating without regulators. I look upon today's initiative as a first step that India is taking to enforce environmental regulations in a market-friendly manner," Shri Ramesh said.

The Minister, though, added that the carbon trade initiative is necessary because of the global negotiations on climate change. He said that the initiative is linked to tackle public health problems due to the local polluters.

Shri Ramesh said that the initiative for an emissions trading scheme would convince the market that the Ministry is also interested in the growth of the market in an environment-friendly manner.

States such as Gujarat, Tamil Nadu and Maharashtra have started to implement market-based instruments such as Emissions Trading Scheme for air pollution. The scheme has the benefit of enabling lower pollution levels at lower overall costs of compliance.

(*The Hindu Business Line*, 24 March 2012)

Back to Climate BASICs in Cape Town

Brazil, S. Africa, India and China to work out Strategy on Kyoto Protocol

WITH no signs of closing the trust gap between the rich industrialized countries and the developing nations, the meeting of Brazil, South Africa, India and China (BASIC) in Cape Town will be watched by both sides for indications on the course of future negotiations.

These countries have a clear agenda — how to strengthen the multilateral negotiation process and rebuild the trust among countries? Besides the environment ministers of Brazil, South Africa, India and China, the G-77 chair, Yemen, would also be participating at the two-day meet which begins on 24 April.

A key outcome that is expected is the BASIC approach to the US submission that the Copenhagen Accord form the basis of climate change negotiations. The four countries were central to the formulation of the Copenhagen Accord. However, they have maintained that the accord was an input to the two-track negotiation process under the United Nations Framework Convention on Climate Change (UNFCCC).

Among the issues that the environment ministers of the four countries would consider is the trajectory that climate change negotiations will take in the next two years. The developed countries have argued that discussions and "unlocking" of crucial components of an agreement should be undertaken in smaller groups.

The environment ministers will discuss the utility of smaller groups such as the Major Economies Forum, G-20. Given that these countries are members of these plurilateral forums, the effort would be to work out how smaller group negotiations "start from, remain connected to and feedback into the inclusive negotiating process"? There has been a push by the United States to make the Copenhagen Accord the basis of negotiations while EU and several industrialized countries have suggested an issue-based approach to climate-change negotiations, cutting across the two (Kyoto Protocol and Bali or Long-term cooperative action) tracks. So far, the developing world has resisted both attempts. Clearly, there is a question mark over the future of the Kyoto Protocol. The BASIC meet would focus on working out a strategy in this regard.

It will consider whether the Kyoto Protocol will survive, or whether it will have a "shorter second commitment period" and most importantly, if there is no second commitment period, then what would replace Kyoto. The EU has clearly stated that there will not be the last man standing bound by the Kyoto Protocol.

The Cape Town meeting will have to work out a way in which elements of the accord are integrated into the two-track negotiating process. For the BASIC, the accord is a political document that will aid the negotiating process. However, it is not complete as there are issues that do not find reflection in the accord.

(*The Economic Times*, 22 April 2010)

$75-m IFC Loan to IDFC for Climate Change Projects

THE World Bank's multilateral lending arm, International Finance Corporation (IFC), will provide $75 million (around Rs 338 cr.) to Infrastructure Development Finance Corporation (IDFC) for investments in renewable energy, cleaner production and energy efficiency projects. This project is part of IFC's climate change strategy of partnering with financial intermediaries to scale up the impact for climate change projects in India. IDFC, which has its registered office in Chennai, invests in infrastructure projects all over India.

The project will help IDFC scale up its capacity to assess renewable energy and energy efficiency projects through sharing of IFC's experience and knowledge of these sectors worldwide. Through the proposed facility, IDFC and IFC will be able to leverage each other's strengths, IDFC's client reach in the local market and IFC's expertise in climate change projects, to achieve a wider scale and impact on climate change investments in India.

The expansion into climate change areas by a leading financial intermediary like IDFC is expected to help attract other financial institutions to increase their risk appetite and invest more in these sectors. IFC's engagement across several solar initiatives, both in manufacturing and project development, in India and abroad, has enabled it to develop a deep understanding and knowledge about this sector. IFC has also been closely working with key policy-makers in India in helping them develop a framework for promoting solar energy applications.

(The Financial Express, 21 April 2010)

Reduce Trust-Deficit in Climate Talks: India

DEVELOPING countries continued to thwart attempts by the rich industrialized nations to steer climate change negotiations. The United States' efforts to advance the Copenhagen Accord as the basis of all future climate negotiations suffered a setback. At the Major Economies Forum meeting in Washington, India made it clear that that the first order of business would be to reduce "the huge trust deficit that prevails in the climate change negotiating community".

On the contentious issue of "monitoring, review and verification" (MRV), India deftly turned the tables on the developed countries, stating that it was not just developing countries whose climate change actions had to be brought under the ambit of MRV.

The two-day meeting organized by the US State Department was attended by representatives of the 17 major economies, accounting for the bulk of the emissions. The meeting was instead attended by ambassadors and senior members of the respective missions. Besides the United States, MEF includes the European Union, Australia, Canada, France, Germany, Japan, China, India, Brazil, South Africa, South Korea.

The meeting was to discuss "issues for moving forward" after the Copenhagen Climate Conference. While the US wanted to make the Copenhagen Accord the basis of negotiations, the EU and Russia wanted to introduce the practice of issue-based discussions that would cut across the two tracks (Kyoto Protocol and Bali tracks) of the negotiations. At this meeting, India initiated the discussion on MRV. At the outset, Environment Minister Shri Jairam Ramesh, whose address was delivered in absentia, made it clear that the Copenhagen Accord could not "be a separate track for negotiations".

Shri Ramesh said, "I have repeatedly said that the areas of agreement reflected in the Accord must be used to bring consensus in the on-going two-track negotiating process which is the only process that has legitimacy."

In the backdrop of the effort to deal with climate issues outside of the UNFCCC process, Shri Ramesh made it clear that India was committed to a multilateral negotiation. "The Gordian knot-cutting can well be plurilateral but ultimately negotiations must be multilateral and carried out in good faith."

Given the trust deficit, India stressed that "some visible triggers" need to be "activated very soon", this would "ensure that Cancun does not repeat Copenhagen". Among the triggers is the actual disbursement of the $10 billion promised by the developed countries for vulnerable economies, small island states and LDCs, an agreement on REDD/REDD plus, which isn't limited to forest-

basin countries and finalizing the architecture of technology cooperation. Suggesting immediate action, Shri Ramesh said, "all these elements should be a part of a multilateral package in two tracks that should be delivered in Cancun."

Reiterating India's commitment to the two-track process, the Environment Minister said that "a balance in the outcomes on all elements of the LCA and KP tracks must be maintained with Annex I countries immediately taking on binding commitments for truly significant GHG reductions within their borders."

Another intervention by India was on the issue of "equity" in the context of the carbon budget. Articulating the developing countries, India stressed that a global carbon budget should not jeopardize their development goals. Shri Ramesh said, "the global objective of restricting temperature rise to 2 degrees Celsius by 2050 from mid-19th century levels must be firmly embedded in a demonstrably equitable access to atmospheric space with adequate finance and technology available to all developing countries." India also raised the issue of the consequences of non-compliance and domestic accountability mechanism in the context of an "internationally legally-binding agreement".

On the issue of MRV, India turned the tables on the developed countries stating that the Copenhagen Accord states industrialized countries too have to be brought under MRV for emissions reduction and financing. Also that the Conference of Parties develop appropriate guidelines. Making it clear that MRV was not an issue of limited mitigation action by developing countries.

(*The Economic Times*, 20 April 2010)

China Revamps FDI Rules, Curbs Non-green Projects

TO attract more foreign direct investment (FDI), China revamped its regulations to improve conditions for foreign companies while restricting funding for environmentally-unsound projects. Under the new rules, FDI in high-tech industries, services sector, energy-efficient and environmental protection projects is encouraged, especially in the central and western regions, Vice-Commerce Minister Ma Xiuhong said. The State Council or the Chinese national Cabinet, approved the new regulations.

Qualified foreign-funded companies will also be allowed to go public, issue corporate bonds or medium-term bills in China. These regulations come as FDI flow rose to $23.44 billion in the first quarter of 2010 bucking the downturn during the past eight months. A total of 5,459 overseas-funded ventures were set up in the past three months, up 19.9 per cent from the same period last year, said Mr. Ma.

National development and reform commission Vice-Minister Zhang Xiaoqiang said the new rules welcome FDI in high-tech industries, services sectors, energy-saving and environment related industries, but high businesses creating pollution and consuming a lot of energy, or projects in industries running at overcapacity are not wanted.

Additionally, the new policy encourages FDI flow into central and western regions of the country as these regions were traditionally not getting FDI as their southern and eastern peers. Meanwhile, a national security examination mechanism will be created as soon as possible for foreign-funded mergers and acquisitions. The new rules also allow qualified foreign-funded firms to go public, or issue corporate bonds or medium-term bills in the domestic market.

The new rules also aim at diversifying the utilization of FDI and create better circumstances, Mr. Ma said, adding, "It has always been a major task of government to provide better environment and further facilitate trade and investment."

"China is still the most attractive place for overseas investment," remarked Mr. Ma citing survey results from management consultancy AT Kearney and the UN Conference on Trade and Development. "With the new regulations, we will put more efforts into creating a more open and friendly environment for overseas firms."

(*The Financial Express*, 15 April 2010)

Ecologists Want Full Backing for Ministry Initiatives

Stating that forests and tree cover in the country were already below 23 per cent, against the national target of 33 per cent, ecologists warned against the "dangerous machinations" of lobbying groups.

A GROUP of more than 50 environmental activists and scientists has cast doubts on the success of the National Action Plan on Climate Change, stating that unless the Ministry of Environment & Forests (MoEF) is fully backed in implementing the three vital Acts pertaining to environmental protection, forest conservation and the wildlife protection in the country, it may not work.

In a communication to the Prime Minister, Dr. Manmohan Singh, praising the proactive stance of the MoEF, the activists said the Minister of State for Environment and Forests, Shri Jairam Ramesh, was under "continuous attack" from industry and private licensed operators in steel, mining, coal, oil and gas, and large hydro and chemical segments.

They said: "Though other Union Cabinet Ministers voice their concern for the environment and a pollution-free planet, they nevertheless push forward an agenda of environmentally destructive projects through public sector undertakings (PSUs) and the exponentially growing legion of private licensed operators in mineral, metal and intermediate industries."

While applauding the Prime Minister for sounding the warning bugle, suggesting review of existing mining and other commercial projects located in and near buffer zones that posed a threat to tigers, and his appeal to Chief Ministers to declare buffer zones before time ran out, the group concurred with Shri Ramesh's view that "the delay in non-notification of buffer zones is not accidental, but deliberate to allow other commercial projects to come through".

The activists said it was unfortunate that projects were allowed in protected forests and critical wildlife habits, such as a road through Nagarahole in Karnataka or the Hubli-Ankola railway line through the thick forests of the Western Ghats. It might cut down travel time by half an hour or the travel distance by a few kilometres, but not "the integrity of forests or the conservation of rich biodiversity", they said.

Stating that forests and tree cover in the country were already below 23 per cent, against the national target of 33 per cent, they warned against the "dangerous machinations" of lobbying groups by the diligent application of law.

Bolstering the MoEF's firm and principled stand against the enormous damage being caused by coal mining, they approvingly recalled the remarks of Shri Ramesh that almost one-third of the country's top-grade coal reserve would not be available for mining as the areas were now considered to be ecologically too fragile to allow mining.

Pointing out that "in fact almost all coal mines were, or are, or will be found to be below thick forests", the eco experts said the Integrated Energy Policy envisaging increasing coal power capacity from the present level of about 80,000 MW to about 600,000 MW by 2031-32 must be reconsidered. The country, they said, must perforce "utilize the plentiful free energy from the sun instead of continuing to damage water bodies, soil, plants, animals and people irreversibly through outmoded 19th century ideas of limitless economic growth".

While noting the legal success achieved (through the MoEF) in galvanizing local people for the cancellation of the 300-MW coal-fired power plant planned by Ind Bharat Power at Hanakon (Karnataka) and its replacement with a solar power station by the same company at the site, and the shelving of ArcelorMittal steel projects in Jharkhand and Orissa and withdrawal of staff from those locations, the activists voiced concern over Ind Bharat's announcement of new land acquisition in Tuticorin (Tamil Nadu) for coal-fired power and ArcelorMittal's move into the highly eco-sensitive area of Kudithini village in the Tungabhadra sub-basin (Karnataka) for a greenfield steel and iron ore plant. "These are just two of many proponents of ill-conceived projects, including PSUs," they said.

(The Hindu Business Line, 14 April 2010)

India Girding itself for US, EU Carbon Tax

POLICYMAKERS and businesses are bracing to face the threat of higher entry barriers for Indian goods in the Western markets under the garb of environmental protection. Both the US and the EU are discussing additional taxes on carbon-emitting products from advanced developing countries, such as India and China, which could render products from the region uncompetitive.

While the EU is India's largest trading partner with •78 billion annual trade, the US is the fourth largest with $40 billion of trade in 2008-09. The logic behind the carbon taxes planned by the West on imported goods is to create a level playing field between its own companies that are subject to stricter environment laws and companies in competing countries. It would, however, serve as a new barrier to imports from developing countries like India, even as tariff walls are expected to crumble as an outcome of the ongoing Doha round of trade negotiations at the WTO. India has been hoping for drastic cuts in tariffs imposed by the developed countries on products like textiles and leather at the WTO.

The EU was earlier planning to impose carbon taxes on certain countries, it had now started the process of identifying product groups, which, supposedly are more polluting like metals, certain textiles and chemicals, said Dr. Biswajit Dhar, Director General of Research and Information Systems for Developing Countries. "We are carrying out a study to find out individual items that could come under the tax net," he said.

The Waxman Markey Bill, which seeks to set a limit on the total amount of greenhouse gases that can be emitted nationally, was passed in the US House of Representatives last year. It is currently in consideration in the Senate. "While India cannot take any action against these countries at a stage when the taxes are being planned, we are preparing to fight them as soon as they translate into trade barriers," the Commerce Ministry official said.

The Centre for WTO Studies, a research body under the Department of Commerce has already prepared a report on the WTO compatibility of border trade measures for environmental protection. The report says that if the measures fail to take into account the specific conditions prevailing in developing countries such as their level of development and per capita emissions, they may be dismissed as arbitrary by the WTO. Such taxes are against multilateral rules as there was no provision for border adjustment measures on climate related issues in the WTO, said Rita Roy Choudhury, Head, Environment and Climate Change at FICCI.

"They would affect global competitiveness of our companies. We have been voicing concerns in various forums and during visits made by policy-makers from the US and the EU," she said. While India has the option of fighting such measures at the WTO, the Indian industry should also start thinking in terms of making more environment friendly products, Dr. Dhar said. "We have to understand that if we want to engage with the global economy, we have to change our ways. Unless we get our industry to accept standards, we cannot put our act together," he said.

(*The Economic Times*, 14 April 2010)

India Threatens to Move WTO on Carbon Tax Issue

INDIA has warned that it could exercise the option of entering into the WTO Dispute Settlement Body if the EU and the US impose carbon tax on the Indian exports.

"If they impose such a tax, we will take them to the WTO dispute settlement forum," the Environment Minister, Shri Jairam Ramesh, told *Business Line*. Indicating that there is every possibility of imposition of such an import barrier by the developed countries, he said, "We will deal (with this) through hard negotiations. Such barriers are not going to be the WTO-compatible and we will fight it".

Stating that BASIC countries — Brazil, South Africa, India and China — were united on the issue of fighting carbon tax proposed by the rich countries, Shri Ramesh said, "China has more at stake than India, considering its volume of trade".

Following the collapse of the Copenhagen Summit, the US and the EU have hinted at the levy of carbon tax on imports to force large polluters, especially the developing nations such as China and India, to take a clean environment stance. The US and the EU had also attempted to link climate and trade issues.

Carbon tax is an environmental tax on carbon emissions. However, the EU and the US have been threatening to use carbon tax on exports from developing countries under the guise of controlling emissions. India had opposed attempts by the rich nations to mix trade and climate matters. India, which is against any legally binding agreement, had voluntarily agreed to reduce its carbon emissions by 20-25 per cent by 2020.

Meanwhile, the Commerce Ministry is studying the possible impact of the proposed carbon tax on India's exports of items such as steel, iron, aluminium, cement and chemicals. Reports from Brussels said that the European leaders participating at an EU Summit were divided on the issue of levying carbon tax. However, the French President, Mr Nicholas Sarkozy, urged the EU leaders to agree to such a tax.

(*The Hindu Business Line*, 29 March 2010)

Indian Projects on Global Carbon Capture Initiative's Radar

THE Global Carbon Capture and Storage Institute (GCCSI), a multilateral initiative which aims to fast-track development of commercial-scale technology designed to capture greenhouse-gas emissions and sequester them underground, is looking at India for possible application of the futuristic technology. In an attempt to accelerate the deployment of the technology, the Institute has already announced an AUS$50 million annual fund to support large-scale carbon capture and storage projects worldwide.

The fund will support concept and pre-feasibility studies, or contribute to specific aspects of feasibility and front-end engineering and design studies of carbon capture and storage projects, a process that could potentially reduce the environmental impact of burning fossil fuels such as coal for power generation.

"We are looking at India for possible applications in the future... India, and China are places where coal-based capacities are coming up in a big way. We want to engage with those projects with the greatest need, and towards which we can have an immediate impact. So it is only natural that this technology find application projects that promise the biggest return towards delivering our objective of accelerating the construction and operation of CCS projects," Mr. Dale Seymour, Senior Vice President - Strategy, of the Canberra-based Institute said.

The Australian government provides $100 million each year in funding. India is a foundation member of the GCCSI and a representative of TERI (The Energy Research Institute) is serving on the GCCSI International Advisory.

Other member countries include the US, Japan, Germany, France, South Korea, Canada, Italy and the UK, while corporate backers include mining majors BHP Billiton Ltd., Rio Tinto Ltd., Statoil Hydro ASA, Toshiba Corp., Xstrata Coal Pty Ltd., Mitsui & Co., Mitsubishi Corp. and General Electric Co.

(*The Hindu Business Line*, 13 December 2009)

Can the Environment and Trade Tango?

THE US and EU proposal to introduce freer trade in green goods and services on the WTO agenda meets with opposition at the climate change conference in Bali. The US and the European Union (EU) are proposing the introduction of freer trade in green goods and services in the WTO agenda. It prompted a meeting of trade ministers on December 8 on the sidelines of the UN climate change conference in Bali.

According to OECD, global market for environmental goods and services is estimated at more than $550 billion a year, out of which green services account for 65 per cent and green goods 35 per cent. The EU accounts for 30 per cent of this market.

The US-EU joint proposal has invited severe criticism from environmentalists and trade advocacy groups, which allege that it is based on a recent World Bank proposal that suggested "huge gains in trade volumes" from 3.6 to 63.6 per cent. While some of them say that there is no need to introduce an additional proposal when those on the table have not yet been resolved. Developed countries are not yet eager to open up their markets for goods from developing countries. They are also not prepared to reduce their level of farm subsidy and support. The introduction of the new proposals will only complicate and delay the process of trade negotiations, they say. Environmental groups have criticized the US by saying the country, which has not signed the Kyoto Protocol and other environment treaties, has no right to suggest how other countries should deal with the situation.

India has already made its position clear by opposing the introduction of environmental agenda in trade negotiations. India has said that the criteria

of per capita emission by countries should be considered, if the developing countries are called upon to make emission cuts.

The US-EU proposal made on 30 November 2007, is a two-tier process for much freer trade in "green" goods and services as part of the Doha Round of negotiation. The first step suggests an agreement to liberalize trade by reducing tariffs in at least 43 goods with clear environmental benefits drawn from a list prepared by the World Bank. The list includes solar panels, wind mill turbines, clean coal and energy-efficient lighting. The US is now shifting to clean coal technologies as global prices of crude oil are firming up.

In the second process, the proposal suggested more far-reaching environmental goods and services agreement (EGSA) to be negotiated by the WTO members which would foresee further binding commitments to eliminate tariffs and non-tariff barriers in trade in green technologies. In services, highly ambitious and comprehensive commitments would be undertaken to address environmental and climate change challenges such as waste management. Developing countries would be asked to make contributions proportionate to their level of development.

Intellectual property right is an issue in trade as far as green technologies are concerned. The developed countries have already failed in their assurance to transfer clean energy technologies, and the funds to finance it which was agreed upon at the Rio Earth Summit. Clean technologies with high price tag of intellectual property rights would make it difficult for developing countries to address the problems of climate change. Even in San Francisco Bay Area of California, there is no consensus within the industry about the necessity for global monopoly patents on important new clean energy technologies.

The reduction or elimination of tariff barriers on green goods and services as suggested by the US-EU proposal would severely affect the developing countries that have either developed some of these technologies or are in the process of development. It would be better to leave the option of applied tariff reductions to countries that want to mitigate climate change rather than making the tariff reduction binding. Government action is more important in mitigating climate change, rather than emphasis on trade. Government action like placing a price on greenhouse gas emission, while trade rules will minimize government action or incentives. Cost internalization can come in many forms, including caps and/or taxes on carbon, renewable energy criteria, or even energy-efficiency standards. The imperative to internalize carbon costs should compel policymakers to protect and expand their policy space so that they have the freedom to enact necessary legal provisions.

The US-EU proposal in the name of "breakthrough" priorities for a Doha deal include the opening of markets for its energy services companies like Halliburton in countries with large oil and gas reserves. So any benefits from trade in clean technologies would have to be offset with the WTO deepening world's dependence on fossil fuels.

Even though trade in cargo is fuelled by one of the dirtiest of all energy sources (bunker fuel), the US-EU proposal has not questioned the inherently increasing carbon footprint that will result from shipping. The UNFCCC is more competent to address the issues of climate change than the WTO.

As suggested in the background papers for trade ministers meeting in Bali, one area where trade policy could reduce its restraints on climate policy is by increasing flexibilities to allow many forms of public support needed to accelerate the research, development and deployment of clean, efficient, energy technologies.

The background paper also proposed a discussion on "non-tariff barriers to investment", which could cover zoning codes, tax incentives, operating permits, or just about any measure governments enact that impact investment. "Non-tariff barriers" have too often, in recent trade policies, implied the legal protections for the environment or community development.

(The Financial Express, 10 December 2007)

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Indonesia Approves Landmark Forest Protection Project

INDONESIA recently approved a rainforest conservation project that sets aside an area roughly the size of Singapore and rewards investors with tradable carbon credits in the first of its kind to win formal backing in the country.

Four years in the making, the Rimba Raya Biodiversity Reserve will protect nearly 80,000 hectares (200,000 acres), much of it carbon-rich peat swamp forest at risk of being felled for palm oil plantations.

Russian energy giant Gazprom and German insurance firm Allianz are backers of the project, the world's first on deep peat.

A senior Indonesian official announced the approval on the sidelines of UN climate talks in Doha, Qatar. Forestry Minister Zulkifli Hasan said the project had passed all the key steps.

"We hope projects like Rimba Raya will lead the way in proving that conservation can address the rural development needs of the communities and also preserve our forests for generations to come," Mr. Hasan said in a statement.

Indonesia has the world's third-largest expanse of tropical forests but these are disappearing quickly in the rush to grow more food and exploit timber and mineral wealth. Forest clearance is a major source of greenhouse gases.

By saving the forest and locking away planet-warming carbon, investors such as Gazprom will receive carbon credits they can sell for profit or use to cut their own emissions. Money from credit sales will also fund local livelihood projects.

The project area, in Central Kalimantan province on Borneo island, is brimming with rare animal species and adjoins a national park. It is designed to be a sanctuary for endangered orangutans.

Rimba Raya is part of a UN-led scheme called reducing emissions from deforestation and degradation (REDD). The aim is to show forests can pay for themselves and compete with powerful palm oil, mining and timber interests.

It challenges Indonesia's often poor conservation record and lax enforcement where national parks are illegally logged. Palm oil firms have also been found guilty of flouting laws and illegally clearing forest for plantations.

"This is a small but significant step in terms of contributing to the government's efforts to reduce carbon emissions and showing that larger volumes of forest carbon credits can be sold to credible buyers," said Andrew Wardell, program director, forests and governance, at the Center for International Forestry Research in Indonesia.

But he said REDD projects remain costly to develop and validate. Over Rimba Raya's 30-year life, the project will generate about 104 million credits, each representing a metric ton (1.1023 tons) of carbon. In total, that equates to 300 to 500 million euros ($390 to $650 mn) based on current market rates for REDD carbon offsets.

Powerful Friends

Mr. Hasan's comments mark a dramatic swing in Rimba Raya's fortunes.

The project initially met all the ministry of forestry milestones and look set for approval in 2010. But it fell foul of opaque land use rules and pressure from a palm oil firm.

After being approved to cover 90,000 ha, the project in early 2011 was slashed in half, jeopardizing its viability. The ministry cited overlapping claims to the land. The ministry also granted palm oil firm PT Best Agro International 9,000 ha of land previously allotted to the Rimba Raya project.

A Reuters special report last year on the project highlighted the ministry's about-face and the mismatch between the government's green goals and the power of palm oil firms.

After the Reuters story, the project found powerful backers that eventually restored the ministry's support.

These included Indonesian businessman Rusmin Widjaja, who stepped in as a white knight to use his influence and financial backing. Singapore-based Mr. Widjaja supplies flight simulators to the Indonesian military but also invests in waste-to-energy projects. He recently told Reuters of his worries about the rapid loss of Indonesia's forests.

"Forests in Indonesia need good governance, need clear rules and this project is a good for Indonesia and the world. That's why I wanted to save this project from disarray," he said.

Central Kalimantan governor A. Teras Narang also offered critical support.

Perhaps most influential, though, is Triwatty Marciano, a special adviser to Rimba Raya and wife of the Marciano Norman, the head of Indonesia's State Intelligence Agency.

Ibu Watty, as she is known, helped resolve differences within the ministry and overcome opposition from PT Best. The firm effectively renounced its claim to any overlapping concessions in return for replacement land elsewhere.

For the project developers, Americans Todd Lemons and Jim Procanik, it marks the end of long and at times bitter process.

"Our mistake was in assuming that the logic of REDD and Rimba Raya was self-evident," said Mr. Lemons, CEO of project development firm InfiniteEARTH.

Both men, along with Gazprom, invested heavily in Rimba Raya to ensure it met the toughest verification standards. Credits are expected to start to flow to Gazprom, Allianz and other buyers in early 2013.

(http://uk.reuters.com, 5 December 2012)

Saudi Arabia Sees Need to Act on Climate Change

TOP oil exporter Saudi Arabia said scientific evidence showed the need for the world to act on climate change, although it stopped short of making any pledge to cut its own emissions.

Officials from the kingdom, led by the Saudi Arabian oil minister, were speaking at United Nations climate change talks in Qatar, a gas and oil power that has the world's largest per-capita greenhouse gas emissions.

"We believe that all people, and all governments, share this responsibility and each and every one of us has a role to play, taking into account the need for developed countries to take the lead in this regard, based on their historical responsibility," Saudi Oil Minister Ali al-Naimi said in a speech.

Mr. Naimi said the kingdom was "striving hard to diversify its economy away from over-reliance on hydrocarbons".

Saudi Arabia has been working to boost the share of renewables, particularly solar, in its energy mix, as part of a broader effort to diversify its oil-focused economy.

Saudi Arabia has repeatedly said the world will depend on fossil fuels for decades to come, but says technological advances can help to manage the consequences.

It is implementing carbon capture storage in the world's biggest oilfield, Ghawar, where injecting carbon dioxide back into the field helps to raise pressure and increase oil output, as well as trapping planet-warming gas.

"Based on scientific evidence on climate change, the world needs to take action," remarked a senior Saudi Official.

But asked if Saudi Arabia was willing to pledge to cut its emissions within a specific period of time, the official declined to provide a figure.

The UN climate change talks that continued for many days in the Qatari capital, Doha, aimed for an agreement on how to build on the Kyoto pact on tackling climate change, which runs out at the end of this year. Without that treaty, there is no binding international pact to curb climate emissions.

Negotiators are seeking ways to bridge several gaps, including on financing to help poor nations manage the consequences of climate change and on emissions pledges.

So far, too few countries are making the kind of commitments to cut emissions that scientists say are needed to keep global warming below the 2 degrees Celsius (3.6 Fahrenheit) limit that should ward off the most devastating effects of climate change.

(http://uk.reuters.com, 5 December 2012)

India Against Trade Barriers on Environmental Grounds

INDIA has strongly opposed any unilateral trade measures (UTMs) such as tariff and non-tariff measures by developed countries seeking to combat climate change.

It wants a specific prohibition of use of any UTMs by developed countries on environmental grounds. UTMs include tariff, non-tariff and other fiscal and non-fiscal border trade measures that may be taken by developed countries against goods and services from developing countries.

India has proposed the inclusion of UTMs as an additional item in the provisional agenda of the 17th Conference of Parties (COP 17) of the United Nations Framework Convention on Climate Change to be held at Durban later this year.

Besides, it has also proposed inclusion of the accelerated access to critical mitigation and adaptation technologies and related intellectual property rights (IPRs) and equitable access to sustainable development on COP 17's provisional agenda.

"Parties should expressively prohibit use of UTMs on environmental grounds as they will have negative environmental, social and economic consequences for developing countries and will compromise the principles and provisions of the Convention," India said in an explanatory note on the proposed additional agenda.

At Cancun last year, countries had agreed to promote a supportive and open international economic system. They had decided 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.

Last April, countries such as Italy and France had urged European Union to consider a carbon tax imports from developing countries.

India believes that recourse to UTMs on any grounds related to climate change, including protection and stabilization of climate, emissions leakage and/or cost of environmental compliance would be tantamount to passing mitigation burden onto developing countries.

"This would clearly contravene the fundamental principles and provisions of equity, common but differentiated responsibility," India said.

Further, India felt that an effective and efficient global regime for accelerated access to IPRs of critical climate friendly technologies is essential for the global efforts for development, deployment, dissemination and transfer of such technologies.

"In the absence of such an arrangement, the objective of advancing the nationally appropriate mitigation and adaptation actions at the scale and speed warranted by the Convention cannot be met effectively and adequately," India said.

The Conference of Parties should urgently decide on addressing the issue of treating and delivering climate technologies and their IPRs as public good in the interest of global goal of early climate stabilization, India said.

(*The Hindu Business Line*, 16 June 2012)

Environment Ministry Begins Consultations for Emissions Trading Scheme

THE Environment Ministry had recently launched a national technical consultation for air pollutants on a emissions trading scheme.

Speaking at the inaugural session, the former Union Environment Minister, Shri Jairam Ramesh, said it is a necessary step in environ-mental regulation to address global climate change.

"There is a debate on carbon trade globally. Today what India is doing with this initiative is a carbon trade for local polluters," Shri Ramesh said.

The Minister also called for stricter and more robust environmental regulations. But he added that stricter environmental regulations would help in fewer regulators. "We had to find a way of regulating without regulators. I look upon today's initiative as a first step that India is taking to enforce environmental regulations in a market-friendly manner," Shri Ramesh said.

The Minister, though, added that the carbon trade initiative is necessary because of the global negotiations on climate change. He said that the initiative is linked to tackle public health problems due to the local polluters.

Shri Ramesh said that the initiative for an emissions trading scheme would convince the market that the Ministry is also interested in the growth of the market in an environment-friendly manner.

States such as Gujarat, Tamil Nadu and Maharashtra have started to implement market-based instruments such as Emissions Trading Scheme for air pollution. The scheme has the benefit of enabling lower pollution levels at lower overall costs of compliance.

(*The Hindu Business Line*, 24 March 2012)

Back to Climate BASICs in Cape Town

Brazil, S. Africa, India and China to work out Strategy on Kyoto Protocol

WITH no signs of closing the trust gap between the rich industrialized countries and the developing nations, the meeting of Brazil, South Africa, India and China (BASIC) in Cape Town will be watched by both sides for indications on the course of future negotiations.

These countries have a clear agenda — how to strengthen the multilateral negotiation process and rebuild the trust among countries? Besides the environment ministers of Brazil, South Africa, India and China, the G-77 chair, Yemen, would also be participating at the two-day meet which begins on 24 April.

A key outcome that is expected is the BASIC approach to the US submission that the Copenhagen Accord form the basis of climate change negotiations. The four countries were central to the formulation of the Copenhagen Accord. However, they have maintained that the accord was an input to the two-track negotiation process under the United Nations Framework Convention on Climate Change (UNFCCC).

Among the issues that the environment ministers of the four countries would consider is the trajectory that climate change negotiations will take in the next two years. The developed countries have argued that discussions and "unlocking" of crucial components of an agreement should be undertaken in smaller groups.

The environment ministers will discuss the utility of smaller groups such as the Major Economies Forum, G-20. Given that these countries are members of these plurilateral forums, the effort would be to work out how smaller group negotiations "start from, remain connected to and feedback into the inclusive negotiating process"? There has been a push by the United States to make the Copenhagen Accord the basis of negotiations while EU and several industrialized countries have suggested an issue-based approach to climate-change negotiations, cutting across the two (Kyoto Protocol and Bali or Long-term cooperative action) tracks. So far, the developing world has resisted both attempts. Clearly, there is a question mark over the future of the Kyoto Protocol. The BASIC meet would focus on working out a strategy in this regard.

It will consider whether the Kyoto Protocol will survive, or whether it will have a "shorter second commitment period" and most importantly, if there is no second commitment period, then what would replace Kyoto. The EU has clearly stated that there will not be the last man standing bound by the Kyoto Protocol.

The Cape Town meeting will have to work out a way in which elements of the accord are integrated into the two-track negotiating process. For the BASIC, the accord is a political document that will aid the negotiating process. However, it is not complete as there are issues that do not find reflection in the accord.

(*The Economic Times*, 22 April 2010)

$75-m IFC Loan to IDFC for Climate Change Projects

THE World Bank's multilateral lending arm, International Finance Corporation (IFC), will provide $75 million (around Rs 338 cr.) to Infrastructure Development Finance Corporation (IDFC) for investments in renewable energy, cleaner production and energy efficiency projects. This project is part of IFC's climate change strategy of partnering with financial intermediaries to scale up the impact for climate change projects in India. IDFC, which has its registered office in Chennai, invests in infrastructure projects all over India.

The project will help IDFC scale up its capacity to assess renewable energy and energy efficiency projects through sharing of IFC's experience and knowledge of these sectors worldwide. Through the proposed facility, IDFC and IFC will be able to leverage each other's strengths, IDFC's client reach in the local market and IFC's expertise in climate change projects, to achieve a wider scale and impact on climate change investments in India.

The expansion into climate change areas by a leading financial intermediary like IDFC is expected to help attract other financial institutions to increase their risk appetite and invest more in these sectors. IFC's engagement across several solar initiatives, both in manufacturing and project development, in India and abroad, has enabled it to develop a deep understanding and knowledge about this sector. IFC has also been closely working with key policy-makers in India in helping them develop a framework for promoting solar energy applications.

(The Financial Express, 21 April 2010)

Reduce Trust-Deficit in Climate Talks: India

DEVELOPING countries continued to thwart attempts by the rich industrialized nations to steer climate change negotiations. The United States' efforts to advance the Copenhagen Accord as the basis of all future climate negotiations suffered a setback. At the Major Economies Forum meeting in Washington, India made it clear that that the first order of business would be to reduce "the huge trust deficit that prevails in the climate change negotiating community".

On the contentious issue of "monitoring, review and verification" (MRV), India deftly turned the tables on the developed countries, stating that it was not just developing countries whose climate change actions had to be brought under the ambit of MRV.

The two-day meeting organized by the US State Department was attended by representatives of the 17 major economies, accounting for the bulk of the emissions. The meeting was instead attended by ambassadors and senior members of the respective missions. Besides the United States, MEF includes the European Union, Australia, Canada, France, Germany, Japan, China, India, Brazil, South Africa, South Korea.

The meeting was to discuss "issues for moving forward" after the Copenhagen Climate Conference. While the US wanted to make the Copenhagen Accord the basis of negotiations, the EU and Russia wanted to introduce the practice of issue-based discussions that would cut across the two tracks (Kyoto Protocol and Bali tracks) of the negotiations. At this meeting, India initiated the discussion on MRV. At the outset, Environment Minister Shri Jairam Ramesh, whose address was delivered in absentia, made it clear that the Copenhagen Accord could not "be a separate track for negotiations".

Shri Ramesh said, "I have repeatedly said that the areas of agreement reflected in the Accord must be used to bring consensus in the on-going two-track negotiating process which is the only process that has legitimacy."

In the backdrop of the effort to deal with climate issues outside of the UNFCCC process, Shri Ramesh made it clear that India was committed to a multilateral negotiation. "The Gordian knot-cutting can well be plurilateral but ultimately negotiations must be multilateral and carried out in good faith."

Given the trust deficit, India stressed that "some visible triggers" need to be "activated very soon", this would "ensure that Cancun does not repeat Copenhagen". Among the triggers is the actual disbursement of the $10 billion promised by the developed countries for vulnerable economies, small island states and LDCs, an agreement on REDD/REDD plus, which isn't limited to forest-

basin countries and finalizing the architecture of technology cooperation. Suggesting immediate action, Shri Ramesh said, "all these elements should be a part of a multilateral package in two tracks that should be delivered in Cancun."

Reiterating India's commitment to the two-track process, the Environment Minister said that "a balance in the outcomes on all elements of the LCA and KP tracks must be maintained with Annex I countries immediately taking on binding commitments for truly significant GHG reductions within their borders."

Another intervention by India was on the issue of "equity" in the context of the carbon budget. Articulating the developing countries, India stressed that a global carbon budget should not jeopardize their development goals. Shri Ramesh said, "the global objective of restricting temperature rise to 2 degrees Celsius by 2050 from mid-19th century levels must be firmly embedded in a demonstrably equitable access to atmospheric space with adequate finance and technology available to all developing countries." India also raised the issue of the consequences of non-compliance and domestic accountability mechanism in the context of an "internationally legally-binding agreement".

On the issue of MRV, India turned the tables on the developed countries stating that the Copenhagen Accord states industrialized countries too have to be brought under MRV for emissions reduction and financing. Also that the Conference of Parties develop appropriate guidelines. Making it clear that MRV was not an issue of limited mitigation action by developing countries.

(*The Economic Times*, 20 April 2010)

China Revamps FDI Rules, Curbs Non-green Projects

TO attract more foreign direct investment (FDI), China revamped its regulations to improve conditions for foreign companies while restricting funding for environmentally-unsound projects. Under the new rules, FDI in high-tech industries, services sector, energy-efficient and environmental protection projects is encouraged, especially in the central and western regions, Vice-Commerce Minister Ma Xiuhong said. The State Council or the Chinese national Cabinet, approved the new regulations.

Qualified foreign-funded companies will also be allowed to go public, issue corporate bonds or medium-term bills in China. These regulations come as FDI flow rose to $23.44 billion in the first quarter of 2010 bucking the downturn during the past eight months. A total of 5,459 overseas-funded ventures were set up in the past three months, up 19.9 per cent from the same period last year, said Mr. Ma.

National development and reform commission Vice-Minister Zhang Xiaoqiang said the new rules welcome FDI in high-tech industries, services sectors, energy-saving and environment related industries, but high businesses creating pollution and consuming a lot of energy, or projects in industries running at overcapacity are not wanted.

Additionally, the new policy encourages FDI flow into central and western regions of the country as these regions were traditionally not getting FDI as their southern and eastern peers. Meanwhile, a national security examination mechanism will be created as soon as possible for foreign-funded mergers and acquisitions. The new rules also allow qualified foreign-funded firms to go public, or issue corporate bonds or medium-term bills in the domestic market.

The new rules also aim at diversifying the utilization of FDI and create better circumstances, Mr. Ma said, adding, "It has always been a major task of government to provide better environment and further facilitate trade and investment."

"China is still the most attractive place for overseas investment," remarked Mr. Ma citing survey results from management consultancy AT Kearney and the UN Conference on Trade and Development. "With the new regulations, we will put more efforts into creating a more open and friendly environment for overseas firms."

(*The Financial Express*, 15 April 2010)

Ecologists Want Full Backing for Ministry Initiatives

Stating that forests and tree cover in the country were already below 23 per cent, against the national target of 33 per cent, ecologists warned against the "dangerous machinations" of lobbying groups.

A GROUP of more than 50 environmental activists and scientists has cast doubts on the success of the National Action Plan on Climate Change, stating that unless the Ministry of Environment & Forests (MoEF) is fully backed in implementing the three vital Acts pertaining to environmental protection, forest conservation and the wildlife protection in the country, it may not work.

In a communication to the Prime Minister, Dr. Manmohan Singh, praising the proactive stance of the MoEF, the activists said the Minister of State for Environment and Forests, Shri Jairam Ramesh, was under "continuous attack" from industry and private licensed operators in steel, mining, coal, oil and gas, and large hydro and chemical segments.

They said: "Though other Union Cabinet Ministers voice their concern for the environment and a pollution-free planet, they nevertheless push forward an agenda of environmentally destructive projects through public sector undertakings (PSUs) and the exponentially growing legion of private licensed operators in mineral, metal and intermediate industries."

While applauding the Prime Minister for sounding the warning bugle, suggesting review of existing mining and other commercial projects located in and near buffer zones that posed a threat to tigers, and his appeal to Chief Ministers to declare buffer zones before time ran out, the group concurred with Shri Ramesh's view that "the delay in non-notification of buffer zones is not accidental, but deliberate to allow other commercial projects to come through".

The activists said it was unfortunate that projects were allowed in protected forests and critical wildlife habits, such as a road through Nagarahole in Karnataka or the Hubli-Ankola railway line through the thick forests of the Western Ghats. It might cut down travel time by half an hour or the travel distance by a few kilometres, but not "the integrity of forests or the conservation of rich biodiversity", they said.

Stating that forests and tree cover in the country were already below 23 per cent, against the national target of 33 per cent, they warned against the "dangerous machinations" of lobbying groups by the diligent application of law.

Bolstering the MoEF's firm and principled stand against the enormous damage being caused by coal mining, they approvingly recalled the remarks of Shri Ramesh that almost one-third of the country's top-grade coal reserve would not be available for mining as the areas were now considered to be ecologically too fragile to allow mining.

Pointing out that "in fact almost all coal mines were, or are, or will be found to be below thick forests", the eco experts said the Integrated Energy Policy envisaging increasing coal power capacity from the present level of about 80,000 MW to about 600,000 MW by 2031-32 must be reconsidered. The country, they said, must perforce "utilize the plentiful free energy from the sun instead of continuing to damage water bodies, soil, plants, animals and people irreversibly through outmoded 19th century ideas of limitless economic growth".

While noting the legal success achieved (through the MoEF) in galvanizing local people for the cancellation of the 300-MW coal-fired power plant planned by Ind Bharat Power at Hanakon (Karnataka) and its replacement with a solar power station by the same company at the site, and the shelving of ArcelorMittal steel projects in Jharkhand and Orissa and withdrawal of staff from those locations, the activists voiced concern over Ind Bharat's announcement of new land acquisition in Tuticorin (Tamil Nadu) for coal-fired power and ArcelorMittal's move into the highly eco-sensitive area of Kudithini village in the Tungabhadra sub-basin (Karnataka) for a greenfield steel and iron ore plant. "These are just two of many proponents of ill-conceived projects, including PSUs," they said.

(The Hindu Business Line, 14 April 2010)

India Girding itself for US, EU Carbon Tax

POLICYMAKERS and businesses are bracing to face the threat of higher entry barriers for Indian goods in the Western markets under the garb of environmental protection. Both the US and the EU are discussing additional taxes on carbon-emitting products from advanced developing countries, such as India and China, which could render products from the region uncompetitive.

While the EU is India's largest trading partner with •78 billion annual trade, the US is the fourth largest with $40 billion of trade in 2008-09. The logic behind the carbon taxes planned by the West on imported goods is to create a level playing field between its own companies that are subject to stricter environment laws and companies in competing countries. It would, however, serve as a new barrier to imports from developing countries like India, even as tariff walls are expected to crumble as an outcome of the ongoing Doha round of trade negotiations at the WTO. India has been hoping for drastic cuts in tariffs imposed by the developed countries on products like textiles and leather at the WTO.

The EU was earlier planning to impose carbon taxes on certain countries, it had now started the process of identifying product groups, which, supposedly are more polluting like metals, certain textiles and chemicals, said Dr. Biswajit Dhar, Director General of Research and Information Systems for Developing Countries. "We are carrying out a study to find out individual items that could come under the tax net," he said.

The Waxman Markey Bill, which seeks to set a limit on the total amount of greenhouse gases that can be emitted nationally, was passed in the US House of Representatives last year. It is currently in consideration in the Senate. "While India cannot take any action against these countries at a stage when the taxes are being planned, we are preparing to fight them as soon as they translate into trade barriers," the Commerce Ministry official said.

The Centre for WTO Studies, a research body under the Department of Commerce has already prepared a report on the WTO compatibility of border trade measures for environmental protection. The report says that if the measures fail to take into account the specific conditions prevailing in developing countries such as their level of development and per capita emissions, they may be dismissed as arbitrary by the WTO. Such taxes are against multilateral rules as there was no provision for border adjustment measures on climate related issues in the WTO, said Rita Roy Choudhury, Head, Environment and Climate Change at FICCI.

"They would affect global competitiveness of our companies. We have been voicing concerns in various forums and during visits made by policy-makers from the US and the EU," she said. While India has the option of fighting such measures at the WTO, the Indian industry should also start thinking in terms of making more environment friendly products, Dr. Dhar said. "We have to understand that if we want to engage with the global economy, we have to change our ways. Unless we get our industry to accept standards, we cannot put our act together," he said.

(*The Economic Times*, 14 April 2010)

India Threatens to Move WTO on Carbon Tax Issue

INDIA has warned that it could exercise the option of entering into the WTO Dispute Settlement Body if the EU and the US impose carbon tax on the Indian exports.

"If they impose such a tax, we will take them to the WTO dispute settlement forum," the Environment Minister, Shri Jairam Ramesh, told *Business Line*. Indicating that there is every possibility of imposition of such an import barrier by the developed countries, he said, "We will deal (with this) through hard negotiations. Such barriers are not going to be the WTO-compatible and we will fight it".

Stating that BASIC countries — Brazil, South Africa, India and China — were united on the issue of fighting carbon tax proposed by the rich countries, Shri Ramesh said, "China has more at stake than India, considering its volume of trade".

Following the collapse of the Copenhagen Summit, the US and the EU have hinted at the levy of carbon tax on imports to force large polluters, especially the developing nations such as China and India, to take a clean environment stance. The US and the EU had also attempted to link climate and trade issues.

Carbon tax is an environmental tax on carbon emissions. However, the EU and the US have been threatening to use carbon tax on exports from developing countries under the guise of controlling emissions. India had opposed attempts by the rich nations to mix trade and climate matters. India, which is against any legally binding agreement, had voluntarily agreed to reduce its carbon emissions by 20-25 per cent by 2020.

Meanwhile, the Commerce Ministry is studying the possible impact of the proposed carbon tax on India's exports of items such as steel, iron, aluminium, cement and chemicals. Reports from Brussels said that the European leaders participating at an EU Summit were divided on the issue of levying carbon tax. However, the French President, Mr Nicholas Sarkozy, urged the EU leaders to agree to such a tax.

(*The Hindu Business Line*, 29 March 2010)

Indian Projects on Global Carbon Capture Initiative's Radar

THE Global Carbon Capture and Storage Institute (GCCSI), a multilateral initiative which aims to fast-track development of commercial-scale technology designed to capture greenhouse-gas emissions and sequester them underground, is looking at India for possible application of the futuristic technology. In an attempt to accelerate the deployment of the technology, the Institute has already announced an AUS$50 million annual fund to support large-scale carbon capture and storage projects worldwide.

The fund will support concept and pre-feasibility studies, or contribute to specific aspects of feasibility and front-end engineering and design studies of carbon capture and storage projects, a process that could potentially reduce the environmental impact of burning fossil fuels such as coal for power generation.

"We are looking at India for possible applications in the future... India, and China are places where coal-based capacities are coming up in a big way. We want to engage with those projects with the greatest need, and towards which we can have an immediate impact. So it is only natural that this technology find application projects that promise the biggest return towards delivering our objective of accelerating the construction and operation of CCS projects," Mr. Dale Seymour, Senior Vice President - Strategy, of the Canberra-based Institute said.

The Australian government provides $100 million each year in funding. India is a foundation member of the GCCSI and a representative of TERI (The Energy Research Institute) is serving on the GCCSI International Advisory.

Other member countries include the US, Japan, Germany, France, South Korea, Canada, Italy and the UK, while corporate backers include mining majors BHP Billiton Ltd., Rio Tinto Ltd., Statoil Hydro ASA, Toshiba Corp., Xstrata Coal Pty Ltd., Mitsui & Co., Mitsubishi Corp. and General Electric Co.

(*The Hindu Business Line*, 13 December 2009)

Can the Environment and Trade Tango?

THE US and EU proposal to introduce freer trade in green goods and services on the WTO agenda meets with opposition at the climate change conference in Bali. The US and the European Union (EU) are proposing the introduction of freer trade in green goods and services in the WTO agenda. It prompted a meeting of trade ministers on December 8 on the sidelines of the UN climate change conference in Bali.

According to OECD, global market for environmental goods and services is estimated at more than $550 billion a year, out of which green services account for 65 per cent and green goods 35 per cent. The EU accounts for 30 per cent of this market.

The US-EU joint proposal has invited severe criticism from environmentalists and trade advocacy groups, which allege that it is based on a recent World Bank proposal that suggested "huge gains in trade volumes" from 3.6 to 63.6 per cent. While some of them say that there is no need to introduce an additional proposal when those on the table have not yet been resolved. Developed countries are not yet eager to open up their markets for goods from developing countries. They are also not prepared to reduce their level of farm subsidy and support. The introduction of the new proposals will only complicate and delay the process of trade negotiations, they say. Environmental groups have criticized the US by saying the country, which has not signed the Kyoto Protocol and other environment treaties, has no right to suggest how other countries should deal with the situation.

India has already made its position clear by opposing the introduction of environmental agenda in trade negotiations. India has said that the criteria

of per capita emission by countries should be considered, if the developing countries are called upon to make emission cuts.

The US-EU proposal made on 30 November 2007, is a two-tier process for much freer trade in "green" goods and services as part of the Doha Round of negotiation. The first step suggests an agreement to liberalize trade by reducing tariffs in at least 43 goods with clear environmental benefits drawn from a list prepared by the World Bank. The list includes solar panels, wind mill turbines, clean coal and energy-efficient lighting. The US is now shifting to clean coal technologies as global prices of crude oil are firming up.

In the second process, the proposal suggested more far-reaching environmental goods and services agreement (EGSA) to be negotiated by the WTO members which would foresee further binding commitments to eliminate tariffs and non-tariff barriers in trade in green technologies. In services, highly ambitious and comprehensive commitments would be undertaken to address environmental and climate change challenges such as waste management. Developing countries would be asked to make contributions proportionate to their level of development.

Intellectual property right is an issue in trade as far as green technologies are concerned. The developed countries have already failed in their assurance to transfer clean energy technologies, and the funds to finance it which was agreed upon at the Rio Earth Summit. Clean technologies with high price tag of intellectual property rights would make it difficult for developing countries to address the problems of climate change. Even in San Francisco Bay Area of California, there is no consensus within the industry about the necessity for global monopoly patents on important new clean energy technologies.

The reduction or elimination of tariff barriers on green goods and services as suggested by the US-EU proposal would severely affect the developing countries that have either developed some of these technologies or are in the process of development. It would be better to leave the option of applied tariff reductions to countries that want to mitigate climate change rather than making the tariff reduction binding. Government action is more important in mitigating climate change, rather than emphasis on trade. Government action like placing a price on greenhouse gas emission, while trade rules will minimize government action or incentives. Cost internalization can come in many forms, including caps and/or taxes on carbon, renewable energy criteria, or even energy-efficiency standards. The imperative to internalize carbon costs should compel policymakers to protect and expand their policy space so that they have the freedom to enact necessary legal provisions.

The US-EU proposal in the name of "breakthrough" priorities for a Doha deal include the opening of markets for its energy services companies like Halliburton in countries with large oil and gas reserves. So any benefits from trade in clean technologies would have to be offset with the WTO deepening world's dependence on fossil fuels.

Even though trade in cargo is fuelled by one of the dirtiest of all energy sources (bunker fuel), the US-EU proposal has not questioned the inherently increasing carbon footprint that will result from shipping. The UNFCCC is more competent to address the issues of climate change than the WTO.

As suggested in the background papers for trade ministers meeting in Bali, one area where trade policy could reduce its restraints on climate policy is by increasing flexibilities to allow many forms of public support needed to accelerate the research, development and deployment of clean, efficient, energy technologies.

The background paper also proposed a discussion on "non-tariff barriers to investment", which could cover zoning codes, tax incentives, operating permits, or just about any measure governments enact that impact investment. "Non-tariff barriers" have too often, in recent trade policies, implied the legal protections for the environment or community development.

(The Financial Express, 10 December 2007)

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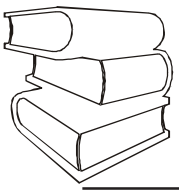

BOOKS/ARTICLES NOTES

BOOKS

Ecological Meltdown: Impact of Unchecked Human Growth on the Earth's Natural Systems by Asheem Srivastav and Suvira Srivastav, published by TERI Press, 2010, pp. 256.

THE book deals with the concept of ecological footprints and human pressure on the earth's resources. The authors mention that the human greed has pushed the planet's biodiversity to the gateway of extinction where the other biological species will disappear first, followed by humans. Their premise is based on an analysis of global data that show that the earth has reached a "point of no return" for ecological destruction. The authors also point out that the 2008-09 economic recessions, often referred to as the worst financial nightmare, pales in comparison with the havoc, the future ecological meltdown is yet to bring. The book also captures the issues like earth's carrying capacity and provides a detailed analysis of co-relation between growing population dynamics and biodiversity in coming future.

Mentioning about the state of global forests; global wood fuel analysis; grazing impact in India, the authors lament the rate of deforestation, which will leave in its wake a hampered carbon sequestration rate. They point out that the reduction of forest covers will not only add to carbon woes but will also impact the microclimate, which plays a tremendous role in buttressing climate change adaptation. The book while assessing the global protected areas makes some relevant points and the authors hope that the suggestions made will help put in place some key preventive measures. It argues that the process of degradation can be slowed down through "effective" implementation and "enforcement" of multilateral environment agreements and "adequate and timely" funds for conservation. The key operative words used here "effective, enforcement, adequate and timely" are loaded and need the right approach. It says that the ecological change has challenged the survival of the wild species while challenges of illegal trade have threatened the ecological balance. The authors further discuss the five major multilateral environmental agreements CBD, WHS, CITE, CMS and Ramsar, and strongly suggest that these need to be merged into one. This would not only save the exchequer many bucks but a lot of time will also be freed for better co-ordination and grassroots work. Mentioning about the treaties the book has used strong language in the preface against international environmental treaties. It says that many of the existing 500 international environmental treaties are seen as paper agreements only. Millions of dollars of contributions from State parties are spent on the secretariats, meetings and conferences, travel of staff and producing reports.

The book also describes the issues like conservation funds, impact of wars and civil strife and global military budget, in detail and presents some interesting data regarding the budget allotted for the environment and biodiversity conservation. It mentions that the decisions and resolutions are adopted but implementation and enforcement has been weak, largely driven by political and economic consideration rather than scientific parameters. Both developed and developing countries are guilty of violating the legal and other norms in favour of economic development. Funds too are the major concern of the book and therefore cited as a reason for ineffective conservation. Apart from the fact that measures such as forest management and deforestation need long-term support, the authors cite a recent report by a Deutsche Bank economist which says that we are losing natural capital between 2 and 5 trillion dollars annually as a result of deforestation alone. And this loss is much higher

than the losses incurred by the 2008 financial sector meltdown, estimated between 1 and 4 trillion dollars. Mentioning about the relevance of international legal agreements on biodiversity, the authors present some more interesting data. They mention that the world spends 10 billion dollars annually on ecosystem conservation and almost a hundred times more on subsidizing agriculture, fishing, irrigation, and energy production. They have also done an unusual but interesting comparison between the world's military expenditure and its ecological conservation budget. The projected world military expenditure for the year 2010 is close to 1.4 trillion dollar, which is only 4 per cent more than in 2007 and 2008. However, it has increased as much as 45 per cent since 1999 of which, the maximum contributor is the US (nearly 700 billion dollars). They then compare this with the public expenditure on biodiversity conservation. In developing countries, it stagnates at 2 billion dollars a year, whereas globally it is anywhere between 8 and 10 billion dollars. The book then turns to statistics pertaining to the United Nations and its agencies. According to the authors, it spends about 27 billion dollars each year or about 4 dollar for each of the world's inhabitants. The book further mentions this as a very small sum as compared with most government budgets and just a tiny fraction (1.8%) of the world's military spending. However, for nearly two decades the UN has faced financial difficulties and it has been forced to cut back on important programmes in all the areas. Many member states have not paid their full dues and have cut their donations to the UN's voluntary funds. As of 31 May 2009, members' arrears to the regular budget topped 1,282 million dollar, of which the US alone owed 857 million dollars.

The book also mentions important issues of sustainable development. It says that the ecological meltdown has some relevant information on India. Research by the authors shows that in India nearly 300 million tonnes of wood fuel is consumed annually, of which more than 65 per cent results from overexploitation of either government or non-government land. They wonder what will happen in the sphere of energy with wood fuel resources on the decline, alternatives such as coal creating environmental hazards and crop and animal waste impacting the eco chain. The book says that the substitution of wood fuel by crop and animal waste, on the other hand, will reduce fodder for livestock and nutrients for soil productivity. Moreover, the authors point out that the technology introduces viable alternatives such as solar and wind energy, the question that still remains unanswered is whether the rural poor will be able to afford the alternatives.

ARTICLES

More Heat on Warming by Sunita Narain, *Business Standard*, 23 April 2010.

THE article in the beginning mentions about the cold responses in the climate change negotiations at Copenhagen and points out the possibility of emerging an agreement between the negotiators meet in Bonn that could be signed at the conference in Mexico. It also mentions about the series of events doing rounds or lined up for the climate change talk. The events include the US-convened meet of the Major Economies' Forum in Washington while the group calling itself BASIC, is meeting in Cape Town to come up with its common position on climate negotiations. It also mentions about the German Chancellor Angela Merkel call of some 45 environment ministers to come together in the St Petersburg.

Mentioning about the US challenge to talk on the now-infamous Copenhagen Accord, the article says that the US also wants the world to stop discussing the Kyoto Protocol or the Long-term Cooperative Agreement, which brings past polluters into a legal regime and future players into a cooperative arrangement to avoid the growth of emissions. It mentions about the problems associated with the climate change deal. By stating that the Copenhagen Accord is weak in terms of its commitment to reduce emissions, the article points out that the industrialized countries will be allowed to voluntarily pledge their domestic targets, which will be aggregated at the global level. Taking the example of the US, the article says that it has offered some 30 per cent reduction over 1990 level, against the required 40 per cent. The discussions by rich countries on tough emission-reduction measures and keeping Kyoto Protocol alive are completely off the agenda. The function is to make the

Copenhagen Accord supreme, which is simply an agreement to legitimize the right to pollute. The article further says that the Copenhagen Accord will completely overwrite the principles of historical emissions and equity in burden-sharing and the world will not be able to set targets based on historical and current emissions. The article also mentions that after acceptance of this framework there will be no distinction between countries responsible for the problem and the rest of the countries, as they will be treated equally in the world of polluters and sinners. It also states that the mitigation targets will no longer be on the basis of responsibility or contribution to the problem. The burden of the costly transition will shift to the developing world. Therefore, under the current climate agreement, industrialized countries are expected to cut drastically and provide financial assistance to developing countries to avoid growth of emissions.

In the concluding part the article says that the terms of the Copenhagen Accord are only high sounding in nature without any solid binding international legal agreement. It only talks about a simple pledge that the countries will cut the emission level. On the name of international consultation the big brother will only inspect, or ask for records to check the compliance but not the commitments. The article finally questions India's efforts of cutting emission level in changed framework and achieving the transition due to the lack of more efficient allocation of resources.

Say 'No' at Copenhagen by Arvind Panagariya, *The Economic Times*, 23 July 2009.

THE article at the outset points out the US secretary of state's views on carbon-emission reductions in order to combat global warming and India's response to the issue. It talks about the switch in the US policy towards climate change as the House of Representatives recently passed the American Clean Energy and Security (ACES) Bill of 2009. The Bill provides for a "cap and trade" programme that would place an annual cap on the overall carbon emissions in the US. Mentioning about the "cap and trade" programme the article says that it has existed in Europe as a part of the Kyoto Protocol, an international treaty negotiated under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC).

It says that the programme beginning in 2020 requires the US President to impose tariffs on selected carbon-intensive goods from countries that do not introduce caps on carbon emissions and specifically targets India and China by requiring the US Trade Representative to annually certify that these countries are adopting emission standards at least as vigorous as those prevailing in the US. The article also mentions about the ACES Bill with the insertion of the import duty provision and says that if the Bill becomes law, India will have to eventually challenge any carbon tariffs the US imposes on it in the WTO dispute settlement body. While UNFCCC, which is currently subscribed by 192 countries, says that the developed countries must periodically negotiate mitigation commitments to avoid "dangerous anthropogenic interference" with the climate system. It explicitly exempts developing countries from similar mitigation commitments. The article further says that though US had refused to ratify the Kyoto Protocol, it is now keen on a post-Kyoto climate change treaty and insists that China and India should undertake binding mitigation commitments. Mentioning India's infrastructure and poverty condition the article says that if India agrees to even cap its emissions at current levels, its growth process will be crippled. And with it, the country would lose any hope of bringing electricity to all households or of eliminating poverty. Therefore, India has every reason to refuse mitigation commitments for some decades to come. The article points out that Canada, US, Europe, Eurasia and Japan together account for more than 50 per cent of the current emissions while India's emission is only 4.4 per cent.

Finally, the article mentions that in the UNFCCC, to which developed countries are signatory, explicitly recognizes that the largest share of historical and current global emissions of greenhouse gases has originated in developed countries. It also says that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs. Therefore, the UNFCCC

requires mitigation commitments only from developed countries.

It suggests that at Copenhagen, India should clearly indicate to the US that it would not sign an unjust and inequitable treaty permitting trade sanctions against other countries. Therefore, it would challenge any attempt at enforcing such sanctions against non-signatories in the WTO dispute settlement body; and that if necessary it would exercise its right to retaliate in the WTO-legal fashion.

Three Lessons from Copenhagen

by Brahma Chellaney, *The Japan Times*, 24 February 2010.

THE article in the beginning mentions the difficulty of combating climate change as it requires fundamental shifts in national policies and approaches, and lifestyle changes in the developed world. The introductory section also views that devising carbon standard that can protect the material and social benefits of continued economic growth in the developing world and also help shield prosperity in the developed countries, is not an easy task.

The first section of the article points out the importance of geopolitics in combating the climate change. It also mentions the need to focus on improving the geopolitics by putting the case of Intergovernmental Panel on Climate Change (IPCC) claims that the Himalayan glaciers are set to disappear by 2035. The IPCC had to admit that the claim was not based on peer-reviewed scientific research but on two magazine interviews with one glaciologist. IPCC also admitted that they enthusiastically picked up the report of the environmental campaign group and World Wide Fund for Nature without any investigation. The article also says that to IPCC's acute mortification, the glaciologist went public after Copenhagen to say that he had been misquoted in the magazine interviews. While the coordinating lead author of the portion of the IPCC report, where the claim appeared, publicly acknowledged that the bogus claim had been intentionally incorporated to help put political pressure on Asian leaders.

The second section of the article mentions about the second lesson learnt from the Copenhagen. It says that before getting into an international deal, there must be a deal between the US and China. The deal between world's two greatest polluting nations, which together are responsible for more than 46 per cent of all greenhouse-gas emissions, would make an international accord on climate change easier. The article also views that China is strategic in openly challenging the present US-led global institutional structure. It accepts and supports parts of the existing order that serves its needs, such as the UN Security Council or the World Trade Organization. The article further states that to impede decision-making in Copenhagen, China sent only a vice foreign minister to meetings set for the level of heads of government. It also used poor states as a front to obstruct progress through procedural wrangling. Therefore, prospects of China and the US striking a deal on climate does not look bright in the near future.

The third section of the article mentions about the third lesson from Copenhagen. It says that too much focus has been put on carbon cuts for nearly two decades, now it is time to disaggregate the climate-change agenda into smaller, more manageable parts. It points out that due to energy inefficiency, not only developing world but developed world also belches out more carbon dioxide per head. The article also mentions the importance of forest conservation and its management in tackling the climate change. The strategic investment in ecological restoration, growing and preserving rain forests, building wetlands and shielding species critical to our ecosystems can also lessen the climate change. Mentioning about the reasons of man-made environmental change, the article says that man-made environmental change is the main threat to the integrity of freshwater reserves in the world. It describes that goals of food security increasingly will be difficult to achieve due to scarcity of water sources in years to come. It also views that strategic rivalries in the 21st century probably would center on issues related to trade, investment, technology innovation and acquisition. But increasing worries about resources such as energy or water could easily put the focus back on territorial disputes or unresolved border issues.

The article in the concluding section states that climate change and environmental change and their

implications for resource security and social and economic stability are clearly threat multipliers. It says that in order to search for a binding international agreement, the international community should also explore innovative approaches such as global public-private partnership initiatives. The political commitments reached in principle at Copenhagen already have run into controversy as well as into varying interpretations, damaging their value. The article view that the BASIC bloc indeed is a partnership founded on political opportunism and is unlikely to hold for long. The carbon profiles of Brazil, India, South Africa and China are hardly similar and China's per capita carbon emissions are more than four times higher than India's. It says that the climate-change agenda has become so politically driven that all sorts of competing economic and other interests have been tagged on by important actors. Finally article suggests that the climate change should not be allowed to become a convenient peg on which countries should hang their assorted national interests.

Copenhagen Conference: India, China Plan Joint Exit by Saibal Dasgupta, *The Times of India*, 28 November 2009.

THE article at its outset mentions about the strategy opted by India and China by making a joint front of the four countries in order to be offensive on rich nations at the Copenhagen conference, if they try to force their own terms on the developing world. The strategy involves joint walk out of the conference along with Brazil and South Africa, who are also part of the front. The article also mentions that after the information that rich nations led by Denmark are trying to set the agenda of the conference through a draft, the joint front (BASIC) prepared a counter-draft, to be presented by China in the conference. The article views that the joint front, which is first major India-China accord on international affairs, will impact not only the dimension of the talks on climate change but international diplomacy as a whole.

The article also presents the views of the joint front, which says that the developed nations should be ready to contribute funds and share green technology, if they expect the developing and poor nations to take major actions on environmental protection. It also mentions about the joint release which says that the joint front agrees on major issues including those relating to the establishment of a second commitment period under the Kyoto Protocol. It further says that joint front shares vision for long term cooperative action on climate change, mitigation of greenhouse gas emissions, adaptation to the impact of climate change, and the provision of finance and technology to support and enable these actions, taking into account the special needs of the least developed countries, the small island developing states and African countries. The article states that the US, which refused to endorse the Kyoto Protocol on climate change, might find it difficult to handle the new onslaught mounted by four developing nations including India and China. It views that the recent meeting of Barack Obama with both Chinese leaders and Indian Prime Minister is basically to soften the stance of developing nations and avoid exactly the kind of situation that is now emerging.

The draft prepared by joint front mention that rich nations will not be allowed to make climate change an excuse to set up trade barriers or resort to trade protectionism. It says that rich countries should contribute funds for stopping the process of forest degradation and also invest in the process of creating new forests. The article finally says that India is not in favour of accepting unsupported mitigation actions without the effort of developed countries. It says that the funds and technology support by developed world to improve the environment in developing nations will be appreciated by India.

India Must not Compromise by M. Ramesh, *The Hindu Business Line*, 4 September 2009.

THE introductory section of the article takes the reference of the former Commerce Minister, Shri Kamal Nath, who left for Geneva saying that he did not want to "risk the livelihood of millions of farmers". It points out that the Environment Minister, Shri Jairam Ramesh, going for the Copenhagen climate meet might have same frame of mind. Despite the clouds of uncertainty and given the universality of science and its consequent imperatives of action, there is not much to disagree

on the principles. But even with the common plank, an agreement is most likely to elude the negotiators at the climate talks. The article also mentions India's submission to the UNFCCC about climate mitigation and bankroll anti-polluting measures. By taking the reference of the Todd Stern, the US Special Envoy for Climate Change, the article mentions that the US recognizes the unique responsibility, both as the largest historic emitter of greenhouse gases and as a country with important human, financial and technological capabilities and resources.

The second section of the article mentions about the problem of the availability of the fund to combat the climate change and reduction of the carbon. It provides account of different studies and estimates and says that the Global Environmental Facility (managed by the UN and the World Bank) has provided $110 million for adaptation projects since 2005. The article also mentions about the global economic scenario and says that commitment for large financial flows from the developed world is difficult. The position taken by the developing countries on such financial flows for a climate mitigating project prohibits developed country to seek any economic gains out of it. This de-linking of financial flows and economic benefit to the donor is a very fundamental principle, with which the developing world is going to Copenhagen. Although funds are available in the world but developed countries including the US, a leading polluter, need them to get out of the economic pit. However, it is inconceivable that developed world will set apart funds without seeking a commensurate gain. This is an area where India and other developing countries might be pressurized for a compromise.

The third section of the article describes that the fixing base year for emission targets has become a contentious issue as Europe and others want to fix 1990 as the baseline for emission reduction targets. But the US wants to peg the base year as 2005 as it desires to get a more respectable figure of "17 per cent" reduction by 2020. The same effort, with the base year as 1990, works out to 4 per cent only. The article describes that the current climate talks are reminiscent to the Cold War talks between the US and the Soviet Union as China wants the US to reduce its emissions by 40 per cent of 1990 levels. The article also states that the two countries are the most polluting countries in the world, accounting for 40 per cent of the GHG emissions. It says that huge hiatus between the US, a historic polluter, and China, current polluter is the reason why the Copenhagen talks are not likely to succeed.

The final section of the article states about the different polluted cities and mentions that according to the US estimates; China's emission is four times the US emissions and six times that of Japan. The article also explains that unless China and India are brought within the purview of targeted emission reductions, the US will not ease up on the stand taken at Kyoto. The article also says that India needs technologies for carbon capture and sequestration (CCS). It concludes by mentioning that India can emerge as a leader in the development of these technologies, but doing so without external financial and intellectual resources is very difficult.

The Case for a Climate Bill, Editorial, *The New York Times*, 23 January 2010.

MENTIONING about the climate bill the editorial says that going by conventional wisdom the chances of Congress passing a bill that puts both a cap and a price on greenhouse gases are somewhere between terrible and nil. At the same time President Mr. Obama can start to prove the conventional wisdom wrong by making a full-throated case for a climate bill. The editorial discusses two reasons why a bill could not pass. It says that the Senate won't have any strength left when it finishes with health care, and the nation cannot afford a bill that implies an increase in energy prices. It further states that the first reason of not passing the bill is defeatist, while the second one is greatly exaggerated. The list of reasons to pass a climate bill, on the other hand is long and persuasive. The editorial mentions that the climate change bills pending in the Senate would not affect for years, once the recession is over. By taking the reference of Congressional Budget Office the editorial says that the cost to households would be small and a good programme in clean energy would create more jobs than it cost.

The editorial also mentions about the long-term trend in greenhouse gas emissions and points out that the bill passed by the House last year calls for

emissions in 2020 to be 17 per cent. It also states that the bare minimum required of providing the industrialized world to achieve an 80 per cent reduction by midcentury can be a necessary option to avert the worst consequences of global warming. It also points out about the race for markets by mentioning that China is aggressively creating jobs in the clean-energy industry. Beijing not only plans to generate 15 per cent of its energy from renewable sources by 2020, but hopes to become the world's leading exporter of clean energy technologies. China is rapidly becoming a world leader in solar power, with one-third of the world's manufacturing capacity. The editorial also mentions that if Obama administration fails to implement the good things they have achieved in Copenhagen then it would give reluctant powers like China an excuse to duck their pledges. Though job argument should impress the Senate but many Democrats as well as Republicans seem willing to settle for what would be the third energy bill. Third energy bill in five years include loans for nuclear power, mandates for renewable energy, new standards for energy efficiency.

Finally, the editorial mentions that some senators are trying to forge a bill with a price on emissions as its core and enough other bells and whistles to attract the necessary filibuster-proof 60 votes. The editorial says that these senators will need help and Mr. Obama is the best person to provide the help.

Issues of Cumulative Greenhouse Gas Emissions Need to be Addressed

by G. Srinivasan, *The Hindu Business Line*, 17 November 2009.

THE article at its outset mentions the broad conclusion of a monograph prepared by environment and trade specialist Prof Ulaganathan Sankar of the Madras School of Economics. The study suggests that the Copenhagen Climate Conference will have to address the issues of historical responsibility for the current stock of greenhouse gas (GHG) emissions, recognition of the atmosphere as a global common and the right to social and economic development in order to bring about "an equitable and efficient solution". The monograph titled "Trade measures in climate change policies: Compatibility with WTO & UNFCC", takes a critical look at the US Clean Energy and Security Act 2009. It is also known as the Waxman Markey Climate Change Bill that sets forth "binding GHG emissions targets and a cap-and-trade system as a cost-effective means of achieving the emission targets".

By mentioning various provisions of the UN Framework Convention on Climate Change (UNFCC), the study recalls Article 3.1 which states that the parties should cooperate to promote a supportive and open global economic system. It states that the measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on global trade. The article further takes reference of the study and says that the measures in the US bill such as targeting China and India, requiring other countries to adopt the US standards, levy of import duties on imports from countries with no emissions reduction commitments, prescribing eligibility conditions are unilateral and violate provisions of this Article. The article also mentions the trade economist Prof. Jagdish Bhagwati's view for the mitigation and adaptation expenses in developing countries due to the past damages done from pile-up of GHGs in the atmosphere. The article also states that the contributions from rich countries should be utilized for acquisition and transfer of climate-friendly technologies to developing countries. The funds from the rich countries should also be utilized to cover incremental costs of shifts from carbon-intensive to low carbon intensive production in developing world. The article also points out the important points of the study, which says that in order to avoid the likely impasse in the Copenhagen negotiation and to ensure access to climate-friendly technologies and financial backing, India might underpin voluntary reductions in GHG emissions for developing countries in a phased manner.

Finally, the study states that in return for voluntary quantified GHG emission cuts, India and developing countries as a group might demand from the developed world to meet its Kyoto Protocol targets by 2020. The developed world should also agree for stringent emission cuts targets in a phased manner to achieve at least 40 per cent emission cuts by 2030 and 80 per cent

by 2050. The developed world should also create a global superfund to finance mitigation, adaptation and capacity building in developing countries. It concludes by saying that the developed world should also refrain from adopting unilateral trade measures in their legislations/action plans or dictating climate policies of developing countries.

Trade and Climate, Editorial, *The New York Times*, 18 July 2009.

THE editorial takes the reference of the Group 8 summit, where leaders of the world's richest nations and the big developing countries agreed to restart global trade negotiations in order to take intensive action to deal with the world's economic emergency. It mentions about the countries disagreement on a common strategy for reducing the greenhouse emissions causing global warming. Trade and climate policy have become increasingly entangled and failure of addressing global warming issues could undermine half a century of opening world trade. The editorial also mentions about the climate bill that was passed in the House of Representatives and says that it would impose trade penalties on countries that do not accept limits on carbon emissions. Unilateral sanctions are unlikely to work and more than likely to provoke a dangerous protectionist tit-for-tat trade war. The editorial further points out that if the world's biggest emitters of CO2 including the United States, China and India fail to reach an agreement at a meeting in Copenhagen, the countries accepting the limits on emissions can impose unilateral sanctions on countries that do not. The main reason trade and climate change are linked is that the damage inflicted by carbon dioxide and other greenhouse gases is not mainly local or regional. If big emitters do not cut back, atmospheric concentrations of greenhouse gases will continue to rise dangerously no matter what the rest of the world does.

The editorial further describes that without a worldwide agreement on emissions, strict limits in signatory countries would very likely lead to a fall in energy prices in countries that did not agree to cuts. The resultant effect will encourage even more energy consumption in such places, undermining the goal of stopping climate change. Mentioning about the impact on the American companies the editorial says that domestic limits on carbon emissions would put these companies at a competitive disadvantage with rivals in the countries with no such caps. At the same time in the absence of a system of import duties related to carbon, industries with high emissions might relocate to nonsignatory countries to save money. The editorial mentions about the precedents for using trade measures for environmental goals. The Montreal Agreement to curb the use of ozone-depleting gases included trade controls on such substances. It further mentions that the WTO's suggestion of levying taxes at the border on the carbon content of imports would be acceptable if they are devised properly like consumption taxes are levied on imports, ensuring equal treatment with domestic products. It also points out that unilateral penalties against fast-growing polluters like China and India would be seen as illegitimate and could easily backfire, scuttling chances of an agreement on climate issues.

The editorial suggests that an international accord that includes trade-related enforcement measures must also include commitments on emission reductions all around, as well as financial aid for poorer countries, like India and China, to meet the caps without sacrificing economic growth. It also suggests that any deal must set clear guidelines on how to identify and quantify misbehaviors and establish appropriate countermeasures. It also says that such countermeasures must not open a backdoor for protectionism otherwise trade is going to have problems.

Cultivating Controversy by G. Chandrashekhar, *The Hindu Business Line*, 13 January 2008.

THE article in the beginning mentions about the role of the technological advancement and subsidy in the heightened agricultural crop production prospects. It states that the diversion of traditional food crops for fuel purposes in ongoing biofuels revolution has catapulted global markets onto a new trajectory in terms of commodity utilization and prices. It says that the fortune of the biofuel industry will be determined by two factors. One is

the prices of the crude oil and secondly the support of the government policies in favour of the clean fuel. Mentioning about the general consensus of high food prices the article points out that the healthy rate of global economic growth and consumption growth in large developing countries will compel the world for more food demand in the coming years. Therefore, the world will have to produce more agricultural crops to meet growing demand from the food, feed and fuel sectors. The overall effect of such situation will hit the poor countries that are net food importers very hard by high food prices. That's why the debate of food diverted for fuel when millions in the world are hungry, has taken an ethical dimension. The article also points out that despite the debates and ethical considerations the strong commercial considerations cannot be overruled.

The article also questions the issue related to environmental sustainability in the context of promotion of biofuels. It says that if larger volumes of food crops are burnt as fuel, the world will have to bring more and more land under commercial cultivation. This may result in deforestation and loss of habitat and that goes contrary to the very objective of environment sustainability. While government support is critical to the growth of the biofuel sector, the biofuel market drivers vary from country to country and region to region, therefore article mentions some common points for the promotion of the biofuels.

Mentioning about the need for energy security the article states that the uncertain geopolitical situation in West Asia aggravates supply and price risks which governments want to overcome. Similarly, due to the global warming and climate change becoming prominent day by day, countries desire to gradually move away from polluting and finite fossil fuels to cleaner biofuels. It further mentions that the biofuels demand considerably improves the marketability of crops and brings more remunerative returns to growers, which may result higher rural incomes, development and prosperity. As empirical evidences have shown that the world's poor are in rural areas and engaged in agriculture and related activities, therefore biofuel sector development can lift some of them out of poverty.

Finally, the article points out that developed economies have to pursue biofuels promotion through supportive government policies as there is pressure on them in the ongoing WTO negotiations relating to agricultural subsidies. It says that allowing farm prices to rise by encouraging biofuels, the developed countries will strengthen their bargaining position *vis-a-vis* developing countries at the WTO talks. The article also mentions that as long as the crude market stays strong, the support for biofuels will continue. The article concludes by saying that at least for the foreseeable future biofuels are here to stay and will have implications for global agribusinesses.

The Legal Inter-Linkages: Trade; Environment; Development by Priyanka Mondal, *American Journal of Economics and Business Administration*, Vol. 1 (3), 2009, pp. 268-274.

THE paper traces the link between trade and environment back in 1970, when there was growing international concern regarding the impact of economic growth on social development and environment. It mentions that main objective of the protection of environment and the liberalization of trade revolves around the interrelationship between the Multilateral Environmental Agreements (MEAs) and the multilateral trading system. The next section of the paper locates the origin of MEAs and the WTO, where it explains that MEAs are agreements between states and says that "soft-law", sets out non-legally binding principles and "hard-law" is legally-binding actions, to be taken for achieving environmental objective. The paper also mentions about the history and context of the MEAs. While mentioning about the context of MEA, the paper discusses two types of multilateral agreements, one relates to preservation of the environment and other set of agreements links trade and the environment.

The paper also traces the year-wise development in the origin of the environment-trade debate. This part of paper also points out that the developing countries have rejected suggestions to accept restrictions on emission of greenhouse gases. They have strongly supported the Agenda 21, which says that trade measure should not be used to protect the environment.

It also states that the controversies between trade and environment lead to the debate between the MEAs and the WTO. The paper also discusses the challenges faced in implementation of MEAs and describes various cases related to the MEAs and loss of competitiveness of country due to such agreements in international market. It says that some Pacific Island products, such as timber and squash are facing decline in export owing to environment related restrictions. It also mention about different GATT Articles and reason for the disputes and restrictions. Mentioning about the enforcement of trade measures in MEAs and its conflicting nature the paper says that application of some trade measures in MEAs could create discord with certain principles and rules of the WTO. The paper also mentions about the WTO institutions advance dialogue and understanding of trade and environment linkage, where it describes about the formation, composition and function of the Committee on Trade and Environment (CTE).

The next section of the article mentions about the interaction of MEA trade measures with the WTO and describes about different conventions and protocols. The description includes Montreal protocol, Basel convention, United Nations framework convention on climate change, the Kyoto protocol, Rotterdam convention on the prior informed consent (PIC) procedure for certain hazardous chemicals and pesticides in international trade and Stockholm convention on persistent organic pollutants (POPS). It says that these are some of the cases where the WTO has altered the trade provisions in favour of the environment. The paper points out about the reviews done on the issue of environmental laws shaping the economies of the countries and similarly trade laws structure the domestic laws and policies in the areas like environmental protection. Although interaction of these laws and policies is occurring at national and international level the WTO dispute settlement body does not focus on solving the trade-environment dispute. In the WTO dispute settlement mechanism the panels and the Appellate Body do not have inherent expertise to evaluate and assess environmental measures. On the other hand environmental obligations tend to be of a non-reciprocal nature, which gives way to the question as to whether judicial approaches, as in the WTO, are always the most appropriate means to resolve trade and environment disputes. The paper says that current Doha Round of negotiations gives members a chance to achieve an even more efficient allocation of resources on a global scale through the continued reduction.

The concluding section of the paper mentions that a country can enact a domestic law that incorporates what has been agreed upon at the multilateral level. MEAs have long been held out as a concrete solution to potential trade and environment conflicts. It also points out that the vigorous debate on the relationship between World Trade Organization (WTO) rules and Multilateral Environmental Agreements (MEAs) have mostly focused on clarifying legal complexities. The Committee on Trade and Environment (CTE) of the WTO has asserted that disputes involving MEAs should be settled in the framework of MEAs. The concluding section also suggests some measures to resolve the dispute between MEAs and the WTO. It says that the body responsible for the domestic policy formulation should be either directly involved in the negotiation of an international agreement or should be consulted by the foreign ministry before attending the meeting. It also suggests that the WTO panels and the Appellate Body can make use of the expertise of MEA secretariat condition of environmental expertise in relevant dispute cases, and also advice on the necessity of trade measures in the context of MEAs. Suggesting radical solutions, the article mentions that GATT Article XX could be amended so that measures pursuant to an MEA could be deemed a justifiable restriction of trade.

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DOCUMENTS

IRISH AID KEY SHEET

Trade and Environment

This key sheet is part of a series of awareness raising tools developed by Irish Aid to accompany its Environment Policy for Sustainable Development.

1. Introduction

This key strategies for implementing the Environment Policy for Sustainable Development are:

(i) mainstreaming, where the environment is recognized as a critical part of sustainable development and is taken into account in all policies, programmes, activities and funding decisions; and

(ii) partnership, where Irish Aid works with national governments, multilateral organizations, international agencies and civil society organizations to contribute to sustainable development.

The first step in environment mainstreaming is to understand how the environment is linked to the development challenge or sector you are responsible for. In this key sheet, we explain how trade and the environment are linked, and suggest sources of additional information. More detailed guidelines on environment mainstreaming will accompany this sheet at a later date.

Trade matters to the environment because it can:

- Accelerate the use of natural resources and exacerbate poor environmental practices.
- Facilitate the transfer of environmentally sound technologies and the introduction of environmental regulation.
- Promote a higher national income, and with the right policies in place, this could be translated into higher demand for better environmental practices.

2. How are Trade and the Environment Related?

International trade is central to the global economy. It has grown by a factor of 12 since 1960,[1] thanks to a proliferation of multilateral, regional and bilateral trade agreements. Meanwhile, growing demand for food, water and energy have led to radical changes to ecosystems and the degradation of natural resources such as forests, oil reserves, minerals and fisheries.

Trade has been a significant driver of this environmental damage.[2] Rising demand for palm oil has, for instance, led to vast areas of Indonesian rain forests being cleared to make way for plantations.

Yet trade itself cannot be said to be "good" or "bad" for the environment except on a case-by-case basis, as it can also have positive effects. It can create opportunities for investment in environmental projects and can promote processes and technologies such as "green" packaging, organic produce, renewable energies and improved energy efficiency.

BOX 1

TRADE LIBERALIZATION AND MEXICAN MAIZE – A CAUTIONARY TALE[3]

The North American Free Trade Agreement (NAFTA) between Canada, Mexico and the United States came into force in 1994. It immediately removed some tariffs on many products traded between the three countries and aims to remove them all by 2009. While trade has increased and the poorest nation – Mexico – has benefited economically, poverty levels there remain high.

In the late 1990s, Oxfam and WWF conducted a study looking at how NAFTA had affected maize production in Mexico. What they found shows that trade liberalization can lead to serious problems if state support is lacking and emerging economic, environmental and social changes are virtually ignored.

Under NAFTA, Mexico's maize production did not decline as expected, despite a sharp drop in prices and a rise in imports. In fact, although maize yields shrank, the area planted increased. Farmers had few incentives or opportunities to modernize or reallocate resources to other crops. Many small-scale farmers were forced to migrate to marginal lands, where soil erosion accelerated.

State support during the transitional stage would have made a big difference. As it was, the adjustment to a more liberal agricultural regime was rushed and poorly planned.

BOX 2

CULTIVATING TROUBLE — SHRIMP FARMING IN BANGLADESH

In the mid-1980s, Bangladesh began to turn traditional subsistence shrimp farming into an export-oriented industry. To make that happen, the country introduced policy changes – such as tax breaks and subsidies – under the trade-related structural adjustment programme of the World Bank and International Monetary Fund. But the industry's growth has come at high environmental cost, as a UNEP study has shown.[4]

In 1985 the World Bank gave Bangladesh a substantial credit boost for a large-scale Shrimp Culture Project. The project document mentioned that it would not have any detrimental effect on the environment. In reality however, the coastal shrimp farming areas suffered environmental degradation; a rise in salinity in soil, a reduction in grazing land and loss of livestock; destruction of mangrove forests; a reduction in soil quality; and adverse effects on the cropping intensity, timing and crop mix of arable farming.

These resulted from the conversion of agricultural land and mangrove forests to ponds for rearing shrimp, and the intrusion of salt water into wells and farmland. In addition, there was a rise in unemployment in the shrimp cultivating areas, and social and economic conflicts and tensions were also aggravated there. This is in part because the number of people needed to look after shrimp farms is considerably lower than for traditional farming, but also because of largescale land-grabs by powerful elites, which led to poor local people becoming landless.

The overall effect of trade on the environment will depend on the extent to which the goals and policies for trade and the environment can be made mutually supportive both nationally and internationally. Problems can arise when this coherence is lacking.

For instance, trade liberalization involving a poor country may actually lead to environmental degradation if its government fails to support or keep up with the liberalization process (see Box 1). This can effectively push smallholders off the land and thereby exacerbate poverty.[3]

2.1 Environmental Impacts of Trade

Trade can:

- Accelerate the use of natural resources, which in turn can increase pressure on ecosystems (see Box 2).
- Promote the transfer of environmentally friendly technologies, which are often lacking in developing countries.
- Affect the level of "environmental friendliness" of the traded products: while trade in some products, such as organic produce, may be environmentally friendly, others products such as hazardous waste may be dangerous for the environment.
- Either improve environmental standards, or encourage companies to operate in places where more lax standards reduce production costs.

2.2 Trade, Environment and Development

Trade, the environment and development are increasingly connected in our globalized world. Understanding how they interact is important in achieving sustainable development.

- Industrialized countries' demand for certain products — such as organic produce or timber from sustainably managed forests — creates opportunities for developing countries to both protect their environment and provide social benefits. For instance, Amfri Farms in Uganda exports organic fruit and vegetables to Ireland through the Traidlinks/Heart of Africa scheme (see www.traidlinks.ie).

- At the same time, some developing countries fear that rich nations can use such environmental concerns to disguise trade protectionism, which favours domestic producers over those in the South. One form this can take is "green protectionism", in which an environmental pretext may be used to protect domestic trade (see Box 3).
- Trade and the exploitation of natural resources have helped to raise global income and improve the lives of many people. However, important development concerns have arisen where these changes have involved losses for some groups (such as small-scale farmers) and increased inequality both within and between countries. A 2005 UNEP study showed how trade liberalization has affected the rice sector in Senegal. It warned that environmentally-insensitive trade liberalization can lead to soil degradation, water pollution, biodiversity loss and deforestation. It also showed that many local producers — especially small-scale farmers — suffered from the drop in rice prices during the liberalization process.

BOX 3

"FOOD MILES" *VS* "FAIR MILES"[5]

Some people in the North now regard "food miles" – the distance food travels from farm to plate – as a key factor in choosing what goes on the dinner table. Air-freighted goods in particular are an issue, given the link with emissions and climate change. But when poor countries have built up a line of trade in air-freighted goods, the ethics of the situation become more complex.

The produce now air-freighted from Africa to the West is a case in point. Some 70 per cent of Kenya's green bean crop of exportable quality comes to the UK, for instance. The trade has drawn considerable criticism as a classic example of unsustainable consumption. But seen from the stance of poverty reduction, these markets are a major success story for Sub-Saharan Africa.

As a concept, food miles fail to take into account the social and economic benefits associated with the trade, nor other environmental impacts of the product. A fully informed choice involves finding a balance between environmental harm and developmental gain by:

- Measuring the degree of harm and putting it into the context of other food choices
- Putting the degree of harm in the context of Africa's current per capita right to natural resources, known as "ecological space"
- Measuring the degree of development gained from the trade.

3. Policy and Regulation

Two groups of policies and guidelines affect trade and the environment. One set, which includes multilateral environmental agreements (MEAs), aims to protect the environment. The other regulates trade itself and includes international law dictated by the World Trade Organization (WTO) and other bilateral and regional trade agreements.

3.1 Multilateral Environmental Agreements

Of over 200 multilateral environmental agreements (MEAs), 20 regulate trade or contain trade-oriented provisions, while seven are seen as crucial in the context of trade and the environment.

Among the earliest in the latter group is the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). It entered into force in 1975, and seeks to regulate trade in certain endangered species and their parts, as well as products made from them. Three annexes list species in which trade is restricted — ranging from a general prohibition on commercial trade to a partial licensing system.

The remaining six key MEAs relevant to trade are as follows:

MEA	Relates to trade in
Montreal Protocol	Substances that deplete the ozone layer
Basel Convention	Hazardous waste
Cartagena Protocol	Genetically modified organisms
Kyoto Protocol	Carbon (e.g. carbon credits) and clean energy technologies
Rotterdam Convention	Hazardous chemicals and pesticides
Stockholm Convention	Organic pollutants that persist in the Environment

3.2 International Trade Regulations

3.2.1 The World Trade Organization

The World Trade Organization (WTO) was set up in 1995 to liberalize trade by reducing or

removing barriers such as tariffs. It operates a system of rules for trade and provides a forum for its 150 members to negotiate trade agreements and settle trade disputes.

The WTO governs international trade through the General Agreement on Tariffs and Trade (GATT), which was created in 1947. At the heart of these agreements is the notion of trade without discrimination. All WTO members accord "most favoured nation" status to each other, meaning that no nation will be treated worse than any other.

They also agree to treat equally imported and domestically produced goods, services, trademarks, copyrights and patents once they have entered the market, under a principle called "national treatment".

A controversial exception to this principle, and one that relates to the environment, is the WTO's handling of "like products" that are commercially substitutable but have been produced in markedly different ways. Line-caught tuna is, for instance, produced in a more environmentally sound manner than net-caught tuna but the two final products are indistinguishable, so are classed as "like".

Multilateral trade negotiations under the WTO are long and drawn-out. The so-called Doha Round, which began in 2001, is important because it deals with the connections between trade and the environment. The Doha Declaration lists a dozen items addressing these links[6] as well as a number of environmental issues for negotiation. These include:

- Relationships between WTO rules and obligations set out in Multilateral Environmental Agreements (MEAs).
- Procedures for information exchanges between MEA secretariats and relevant WTO committees, and criteria for granting observer status to MEAs.
- The reduction or elimination of barriers to trade in environmental goods and services.
- The effect of environmental measures on market access, and the environmental benefits of removing trade distortions such as subsidies.
- The relevant provisions — including those to do with the protection of plant varieties, which is a part of biodiversity conservation — of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which aims to establish minimum standards of intellectual property rights such as patents and copyrights.
- Labelling requirements for environmental purposes.

Other key WTO provisions affecting the environment are contained in the Agreement on Technical Barriers to Trade (TBT), which covers standards-related measures that might represent non-tariff barriers, especially in the context of exports from developing countries. Some of these are technical performance standards a product must meet before import or export: these could include the energy efficiency standard for washing machines, for example. There are also environmental, health, labour or other standards that must be met during a product's lifecycle. Wood, for instance, may have to be sourced from a forest where timber is harvested sustainably, using techniques such as selective logging, to allow regeneration.

The WTO Agreement on the Application of Sanitary and Phytosanitary Measures is also directly relevant to the environment. It deals with standards designed to protect humans, animals and plants from certain hazards associated with the movement of plants, animals and foodstuffs in international trade. Although such measures are important, they may impose a substantial burden on producers from developing countries (see Box 4).

Subsidies are another WTO discipline with clear links to the environment, since they may artificially lower the costs of resources, leading to their overexploitation. The EU subsidies for fisheries are a prime example. West African countries have been selling off access to their waters to European and Asian fishing fleets for some years. European vessels, subsidized by the EU, have been fishing the waters to such an extent that many stocks there are now over-fished. Researchers at the University of British Columbia have estimated that fish stocks off West Africa have halved in the past 30 years.

In addition to this direct environmental impact, over-fishing has meant fewer fish for local people to eat. In Mauritania this has wiped out the

BOX 4

BRAZIL NUTS FROM BOLIVIA[7]

Brazil nuts are Bolivia's fourth biggest export, with most being exported to the EU. The nut grows wild in forests in the far north of the country where indigenous people harvest it by hand.

European demand for the nuts therefore supports rural livelihoods and promotes forest conservation in Bolivia. At the same time, however, strict EU regulations on food quality make these benefits insecure.

This is because Brazil nuts are prone to contamination by aflatoxins – poisonous and carcinogenic chemicals produced by mould. The EU has imposed a strict maximum level of aflatoxins on imported goods. This could seriously impede trade in the nuts.

The Bolivian government and traders, with EU assistance, have considered ways around the problem. Transportation and storage facilities will need boosting. Laboratory facilities have been set up and accepted by the EU to allow in-country testing of products, but such facilities and inspections generally end up involving large costs for Bolivian producers.

livelihood of traditional fisher folk called the Imraguen, and in Ghana it has created an indirect environmental impact — increased demand for bush meat often derived from endangered wildlife.[8] EU fish catches from West Africa rose 20-fold from 1950 to 2001, while subsidies rose from US$6 million in 1981 to more than US$350 million in 2001.

Similarly, the EU spends about half of its annual budget on subsidies paid to European farmers under the Common Agricultural Policy. These can distort trade and harm poor farmers, as surplus produce can be exported to developing nations and sold more cheaply than local crops. When poor farmers in such nations feel the squeeze and their livelihood options are reduced, environmental degradation often follows.

In 2005, the Commission for Africa concluded that rich-country trade barriers and subsidies "are absolutely unacceptable; they are politically antiquated, economically illiterate, environmentally destructive, and ethically indefensible. They must go."

Not all subsidies have a negative effect, however. Some can lead to environmental benefits when they are targeted to remedy the failure of markets to account for environmental costs of production, such as with subsidies for organic farming.

4. Towards a Better Integration of Trade and Environment

National governments need a better understanding of the complex relationship between trade and environment and how each affects development.

To develop the right set of supporting policies, they need to analyze the national and international impacts of their trade policies. The benefits of trade are not automatic, and policies that either increase benefits or minimize harm need to be in place to allow the net positive contribution to be maximized.

The international community can help with channeling resources and generating and disseminating information on the different connections between trade, environment and development; the variety and effectiveness of different sets of supporting policies; and providing capacity building to national governments.

Irish Aid can assist these efforts by:

- Considering trade in the context of both environment and human development.
- Analyzing local aspects of trade, environment and development to illuminate the connections between them.
- Supporting capacity building in research on international trade rules.
- Disseminating information on links between trade and the environment to policymakers.
- Supporting the participation of developing countries in international trade negotiations.
- Boosting the importance of valuing natural resources – which could generate sustainable trade in goods and services they provide.
- Promoting trade in environmentally sound goods and technologies.
- Promoting a pan-governmental approach to trade and environment through tapping into the experience and resources of relevant departments, and ensuring coherence in environment, trade and development policy using the Inter-Departmental Development Committee as a forum.

NOTES

[1] UNEP/IISD 2005.

[2] Millennium Ecosystem Assessment Board 2005.

[3] UNEP 2001.

[4] UNEP 1999.

[5] MacGregor, J. and B. Vorley 2006.

[6] UNEP/IISD 2005.

[7] Henson, S., R. Loader, A. Swinbank and M. Bredhal 1999.

[8] BBC Online 2004.

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16. WTO (1998), *India etc., vs US "Shrimp-turtle",* www.wto.org/english/tratop_e/envir_e/edis08_e.htm

Useful websites

- The Fairtrade Foundation **www.fairtrade.org**
- Food and Agriculture Organization of the United Nations (FAO): Trade in agriculture, fisheries and forestry **www.fao.org/trade/index_en.asp**
- The International Centre for Trade and Sustainable Development **www.icstd.org**
- International Property Watch **www.ip-watch.org**
- Third World Network **www.twnside.org.sg**
- Trade Justice Movement **www.tjm.org.uk**
- Traidlinks Ireland **www.traidlinks.ie**
- United Nations Environment Programme **www.unep.org**
- World Trade Organization **www.wto.org**

(www.irishaid.gov.ie)

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Committee on Trade and Environment
Special Session

Procedural and Technical Aspects of the Environmental Project Approach

Submission by India

Paragraph 31 (iii)

The following communication, dated 16 September 2005, is being circulated at the request of the Delegation of India.

I. Background

1. In fulfilment of the Doha Mandate and to achieve the sustainable development goals as enshrined in the WTO preamble and the Millennium Development Goals, we have proposed an alternate approach to the present negotiations under Paragraph 31(iii). This alternate approach, called "Environmental Project Approach", provides for tariff reductions on goods and appropriate concessions on services included in specific environmental projects. The objective of the approach is to address the environmental as well as developmental goals of the Doha Development Agenda through trade liberalization. The approach is need-based and objective-oriented, and brings in positive measures like capacity building and transfer of technology. It also addresses diversity in environmental standards with common and differentiated responsibilities, giving policy space to the national governments. This framework is particularly crucial for developing countries in the present negotiations.

2. The approach envisages bringing environmental gains in a focused, direct and quantifiable manner through appropriate market access in environmental goods and services in a composite way. The project approach substantially deepens and enriches the mandate of the Doha Ministerial Declaration to not only include market access but also to provide scope for developing countries to develop capacities and achieve national environmental priorities. It also brings in synergy between environmental goods and services, crucial for the benefit of developing economies.

3. Two submissions have previously been made to the CTESS[1] explaining the key elements of the project approach. This submission, besides elucidating on some of the positive measures of the project approach, seeks to addresses some technical and procedural aspects of the approach.

II. Some Positive Elements of the Project Approach

4. One of the important elements of the project approach, as already stated, is the synergy between environmental goods and services. The project approach recognizes this market trend and builds on it. Environmental products and related technological services are frequently provided on an integrated basis commercially. Firms bring together "horizontally" the range of materials and expertise to undertake an environmental project. They also associate "vertically" with firms specializing in different sectors. In the project approach, firms can procure goods and services from wherever they can access them at reasonable prices, on a comparative advantage basis; thus ensuring a gain in market access for world trade. Further, since these goods and services are being procured for a particular environmental project, the objectives of environmental benefit are addressed in a cohesive, focused, direct and integrated manner.

5. The project approach has been built on developing the mutual supportiveness of trade and environment. It is not a question of being import oriented or export oriented; rather it is impact oriented. Such direct impact on environment would not only improve the environmental performance of local industries but

would also increase a country's attractiveness for other foreign direct investment, while bringing benefits to the environment and health of the population.

6. Another important aspect of the project approach is to provide a framework for transfer of technology and for its adaptation by the developing countries. Development of technological capacity is a determining factor for building competitiveness of firms in developing countries; inextricably linked to this are the managerial or organizational factors and the management of technologies themselves. The project approach provides a framework by which these tools of technology transfer and adaptation (which can include design and manufacture, import of technical capital goods, management contractors, technical service contractors and other important methods) could be used to create forward and backward linkages with local firms and thereby increase their capacities for present and future market access. Such increased local capacity to produce goods and provide services under this multilateral negotiation would translate into increased export opportunities.

7. Non-tariff barriers are an important issue of the paragraph 31(iii) mandate. These are often intractable. The project approach can prove an effective mechanism for reduction or elimination of such barriers in respect of identified goods and services in an approved project.

8. In the project approach, goods and services required for the environmental project would be provided adequate market access. These goods and services will have direct use and can be related to the environmental objective for which they are being given market access. This brings in the crucial aspect of transparency in the market access. Since a project will be determined to have an environmental benefit at the national level, this approach also takes into account the diversity of environmental absorptive capacities of the WTO Members. The "list approach", in comparison, gives market access to a number of goods, which have dual or multiple uses. In most cases this aspect of dual or multiple uses is intrinsic to these goods and cannot be altered. This brings unpredictability to the outcome of the negotiations (whether we are able to achieve the environmental objective of Paragraph 31(iii) negotiations or not) and so, the results would not be transparent. The project approach, on the other hand, envisages reduction or elimination of tariffs on goods and services required for an approved project. Since these goods are required for the project which is aimed at addressing an environmental objective, the question of dual or multiple use of these items is either nil or, at least, minimized. Any subsequent appraisal can also establish the contribution of these goods in addressing environmental objectives, which in itself brings predictability and transparency to the exercise.

III. DNA to Facilitate Trade and Environment

9. The project approach envisages the creation of a Designated National Authority in every Member country. The DNA may comprise, for example, representatives from government, private sector, civil society or any other entities deemed appropriate by national governments. While it is for each country to determine the actual functioning of the DNA, we have envisaged that the role of the DNA would be to appraise the proposals. This appraisal would be technical and would be done in a specified period of time. Details that would be provided in any proposal would include the quantity and the tariff line of each of the goods required for the project. Similar information for services can also be provided in the same proposal. The role of the DNA would be to see that the information provided in the proposal is appropriate for achieving the objectives of the project. In case of non-approval of a project proposal, reasons for the same would be conveyed to the proposer, along with appropriate details, to bring greater transparency and predictability to the exercise. A fast-track approval process could be devised for SMEs.

10. Over a period of time, the DNA could perform the function of a nodal information point for all aspects of trade in environmental goods and services involved in environmental projects. For the purpose, it could maintain a database of the approved environmental projects with a complete list of goods and services included in them. This would not only provide useful guidance to the project proposers

but would also contribute to facilitating trade and building institutional memory. An effective consultation mechanism could be built into the process. The advantages of this approach in bringing into focus the environmental objectives would clearly outweigh any additional procedural requirements necessitated in achieving these transparency and predictability functions of the DNA.

IV. Organizational and Functional Linkage with the WTO

11. The project approach envisages a definite and clear-cut role for the CTESS. The CTESS provides the negotiating forum for agreeing on the approach to achieving the mandate of Paragraph 31(iii). Common responsibilities of the Member countries can be in terms of the objectives of the WTO and the various MEAs[2], for bringing in greater cohesiveness between trade and environment.

12. The issues and questions addressed above are intended to bring more clarity to the working of the project approach. We feel that the project approach addresses the mandate more appropriately than the "list approach". Member countries are invited to deliberate on both the structural and substantive dimensions of the project approach so as to fulfil the mandate of Paragraph 31(iii). We ourselves look forward to contributing further in this regard.

NOTES

[1] TN/TE/W/51 and TN/TE/W/54.

[2] For examples of environmental objectives see Paragraph 14 of TN/TE/W/51.

(TN/TE/W/60, 19 September 2005)

Structural Dimensions of the Environmental Project Approach

Submission by India

Paragraph 31 (iii)

The following communication, dated 4 July 2005, is being circulated at the request of the Delegation of India.

I. Background

1. This submission is a follow-up to our earlier submission[1] in which we had discussed an alternative approach for Paragraph 31(iii) negotiations of the Doha Ministerial Declaration (DMD). This submission deals with four principal aspects of the "Environmental Project Approach" (EPA) – (1) the EPA and environment & sustainable development, (2) the EPA and multilateral trading system, (3) the EPA and transfer of technology, and (4) the functioning of the Designated National Authority (DNA) under EPA. All of these clarify the feasibility and the potential for the operational success of this approach.

II. The EPA and Environment & Sustainable Development

2. It is significant that the original task of the CTE is to address trade and environment for sustainable development, and to make recommendations on whether any modification in the provisions of the multilateral trading system is required. It must also look at the environmental benefits of removing trade restrictions and distortions. *The mandate of Paragraph 31(iii) is essentially environmental-benefit oriented, and market access is a means to that objective;not the objective itself.*

3. Paragraph 31(iii) mandates the elimination of tariff and non-tariff barriers to trade in environmental goods and services. The World

Summit on Sustainable Development supports the "voluntary WTO compatible market-based initiatives for the creation and expansion of domestic and international markets for environmentally friendly goods and services, including organic products, which maximize environmental and developmental benefits through, *inter alia*, capacity building and technical assistance to developing countries". Both the DMD and the Johannesburg Plan of Implementation (JPOI) of the World Summit on Sustainable Development seek to promote sustainable development through trade, and in that sense there is an essential convergence of objectives; their approaches are, however, different. While the DMD focuses on removal of market access barriers, the JPOI largely focuses on the creation of market-based initiatives for environmentally friendly goods and services through capacity building and technical assistance to the developing countries.[2] These two mandates are not exclusive of each other. Not only do they share the same objective but the implementation of each, to a certain extent, is contingent upon the other. For instance, tariff/non-tariff barriers could reduce the effectiveness of market-based initiatives in expanding the market for environmental goods and services, resulting in a failure of Paragraph 31(iii) negotiations to produce credible results, if they are not supported by policies "*aimed at creating additional demand and increasing the capacities of developing countries supply capacities*".[3] There is, therefore, an urgent need to synergise the JPOI mandate with that of the DMD in order to effectively achieve the goal of sustainable development. ***In this sense the EPA substantially deepens and enriches the mandate of DMD to not only include market access but also to provide scope for developing countries to develop capacities and achieve national priorities.***

III. The EPA and the Multilateral Trading System

4. The multilateral trading system under the WTO is based on the principles of transparency, predictability and non-discrimination. It is a rules-based organization that is supported by a strong dispute settlement mechanism. The EPA also envisages a transparent and rules-based mode of functioning that is aligned with that of the functioning of the WTO. There are several reasons supportive of this contention.

5. *First*, it is the CTESS that would formulate the criteria to be applied by the Designated National Authority (DNA) in determining if an Environmental Project qualifies for tariff concessions on environmental goods and services. The DNA's role would be that of examining applications in the light of those criteria and other declared special and differential criteria such as transfer of technology, environmental goals mandated by the MEAs that the Member is a party to, and other environmental concerns that may be unique to a particular country. It is thus akin to the approach put forward by a Member country which calls for developing broad guiding principles as criteria for inclusion of environmental goods (and in this case, also services).

6. *Second*, the commitments to be made by Members on tariff reductions on goods or concessions in services to be given for approved environment projects would be negotiated with due regard to the principles of special and differential treatment, and less than full reciprocity.

7. *Third*, the fact that the criteria for projects are being discussed and determined based on environmental and sustainable development concerns, independently of NAMA considerations, is itself a guarantee that the EPA has transparency and predictability. An exporter would have the assurance that if the goods or services are part of a project that falls under the agreed criteria, his/her application would be given due regard. This too would ensure predictability and transparency.

8. *Fourth*, the concessions granted in terms of project specific tariff reductions in environmental goods and services would subsist for the time period of the project. The concessions granted are, therefore, entirely project driven. On the issue of dual use, it cannot be assumed that the assets created during the life of the project would cease to have relevance after the project ends. In all probability, these would continue to be used. Even in cases where the goods cease to have relevance once the project is complete, it is more than likely that the bulk of the productive life has been utilized for furthering the environmental objective. Thus dual use, if any, would be secondary and minor.

9. *Finally*, the CTESS will play a crucial role in determining the definitional boundaries of the word "project" in terms of the size and nature of the venture requiring the environmental goods and services as inputs in the production process. The "project" could range from large commercial ventures to individual purchases. The "project" need not be differentiated in terms of private, governmental, non-governmental or non-profit ventures so long as it meets the criteria. This would ensure transparency in the system. In this context we would also like to mention that the EPA could be accommodated in Chapter 98 of the HS Code Book of the WCO.[4]

IV. The EPA and Transfer of Technology

10. The inclusion of the principle of special and differential treatment in the application of the criteria agreed by the CTESS in the developing countries would further the objectives of sustainable development,[5] transfer of technology,[6] national environmental obligations mandated under the MEAs and promotion of country-specific national indigenous environmental priorities would be considered.

11. Agenda 21, while addressing transfer of technology issues in the context of Environmentally Sound Technologies (ESTs), puts forward a holistic definition that rejects ESTs as individual technologies and instead interprets it to be total systems which include know-how procedures, goods and services, equipments, and organizational and managerial procedures. It also states that ESTs should be compatible with nationally determined socio-economic, environmental priorities, obligates developed countries to facilitate access and transfer of technologies. Analogous to this is Paragraph 37 of the DMD that enjoins WTO Member countries to examine the relationship between "trade and transfer of technology, and of any possible recommendations on steps that might be taken within the mandate of the WTO to increase flows of technology to developing countries".

12. It has to be realized that the framework for such transfer of technology mechanism has to be co-operative, based on the principles of it being voluntary and mutually beneficial. The net benefit of co-operation via coalition would be more than the sum of stand-alone costs of Members, due to cost-complementarities. The CTE provides an appropriate forum for building such coalition and co-operation, and the EPA is an appropriate vehicle for this.

13. The EPA provides an opportunity for the validation and operationalization of the various environmental and development mandates in harmony and conjunction with each other and would provide synergy in the implementation. By allowing policy space to individual Member countries so as to internalize environmental priorities in trade policies, such transfer of ESTs would increase compliance with MEAs, enhance national capacity building in EGS and improve compliance with TBT and SPS requirements and thereby provide more market access.

V. Functioning of the DNA

14. The DNA is to be the nodal authority and also the national focal point for overseeing all approvals to be granted for tariff reductions on environmental goods and services related to a specific project that is to be implemented within the country. Its primary role would be to function as an authority that would appraise the project proposals for granting tariff concessions on goods and services. It would issue a notification to the custom authorities in this regard.

15. The composition and structure of the DNA would be determined by individual Member countries. The DNA could invite the participation of stakeholders across the board from the government, non-governmental organizations, etc. It could, therefore, be in the nature of a public-private partnership.

16. We could draw a useful analogy in this context from the structure and functioning of the DNA that has been mandated under the Clean Development Mechanism (CDM) of the Kyoto Protocol. The DNA under the Kyoto Protocol performs a similar task of project clearance of CDM projects on the basis of certain given criteria. It would be useful to draw insights from the experience of developing countries that have set up a DNA under the CDM. Thus for several developing countries the past experience of the setting up of the DNA under the CDM would

greatly contribute to their ease and expertise in setting up the DNA under the "environmental project approach". In fact in many cases, if considered appropriate, the Members can have one authority for both the purposes, or it can be different, based on how Members choose to operationalize it. This approach facilitates the engagement of most developing countries in contributing proactively and achieving their national priorities in a common but differentiated manner.

17. The DNA would streamline the entire process of project approval for environmental goods and services by providing for a single window clearance. This would also contribute in vastly improving trade facilitation by putting it into a fast track and would thus support the "win-win" strategy of negotiations on environmental goods and services.

VI. Conclusion

18. The "environment project approach", therefore, essentially envisages a broader and deeper role for the national governments of the Member states in defining, selecting and finally approving environmental goods and services for tariff reduction and concessions. It entails setting up of the DNA by each country at the national level.

19. In this context one also needs to adequately address the concern shown by Members about the progress of the negotiations and the forthcoming Hong Kong Ministerial meeting. It needs to be mentioned that the "list approach" has so far produced results that are below expectations of most of the developing countries, and has failed to garner effective participation from such countries. This is not surprising, since many of the developing countries have clearly expressed their inability to contribute effectively to the debate and have a perception that the "list approach" only succeeds in expanding market access for developed country products without concomitant benefits to developing countries, or even effectively addressing the proposed environmental objectives of Paragraph 31(iii).

20. The EPA is, therefore, India's attempt to introduce new thinking and engage the attention and participation of all Member countries so as to make the negotiations truly multilateral in functioning, and substantive in content. The objective of the negotiation should not be reduced to a mere exercise of chasing deadlines. ***It is crucial that the negotiations produce a result that is both substantive and holds benefits for all the Member countries. The approach is also simple in its content and easy to implement.***

21. We would like to reiterate that the "Project Approach" cannot be complementary to the "List Approach". It is a stand-alone approach and we would like to invite Member countries to think creatively, and deliberate on both the structural and substantive dimensions of the EPA. We would wish to contribute to further engagement on the approach.

NOTES

[1] TN/TE/W/51.

[2] Concept Note on "Environmentally Preferable Goods and Services: Opportunities and Challenges for Caribbean Countries" UNEP-UNCTAD Capacity Building Task Force on Trade Environment and Development; November 2003.

[3] *Supra note 3.*

[4] World Customs Organization.

[5] Preface to the Agreement Establishing the World Trade Organization.

[6] Paragraph 37, Trade and Transfer of Technology: "possible recommendations on steps that might be taken within the mandate of the WTO to increase flows of technology to developing countries".

(TN/TE/W/54, 4 July 2005)

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Environmental Project Approach – Compatibility and Criteria

Submission by India

Paragraph 31 (iii)

The following communication, dated 12 June 2006, is being circulated at the request of the Delegation of India.

1. The Environmental Project Approach (EPA) fully responds to the objectives of Paragraph 31(iii) of the Doha Ministerial Declaration, which seeks to eliminate tariff and non-tariff barriers to trade in environmental goods and services. It responds to the objectives in a much more effective and comprehensive manner by adopting an integrated approach to the mandate unlike the "list approach". The "list approach" is limited to tariff reduction in goods only, and does not address the explicit mandate to include environmental services; it does not address in any manner the issues relating to non-tariff barriers, and comes with the added baggage of being static, needing repeated negotiations and implementation problems due to classification issues.

2. A project-based or sector-specific approach is not new to the WTO. Negotiations during the Uruguay Round addressed sector specific issues, namely in the field of chemicals and pharmaceutical products, medical equipments, and information technology. Recently, the Doha Declaration on the TRIPS Agreement and Public Health is another such negotiation which focused on finding solutions to the public health issues relating to diseases, namely HIV/AIDS, tuberculosis, malaria and other epidemics. The WTO thus provides a regulatory framework to find common solution (like elimination of tariffs) or creates necessary policy space for the Member countries to address the problems unilaterally (such as, by recourse to compulsory licensing of patented drugs). These examples show that Members have been able to address sector specific objectives within the general WTO regulatory framework. The EPA, therefore, is not an exception; rather it is in line with the general structure of the multilateral trading system, providing appropriate answer to address specific environmental problems of the Member countries.

3. It has been argued that EPA does not provide predictability or transparency. In fact, the underlying philosophy of the EPA proposal does address these objectives. EPA will multilaterally define policy space for Member countries for tackling and addressing their environmental problems in a manner which is efficient and commensurate with their needs and levels of development. EPA defines the WTO framework within which Members will undertake and implement specific projects. It seeks to define the boundaries and parameters by which privileged market access can be granted for the products for the environmental projects. EPA will also include the parameters under which such projects can be undertaken as well as the criteria that would be applied by any Designated National Authority (DNA) to determine whether a proposed environmental project qualifies for tariff concessions on environmental goods and services .

4. Questions have been raised about the lack of novelty or additionality offered by the EPA as Members unilaterally undertake and implement environmental projects. Unilateral action by Members does not assure privileged tariff access to other Members. The importance and value of creating an appropriate legal framework in the WTO needs to be recognized in this context. Agreement in CTESS on definitions and criteria of environmental projects would create predictability and legal security to this arrangement. It would not only be able to address global environmental objectives but would also be able to address the individual national environmental goals thus being need-based and objective-oriented. Since the adopted global projects would be as per the CTESS agreement, domestic implementation of the framework would be subject to dispute settlement,

(Contd. on page 44)

An Alternative Approach for Negotiations under Paragraph 31 (iii)

Submission by India

The following communication, dated 2 June 2005, is being circulated at the request of the Delegation of India.

I. Background

1. The Doha Ministerial Declaration (DMD) mandates Member countries to negotiate on *the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services with a view to enhancing the mutual supportiveness of trade and environment*. The intent inherent in this is to bring economic benefits (promote dynamic efficiency in production and greater access to consumption goods at lower prices), developmental benefits (addressing basic human needs in terms of the Millennium Development Goals) and environmental benefits (promote sustainable modes of production and consumption), and achieve gains from trade with improvement in environmental quality so that it leads to "win-win" situations.

2. Following the Ministerial Mandate, identification of environmental goods has been at the core of the negotiation process so far. A number of Member countries and groups have made their submissions. New Zealand has called for a pragmatic approach to the negotiations in which the Members could "define (environmental goods) by doing". It suggested that certain reference points would guide the identification of environmental products.[1] It also expressed a preference for adoption of a "single consensus list" of environmental goods but stated that a dual-list approach could also be considered in the event that agreement on one list could not be obtained. New Zealand also introduced the concept of a "living list" which would allow an agreed list to be updated for technological progress. The EC also urged a "pragmatic" and "innovative" approach. The EC's suggestion is to develop guiding principles for identification of environmental goods, so as to include goods used in pollution control and resource management and goods that have a high environmental performance or low environmental impact.[2] It suggested that negotiations should define categories general enough to cover all related technology for given purposes. The South Korean submission has presented an initial list of environmental goods which has been created on the basis of criteria viewed by South Korea as "practical" and which could be "broadly accepted and applied by WTO Members".[3] Some countries have also argued that the environmental goods can include goods produced in an environmentally friendly manner. The United States (US) attempted to address the environmental goods negotiations in a "creative" and "flexible" manner. It proposed the use of two lists - Core and Complementary. The Core List would deal with two categories: Environmental Remediation and Pollution Prevention and Clean Technologies.[4] This list, as suggested by the US, would be arrived at by consensus and definite concessions would have to be committed. The Complementary List would contain products on which consensus could not be arrived at.

II. Problems with the "List Approach"

3. The discussions in the CTESS over the last three years have been on potential criteria, definitions and classification of environmental goods; but the ambiguity continues. Suggested definitions have varied between "limited primarily to pollution prevention activities" to "extend beyond simply end-use criteria". Though there has been constructive engagement on the subject, there is need to move forward. The Chairperson of the CTESS has also reported to the Trade Negotiations Committee that Paragraph 31(iii) of the DMD would emerge as the most likely candidate for tangible progress for the Hong Kong Ministerial Conference.[5] But proposals for the composition of the final list show wide divergence of opinion. This is a cause for concern. In fact there is a growing feeling that the direction of negotiations so far have focused on goods which are likely to give highly industrialized countries a comparative advantage.

4. Many of the items suggested for inclusion in the Lists have dual use. Though these items may be utilized for an environmental purpose, other industrial applications of such goods are also significant. Examples include electricity meters, liquid flow meters, heat exchangers, conveyers and centrifugal drums. The list of environmental goods contains equipments, which cannot even be considered to be *predominantly* used for environmental purposes, for example suggestions for inclusion of consumer appliances, such as microwave ovens, energy efficient refrigerators, etc. If preferential tariff treatment, including zero tariffs, is to be given to dual use and consumer goods, there would be significant ramifications for industrial sectors, particularly in developing and least-developed countries where industry is largely dominated by small and medium enterprises (SMEs).

5. Further, most SMEs lack in resources to invest in research. As most environment-related technologies of the developed world are under intellectual property protection, technology transfers either do not take place or come with export restrictions and other conditionalities. Also, these technologies have been developed keeping in view the factor endowments and environmental standards of developed countries, and so are not always appropriate to developing countries.

6. Some developing countries have been promoting growth of indigenous pollution prevention and pollution control enterprises so as to provide low-cost solutions to environmental problems based on standards appropriate to the countries, also taking into account the carrying capacities of the receiving environment and affordability of the SMEs. Development of these enterprises is vital for finding location-specific solutions consistent with the stage of development and also for capacity building. The likely impact of unrestricted concessional duty import of environmental goods and services (EGS) would be highly adverse to the development of these enterprises.

7. Further, merely permitting the flow of a number of goods into a country does not seem to achieve any particular environmental objective. It is too diffused an approach. If environmental ends are to be successfully met, then the approach would have to be more focused.

8. Rather than addressing the environmental concerns of developing and least-developed countries, the "List Approach" would expose them to the adverse effects of increased market access and competition without any compensatory benefits, as the duty concessions are open-ended and permanent.

9. Even if the goods included in the list are not dual-use ones, SMEs, which produce a large part of the environmental goods in most of the developing countries, could lose their markets, and be rendered unviable. The long-term effects of such an eventuality not just on the economies of developing countries, but also on the sustainability of their indigenous pollution control and environmental upgradation programmes would be adverse.

10. One of the objectives of the WTO is conducting trade with a view to achieving sustainable development by allowing for the optimal use of the world's resources; and the key objective of the Doha Mandate is to ensure the development dimension of the WTO through the results of the Work Programme. Ways and means to address questions relating to environmental imperatives, poverty alleviation, and creation of additional wealth in developing and least developed countries seem to be adversely impacted by the "List Approach".

11. Also, the negotiations so far have primarily been on environmental goods, and the issue of environmental services has not been addressed in a significant manner. The mandate includes environmental goods as well as environmental services. It needs to be emphasized that there are many environmental activities that entail the delivery of services in conjunction with use of goods. The separation of services and goods in a particular environmental activity is difficult, as these are very often integrated. The "List Approach" treats these in a mutually exclusive manner, which is not appropriate.

III. "Environmental Project" Approach

12. In view of the issues involved in the "List Approach" for environmental goods, an alternative approach is proposed, i.e. the "Environmental Project Approach". This approach would address diversity in environmental standards with common but differentiated responsibilities and would bring

in trade liberalization to meet the environmental as well as development goals of both the Doha Development Agenda and Agenda 21. Under this approach, a project, which meets certain criteria, shall be considered by a Designated National Authority (DNA). If approved, the goods and services included in the project would qualify for specified concessions for the duration of the project.

13. The projects would be decided by the DNA and could include those aimed at meeting national environmental objectives as well as objectives of any bilateral or multilateral environmental agreement. They would include, *inter alia*, equipment, parts and components, consumables, services, investment, financial aid and transfer of technology. The commitments that Members agree to undertake may include (a) reduction or elimination of tariffs on import of all project related goods; (b) reduction, elimination or appropriate treatment of standards, licensing restrictions, non-tariff barriers and other related issues; (c) specific commitments required in all modes of service delivery.

14. The broad criteria for "environmental projects" could be agreed upon in the CTESS with due consideration to the policy space of national governments. The projects may, among others, include: Air Pollution Control; Water and Waste Management; Solid Waste Management; Remediation and Clean-up; Noise and Vibration Abatement; Environmental Monitoring and Analysis; Process Optimization; Energy Saving Management; Renewable Energy Facilities; and Environmentally Preferable Products.

IV. Advantages of the "Project Approach"

15. The "Project Approach" would address the mandated requirements in a cohesive, focused, directed and integrated manner. The commitment of each Member government will be commensurate with clearly identified environmental benefits to be achieved, since the approach is based on a conscious national assessment of both developmental and environmental concerns specific to each Member country by the Member country itself within the broad parameters agreed upon in the CTESS. It is a need-based and objective-oriented approach.

16. Since each project would be contemporary, it will address the changing needs of Members and there would be an incentive to employ the latest technology and products. This, in a way, will be a "living list", as suggested by one Member. This approach is dynamic as it would take into account the evolving nature of environmental technology and equipment and reduce or eliminate tariffs on a contemporary list of goods and services; the list would not be a static one requiring periodic renegotiations for its expansion, as would be the case in the "List Approach". The "Project Approach" meets the suggestion of another Member for a "pragmatic and innovative approach", as it seeks to directly address the concerns for achieving the environmental goals. It is "practical", as suggested by yet another Member. Also, since there is sufficient policy space for the national governments to achieve the environmental objectives, the approach provides ample "flexibility" to the national governments.

17. Since the tariff concessions would be available for goods used in the project for a finite period of time (even if extended), the concerns expressed regarding dual use are mitigated. This also has a significant bearing on the national revenue, particularly from a developing country perspective. Although there will be revenue loss to the Member country due to concessions offered, such loss will be out of a conscious decision, looking at the environmental objectives of the country. The concessions given for the goods and services for the project would not result in any undue leakage of national revenues, because the revenue authorities could effectively address any diversion due to the specific "project" nature of such concessions.

18. Under the "Project Approach", positive measures like capacity building, technology transfer and technical assistance would be strengthened as national authorities would factor them into their decision of designating environmental projects. Since environmental projects could also be a part of infrastructural investment, they would not only result in benefits of capacity building, but also enhance market access opportunities.

19. The "Project Approach" would neither immediately affect the market access schedules of Members nor would continuous negotiations and

amendments be needed to accommodate newer environmental goods and services.

20. There is a clear conceptual difference in the tariff reductions and elimination of non-tariff barriers desirable for the mutual supportiveness of trade and environment, and those to be achieved towards greater market access in general. The "Project Approach" exemplifies the former.

21. This is a concept paper and it is recognized that various aspects of the "Project Approach" will need a greater level of clarity than presently offered. We look forward to discussing the issues to further develop this concept.

NOTES

[1] New Zealand's submission TN/TE/W/46 on 10 February 2005.

[2] EC's submission TN/TE/W/47 on 17 February 2005.

[3] Korea's submission TN/TE/W/48 in the CTESS on 18 February 2005.

[4] US' submissions TN/MA/W/18/Add.5 and TN/TE/W/38.

[5] Report by the Chairperson of the CTESS to the Trade Negotiations Committee, TN/TE/11, dated 14 March 2005.

(TN/TE/W/51, 3 June 2005)

(Contd. from page 40)

as in other areas of the WTO law. Administrative decisions taken can be reviewed along the lines of reviewing determinations of anti-dumping and countervailing measures under the WTO Agreements by the dispute panels and the Appellate Body. This would enable traders to assess conditions for participation and market access. All these legal commitments enhance legal security of the EPA.

5. It must also be noted that environmental goods are in any case included in the product coverage of the ongoing tariff negotiations – both NAMA and agriculture, EPA does offer additional binding tariff concessions. The CTESS would agree on the appropriate criteria, definition, and types of environmental projects. Goods imported for the projects would be eligible for appropriate tariff concessions. This certainly provides predictability to the exporting countries. Member countries implementing such environmental projects would therefore guarantee additional market access on the agreed terms for the duration of the project, which cannot be withdrawn during the period of the project. This binding would also be available for spare parts for the equipment or goods used in the project. This temporal binding of commitments under the auspices of the WTO would be an element of multilateralism. Regarding scheduling of Members' commitments under this approach, the format can be finalized by taking into consideration the different kinds of schedules used in the WTO under different types of agreements, such as the GATT schedules, the GATS schedules, the GPA schedules, etc.

6. The EPA does not conflict with MFN principles of GATT. Specific products would obtain privileged market access without reference to the origin of the product. Such preferential access is not granted on the basis of the products originating in a particular Member country, as in the case of FTAs or Customs Unions, but because it complies with the requirements of the EPA. Products from all Members will equally qualify to compete for the project. The EPA adheres to the MFN principle better than several practices presently followed by Members such as country specific tariff rate quotas, whereby the same product receives different tariff treatment depending on its origin and on the quantity of imports. In any case, Members are entitled to rely upon the criteria relating to the end-uses of products in a given market, to that extent a product used for a specific environmental purpose could be distinguished from the same products used for a different purpose (reference can be made to the Border Tax Adjustment Report of the Working Party, adopted on 2 December 1970, BISD 18/S (1972) Para 18).

7. The EPA is in line with the overall goal and working of the WTO to achieve sustainable development and to bring synergy between trade and environment. The role of the Designated National Authority can be built in a manner so as to provide transparency and access to project-related information. Other legal concerns (if any) can always be taken into account while negotiating an appropriate framework and agreement.

(TN/TE/W/67, 13 June 2006)

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