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From the Director's Desk

K.T. Chacko

The issue of trade and environment has assumed alarming proportion in the context of global climate change. Both developed and developing countries are seriously contemplating on how to reduce emission significantly, so that risk to world environment is minimized. In this regard, series of consultations have been carried out to arrive at a consensus so that a sustainable world environment is in sight.

Earlier, WTO in its Doha Ministerial conference in 2001 had brought the issue of trade and environment into sharp focus. It played a crucial role in sensitizing all its member countries to cooperate and enhance mutual supportiveness in the attempt to promote trade of environmental goods and services, keeping in mind that a sustainable environment will be the primary concern.

World economy is currently witnessing increased trade of environmental goods and services. Classification of such products or services especially in a world of technological advancement, which are good for the society and environmental friendly, is difficult. Besides, many environmental goods would have environmental and non-environmental use. Cost of technology and its affordability *vis-a-vis* low cost technologies adopted in many developing countries needs to be worked out. All these constraints are posing a big challenge for the world environment to remain sustainable.

Against such a backdrop both developed and developing countries need to deliberate in hammering out an alternative environmental proposal which would be more effective and workable, keeping a clean world environment, in view.

Trade and Environment: Where does Climate Change Stand?

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.

* Fellow, 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

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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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NEWS (NATIONAL/INTERNATIONAL)

FTA with EU Stuck on Non-Trade Barriers

APART from trade issues, the Free-Trade Agreement (FTA) negotiations between India and the European Union (EU) continue to be stuck over non-trade issues like human rights, child labour and environment.

Ahead of the beginning of a new round of trade talks, EU parliamentarians, who are on a trip to India to step up the engagement between India and the EU, maintained that non-trade issues remain a critical part of the India-EU free-trade negotiations.

Sources said all issues, including rules of origin, trade in goods and services, would be discussed in the new round of negotiations. Also, there is hope that the new round of talks will yield some forward movement. Even though the European Union negotiators' priority remains trade issues, non-trade matters have also acquired importance in view of the focus from the European Parliament. "The issues of human rights and social rights...environmental issues are very important for the European Parliament," said Lena Kolarska-Bobinska, Vice-Chairwoman, delegation for relations with India. She added these are not issues on which EU was ready to compromise. "These are not issues which we can leave aside. This is important for parliamentarians," she added.

A senior official in New Delhi pointed out that Europe remains one of India's biggest trading partners, investment is growing and there is interest in having a strategic cooperation with EU, but the attempt to bring in non-trade issues into free trade remains a spoiler. India has already expressed opposition in earlier negotiations to non-trade issues being attached to an FTA negotiations and has said there are other forums for addressing these issues. It is also seen as an attempt to bring in labour and environment issues through the backdoor.

Despite differences, there is a keen desire on both sides to see the conclusion of the free-trade agreement and deepen EU-India economic engagement. "We would like to achieve it (free-trade agreement) this year," said Graham Watson, chair of the eight-member delegation. "The Indian side has its red lines and we have our red lines," he said, but added there is a mutual interest and recognition that the free-trade agreement was the way forward.

(*The Economic Times*, 27 April 2010)

Brazil, SA, India & China Assert BASIC Status

AT its third meeting in Cape Town, the BASIC group (comprising Brazil, South Africa, India and China) sought to re-establish its developing country credentials. The four advanced-developing countries made it clear that their forum was firmly anchored in the developing country bloc of G-77 and China.

The BASIC group trotted out the long-held positions of developing countries on issues like common but differentiated responsibility, historical responsibility and Kyoto Protocol.

At the same time, in an effort to counter the perception that the BASIC was charting a course separate from the G-77, the environment ministers floated the concept of "BASIC plus". The BASIC plus approach would allow for consultations with other countries and groups "in order to facilitate the resolution of contentious issues in the negotiations".

Environment Minister Shri Jairam Ramesh said the details of the "four plus" approach will be

worked out by the Rio meet of the group. The BASIC ministers have acknowledged that the non-participation of the US in a climate deal presents the biggest problem. Unlike the other industrialized countries, the US is not party to the Kyoto Protocol, which makes it mandatory for developed countries to take on emission reduction targets. Not legally binding the US into an international climate agreement in effect means that it does not need to make "comparable efforts" to reduce emissions.

(*The Economic Times*, 27 April 2010)

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)

India Inc Sees New Biz in Japan's Carbon Trade Scheme

JAPAN'S cap-and-trade programme to reduce emissions could open a new market for Indian carbon trade participants. Traditionally, Indian companies have sold their carbon credits to European countries.

Some Indian companies such as Delhi Metro Rail Corporation have entered into carbon trading deals with Japanese players - but such moves have been largely voluntary and sporadic. However, a recent Japanese Government move that makes it binding on companies to limit their emissions is likely to benefit Indian sellers. The Japanese Cabinet recently endorsed a draft climate bill that seeks to cap industrial emissions besides forcing the country into the $132-billion carbon credit trading market.

"There is a growing interest from Japan in buying carbon credits from India," said Shri Aseem Chaturvedi, senior consultant at Emergent Ventures, a New-Delhi based carbon advisory firm. Emergent had done three deals for the Japanese buyers about two years ago. "The Japanese buyers have come back and we are in discussions with them," Shri Chaturvedi said.

Japan aims to reduce its emissions by a fourth compared with the 2000 levels by 2020. To comply with the emission targets, Japanese companies can implement their own energy saving measures or buy energy credits under the cap-and-trade system from other entities that have reduced emissions. Details of such a cap-and-trade programme were expected to be worked out within a year.

"Japan could be a market for Indian sellers, but it is too early to comment on the potential market size," said Shri Uma Maheshwaran, deputy team leader at GTZ. However, post Kyoto credits could find a way to the Japanese market, Shri Maheshwaran said.

India is the second largest seller of certified emission reduction (CER) certificates after China. India accounts for about a fourth of the 2144 Clean Development Mechanism (CDM) projects registered with the United Nations Framework Convention on Climate Change (UNFCCC). The country accounts for a fifth of the 41.14 crore CERs issued by UNFCCC.

(*The Hindu Business Line*, 16 April 2010)

G-77 Foils US-EU Bid to Spike Kyoto

THE climate of distrust between developed and developing countries, that marked the Copenhagen conference, intensified during the first round of climate talks in Bonn. Industrialized countries sought to move away from a two-track negotiating process to a content-based process, which would cut across the Kyoto Protocol and Bali tracks of negotiations.

This was seen as an attempt to do away with the Kyoto Protocol and make Copenhagen Accord the basis for future negotiations. Developing countries stood off this attempt, describing it as undemocratic and inadequate.

The US has been pushing for the Copenhagen Accord as the basis of negotiations. In Bonn, the US found more takers among developed countries. The EU, along with Russia and Switzerland, attempted to introduce the practice of issue-based

discussions that would cut across Kyoto Protocol and Bali tracks of negotiations.

For now, developing countries led by G-77 and China have held off this attempt. Developing countries argued that the Copenhagen Accord was a political document that could assist in building consensus. However, it could not become the basis of negotiations. Additionally, the accord is also silent on key issues, therefore negotiations under the two-track process was the only way forward.

The EU, which is seeking to regain its central role in climate change politics, maintained that it was committed to the Kyoto Protocol. However, it pushed for the need to focus on substance, with the aim of reaching an agreement on core elements in the current year.

Countries like Russia and Australia suggested that work on the Kyoto track had been completed as the all Annexe I (industrialized) countries had submitted their pledges for emission reduction as per the Copenhagen Accord. A position that was not acceptable to developing countries. The African group, Alliance of Small Island States and Bolivia stressed that the commitments submitted under the Accord by the developed countries were not adequate as it would not restrict temperature rise to 2 degrees Celsius. India and China said parallel discussions in both the Kyoto and long-term cooperative action (that is the Bali track) was crucial. Resisting the move to suspend talks, they said outcomes on the Kyoto track was essential to ensure that the 2 degrees Celsius temperature threshold was achieved.

(*The Economic Times*, 15 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)

Heat Over Carbon Tax

IF a carbon tax is to be devised at all, it should wait for the current confabulations at the multilateral level to lay down acceptable ground rules.

The Minister of State for Environment and Forests, Shri Jairam Ramesh, has taken initiative to counter the threat from the US and Europe to impose a carbon tax on Indian exports by retaliating that New Delhi would take such measures to the dispute settlement system of the WTO. What the hints dropped by Washington and Brussels on the imposition of such a tax reveal is that some of the leading players in the climate debate are bent on pressuring major developing economies such as India, China and Brazil to curb environmental pollution, even if such action affects their economic growth adversely.

Clearly, such attempts on the part of the developed world cannot be allowed free play at this juncture for two reasons. The first one is, since the climate debate is currently on, resorting to any measure by the rich countries to put pressure on other economies on the climate issue will be considered improper and unwarranted and will be opposed. Further, a proposed carbon tax must necessarily be based on the volume of carbon emissions by the "errant" economies, including determination of an acceptable emission rate before any penalty system can be devised. This is precisely what the ongoing climate negotiations are all about. New Delhi is itself currently involved in planning an international conference later in the year which, among other things, would aim at working out an equitable system for sharing the limited carbon space flowing from the two-degree Celsius temperature-rise cap under the Copenhagen Accord. If a carbon tax is to be devised at all, it

should wait for the current confabulations at the multilateral level to lay down acceptable ground rules, which then can form a scientific basis for the implementation of any such measure. Secondly, given that the Doha Round has yet to be concluded, the carbon tax cannot be justified under present WTO rules. In any case, the declared WTO focus is on the liberalization of trade in environment-related goods and services and not on punitive measures affecting the free flow of trade on the ground of "violation" of non-existent environment standards.

India will not have difficulty in putting up a strong case at the WTO against any carbon-tax on Indian exports. The point has been repeatedly made that issues such as labour and environment do not fall under the auspices of the WTO but should be dealt with by bodies such as the International Labour Organization and the UN Environment Programme. There is now talk of a carbon-tax being imposed selectively suggests that some developed economies do not have much faith in the multilateral negotiating mechanism on the climate issue and are willing to take unilateral steps to get their way.

(*The Hindu Business Line*, 2 April 2010)

Eco Clearance may become Stricter

THE Minister for Environment, Shri Jairam Ramesh, said that there were about 99 projects seeking environmental clearance as of year-ended 31 March.

Addressing a press conference, Shri Ramesh said there were 67 proposals seeking forestry approvals. Proposals from sectors such as steel, coal and thermal energy dominate the project list seeking approvals. About 95 per cent of the projects seeking environmental clearances have been approved whereas 85 per cent of the proposals seeking forestry clearances have been cleared.

"We have been liberal in the past and no longer can afford to be. I am trying to increase the rejection rate," Shri Ramesh said. There has been a determined effort to bring transparency and professionalism in granting the environmental and forestry clearances, he said.

Shri Ramesh maintained that his Ministry was sensitive about clearing projects. "However, the projects cannot be cleared without maintaining the integrity of the three laws governing the sector — the Environmental Protection Act, the Forest Conservation Act and the Wild Life Protection Act," he said.

In the coal sector, Shri Ramesh wants his Ministry to be involved in the early stages of the coal block allocation process and is in favour of an analysis of 'go' and 'no-go' areas before the blocks are allotted. 'Go areas' are those where mining could be permitted while 'no-go' areas are those forest areas where mining is prohibited.

On highway clearances, Shri Ramesh said the actual onsite expenditure at the project will not take place till the MoEF approvals were in place even though the project has received approval from the Cabinet. Further, Shri Ramesh said that the Government has decided to shelve two hydel power projects — the 381-MW Bhaironghati project and the 480-MW Pala Meneri project on river Bhagirathi in Uttarakhand and suspend work on the 600-MW Loharinag Pala in the State.

The Government's move to scrap these projects comes in the wake of strong resentment among locals and environmentalists against these projects that threatened the flow of the river.

Shri Ramesh said a five-member panel consisting of members from Central Water Commission, IIT, NTPC and Environment Ministry has been set up to study the possible impact of abandoning the Loharinag Pala project midway. NTPC, which is executing the project, has already spent Rs 600 crore on the project completing about 30 per cent of the work.

(*The Hindu Business Line*, 1 April 2010)

UN Official Expects No Climate Deal until 2011

A NEW legal agreement committing nations around the world to curb greenhouse gas emissions is unlikely to be completed before the end of 2011, two years later than originally envisioned, the top UN climate official said.

Yvo de Boer, Executive Secretary of the UN climate change secretariat, said countries need to

restore confidence in UN negotiations following the dismal results of the Copenhagen summit in December, which ended in a vague agreement of principles and a pledge of finances for poor countries most threatened by climate change.

The next annual conference in Cancun, Mexico, beginning in November should get negotiations "back on track" among the 194 participating nations, with the aim of agreeing on the main elements that could be enshrined in a binding agreement a year later in South Africa, Mr. de Boer said.

In talks in London, Britain proposed a possible two-track process for a new global emissions pact, in hopes of reviving the stalled talks.

The country's Energy and Climate Change Secretary Mr. Ed Miliband suggested that if nations continue to founder in negotiations on a single binding pact there could be two treaties, rather than one. Mr. Miliband suggested the 1997 Kyoto Protocol, an emissions reduction pact which is due to expire in 2012, could be extended to set binding targets for the countries signed up to the process. A second treaty would cover countries who have never signed up to Kyoto, including the US and China, he said.

"We do not want to let a technical argument about whether we have one treaty or two derail the process. We are determined to show flexibility as long as there is no undermining of environmental principles," Mr. Miliband said.

Mr. de Boer urged the negotiators to stop discussing key issues in isolation and to take a holistic approach towards adapting to climate change, deforestation, transferring technology to poor countries and curbing carbon emissions.

Formal UN negotiations were set in motion in 2007 to reach a deal within two years that would succeed Kyoto, which set targets for 37 industrial countries to cut carbon dioxide and other greenhouse gas emissions blamed for raising the Earth's average temperature. Scientists warn that global warming will cause disruptions in agriculture, increase water shortages and could lead to a dramatic rise in sea levels and coastal flooding if the arctic ice sheets melt.

The Copenhagen Accord, a three-page deal salvaged in the closing hours of the summit, set a goal of limiting global temperatures to less than a 2 degree Celsius (3.6 degrees Fahrenheit) increase above preindustrial levels, but didn't say how that should be achieved. It pledged $3 billion over the next three years for poor countries to adapt to climate change and asked countries to submit pledges for curbing their carbon emissions.

The UN climate secretariat released its official report on the Copenhagen conference and listed voluntary commitments from 75 industrial and developing countries to reduce or limit the growth of their emissions by 2020. The report said those countries represented 80 per cent of global emissions from energy use.

Negotiators had originally set 2009 as the target date for a new climate treaty to allow time for ratification and ensure a seamless transition when the Kyoto Protocol expires in 2012. Failure to replace Kyoto in time could lead to a legal gap when no binding rules are in place. But Mr. De Boer said he expected countries to continue their climate change policies with or without a new accord. If a deal can be reached in South Africa, "we will have made it in time."

(The Times of India, 1 April 2010)

Carbon Tax Only after Other Possibilities are Exhausted, says EU

A BORDER carbon tax at the region's border should only be considered after other options have been looked at, a key EU official has said. Though the tariffs remained "in the tool box" a decision on their use "if needed at all, should be made at a later stage, after we exhausted efforts to reach an international agreement," said Mr. John Clancy, the spokesman for European Commission for Trade, Mr. Karel De Gucht.

"The best approach to addressing the risk of carbon leakage is a good international climate agreement," that would bring in all players and "avoid counter productive unilateral actions among partners," he added.

His comments came as the Environment Minister, Shri Jairam Ramesh, warned that the country could go to the WTO dispute settlement

forum should the EU and the US place a tax on carbon emissions on exports from outside the EU a view championed by the French President, Mr. Nicholas Sarkozy, who has dropped plans for a carbon tax at home but raised the border tax as an "essential question" at an EU summit.. However, Mr. Sarkozy has failed to garner much support in Europe, and Mr. De Gucht, who recently took over his position as trade commissioner, has been one of the leading sceptics, warning in an interview to the *Financial Times* back in January that such a measure could lead to a "trade war."

Mr. Clancy said that the EU analysis to date had pointed to a number of drawbacks to the idea of the tariff, including challenges to administer because of the difficulty of determining the carbon content of imported goods, the negative impact on consumers of higher input prices, and WTO compliance. The Commission is currently in the midst of preparing a report on the situation of "carbon leakage" which will be published by the end of June.

(*The Hindu Business Line*, 31 March 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)

It's Wrong to Club Trade Talks with Environment: Commerce Secy

INDIA strongly opposed any move to mix environment issues with trade talks, saying such a mixture could upset developing countries' trade agenda. "Environment is a separate subject and there are multilateral forums...that the place where they (environment) go. When you try to blend them, the mix can be combustible," Commerce Secretary Rahul Khullar said.

Dr. Khullar, who is India's chief negotiator at the WTO, said that efforts are being made to push non-trade related issues like environment through the "back door" in the multilateral talks for a global trade deal.

"...Environment related issues are being brought on international agenda and there are serious moves to bring it through the back door into the WTO," he said. However, he said the environment issue may not come up in the ongoing Doha Round of global trade talks.

"I don't think they will come up during the Doha talks but the problem is (that) it is too much

in the air already and it is not possible any longer to pretend that this will not happen...2-3 years from now this (environment) will be a live issue, we better be ready," he said."

Developed economies like the US and EU are contemplating certain rules in relation to trade and environment which will have a significant implication for their border trade measures such as carbon taxation system for imports.

(*The Financial Express*, 19 February 2010)

India Gets Ready to Confront EU on 'Impending' Carbon Tax

THE Commerce Department has begun mobilizing opinion on the proposed carbon tax that developed countries, especially the European Union, are looking to impose on imports from advanced developing countries like India and China.

The Centre for WTO Studies, a research body under the Department, has come up with a report on the WTO compatibility of border trade measures for environmental protection that also delves into the possible effects of such a tax on India's exports. The idea is to be prepared to fight the issue once the need arises, Commerce Secretary Rahul Khullar said.

The products that could be immediately hit by a carbon tax include iron & steel, aluminium, pulp & paper products, cement, glass and chemicals, the report said. While the EU justifies the proposed tax as a measure to create a level playing field between polluting developing countries and countries that have agreed to cut emissions under the Kyoto protocol, the feeling in India is that it may be yet another step to render exports from certain countries incompetitive.

"It is not possible to pretend any longer that this (imposition of carbon taxes and related measures) is not going to happen," Dr. Khullar said, adding that in two-three years time this would be a reality and it made sense to prepare for it. The Commerce Secretary, however, stressed that India was not in favour of including environment in the trade liberalization negotiations taking place at the WTO. "There are other forums for framing global environmental laws," he said, releasing the report.

The report, which describes the various forms under which environmental taxes can be levied and the various methods under which they could be challenged at the WTO, is a first in a series of other such reports. "The idea is to make everybody understand what the issues are in simple terms and generate a debate," Dr. Khullar added.

With environmental issues capturing global imagination, especially after the Copenhagen Climate Conference last December, India feels that there is not much time to waste as developed countries could impose a slew of related restrictions on its imports. India had refused to take any binding commitments at the summit while agreeing to voluntarily bringing down its carbon intensity (the amount of carbon dioxide emitted for each unit of economic output) by 20-25 per cent by 2020.

The report concludes that if the application of the proposed environmental taxes fails to take into account the specific conditions prevailing in developing countries (such as different levels of development, different emissions per capita, different financial and technological capabilities to undertake mitigation actions) and the efforts made towards adoption of nationally appropriate climate policies and actions, there is a high chance that it may be regarded as "arbitrary or unjustifiable discrimination'' under the WTO rules.

(*The Economic Times*, 1 February 2010)

At Climate Talks, Trade Pressures Mount

WITH little prospect of an agreement at the talks bringing immediate and binding emissions limits on the developing world, pressures are mounting in Europe and the US to impose restrictions, called border adjustments, on imports from low-cost producers like China and India that are resisting cutting greenhouse gases.

"The shadow of border adjustments hangs over these talks," said Mr. David G. Victor, a professor of international relations and an expert in environmental issues at the University of California at San Diego. "Unions and heavy industry are deeply worried about climate policies that could make them less competitive, especially with the Chinese, and nothing in Copenhagen will change

that fact." The prospect that climate policy could become entangled in trade issues has been looming for years.

The US refused to ratify the Kyoto Protocol on the grounds that it gives manufacturers in nations like China and India an unfair advantage because they do not face restriction on their emissions under that treaty.

More recently, organized labour in the US has demanded keeping border adjustments as part of their support for the Obama administration on passing climate legislation, leading some commentators to warn that plans to cap and trade greenhouse gases will trigger what they have described as a "green trade war."

In Copenhagen, the simmering battle over trade warmed up, with the US pushing for the right to impose border adjustments in a version of a draft deal, while powerful emerging economies are seeking to outlaw the practice in a competing version of a deal.

"We are totally against it — totally against it," said Shri Jairam Ramesh, the chief negotiator for India, speaking about border adjustments.

A trade war "is what we are doing our best to try to avoid," he said. Border adjustments are essentially import fees levied by carbon-taxing countries on goods manufactured in non-carbon-taxing countries.

With the issue threatening agreement between the most important emitters at the conference, Ms. Connie Hedegaard, the Danish minister who is overseeing the proceedings, asked negotiators from Norway and Singapore to study the issue.

Trade experts said Ms. Hedegaard's selection reflected the role those two nations had played in resolving issues at the WTO in the past.

In more negotiations on border adjustments, Australia, the US and the EU firmly resisted calls by developing countries to renounce any use of such tariffs as part of their climate control plans, according to a diplomat at the meeting.

Even so, in a concession to developing countries, Australia, the US and China reaffirmed a principle from previous climate agreements not to hide protectionism behind climate objectives, said the diplomat, who spoke on the condition of anonymity because of the sensitivity of the talks. In a sign of the sensitivities around the issue of border adjustments, a draft agreement said "provisions on trade measures" were still "to be elaborated."

The provisions would aim to protect cement, steel and products made by other industries that expect to face higher costs under emissions caps in advanced economies like the EU and the US. According to many trade law experts, the measures could — depending on how they are drafted and imposed — be compatible with the WTO rules that allow states to take measures to protect the environment.

But importers and multinational corporations are skeptical they would be legal in practice. They also warn that there could be a backlash from key trading partners like China and India that could, in the end, trigger tit-for-tat actions that would hurt exporters and, ultimately, harm consumers. Shri Ramesh, the Indian negotiator, promised that his nation would appeal the imposition of any border adjustments by the US or the EU at the WTO.

Mr. Yu Quingtai, the Chinese special representative on climate change, warned that his country would "always oppose the actions by any countries to make use of protection of the environment or climate as a pretext to conduct trade protectionism."

Mr. Pascal Lamy, Director General of the WTO, has been pushing for months for governments to hammer out their own rules on border adjustments — and minimizing the prospect he will have to intervene in an issue that already is creating fissures in one area of regulation.

Mr. Keith Rockwell, a spokesman for the WTO said, "It's very important that governments reach a decision on these measures multilaterally at Copenhagen as any individual action taken may ruffle feathers." Issues that would be particularly thorny for the WTO to resolve include measuring the amount of greenhouse gases involved in the manufacture of some goods, like cars and electronics, that use complex supply chains, and deciding which country should be responsible for those emissions.

Border taxes could mean years of litigation because of "immense complexities over how CO2

emissions are actually measured and whether these will be accurate," said Mr. Michel Taly, a partner at Arsene Taxand, a tax advisory firm in Paris and an expert in the issue of border adjustments.

Despite threats that border adjustments pose to the global trading system, the provisions continue to fit well with domestic politics in the US and European countries like France and Italy, particularly at a time when major economies are still reeling from the worst downturn in decades.

In the United States, a House bill allows for the imposition of tariffs on goods from countries that do not constrain their carbon output.

In the EU, President Nicolas Sarkozy of France has led calls in favour of imposing a carbon tax at the bloc's border to protect industries and jobs. Mr. Sarkozy has underlined that he and Chancellor Angela Merkel of Germany are proceeding with plans for a "border adjustment tax" on imports from countries without targets and trading systems comparable to those in Europe.

Even so, Mr. Victor warned that "a danger was that once countries start applying border adjustments, they will use these policies to pander to parochial national interests." He said "some kind of scheme to discipline border adjustments will be needed."

(*The New York Times*, 17 December 2009)

No Climate Mitigation with Expanding Agriculture Trade

EVERY time a Boeing 747 roars off the runway, the energy it needs for the two-minute lift off can run 2.4 million lawn mowers for 20 minutes. Considering that more than 40 aircraft take off every minute around the globe, the colossal amount of fossil fuel burned and the resulting accumulation of greenhouse gases in the atmosphere is mind-boggling.

The World Bank's Global Economic Prospects report estimates that success at Doha development round of WTO is expected to generate $291 billion in economic gain. Such projections have been made earlier too. In the mid-1990s, an OECD study projected an increase of 70 per cent in the intensity of traded goods by 2004, the year the Uruguay Round was expected to be finalized.

Knowing that trade does not happen on bullock carts, the amount of fossil fuel burned to trade goods, including agricultural commodities, would in any case bring the world closer to the tipping point. Felling forests for pastures, converting food for biofuels, and acerbating industrial farming practices, both for crops and animals, have already added a quarter of greenhouse gases in the environment.

What's baffling, therefore, is the economic justification in the name of competitiveness and efficiency to move agricultural commodities and products across continents. Food travels roughly 3,000 miles before it reaches our table. Over the past few decades, export-oriented agriculture has done extensive damage to farmlands, destroying soil health and guzzling groundwater, thereby, intensifying desertification.

More trade means more industrially produced farm goods and products. More trade also means subsidizing farming systems that leads to more global warming. For instance, fertilizer consumption is expected to double in the next 30 years, which means nitrous oxide, 300 times more potent than carbon dioxide, will also double in the atmosphere.

Meat production alone, for which trade barriers are being removed under the WTO and the bilateral agreements, is environmentally devastating. *The Economist* reports that meat production gobbles up 17 times as much land, 26 times as much water, 20 times the fossil fuels and 6 times as many chemicals than tofu (extract of soya beans) production does.

Similarly, encouraging trade in rice, which requires 5,000 litres of water to produce one kg of grain, is like exporting scarce water resources. And yet, the Copenhagen summit simply refuses to even acknowledge the environmental disaster waiting to happen from an increased push to global trade in agriculture.

Neither did the recently concluded WTO ministerial meeting at Geneva (30 Nov. to 2 Dec.), deadlocked over agricultural trade, make even a passing reference to the direct correlation between trade and climate change. Nor did the World Food Summit at Rome in mid-November draw any links between trade, climate change and food security.

The reason is simple. The UN says the world will need $200 billion to fight climate change, an euphemism for corporate investment. A successful completion of WTO Doha Round rings the cash register with another $291 billion. Both climate change and trade therefore provide business opportunities for $491 billion.

No wonder, not many economists and policy-makers, including ministers, are willing to even accept that the two international agreements on climate change and global trade are at cross purposes. The multi-billion dollar biotechnology industry too finds climate change an appropriate business opportunity to market genetically modified crops in the name of drought, water and stress mitigation.

The International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD), a collaborative effort of FAO and World Bank, has already provided a road map for sustainable farming. Instead of going by the industry-driven prescription to fight climate change, this comprehensive report suggests a viable and ecologically safe alternative.

(*The Times of India*, 17 December 2009)

Climate Change: India's Concern Contrasts Dwindling Global Interest

CONCERN for climate change has declined globally in the last two years, while Indian consumers struck a positive note, according to the latest survey conducted by The Nielsen Company and the Oxford University Institute of Climate Change.

Double-digit Fall

While many countries recorded a double-digit fall in concern for climate change, at 54 per cent, one per cent more Indian consumers said they were "very concerned" about climate change in the survey conducted in October. Globally 37 per cent said, they were very concerned about climate change, four per cent lower than in 2007.

The highest level of concern was expressed in Latin America (57%) and Asia Pacific (42%). However, North America lagged behind global regions with only a quarter of respondents saying they were "very concerned". 35 out of the 54 countries surveyed recorded a decline in their concern for climate change. "The global recession and economic woes temporarily knocked the climate change issue off the top line agenda, but as the recession is now beginning to recede, we expect the Copenhagen Summit may push this important issue to the forefront again," said Mr. Jonathan Banks, Business Insights Director Europe, The Nielsen Company.

Indians are most concerned about air pollution (62%) and water shortage comes next with 61 per cent.

Global Warming

With 54 per cent, global warming is third on the list of concerns for Indians. Globally, air and water pollution followed by climate change are the top three environmental concerns for people. In line with global sentiments, the majority of consumers in India still believe that the main responsibility for solving climate change should lie with the government, with 37 per cent Indians, against 36 per cent, concurring with the belief.

(*The Hindu Business Line*, 8 December 2009)

Major Asian Cities Face Climate Disaster: WWF

LOW-LYING and impoverished Asian coastal cities such as Dhaka, Manila and Jakarta are vulnerable to "brutal" damage from climate change without global action, according to environmental group WWF.

Energy consumption and greenhouse gas emissions must be curtailed in "mega-cities" where global warming will affect everything from national security to health and water availability, the influential campaign group said.

"Climate change is already shattering cities across developing Asia and will be even more brutal in the future," said Kim Carstensen, head of the WWF Global Climate Initiative.

Including their suburbs, Dhaka, Manila and Jakarta now have a combined population of about 49 million, according to WWF. It said better-off cities such as Shanghai, Hong Kong, Kuala Lumpur

and Singapore also faced varying degrees of risk from climate change, such as rising sea levels, excessive rain, flooding and heat waves. Hong Kong could see dramatically fewer cold days per year while dengue fever appears to be spreading to previously unaffected parts of Singapore, it noted.

"Asia is the most populous and arguably the most vulnerable continent in the world because of the high risk of climate impacts and relatively low adaptive capacity," the report said. "Unfortunately, the full extent of climate change has likely not been fully realized," it said, noting that temperatures in Asia have risen by one to three degrees Centigrade (two to five degrees Fahrenheit) in the last 100 years.

WWF said that on a "vulnerability" scale going up to 10, Dhaka rated nine points, and Manila and Jakarta eight each. Kolkata and Phnom Penh received scores of seven each on the WWF danger scale, Ho Chi Minh City and Shanghai six each, Bangkok five, and Kuala Lumpur, Hong Kong and Singapore four each.

Poorer Asian nations urgently need financial, technological and training support from industrialized countries to save lives, protect national assets and preserve the cities' economic contributions, it said.

In the short term, APEC will seek to open up trade in environmental goods and services, known as green technology, as part of efforts to fight climate change and achieve sustainable economic growth.

The Copenhagen talks (7-18 Dec.) are aimed at achieving a global deal to slash greenhouse gas emissions and ease the impact of climate change before the 2012 expiry of the Kyoto Protocol, which excludes the United States.

(*The Economic Times*, 12 November 2009)

India, China Agree to Fight Trade Barriers under the Excuse of Climate Change

INDIA and China agreed to jointly fight any attempt by western nations to link trade with climate change issues and impose trade-related penalties on developing countries failing to meet environmental standards.

Shri Jairam Ramesh, India's Minister of State for Environment and Forest, bluntly asked Chinese officials whether they will stick to New Delhi during the climate talks in Copenhagen next December. India is worried that high-pressure attempts by western nations to get developing countries to deviate from their stand might bear fruit.

"The Chinese side has assured me there will be no change in its stand. I think there is total convergence of views between India and China on the issue of climate change," Shri Ramesh said after meeting Xie Zhen Hua, Vice Chairman of China's National Development Reforms Commission.

Mr. Xie briefed the Indian delegation, which included Environment Secretary Vijai Sharma and climate change negotiator R.R. Reshmi, about a recent China-US accord on climate change issues. He assured Indian officials that the accord was on renewal energy and technological collaboration and nothing else should be read into it.

In a significant move, the two countries have agreed to coordinate their views on different aspects of climate change before every major international meeting on the subject. These conclusions reached between Shri Ramesh and Mr. Xie are expected to be spelt out in the form of an agreement in the coming days.

Both countries want to negotiate with the West for higher levels of financial assistance and technology transfer in return for promises to do their best to tackle environmental problems. China remains committed to the principle of "common but differentiated responsibilities" of developed and developing nations, Shri Ramesh said.

But they would not agree to any legal binding on reducing emission norms because it would come in the way of their development goals. India and China will also not agree to the creation of any trade barriers on the excuse of climate change.

Shri Ramesh suggest that China consider reducing carbon dioxide levels in power plants supplied by it to India. This would be part of the mitigation activities that the two countries expect to carry out jointly. Meanwhile, Mr. Xie told the standing committee of the National People's Congress that the government will display "utmost

sincerity" in pushing for the success of climate talks in Copenhagen. He did not reveal what public stand China will take besides its commitment to the United Nations Framework Convention on Climate Change, which laid the principle of "common but differentiated responsibilities" for developed and developing nations.

(*The Times of India*, 24 August 2009)

CO2 Caps, Trading Central to Climate Fight: UK

A DUAL system of both national emissions caps and carbon trading schemes should play a central role in cutting global greenhouse gas emissions, a report commissioned by the British government said.

At the government level, national caps on emissions should ensure countries take responsibility for limiting their own greenhouse gases. At the individual emitter level, trading schemes should cap emissions and allow trade in carbon permits, the report said. "The current framework for international carbon trading needs reform," said Mr. Mark Lazarowicz, the Prime Minister's representative for global carbon trading.

A single global emissions trading scheme would reduce governments' autonomy over their domestic policies and be difficult to put into place, the report said. A dual system, however, would cover all emissions sectors, respect governments' wish to choose their own tools for reducing domestic emissions and maximize cost effectiveness.

"If well-designed, a dual-level system of global carbon trading could reduce the costs of emissions by up to 70 per cent," Mr. Lazarowicz said.

Reform Market experts say linking the EU's emissions trading scheme (EU ETS) with the US is a crucial first step towards a global carbon market, which will help achieve real emissions cuts in planet warming greenhouse gases.

The United States plans to introduce a domestic cap-and-trade scheme but the Senate still has to approve it. Linking the EU ETS with a federal US system by 2015 was "ambitious" but should be a priority, the report said. A linked system would increase the liquidity and stability of both schemes, cover between 13-27 per cent of global emissions and reduce costs across both schemes by 30-50 per cent.

It would also provide momentum for an eventual OECD-wide trading scheme, the report said. To achieve real emissions cuts, the United Nation's Clean Development Mechanism (CDM) needs to be "reformed and streamlined," the report said. The CDM allows industrialized countries to meet mandatory carbon dioxide cuts by buying offsets generated from clean energy projects in countries such as India and China.

Instead, the report favours a sectoral trading approach, whereby a government would be responsible for meeting an emissions target specific to a particular sector of the economy using an emissions trading scheme, taxation, regulation and/or subsidies.

Under the Kyoto Protocol climate change pact, nations below their emissions targets can sell excess rights, called Assigned Amount Units (AAUs), to other governments that emit above their targets. The system is expected to result in an AAU surplus of 7-10 gigatonnes tonnes in the period 2008-12. To deal with this problem, developed countries should cancel a substantial proportion of their excess AAUs, the report proposed. The UK government has decided to cancel surplus AAUs equivalent to the difference between its Kyoto and domestic emissions cut targets, the report said.

(*The Economic Times*, 20 July 2009)

A Climate of Change, Finally

OPEN the United Nations Environment Programme's Website and go to the page that deals with the World Environment Day. You will come across a 'Do Something Daily' tip — simple things you can do to protect the environment. One such message reads: "When you need a pad for lists and messages, turn over an old document and write on the back of that instead." Simple, yet thought provoking. A gentle reminder for a whole lot of us who would not think twice about tearing off a sheet of paper from a pad or a notebook to scribble a brief message, to just a telephone number. One can almost hear a tree being felled — after all, wood is the key raw material for making paper.

Ambitious Programme

This message on the United Nations Environment Programme (UNEP) Website (www.unep.org/wed/2009/english) ties in with an ambitious programme taken up by the UNEP to get countries and people to save and protect the environment. In 2007, the UNEP launched a worldwide tree planting campaign under a theme titled 'Plant for the Planet: Billion tree campaign.' Then, the UNEP set its sights even higher — it wants to plant seven billion trees, one for every person on the planet, by the end of 2009. In this task, it wants governments, businesses, civil society, and the common people to sign on.

The UNEP's effort to involve as wide a section of the population as possible relates to this year's theme for the World Environment Day itself: "Your planet needs you — Unite to combat climate change.

The United Nations General Assembly decided to observe the World Environment Day on 5 June, the day in 1972 on which the Stockholm conference on human environment opened. The day's agenda, according to the UNEP, is to give a human face to environment issues; empower people to become active agents of sustainable and equitable development; promote an understanding that communities are pivotal to changing attitudes towards environmental issues; and, advocate partnership which will ensure all nations and peoples enjoy a safer and more prosperous future. Mexico will host this year's international Environment Day celebrations.

This year's theme is also meant to reflect the urgency for nations to agree on a new deal at the climate convention meeting in Copenhagen from 7 to 18 December. Even as the world observes the Environment Day, preliminary climate change talks are in progress in Bonn, Germany, where delegates from over 180 countries are meeting to discuss issues that will, hopefully, help in clinching a deal at Copenhagen.

Simultaneously, the UN has started a campaign — Seal the Deal — for a "fair, balanced and effective" climate agreement in Copenhagen. The campaign's aim is to encourage governments at the COP15 (Conference of Parties) session in Copenhagen to come up with a deal that will "protect people, the planet and promote a global green economy."

Clinching a deal at Copenhagen will rest on the extent to which industrialized countries are prepared to reduce their greenhouse gas emissions and how much developing economies such as China and India are willing to curtail the growth of their emissions. Another important issue is how the developing economies are going to be financed in their efforts to curb emissions growth.

For A New Treaty

The new climate treaty will replace the Kyoto Protocol, so called because of the agreement that was reached in the Japanese city in December 1997 and that came into force in February 2005.

The Kyoto Protocol set binding targets for industrialized countries for reducing greenhouse gas emissions and was signed and ratified by 184 parties of the UN Climate Convention.

However, its primary drawback was that the US did not ratify it. But now with the US President, Mr. Barack Obama, keen on pursuing a green agenda, the expectation is that there will be some sort of a deal, with the developed and developing economies appreciating the urgency to pursue a greener growth agenda.

(*The Hindu Business Line*, 5 June 2009)

India, Japan Urged to Jointly Develop Green Technologies

CLIMATE change is a sub-sect of a major part of human failure since the world perceived that industrialization helped the entire development process for more than 150 years, the Chairman of Intergovernmental Panel on Climate Change, Dr. Rajendra K. Pachauri has said.

At a symposium on "Energy, Environment and Indo-Japan Collaboration" to commemorate 50 years of The Hindu-Hitachi Scholarship in Chennai, Dr. Pachauri said the bailout packages offered recently by different economies in the world to combat recession is estimated at $2.7 trillion while there are more than a billion people who do not have the luxury of using electricity even for basic amenities.

The CO2 content in the atmosphere has increased by 40 per cent to 386 parts per million

during the last 150 years causing severe environmental problems such as rise in ambient temperature, melting glaciers triggering increase in sea level. If the issue is not addressed, it can cause severe damage to the planet.

For instance, yield of wheat could drop up to 10 per cent for every one degree Celsius rise in temperature. So researchers should look at developing energy-efficient technologies such as hybrid vehicles, bio-fuels and renewable energy. Japan is strong in technology while India's strength lies in its population.

Stressing that sustainable development should start with sustainable consumption he said both the countries could collaborate in developing environmentally friendly technologies.

Mr. Kazuo Furukawa, Vice-Chairman and Executive Officer, Hitachi Ltd, said, as for India rising energy prices is a big issue, reduced energy costs and more effective use of energy are indispensable to attain sustainable growth. There is more room for effective energy savings in India, while Japanese corporations have been developing such technologies since 1970 oil crisis.

Mr. M. Mizukami, Minister of Embassy of Japan, said the population of India is set to cross 1.3 billion by 2020 calling for 200 million more jobs. Despite India being a significant player in the IT industry, it cannot cater to the emerging demand. Manufacturing industry can offer better scope even for those who are otherwise not employable by IT sector.

The Hindu-Hitachi scholarship programme supports growth of manufacturing industry in India and incidentally the number of Japanese companies entering India has doubled in the last four years.

Former Indian Ambassador to Japan, Mr. A. Asrani, said though Japan has been supporting India in developing technical manpower and work ethics, it was not forthcoming to share its latest technologies apprehensive of becoming potential competitors. He asked Japan to overcome this myth as environmentally friendly technology could help the mankind at large.

On issues relating to sharing nuclear power technology by Japan, the panel headed by Dr. Pachauri said Japanese companies involved in nuclear power were inclined to offer the technology to India. However, a treaty between the two countries and public opinion on this issue was essential. On the possibilities of addressing demand in power generation, the panel said India could continue to focus on thermal plants with better technologies due to its huge coal resources.

In the closing remarks, Mr. N. Murali, Managing Director of *The Hindu*, said the need of the hour is to focus on research in eco-friendly technologies. Hitherto, three candidates have been sent every year to Hitachi in Japan for training and so far 120 scholars have benefited. With the environmental issue getting centre stage, "we would like to increase the number of scholars per year by one more," he added.

(*The Hindu Business Line*, 12 April 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. Again,

trade policymakers must keep away from restricting governments from internalizing costs in energy investment and production today.

According to International Energy Agency, $22 trillion investment in new energy infrastructure is required for the next 25 years to meet what it calls "runaway demand" for energy led by China and India. However with the likely carbon pricing regime in different countries, investors are uncertain about their future. Even OPEC's recent Riyadh Declaration has asked the oil-importing countries to clarify their future demand for petroleum.

The massive bio-fuel programme backed by huge subsidy across the world has also become controversial. The UNCTAD annual report said that such bio-fuel programmes in Europe and US have distorted global trade and skyrocketed the prices of grains.

It apprehended that massive cultivation of bio-fuel crops would displace food crops from cultivation and create food security problem. The Nobel prize winning chemist, Paul Crutzen, best known for his work on ozone layer has concluded that bio-fuels could increase global warming with laughing gas.

Leading scientists like David Pimentel of Cornell University, Tad Patzek of University of California, Florian Siegert, Managing Director, Remote Sensing Solutions GmbH, Munich, Mario Giampietro of Institute of Environmental Sciences, Barcelona and Helmut Haberl of Klagenfurt University, Austria have questioned the very basis of the contention of the IPCC report that bio-fuel programme causes a reduction in carbon dioxide emission.

The Mayor of London, Ken Livingstone, who was in Delhi recently said that bio-fuels do not reduce emissions to the extent desired. London has prepared its own Climate Change Action Plan to deal with the intention of reducing 60 per cent of the city's emission by 2025. According to the action plan, London is to promote low-carbon vehicles with hybrid fuel system which cut transport emissions by up to 4 to 5 million tonne.'' Carbon dioxide emission from road transport would fall by as much as 30 per cent if people simply bought the most fuel efficient car in each class,'' the action plan said.

(*The Financial Express*, 10 December 2007)

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)

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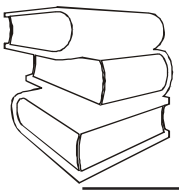

BOOKS/ARTICLES NOTES

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

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

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

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.

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

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

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.

[1] TN/TE/W/51.

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

[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.*

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

[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".

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.

(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

(Contd. on page 48)

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

[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.

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

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

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.

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

(Contd. from page 44)

adopted global projects would be as per the CTESS agreement, domestic implementation of the framework would be subject to dispute settlement, 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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E-mail: publications@iift.ac.in

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