Trade-and-Climate Change Interactions: Opportunities for China-US Cooperation

Workshop on Bilateral Cooperation between China and the United States: Facilitating Progress on Climate-Change Policy
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[Views and interpretations are mine as independent scholar]
Outline of Comments

• Scope and Terminology
• The Message
• Overview: ‘Pluralistic’ Trade and Climate ‘Regime Complexes’
• Cases of special interest:
  – Multilateral: Agreements and Disputes at the WTO
  – Plurilateral: Environmental Goods Agreement
  – Regional: Arctic Black Carbon (ABC) Agreement
• Paths into the Future: ‘Adaptive Pluralism Paradigm’ of International Institutional Architecture
Scope and Terminology

‘Trade policies’: include services and goods, direct investment and technology transfer
‘Climate change policies’: include renewable energy

‘ICTSD’: International Centre for Trade and Sustainable Development in Geneva (and Beijing)
‘E15 Initiative’: 15+3 groups of ‘experts’ working on reforms of the trade system, esp. WTO; sponsored by ICTSD and World Economic Forum (WEF)
SETI: Sustainable Energy Trade Initiative (ICTSD project)
The Message
There are many opportunities for China-US cooperation on trade-and-climate Issues

Opportunities vary among ...
• Diverse institutional venues
• Economic sectors, industries, products
• Types of emissions

Key challenges ...
• Political economy assumptions about appropriate market and government roles in trade and climate policies
• Non-discrimination principles in trade versus common-but-differentiated responsibilities in climate change
Overview: Climate Change ‘ Pluralistic Regime Complex’
Source: IPCC, AR5, III, Chapter 13, Fig. 13.1
…and...imagine a similar figure for trade regime complex
**Multilateral: Agreements and Disputes at the WTO**

Of approx. 60 agreements, especially relevant ones:

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>GATT</td>
<td>goods</td>
</tr>
<tr>
<td>GATS</td>
<td>services (complex: sector specific; 4 modes of supply)</td>
</tr>
<tr>
<td>TRIPs</td>
<td>intellectual property</td>
</tr>
<tr>
<td>ITA</td>
<td>information technology (being expanded)</td>
</tr>
<tr>
<td>GPA</td>
<td>government procurement (‘plurilateral’; 43 incl. EU 28)</td>
</tr>
<tr>
<td>TRIMs</td>
<td>Trade Related Investment Measures, esp. local content requirements (SETI: wind and solar)</td>
</tr>
<tr>
<td>Subsidies and Countervailing Duties</td>
<td></td>
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<tr>
<td>Anti-dumping</td>
<td></td>
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<tr>
<td>Dispute Settlement</td>
<td></td>
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</tbody>
</table>
**Disputes at the WTO**

Total number of WTO disputes (1 Jan. 1995 – 1 June 2015) = 496
Of which agriculture = 77;
1 ‘Climate’ Case: Japan>Canada FIT, DS 412

<table>
<thead>
<tr>
<th>CLAIMANT</th>
<th>RESPONDENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>108</td>
</tr>
<tr>
<td>European Union</td>
<td>95</td>
</tr>
<tr>
<td>China (since 11 December 2001)</td>
<td>13</td>
</tr>
</tbody>
</table>

**China-US Disputes:**

**US complaints against China** – of which...
- Wind subsidies, DS 419
- Rare earths (used in wind turbines), DS 431

**China complaints against US** - of which...
- Wind towers, etc, Subsidies, US CVD, DS437
- Solar, US Anti-Dumping, DS471

16

9
Implications

**Realism:** WTO disputes are almost inevitable – US style legalistic process, created at behest of US

**Cooperation opportunities:**
*Settle without going to WTO* [disclaimer – not a lawyer and not offering legal advice!]

*Many opportunities within Dispute Settlement Process in Consultation and Implementation phases*

*Other WTO processes: Trade Policy Reviews*

But there is a fundamental difference in trade and climate assumptions about relationship of governments and markets – especially about **subsidies**
Plurilateral: Environmental Goods Agreement

17 countries including China and US
Now processing list of proposed 2000 products in 650 tariff lines (cf. 34 subheadings in APEC list)
Climate-relevant: wind and solar; heat pumps
Will probably be ‘multi-lateralized’ into WTO

Cooperation opportunities:
Agree on goods product list
Support next step: Environmental Services Agreement including non-tariff barriers (would make EU happy too)
Problem: BC is potent greenhouse particulate matter emission Arctic special issues

Solution: Cooperation opportunities in Arctic Council and IMO

Establish club-like partnership with incentives for participation and compliance

Issue access licenses for ships, ship owners/operators - based on equipment and operations to reduce black carbon - with periodic inspections and real-time, satellite-based monitoring

Provide benefits for members: access to Arctic shipping lanes and financial support for technology transfers

Impose penalties for non-compliance: fine, impoundment of vessel, revocation of license
Old paradigm: ‘multilateralism’
  Trade: efficient way to spread liberalization
  Climate change: address global commons problem
New paradigm: ‘adaptive pluralism’
  In both trade and climate change

Examples of Adaptive Pluralism:
  ITO [1944-48] > GATT(1947-) > WTO(1994-) > WTO+...
  Environmental Goods Agreement
  FCCC -> IMO and ICAO
  Arctic Black Carbon (ABC) Agreement
So: Top-down and bottom-up and ‘side-ways’ (i.e. ‘clubs,’ ‘coalitions,’ ‘public private partnerships’ ....)
Interactions of the Pluralistic Climate Change and Trade Institutional Architectures: Cooperation Opportunities
(preliminary partial matrix of analytic and diplomatic agendas)

<table>
<thead>
<tr>
<th>TRADE REGIME COMPLEX (with examples)</th>
<th>CLIMATE CHANGE REGIME COMPLEX (with examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multilateral: WTO</td>
<td></td>
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<tr>
<td>Plurilateral: EGA</td>
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<tr>
<td>Mega-regional: TPP</td>
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<tr>
<td>Regional APEC</td>
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<tr>
<td>Bilateral [many]</td>
<td></td>
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<td>PPP:</td>
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<tr>
<td>Non-state: ICC</td>
<td>Brewer, China-US Cooperation</td>
</tr>
</tbody>
</table>
Web Sites for Further Information

www.ictsd.org

including Bridges weekly and daily,

BioRes monthly

(many articles in Chinese as well as English)

www.E15initiative.org

www.seti-alliance.org

www.TradeAndClimate.net