

# **Trade and Climate Change: EU -Asia Trade Agreements**

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# Overview

- Climate Problems: Trade Solutions?
- Free Trade and Climate Change
- 'Global Europe' and the New Round of FTAs
- EU FTAs in Practice
- Recommendations

# Climate Problems: Trade Solutions?

- Kyoto was a process directed at Northern emitters and reducing their emissions.
- Spawned range of mechanisms to 'offset' Northern emissions
  - CDM and other offset mechanisms displace Northern adjustment costs, shaping Southern 'development'.
  - Growth in biofuels
  - Avoiding obvious issue of extraction

# Climate Problems: Trade Solutions?

- North seeking greater energy security and access to resources
  - Using FTAs to open markets to energy resources and services through liberalisation. FTAs also containing 'energy security' agreements.
- North reliant on Southern Mitigation.
- World Bank study 2006: Markets would deliver Southern mitigation need North-South private finance flows, removal of subsidies, trading system.

# Free Trade and Climate Change

- Kyoto WTO-proofed
  - “measures taken to combat climate, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade”
- WTO rules impact on any climate action
  - Target emission intensive products over others (PPMs).
  - Eco-labeling
  - Carbon tax that discriminates against non-renewables
- WTO environmental exception insufficient

# Free Trade and Climate Change

- FTAs aim to further WTO commitments
- Trade = growth = emissions
- No account for the consumption patterns on calculating emissions
- Some countries export climate change whilst others import it.

# Global Europe: New FTAs

- EU using FTAs to target trading partners and go 'further and faster in promoting openness'
- 'Global Europe' has only limited acknowledgement of the impacts of trade on climate change.

# Global Europe: New FTAs

- Focus of EU FTAs:
  - EU aims energy resources access through removal of restrictions.
  - Enforce IP
  - GATS-plus liberalisation
  - Remove investment barriers
  - Public procurement
  - Subsidies

# EU FTAs in Practice

- FTAs in Asia with ASEAN, India, Korea and China
- All expecting growth, benefits from increased access from cleaner EU technology.
- No real analysis of climate impacts

# EU FTAs in Practice

## ■ Trade in Goods

- Mostly involve machinery and transport eq.
- Good imports to EU more than double from China between 2002 - 2006

## ■ Biofuels

- Increased Asian production for domestic targets.
- 11% of EU biofuels palm oil from Asia (Indonesia & Malaysia)
- EU reducing mandatory target in line with concerns.

# EU FTAs in Practice

- Trade in Services
  - “National Treatment” and “Market Access”.
  - Regulations only allowed if meet “legitimate policy objectives”
- Energy Services
  - EU targeting what’s not currently at WTO
  - EU working with ASEAN countries to liberalise

# EU FTAs in Practice

## ■ Investment

- EPAs aimed at gaining access to global production supply chains.
- “National Treatment” and “Market Access”.
- Exceptions for environmental measures but would be open to challenge from trade tribunal
- Environmental guidelines non-enforceable

# EU FTAs in Practice

- Intellectual Property
  - Since 2006, EU more ambitious with IP
  - In CARIFORUM EPA incentives for technology transfer
  - Southern experience of TRIPS and technology transfer
    - India CFCs, China wind turbines, S Korea solar.
  - No mention of compulsory licensing

# Recommendations

- EU must put climate before trade: trade agreements should only proceed if they reduce global greenhouse emissions.
- Assessments of climate impacts should state the impacts in emissions from an FTA/EPA and how they are attributed to each country, allowing countries to examine additional measures that they'll have to undertake in order to reach emissions targets.
- FTAs shouldn't be used as means of obligating 'least trade distorting' or 'market-friendly' climate policy.

# Recommendations

- Govts retain right to screen and impose conditions on investment to ensure it is contributing to climate response.
- No Investor-State disputes process
- Govts retain ability to preference local producers in relation to building capacity to respond to climate change
- No TRIPS-plus
- FTAs acknowledge right to compulsory licence in response to climate change.