



What Role for Trade in a Post 2012 Global Climate Policy Regime?

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1. Main Themes

- Little formal role for trade in Copenhagen/Cancun/Durban process; but it lurks in the background
- As addition to the bargaining set trade, in principle, widens the bargaining set and can be a facilitator of a global climate regime
- Trade policy can be an instrument for the implementation of a global climate regime since trade policy can be mechanism for achieving second best internalization. This can, however, also make negotiation more difficult with developing countries
- Little time left to exploit linkage in Durban, and prognoses for Durban pessimistic



1. Main Themes

- Key things trade cannot do
 - (i) resolve property rights issues
 - (ii) act as compensation
 - (iii) achieve full internalization

- Contribution of trade in concluding UNFCCC negotiations that is needed is to be judged against existing unilateral commitments



Trade Climate Linkage

- Institutional Evolution of Linkage
 - Bretton Woods
 - 1960's environment movement
 - Global environmentalism in 1980's
 - Precedence of trade regime
- Elements of linkage
 - Direct
 - Bargaining linkage
 - Implementation issues



Trade Climate Linkage

- Direct Interactions
 - Results from numerical equilibrium models
- Bargaining Interactions
 - Access in goods/services
- Linkage in Implementation
 - Border Tax Adjustments
 - Finance Transfers



Trade in Negotiations Thus Far

- Rio 1992
- UNFCCC 1994 – CBDR
- Kyoto 1997
- Bali 2007
- Copenhagen 2009 – Copenhagen Accords
- Post Copenhagen
- BTA issue



What Role Can Trade Play in Helping Advance the UNFCCC Process?

- Trade in goods and services / trade in emissions rights
- Expanding the bargaining set
- Contingent trade measures as penalty system
- Efficiency and fairness considerations in use of these trade measures



Potential Impacts of Border Tax Adjustments

- The older VAT debate
- Neutrality Results
- Basis for calculation of carbon adjustment
- Sector specificity
- Discrimination
- WTO issues
- What do equilibrium models suggest?



Concluding Remarks

- Trade's formal role short term not developed, but lurks as major consideration
- View climate as addition to global policy mix for negotiated cooperation
- Institutional issues to the fore