



## **International Trade, Climate Change and Global Competitiveness**

Dialogue organised by ICTSD, UNEP and The World Bank

4 October 2007, World Meteorological Organization, ROOM C 1, Geneva

12:30 – 14:30

Climate change policies aimed at controlling emissions of greenhouse gases (GHG) are leading to realignment in the production and consumption of goods and services across the world. As Annex I Parties to the Kyoto Protocol are taking various measures ranging from tightening of energy efficiency standards, carbon cap-and-trade programmes, and carbon taxes, concerns have been raised that industries in these countries will find themselves at a disadvantageous position vis-à-vis countries where such mandatory measures are not implemented. There is growing fear that this may lead to “carbon leakage” and industrial relocation from OECD to non-OECD countries, especially for energy-intensive industries, such as steel, cement and chemicals.

In the context of international trade, there are concerns that countries implementing stringent climate change policies will have to compete with exports from countries where costs of production may be lowered as a result of the absence of mandatory emission reductions on producers. These concerns have prompted calls within industry as well as by politicians for the introduction of measures, including trade measures, to offset competitive imbalances and level the playing field. Rhetoric over the use of border tax adjustments and measures with similar effects has particularly been prominent in this regard.

While the imposition of energy efficiency standards and carbon tax measures on imports have attracted much attention among policy-makers and politicians, little information exists on the economics of such measures and their actual effects on competitiveness and international trade. Similarly, it is not clear to what extent climate policies in industrialised countries are leading to carbon leakage and industrial relocation. So far the debate has been mostly based on rhetoric and perceptions of negative impacts on the competitiveness of countries pursuing ambitious climate change policies. There is a view, and also some emerging evidence, that climate change policies may not have an overall negative impact on industries and competitiveness in countries where such measures are implemented. There is also some indication that climate policies may have contributed to driving innovation and increasing resource efficiency, ultimately fostering competitiveness, both in industrialised and developing countries.

This event jointly convened by ICTSD, UNEP and The World Bank, aims to generate discussion on issues in the trade - climate change relationship that may impact on global competitiveness. Participants will review initial empirical insights on the impact of climate measures such as carbon taxes and energy efficiency measures on international trade flows and global competitiveness, discuss some of the initiatives being considered in major economies as a way to address competitiveness concerns and draw implications for sustainable development.

## **AGENDA**

**12:30: Luncheon**

**13:00 Welcome and opening remarks by Co-Chairs**

*Ricardo Meléndez-Ortiz, Chief Executive, ICTSD*

*Shafqat Kakakhel, Deputy Executive Director, UNEP*

**The effects of climate change policies on international trade and competitiveness:  
Some initial empirical insights**

*Muthukumara Mani, Senior Environmental Economist, The World Bank*

**Competitiveness and climate change: Issues in the WTO-Kyoto Protocol  
relationship**

*Aaron Cosbey, Senior Project Advisor, International Institute for Sustainable  
Development*

**Border measures to address climate change-related competitiveness concerns:  
Approaches in the EU and US**

*Thomas L. Brewer, Associate Professor, Georgetown University, Washington DC, and  
Associate Fellow, Centre for European Policy Studies, Brussels*

**Competitiveness and climate change: Perspectives from China**

*Shuaihua Cheng, Programme Officer - Strategic Analysis and China, International  
Centre for Trade and Sustainable Development*