

Trade Liberalization and Climate Change

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Introduction

International trade has major influence for climate change through the shift and production structure. The environmental protection agency and the World Trade Organisation should vigorously debate the interaction between free trade regime and global warming mitigation regime. The paper attempts to deliberate the measures which would contribute to facilitate the global climate negotiations by bringing mutual benefit for both developing countries and developed countries, from the point of view of international economics. The paper focuses on foreign aid, and clarifies why international aid for developing countries is needed for sustainable mutual economic growth through more liberalized world trade, which is compatible with the climate change mitigation.

Background

Clive Shiff¹ in his paper presented at Oxford Round Table March 2010 stated as follows:

Climatologists explain that the earthen climate has been remarkable stable for the past 10,000 years, a miniscule drop in time during the history of the planet, yet it has been a significant period of time in the history of *Homo sapiens*. During this period, we have expanded in numbers and spread over the globe, we have colonised deserts and temperate zones, tropics and subtropics, whole varieties of ecosystems and environments, and we have reproduced in abundance. However, in the process we have been exposed to a variety of pathogens and parasites that occupied the same ecological niches that we invaded and these creatures have exploited our bodies producing disease.

Clive Shiff went further to state the following in his paper delivered at Oxford Round Table, it must be noted that the presenter of this paper is not from natural science's background but legal background and also presented at Oxford Round Table only on policy related issues.

We are concerned with increasing temperature in our environment. The reasons for this happening are multiple, but one of them relates to increased carbon dioxide in the atmosphere. We know things are warming because the popular ice is melting, we see evidence of huge floes breaking of the coast of Antarctica and threatening the very existence of emperor and other penguins as well as other wild life we know less about. So what are the consequences of all that?²

United Nations Framework Convention on Climate Change

The objectives of the Kyoto Protocol were to provide an opportunity for aligning development and energy policies in ways that could stimulate production, trade and investment in cleaner technology options, the implementation of the protocol has brought the conflict between the economic growth and environmental protection.³

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¹ Associate Professor, John Hopkins Bloomberg School of Public Health, Climate Instability and Public Health: The Issue of Malaria, *The Forum on Public Policy: A Journal of the Oxford Round Table*, www.oxfordroundtable.co.uk at 1

² Shiff C, Climate Instability and Public Health: The Issue of Malaria, see *Forum on Public Policy* cited above 1

³ Matsumura A Trade Liberalization and Global Warming: The Role of Foreign Aid for Sustainable Economic Growth, *The Forum on Public Policy: A Journal of the Oxford Round Table*, www.oxfordroundtable.co.uk 1

It was agreed at the Doha Ministerial Conference in World Trade Organisation on November 2011, to launch negotiations on certain issues related to trade and environment. In the Preamble of Doha Ministerial Declaration, it stated that:

the aims of upholding and safeguarding an open and non-discriminatory multilateral trading system, and acting for the protection of the environment and promotion of sustainable development can and must be mutually supportivewe encourage efforts to promote cooperation between World Trade Organisation and relevant international environmental organisations

It is unfortunate that no clear agreement was made in COP 15, December 2009 and what has been confirmed is that the common but different responsibility between the developed and developing countries for the global warming mitigation which is the principle of United Nations Framework Convention on Climate Change. It means that the developed countries have to make clear targets for their greenhouse gas emission reduction and at the same time they have to cooperate with developing countries through financial aid, technological transfer and so on, for far developing countries to have enough ability to cope with the global warming.⁴ If the developing countries cannot internalize the environmental lead to “green protectionism” by developed countries whose production internalizes the environmental cost. It would be detrimental for their economic development by decreasing exports from developing countries, causing to shrink the trade volume as well as gains. Internalization of environmental cost in the production is necessary for the right trade structure reflected the true comparative advantage. At the same time *homo sapiens* has to prevent the international trade shrink with the consequence of economic loss all over the world. In the same token foreign aid is indispensable measure for the developing countries not to lose the comparative advantage for their exports.

Economic Liberalization

The paper aims to give an account of the substance and support the development sustainability of *homo sapiens* in the environment in which energy is consumed at an ever increasing pace, and in the process are producing and emitting huge quantities of carbon dioxide, a major greenhouse gas. The impact of this is to warm the environment, and as a consequence, the polar ice caps and many mountain glaciers are melting and there are consequences, sea level are rising.⁵ The development and sustainability of *homo sapiens* in scientific deteriorating environment must be balanced against the interests of the World Trade Organisation in that it is important to seek the synergies between the free trade regime and the environment protecting regime by aligning policies that could stimulate production, trade and investment in cleaner technological options. The paper contends that there are many difficulties in doing so, especially for developing countries, which do not have enough ability to face cleaner technology options as compared to developed countries. If trade measures such as import tariffs would be used as sanctions in the global climate negotiations, it is true that developing countries would lose exporting opportunities resulting in loss of gain from trade.

The paper further examines the issue of the protection of socio and economic rights in the context of globalization of activities of multinational companies, as illustrated by different instances of increasing state withdrawal and with regard to specific African countries.⁶ In Africa, economic liberalization has been accompanied by a programme redefining of the role of the state withdrawal from certain areas, such as planning, production and social reform, a reorientation of the state intervention from certain other areas, redistribution, regulation and mediation etc., with a view of promoting a particular type of growth strategy based on promotion of private economic interest.

⁴ Matsumura A Trade Liberalization and Global Warming: The Role of Foreign Aid for Sustainable Economic Growth, *The Forum of Public Policy* cited above 2. See also Choma HJ, The environmental rights entrenched in the constitutions: A critique US-China Law Review 2008 Volume 5 at 5

⁵ Choma HJ, Regulating Multinational Corporations: Incentives and Constraints at 1, *The Forum on Public Policy: A Journal of the Oxford Round Table*, www.oxfordroundtable.co.uk

⁶ Choma HJ, Regulating Multinational Corporations: Incentives and Constraints at 1, *The Forum on Public Policy*, cited above 1

This process has led to the delegitimation and weakening of states which were economic already characterized by fiscal crises, notably in the countries under structural adjustment. While the process of reconceptualization of the role of the state is not specific to Africa, its impact has been particularly significant with regards to the possibility of implementing developmental strategies designed to protect social and economic rights.⁷

Trade World Organization

The World Trade Organization is the only global international organization dealing with the rules of trade between nations. It provides a framework for negotiation and finalising trade agreements, and a dispute resolution process aimed at enforcing participants' adherence to World Trade Organisation agreements. The goal is to assist producers of goods and services, exporters and importers to conduct their business.⁸ Climate change is the biggest sustainable development challenge the international community has had to tackle to date. Measures to address climate change need to be fully compatible with the international community's wider ambitions for economic growth and human advancement. It is a challenge that transcends borders and requires solutions not only at national levels but at the international level as well.

The World Trade Organization is one part of the architecture of multilateral cooperation. It provides a framework of disciplines to facilitate global trade and serves as a forum to negotiate further trade openness. Free trade is not an end in itself, it is tied to crucially important human values and welfare goals captured in the World Trade Organization's founding charter, the Marrakesh Agreement. Among these goals are raising standard of living, optimal use of world's resources in accordance with the objective of sustainable development, and protection and preservation of the environment.⁹ The issue of climate change, *per se*, is not part of the World Trade Organization's on going work programme and there are no World Trade Organization rules specific to climate change. However, the World Trade Organization is relevant because climate change measures and policies intersect with international trade in the number of different ways.

First, trade openness can help efforts mitigate and adapt to climate change, for example by promoting an efficient allocation of the world's resources (including natural resources), raising standards of living (and hence the demand for better environmental quality) and improving access to environmental goods and services.

Second, the World Trade Organisation is relevant because national measures to mitigate and adapt to climate change may have an impact on international trade (as they may modify conditions of competition) and they may be subject to World Trade Organisation rules. The World Trade Organisation "tool box" of rules can be relevant, therefore, to the examination of climate change measures. Moreover, World Trade Organisation rules, as a whole, offer a framework for ensuring predictability, transparency and the fair implementation of such measure.¹⁰

Free Trade

Free trade economists argue that lower barriers to global trade result in higher trade volumes, prosperous national economies and poverty reduction. Free trade economists point to the important role of trade in development success, example of countries such as China and Brazil. Since the current trade regime came into force under the World Trade Organisation in 1995, global import duties, that is, tariffs, and other protectionist measures have fallen to all-time lows. It is added by modern transport and communications technologies, world trade has grown tremendously at almost 10 per cent, per annum, pausing only during the depth of recession in 2008.¹¹

⁷ Choma HJ, The impact of mining rights on the local communities in Limpopo Province, South Africa: A Comparative Study *US-China Law Review 2009 Volume 6* at 8

⁸ http://www.wto.org/english/reser/es/climate_jun_10_e.htm 2012/01/29

⁹ The trade and Environment, http://www.wto.org/english/tratop_e/envir_e/climate_intro_e.htm 2012/01/29

¹⁰ http://www.wto.org/english/tratop_e/envir_e/climate_intro_e.htm. See also United Nations Framework Convention on Climate Change and its Kyoto Protocol, *June 2009*

¹¹ http://uk.oneworld.net/guides/trade?gclid=CNORSMCc9aOCFO/pfAodm/MJVA_2012/01/29. See also Raymond V, International Investment and International Trade in the Product Cycle, *Quarterly Journal of Economics* 80/N0 2, May 1966 at 190

The unprecedented rate of growth in international trade since the establishment of the World Trade Organisation in 1995 has not been accompanied by a commensurate fall in global power. Revision of rules, especially for agriculture, has the potential to align the goals of global trade with poverty reduction, food security and environmental stability. However, the refusal of the United States and European Union to contemplate unconditional removal of their farm subsidies has caused the collapse of the so-called Doha Development Agenda.

Conclusion

For Least Developed Countries, financial aid together with many kinds of assistance is indispensable for them to cope with global warming mitigation. This kind of aid is planned to be performed through the scheme of Least Developed Country fund or Special Climate Change Fund as follows.

The Least Developed Countries Fund was established under the United Nations Framework Convention on Climate Change at its seventh session in Marrakech in 2002, and it is managed by the Global Environment Facility. The fund addresses the special needs of the Least Developed Countries, which are specially vulnerable to the adverse impacts of climate change. This includes preparing and implementing National Adaptation Programs of Action, which aims to identify “urgent and immediate needs” of each Least Developed Country according to specific guidelines provided by the Least Developed Countries Expert Group.¹²

The Special Climate Change Fund was established by United Nations Framework Convention on Climate Change in 2001 to finance activities, programmes and measures relating to climate change that are complementary to those funded by the resources allocated to the climate change focal area of the Global Environment Facilities and by bilateral and multilateral funding.¹³

¹² Matsumura A, Trade Liberalization and Global Warming: The Role of Foreign Aid for Sustainable Economic Growth, The Forum on Public Policy: A Journal of Oxford Round Table, www.oxfordroundtable.co.uk

¹³ *Global Environment Facilities, Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF)*, February 22, 2010, see also Financial Aid for Developing Countries, *Japan Economic Journal* December 25, 2009