

Lamy fears spillover between climate and trade talks

By James Lamont in New Delhi

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Failure to find agreement at United Nations climate change talks in Copenhagen in December would threaten a much needed overhaul of the international trading system, Pascal Lamy, head of the World Trade Organisation, warned on Thursday.

His comments highlighted concerns that a breakdown in discussions about reducing greenhouse gas emissions may spill into the trade arena – with devastating effect, as some countries seek to exclude goods from high emitters.

India has already protested to Hillary Clinton, the US secretary of state, about the threat of carbon tariffs from environmental legislation proposed by the Obama administration.

Speaking as trade ministers from 39 countries met in New Delhi to progress the WTO's Doha round, Mr Lamy cautioned against adopting trade measures to force changes in environmental behaviour.

"I sincerely hope that [agreement] will happen in Copenhagen. If it doesn't happen, our job at the WTO will become more difficult," Mr Lamy told the Financial Times. "Go-it-alone measures will not achieve the desired results. Relying on trade measures to fix global environmental problems will not work."

He said world leaders, who meet at the Group of 20 in Pittsburgh, US, later this month, had to prioritise agreement on tackling climate change, ahead of discussion of how trade policy might be used to deepen environmental protection.

"I am of the firm conviction that the relationship between international trade and climate change would be best defined as a follow-up to a consensual international accord on climate change that successfully embraces all major polluters," Mr Lamy said.

Some developing countries have expressed concerns about environmentally linked tariffs on imports by developed nations, as the pressure to cut greenhouse gases intensifies. They claim such tariffs are in effect protectionist measures.

The American Clean Energy and Security Act, passed by the House of Representatives in June, has fuelled concerns among developing countries that it may lead to punitive US border adjustment mechanisms, shutting out trade.

At a time when the developed world is trying to persuade growing economies like China and India to agree greenhouse gas emissions cuts, some climate change experts say threats to resort to trade measures are "dangerous".

"The discussion of trade and climate is already out there," said one expert.

“That is a big risk for Copenhagen. Counter-measures are not a helpful dynamic. We have got to talk collaboratively.”

Trade negotiators are hoping that a successful conclusion of this week’s meeting in New Delhi will help put the revival of the stalled Doha round firmly on the agenda of the G20 meeting in Pittsburgh. Many view a trade deal as an economic stimulus to help the global economy recover from its downturn.

However, Mr Lamy said world leaders had to find the political will to embrace tougher global financial regulation to prevent a repeat of last year’s banking crisis and prepare the ground for the Copenhagen talks on climate change.

Anand Sharma, India’s commerce minister, on Thursday played down the prospect of a swift conclusion of the Doha round in spite of calls by some of his counterparts to home in on a few outstanding issues.

“Let’s be frank in acknowledging that even the unequivocal expression of political resolve has not been translated into action . . . It has been suggested that most issues have been settled almost in ‘end-game’. However, it would be apparent that there are still a few gaps and a large number of unresolved issues.”