

CLIMATE CHANGE AND INTERNATIONAL TRADE

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Climate change treaties and legislation sets of a cascade of downstream events affecting international trade.

The 15th Conference of the Parties to the Framework Convention on Climate Change (COP-15) held in Copenhagen at the end of 2009 spurred new debate on climate change, measures to fight it and the way it affects international trade. In an effort to join the growing international movement towards environmental protection, regional blocs and national and local governments have been starting to pass laws to regulate the matter, expressing concern with global warming and voicing their opinion to the international community.

An example is the Waxman-Markey Bill (officially entitled Clean Energy and Security Act), now heading for the American Senate. This bill sets a cap on greenhouse gas emissions and creates an internal carbon market. Its goal is to reduce U.S. greenhouse gas emissions by 17 percent by 2020 from 2005 levels and by 83 percent by 2050.

When adopted by developed countries, measures such as these are usually followed by adjustments on the prices of imported products or adaptation to stricter environmental standards, such as the so-called “border tax adjustments” – import fees levied on goods that are not subject to the same environmental restrictions in their country of origin.

Consequently, such rules tend to have a more negative impact on developing countries, which become subject to tighter export controls and have their companies forced to adapt to the new rules without being able to count on the same government assistance received by companies located in developed countries.

From the perspective of international trade, even more care is required, as rules to fight climate change may assume a disguised protectionist nature and violate the World Trade Organization (WTO) rules. Placing taxes, fees and internal requirements on foreign goods and not doing the same in relation to domestic goods is just an example.