

# GLOBAL WARMING AND THE WORLD TRADING SYSTEM

GARY CLYDE HUFBAUER

STEVE CHARNOVITZ

JISUN KIM

PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS

WASHINGTON, DC

MARCH 2009

---

# Contents

<b>Preface</b>	<b>ix</b>
<b>Acknowledgments</b>	<b>xiii</b>
<b>1 Introduction</b>	<b>1</b>
Statistical Overview	6
Issues in Controlling Greenhouse Gas Emissions	10
Major Bills Introduced in the 110th Congress	13
<b>2 Overview of Applicable World Trade Organization Rules</b>	<b>31</b>
National Treatment	35
Charges Equivalent to Internal Taxes Applied to Imports	38
Border Tax Adjustments on Products	39
Most Favored Nation Treatment	46
Quantitative Restrictions on Goods	47
Domestic Regulations and the Agreement on Technical Barriers to Trade	48
General Exceptions	49
Disciplines on Subsidies	61
<b>3 Status of Climate Measures under the Law of the World Trade     Organization</b>	<b>65</b>
Border Adjustments on Imports	66
Border Adjustments on Exports	69
Unilateral Countervailing Duties or Sanctions	70
Greenhouse Gas Performance Standards	71

“Food Miles” and Transport Emissions	73
Using a Multilateral Climate Agreement as a Sword against Import Restrictions	73
Using a Multilateral Climate Agreement to Establish Rules for Trade	74
Allocating Emissions Allowances to Other Countries	75
Output-Based Rebates	75
Climate Safeguards	77
Hybrid Systems	78
Boxer Amendment to Lieberman-Warner Climate Security Act of 2008	78
Australia’s Carbon Pollution Reduction Scheme	89
<b>4 Future Climate Policy and the World Trade Organization</b>	<b>93</b>
Dispute Settlement Approach	94
Negotiation Approaches	97
Bringing Multilateral Environmental Norms into the World Trade Organization as Standards	99
Reinvigorating the Doha Round	100
<b>5 Elements of a Trade and Climate Code</b>	<b>103</b>
Definitions Applicable to the “Green Space”	104
Exported Products	105
Border Adjustments for Carbon Equivalent Taxes	106
Performance Standards on Imported Products	106
Cap-and-Trade System	106
Comparability Assessments of Foreign Climate Regulation	108
Noncompliance Measures for Climate Commitments	108
Preferences for Least-Developed Countries	108
Climate Subsidies for Sequestration and Alternative Energy Sources	109
Climate Subsidies for Adaptation	110
Climate-Unfriendly Subsidies	110
<b>Appendices</b>	
Appendix A Four Big Uncertainties	113
Appendix B Will Biofuels Save Energy and Reduce CO <sub>2</sub> Emissions?	127
Appendix C Summaries of Selected Environmental Dispute Cases	131
Appendix D Clean Development Mechanism: A Big Challenge for the Post-Kyoto Regime	137
Appendix E Rise of Global Carbon Markets	141
<b>Bibliography</b>	<b>147</b>