

**Statement by Ambassador Susan C. Schwab
United States Trade Representative**

**Informal Trade Ministers Dialogue on Climate Change Issues
Bali, Indonesia 8-9 December 2007**

This is an important and first opportunity for trade ministers and senior officials to share views. Climate change is a critical issue and this is the appropriate time to address the connections between international action on climate change and trade, which has been the engine of global growth.

Trade has a role in making economic growth and development “climate-friendly” but should not be seen as the answer to all climate change mitigation concerns. Approaches should emphasize multiple aspects of sustainable development, including economic growth, environmental effectiveness and energy security.

Within the context of the Doha Round, there are important negotiations currently underway on market access for agriculture, industrial products and services with positive implications for the environment, but also important environment-specific objectives such as the mandate in the Doha Declaration for the “reduction or, as appropriate, elimination of tariff or non-tariff barriers to environmental goods and services. In this area, the U.S. has focused on negotiations on environmental goods and services, including clean energy and “climate friendly” technologies, and fisheries subsidies.

Additionally, the free trade agreements the US has negotiated have very substantial accomplishments on environmental protection and natural resource conservation. The May 10, 2007 bipartisan trade deal with our Congress goes even further for the free trade agreements with Peru, Colombia, Panama and South Korea.

Other bilateral initiatives – such as the Indonesia – U.S. TIFA, included an MOU on illegal logging and associated trade -- signed by Ministers Pangestu and Kaban. In parallel, we are looking to conclude a complementary agreement with China next week under the SED. It will focus on assistance the U.S. and China, as major importers of wood products, can provide to third countries, such as Indonesia, which are endeavoring to curb deforestation.

Trade liberalization can contribute to “clean growth” in environmental terms, notably through increased dissemination of more efficient, cleaner technologies; larger efficiencies that can lead to GHG emission; and an increased economic pie that can help societies pay for pollution control.

Generally, links between economic growth and environment, especially climate change, are complex; for example, scale/composition effects of growth may be either positive (contributing to climate change mitigation objectives) or negative.

It is important to understand the contribution of international trade to GHG emissions in context. Globally, the transportation sector accounts for 20 percent of all GHG emissions, most of which is domestic vehicle use. International trade accounts for less than 2 percent of GHG emissions. In addition, it is misleading to single out energy used in transporting goods without considering how trade contributes to productivity and efficiency--and poverty reduction.

WTO Climate Proposal and EGSA

The WTO negotiations on environmental goods and services offer the potential for very positive effects in the fight against climate change. The U.S., with the EU, just advanced a ground-breaking, innovative proposal. It provides for early action on certain “climate-friendly” technologies, as identified by the World Bank in a recent study, and for negotiation of parallel “Environmental Goods and Services Agreement” – EGSA.

In 2006, U.S. imports of the 43 products listed by the World Bank were \$18 billion and exports \$15 billion. The US is a net importer of these environmentally friendly products. The top two exporters of these products to the US were Mexico and China. Of the top ten exporters to U.S., four were developing economies.

The potential benefits of a WTO climate initiative and EGSA are compelling. A recent World Bank study shows that trade in climate-friendly technologies would likely to grow 7-14% as result of a WTO deal. WTO Members have the opportunity to take bold, ambitious action now to use trade tools, such as tariff reductions on clean technologies, to advance clean energy and climate change mitigation objectives. There is no time to waste arguing over approaches; we need immediate results that benefit all: producers, consumers, exporters, importers.

Trade liberalization in the WTO can make a real difference in accelerating the spread of new, cutting edge clean technologies – ones that can make concrete contributions to global efforts to mitigate climate change. According to the World Bank study, “while FDI is the most important means of transferring technology, weak intellectual property rights regimes (or regimes perceived to be weak) in developing countries often inhibit diffusion of specific technologies beyond the project level.”

Beyond a WTO climate initiative and EGSA, WTO Members should be cautious to avoid a rush to restricting trade in the name of climate change action.

There has been a great deal of media attention based on statements from those who propose restricting imports based on carbon intensity of production methods. This is the wrong action at wrong time. Restricting imports easily leads to covert protectionism, undermining both environment and economic objectives – and it is not a path towards sustainable development.

All countries need to act to address climate change but trade restrictions to seek to force action can backfire and lead to tit-for-tat trade restrictions that can negatively impact global economic growth while accomplishing nothing in advancing climate change objectives.

There clearly are ways to advance trade and climate change objectives in a mutually supportive manner – reducing barriers to trade in climate and clean energy technologies an example for ensuring greater access to the latest technologies for all.

This kind of dialogue should promote greater coordination and cooperation among trade and climate change policy officials. Trade has an important role to play in advancing climate change objectives, particularly wider dissemination of key clean technologies. But it’s not the answer to all climate concerns. Environment/Energy policy makers have their role to play in exploring avenues for climate mitigation action that is trade supportive.

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