

Global Challenges at the Intersection of Trade, Energy and the Environment

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- Competition over access to critical raw materials
 - Suboptimal allocation of resources at global level
 - High demand on raw materials
 - Access critical for the industries (in particular energy intensive) in resource-poor countries
 - High pressure domestic demand in emerging countries caused by strong economic growth leads to resource nationalism
 - Pressure on renewables
 - Industrial Policy measures:
 - Over 450 export restrictions or other measures on more than 400 different raw materials!
- ▶ Result: distortion of competition and increase of global prices

- Dual-pricing practices
- Natural resource-endowed countries set the domestic price of the natural resource significantly lower than the export market price
- Principle areas: ethylene feedstock, gas, palm oil
- Reason: proper use of domestic resource, attraction of investment, development of a domestic industry, infant industry

- OECD on export taxes:
- „In this sense an export duty acts as an implicit subsidy for the domestic processing industries, providing them with an artificial competitive advantage both in the domestic market of the country and in export markets“
- Do the economic implications of export taxes also apply for dual-pricing?
- What rule, if any, should the WTO develop on dual pricing practices?

■ Dual Pricing Practices and WTO:

Subsidies Code

- (1) financial contribution, (2) by a government, (3) which confers a benefit
- (1) Prohibited:
 - Subsidies contingent.....upon export performance
 - Subsidies contingentupon the use of domestic over imported goods
- or (2) actionable subsidies
 - Specificity (de jure or de facto)
 - Are dual pricing practices of feedstock for energy intensive industries de facto specific?

- Dual Pricing Practices and WTO:
TRIMs – Investment Measures
- Use of Dual Pricing Practices as an incentive to entice foreign investment?
- BUT: are dual pricing practices contingent upon compliance with a local content requirement?

- Result: A WTO violation of dual pricing practices is difficult to establish
- Possible Actions:
 - WTO negotiations (DDA: declare dual pricing schemes as prohibited export subsidies)
 - Bilateral agreements (prohibition, price undertakings)
 - WTO accession negotiations (prohibition, price undertakings)
 - AD measures
 - No action, but

- Are WTO members entitled to an equitable share of the international supply of raw materials?
- Do we have to redefine the notions of comparative advantage and international division of labour in the context of equitable access to raw materials?
- If a prohibition of double pricing practices is established would we need exceptions for environmental or social reasons?