

Greening Global Value Chains / Session on Implementation Barriers
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In speaking about the green economy and the greening of Global Value Chains, the minds of many politicians automatically turn to jobs. Will such GVCs deliver green jobs, they ask themselves. The key issue on their minds becomes: 1/ how do I create green jobs, and 2/ once they've been created, how do I protect them and keep them from going offshore.

This mind-set can, unfortunately, lead to competition that is, first, not at all about the environment (but about jobs); second, to competition that can end up defeating the environmental goal by leading to green products being manufactured where it is least efficient to do so; and third, to competition that results in the creation of economic and trade distortions that reduce global welfare.

Attempts by governments to turn green growth into a competition over green jobs has translated, in the WTO, into a wave of disputes between governments in the area of renewable energy. In these disputes, governments have either challenged the subsidies that others pour into their renewable energy industries to promote them - many of which have to do with the imposition of "local content requirements," or the trade remedies (anti-dumping duties or countervailing measures) that they apply at their border to green goods imports, to protect the competing domestic industries.

These disputes include:

Subsidy allegation:

- *China – Measures Concerning Wind Power Equipment* (a dispute had been lodged by the US)

Local content allegation:

- *Canada – Certain Measures Affecting the Renewable Energy Generation Sector* (a dispute lodged by Japan and the European Union)
- *European Union and certain member States – Certain Measures Affecting the Renewable Energy Generation Sector* (a dispute lodged by China)

Trade remedies:

- *United States – Countervailing and Anti-Dumping Measures on Certain Products from China* (a dispute lodged by China and which also deals with some solar products)

The work being done on Global Value Chains, and which has been spearheaded by the WTO in co-operation with the OECD, provides an ideal opportunity to combat the myth that any one country could, in today's world, "monopolize green jobs." Our world, and our production systems, have moved beyond the phase where Country A can manufacture the entirety of green product X, from start to finish. Goods are now produced across the globe, and the jobs associated with their production similarly distributed.

In addition, in the fight over green jobs, politicians tend to exclusively focus on manufacturing, ignoring the many job-generating services that accompany manufacturing activity. Let me give you examples of both.

Global Value Chains in Green Goods

Because of today's Global Value Chains, a "monopoly on green jobs" is no longer possible. Take US "silicon modules," a product vital to the solar industry, and which are labelled as "Made in the US," much of the material used in their production is sourced from elsewhere. The glass, the encapsulant, the backsheet, and the junction boxes that go into these modules are sourced from China, Japan and Europe.

Take the PV cells that are produced in China and Chinese Taipei and which are labelled as "Made in China" or "Made in Taiwan," much of the equipment used to manufacture them is imported from Germany, Switzerland and the US.

So, in fact, politicians hoping to boost green jobs by supporting local production, or penalizing imported green goods, are swimming against the tide of greater global integration. They would inadvertently be undoing the efficiency gains generated by much greater specialization at the international level.

In trying to use trade remedies to hurt imported products, Global Value Chains, also lead to strange situations. Take the example of the final rulings of the US' International Trade Commission regarding the import of Chinese PV cells and modules. It imposes trade remedies on these products, but states that modules "assembled in China" containing solar cells originating "from a third country" may continue to enter the US duty-free. So what does this mean? It means that the US has recognized that some of its own exports of PV cell components may come back to it in the form of imports (but that would nevertheless carry a "Made in China" label), and which logically of course it does not wish to hurt. Hence, the International Trade Commission's exclusion. It is an exclusion based on the realization that some of our imports today are of our very own exports.

Job-Generating Green Services

Politicians are all too often ignoring the green jobs that services create. Take the German solar industry, for every firm involved in solar module manufacturing, there are more than 6 services firms working the other parts of the solar industry. The services tend to be concentrated in R&D, installation, system design, and project management.

And herein lies another key message for politicians and policy-makers. Many of the job-generating services are not born of an export strategy, but of a domestic renewable energy deployment strategy. In other words, were politicians to focus on spreading the "use" of green goods in their countries, many accompanying job-generating services would be born. The jobs mostly come from installation, maintenance and repair.

Take another example. In the US, only 25% of all the 100,000 full-time workers estimated to be employed in the solar power industry are in manufacturing, the rest are in installation, sales and distribution, and R&D.

The same goes for the US wind industry. It has 33,000 jobs in manufacturing, but 39,000 jobs in installation, operation and maintenance. And the same goes for most of the other countries that I have looked at.

But, interestingly, going into these details demystifies another aspect of the problem too. It helps cure us of "China syndrome" that many of us so fear. When we examine the jobs generated in China in the solar industry we discover that far fewer jobs are generated than we think. In other words, China has not monopolized solar industry jobs, contrary to popular perception. How so? Because China is only the assembly point of various imported components. Similarly, because of the very limited deployment of solar energy in China, and with 90% of all Chinese solar energy products being destined for export, the job-generating services were never born.

To conclude, as Pascal Lamy now says "protectionism in today's world no longer protects." The best way to support green growth is to legislate and enforce green growth mandates within one's very own country and to not think about either jobs or trade. Why? Because it is these mandates that will generate the jobs and the trade anyway. The environmental goal has to be our starting point.