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The role of international trade in mitigating the impacts of climate change

by

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What does the future hold for agriculture?

- Agriculture is particularly vulnerable to climate risks
  - Reliance on water, land, and weather
  - Potential changes in water, pests and disease conditions
  - Vulnerability varies among CDDCs

- Unpredictable impacts
  - Climate change will amplify risks associated with commodity dependence
    - Raise the frequency of price shocks in commodity sectors
    - Exacerbate market uncertainty
  - Increase incentives for trade interventions

- Trade will be essential to allow the global trading system to adjust to shifting economic and environmental conditions
Role of trade in climate mitigation

- IPCC scenarios examined the role of trade:
  - Food security risks greater in pathways with lower income, increased food demand, increased food prices resulting from competition for land, more limited trade
  - Enabling trading system incentivizes sustainable land management for climate change mitigation/adaptation
  - Dependency on imports or exports of single commodities may accentuate the risks associated with climate change

- Diversification can open up new market opportunities and spread risks

Sources: IPCC, 2019; UNCTAD, 2019
Existing border measures affect diversification choices

- **SPS measures**
  - Rapidly changing pest and disease pressure due to climate
  - Increases incentive to use of pesticides due to changing pest risk
  - SPS requirements may restrict import of products based on scientifically justified risk assessments
  - Solutions: integrated pest management, sustainable cropping systems, improved SPS capacity, ...

- **Tariffs**
  - Persistence of higher import duties for processed products creates disincentives to invest in value-added (e.g. Cocoa)
  - Solutions: Negotiated tariff reductions – bilateral/multilateral; targeted investment, ...
Creating synergies

- Climate–smart strategies
  - Improved water management (irrigation, rain harvesting, drought tolerant varieties)
  - Mixed cropping and minimum tillage; and
  - Skills and capacity development
- Combines adaptation to climate with mitigation to increase productivity and resilience
- Sustainability standards and labelling open up possibilities to access new markets
Enabling conditions for diversification

- Infrastructure, including digital
- R&D investment
- Extension – training
- SPS capacity and inspection services
- Early warning systems
- Information on regulatory measures
- Institutional frameworks
Current WTO rules provide policy space

- Agreement on Agriculture
  - Non-trade distorting support: Unlimited and includes many types of investments that create enabling conditions
  - Limits on trade-distorting support

- SPS and TBT Agreements
  - Avoid unnecessary barriers to trade
  - International standards and harmonization
  - Transparency provisions
Amplifying potential positive impacts from trade

- Identify *synergies* and trade-offs
- **Invest** in creating enabling conditions to support climate-smart agriculture
- Promote appropriate *risk assessment, surveillance, monitoring of evolving SPS risks*
- Pursue *sound, transparent and predictable trade policies*, including addressing existing tariff barriers and trade distorting support