Contribution of the United Nations Conference on Trade and Development

Economic diversification, fair transition of workforce and the role of trade

The Paris Agreement opens up prospects for a collective transformation. The extent and the pace of this transformation will be dictated in large part by the nationally determined contributions that countries are making towards reducing their emissions under the Agreement.

From an investment perspective, the Paris Agreement has significant resource implications for all countries, as investment promotion and facilitation action will be crucial to advance implementation of nationally determined contributions. According to an estimate by the United Nations Conference on Trade and Development (UNCTAD), the global investment needs for climate change mitigation and adaptation by 2030 are on the order of US$0.6 trillion to US$1 trillion per year, with an annual investment gap of US$440 billion to US$780 billion. Less than half of the investment in climate change mitigation in developing countries comes from the private sector – on average, 40 per cent. There is considerable potential to mobilize more private investment for climate change mitigation and adaptation. This will require sustainable development-oriented investment policies, targeted investment promotion and facilitation, and new forms of international cooperation on green investment financing.

From the trade perspective, the following features of the collective transformation initiated by the Paris Agreement deserve particular attention.

First, economic diversification is a shared challenge. The approach is to change from allocation or shifting of burdens among countries through trade-restrictive measures, to determination of ways in which all countries could take advantage of the benefits that would be generated by this transformation.

The trading system is increasingly used to make goods, not just to sell goods. Already, a considerable part of world trade takes place within value chains. And it is within value chains that countries may be looking for and finding means of economic diversification. Value chains will play an important role as transmitters of resource and environmental costs.

Second, the transformation will require countries to change how they seek to develop their energy sector. Clearly, markets rather than trade inform the core policy concerns in the field of energy. However, trade and trade and investment policies and access to sound technology are relevant.

One of the main challenges of climate change is not only promoting new innovations in generating and using energy, but transferring those innovations from market to market, especially into the developing world. One way of doing so is to create an open global market in environmental technologies. Bringing down the barriers to trade in energy efficient goods and goods used in conjunction with renewable energy sources would accelerate and bring greater clarity to the technology transfer agenda within the United Nations Framework Convention on Climate Change (UNFCCC).

Third, there is the challenge of making this collective transformation a fair and equitable one. In particular, countries do realize that changes set in motion by nationally determined contributions are
bound to have an effect in terms of jobs to be gained – or lost. The need to generate decent employment through trade continues to be an important policy goal for many developing countries.

With the development agenda becoming an increasingly important factor in climate change mitigation, the scope for mutual supportiveness or complementary benefits (co-benefits), in the parlance of the Intergovernmental Panel on Climate Change, is bound to increase. Along with finance and technology, trade has an important role to play in leveraging the various co-benefits, including social outcomes.

Co-benefits, or as they are known in trade policy, win–win outcomes, do not mean there may be no losers. And the winners and losers will not necessarily be grouped by sectors and skill categories. Policy coordination and policy coherence are going to be crucial for achieving combined economic, social and climate objectives.

The Paris Agreement and the 2030 Agenda for Sustainable Development, underpinned by the Sustainable Development Goals, bring together the two grand frontiers – climate change and sustainable development. And while governance structures may remain imperfect, the understanding of priorities has never been more aligned. The Paris Agreement is applicable to all parties; the Sustainable Development Goals more explicitly address actions that are universal, while multilateral rules cover the bulk of global trade.

Traditionally seen through the lens of a competitive relationship, trade has an enormous cooperation potential. It acts as an enabler, cutting across the various areas of climate policy and sustainable development, which is recognized in Sustainable Development Goal 17, on strengthening the means of implementation and revitalizing the Global Partnership for Sustainable Development.

This submission derives from a series of activities, conducted by UNCTAD in cooperation with UNFCCC, including analytical studies, ad hoc expert groups, briefings and special events at Conferences of the Parties. The activities seek to help UNFCCC Parties in their search for the ways and means to unlock climate action, using trade as part of the solution in helping countries, particularly developing ones, to diversify their economies and create jobs as they make their transition to a low-carbon future.

Considering the functions of the Forum on the Impact of the Implementation of Response Measures, it would seem important to strengthen working relations among the UNFCCC, UNCTAD, the World Trade Organization and the International Trade Centre, with a view to promoting multilateral cooperation as opposed to unilateral approaches.

The following joint activities could be envisaged in support of the Forum’s work programme: participation in the Technical Expert Group; policy analysis of submissions by Parties related to trade; mutual participation in country and sector specific studies, including value chain linkages; national and regional seminars; joint advisory missions combining expertise on climate and trade policies; improving access to and familiarity with methodology and modelling tools for ex-ante and ex-post assessment of response measures.