

United Nations Conference on Trade and Development

LAUNCH OF THE COMMODITIES AND DEVELOPMENT REPORT 2019: COMMODITY DEPENDENCE, CLIMATE CHANGE AND THE PARIS AGREEMENT

11 September 2019, Geneva

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

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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

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 (eg. 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