

Foreword by Director-General Ngozi Okonjo-Iweala

Even though trade is indispensable for both climate change mitigation and adaptation, it has too often been overlooked in the global response to the climate crisis. This is set to change at COP28 where, under the presidency of the United Arab Emirates, trade will feature prominently on the agenda.

The timing could not be more opportune. The United Nations' authoritative 'global stocktake' ahead of COP28 demonstrates that national pledges to cut global greenhouse gas emissions remain well short of what is required to avoid the worst effects of climate change in line with the 2015 Paris Agreement. At the same time, however, the trillions of dollars' worth of investments necessary for the low-carbon transition in the years and decades ahead now face substantially higher borrowing costs due to the run-up in global interest rates.

Against this backdrop, trade offers a tool for delivering greater emissions reductions for each dollar spent.

In line with the mandate in the WTO's founding agreements to advance trade in a manner that promotes sustainable development, the WTO Secretariat has developed a 10-point set of "Trade Policy Tools for Climate Action," in support of COP28's spotlight on trade as a lever for climate mitigation and adaptation.

The toolkit builds on the Secretariat's research work to shed light on ways that trade and trade policy can help accelerate and amplify the impacts of climate action for the benefit of current and future generations.

Recent editions of our flagship World Trade Report have provided valuable insights into the economic underpinnings of the relationship between climate change and international trade. The 2022 report noted that while trade can, under certain circumstances, lead to increased greenhouse gas emissions associated with more economic output and transport, it also offers a vital means for economies to access the goods and services necessary for a low-carbon transition, create the job opportunities needed to ensure that the transition is just and equitable, and help economies recover from shocks, such as droughts, floods and other extreme weather events. It looked at the plummeting prices that have made solar power cheaper than fossil energy in many places, and drew attention to research suggesting that 40% of the dramatic recent cost declines resulted from scale economies made possible in part by international trade and cross-border value chains. The lesson is clear: without globally integrated supply chains, getting to net-zero emissions by mid-century would become much more expensive.



The 2023 World Trade Report looked at research demonstrating how trade serves as a powerful force multiplier for environmental policy action. For example, when economies move jointly to correctly price water use or greenhouse gas emissions, trade amplifies the environmental gains: just as economies can reap economic gains by specializing in what they are relatively good at, the world can reap environmental gains if economies specialize in activities that they are relatively green at.

In this publication, the WTO Secretariat explores 10 trade policy tools that can accelerate progress towards climate goals. Each element could be integrated into nationally determined contributions (NDCs) and national adaptation plans (NAPs) as economies look to ratchet up the ambition of their climate strategies.

Based on the robust discussions on trade and climate change ongoing in various WTO committees, as well as the rising number of formal notifications of climate-related trade policy measures, two clear conclusions emerge. First, continued dialogue and cooperation are imperative for trade and climate policies to be mutually reinforcing, instead of each potentially becoming collateral damage of the other. And second, many WTO members are increasingly using trade-related measures to help achieve their climate change objectives.

A just transition to a low-carbon and resilient global economy is a prerequisite for better lives and livelihoods for people around the world. The toolkit focuses on issues at the heart of delivering a people-centred green transition: bringing down the cost of clean energy, decarbonizing supply chains, aligning standards and regulations, repurposing subsidies, and creating new business opportunities in the emerging low-carbon economy. I am eager for the insights it offers to be shared – and hopefully, implemented – as widely as possible.

A handwritten signature in black ink, reading "Ngozi Okonjo-Iweala". The signature is fluid and cursive, with the first name "Ngozi" being particularly prominent.

Dr Ngozi Okonjo-Iweala
Director-General