

WTO-ICC VIRTUAL TRADE DIALOGUES WITH BUSINESS – "TRADE 4 CLIMATE"

TRADE AS A TOOL FOR CLIMATE ADAPTATION

Tuesday, 26 October 2021 from 14:45 to 16:15 (CET)

Summary of Session 2

Participants underscored the need to prioritize climate adaptation, including by aligning countries' trade policy with national adaptation strategies. By way of context, speakers referred to the undeniable linkages between climate change and natural disasters, as well as their significant impact on trade. In this context, the vulnerability of Small Island Developing States (SIDS) was highlighted, given their trade dependence and how exposed they are to supply chain risks and natural disasters. Speakers observed that, as climate change leads to increased intensity and frequency of natural disasters, efforts to build climate resiliency should focus on improving natural disaster preparedness and include the marine transport sector.

Participants observed that climate adaptation efforts should address both the "disaster" component and the "transition" component. With respect to the former, speakers indicated that the multilateral trading system must be resilient and prepared to deal with natural disasters and extreme weather. As to the "transition" facet, it was noted that trade had a significant role to play. This was underscored in a recent IMF paper, which highlighted the need to step up trade facilitation, eliminate trade barriers to environmental goods and services, and ensure the spread of climate adaptation technologies across the world. Moreover, the trading system could also offer stability and predictability to adaptation efforts.

Participants also noted that the efforts of developing countries should be recognized in the transition to low-carbon economy. They mentioned specifically the case of Ethiopia's investment in zero-carbon energy sources and the electrification of its rail system. In terms of carbon standards for quantifying carbon emissions, developing countries had to be able to rely on the same standards used by developed countries. Participants indicated that businesses participating in supply chains often struggled to measure carbon emissions. It was therefore imperative that businesses, including small and medium-sized enterprises (SMEs), became a part of the transformation and that standards with respect to carbon measurement were applied in a uniform way.

On the strategies that governments and businesses should adopt for climate-proof global trade and supply chains, industry representatives noted that governments need to work on developing public-private partnerships to enhance climate adaptation work. It was stressed that transition costs were a major challenge for the private sector. Thus, it was necessary for the private sector to have clarity in terms of long-term policies that would be put in place by governments. This would help ensuring that the necessary investments were made in a timely fashion. In terms of making supply chains more resilient, it was noted that procurement was a valuable tool that could be used to attain climate adaptation objectives. For instance, some large businesses were offering their supply chain partners financing for adaptation purposes.

Turning to relevant lessons from the COVID-19 pandemic that could be applicable to climate adaptation, speakers emphasized that digital solutions developed to respond to the pandemic (e.g. switching to paperless procedures, enhancing trade facilitation, etc.) should be embraced by governments around the world in order to adapt to climate change. Climate-smart societies and industries were needed to deal with the disruptions caused by climate change.

Participants also stressed that the business community needed significant support from the WTO in order to address issues related to climate-related supply chain disruptions. Resuming discussions on the Environmental Goods Agreement (EGA), harmonizing carbon pricing policies, and finishing the fisheries subsidies negotiations should be prioritized. Speakers encouraged the ICC and the WTO to continue this collaboration on trade and climate, which brought together governments, the business community and civil society.