

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

### SECURING A JUST TRANSITION AS TRADE AND SUPPLY CHAINS ADJUST TO NET-ZERO, RESILIENT STRATEGIES

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

#### *Summary of Session 3*

The session recognized the important role of trade and trade policy in ensuring a just transition. Participants underscored that trade policies should be done in a way that enabled countries to progress in greening their industries and fostering innovation while leaving no one behind. Participants stressed the importance of a just transition which was inclusive with regard to micro, small and medium-sized enterprises (MSMEs), women, and youth. Participants noted that data played a critical role in indicating where the impacts of this transition would be bigger as well as in showing what kind of investments would be required to address them. They further stressed the need to create synergies between trade finance, climate finance, and development finance to support MSMEs in adopting net-zero targets, especially in developing countries and least developed countries (LDCs).

Participants underscored the need of engaging more MSMEs in policymaking, in addition to large firms, to ensure an inclusive transition and the meeting of emission targets. It was important to incentivise MSMEs with commercial benefits to facilitate their participation in the transition towards a low-carbon economy. As MSMEs played a critical role for employment and livelihoods in developing countries and LDCs, it was important to help them address key challenges they faced such as access to market information and access to finance and technology. It was suggested that supply chains could drive change and that lead firms had an important role to play in helping and incentivising MSMEs to meet environmental standards, measure carbon footprint, and adapt to other climate-related challenges. One participant suggested that lead firms could help MSMEs by taking a part of their climate-related insurance risk.

Digitization of trade processes was regarded as key for increasing MSMEs' competitiveness and putting them on a more equal footing with larger companies, for instance by facilitating access to finance, allowing for paperless trade, and increasing transparency. However, it was noted that technical assistance and capacity building was important to enable MSMEs in developing countries and LDCs to benefit from digitization. Participants also drew attention to standards and underscored that their transparency and portability were essential, especially for MSMEs and developing countries.

In the context of the COVID-19 pandemic, participants signalled that there was an opportunity to build back better and greener. It was noted that LDCs were open to innovation, but they also needed assistance for adaption, technology transfer, capacity building, financial support, and incentives to transition to greener trade.

Participants highlighted the growing interest and engagement of WTO Members on climate issues in the WTO. The WTO Committee on Trade and Environment (CTE) served as an incubator of ideas and a forum for policy dialogue that helped with coordination of climate-related policies and identification of technical assistance needs. The WTO Environmental Database (EDB) which contained environment-related trade measures was given as an example of an important transparency instrument for businesses, governments, and research institutions. Discussions in the CTE had led to the launch of two initiatives by groups of Members in November 2020: Trade and Environmental Sustainability Structured Discussions (TESSD) and the Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade (IDP). The 12<sup>th</sup> WTO Ministerial Conference (MC12) was expected to reaffirm the importance of sustainable development and issue ministerial statements by TESSD and IDP.

The CTE and the TESSD, for example, provided opportunities to catalyse discussions on issues such as climate, biodiversity, trade, and technology transfer. It was suggested that the WTO could do more analytical work on carbon footprint and methodologies of comparing those between countries. Participants also called for cooperation between the WTO and other international institutions on common approaches for carbon pricing. Other participants noted that the WTO could help promote cooperation in standards development. Several participants stressed that WTO had an important role to play on transparency and knowledge sharing for MSMEs on trade-related climate issues. Participants underscored the important role of the Aid for Trade Initiative in identifying the challenges of developing countries and mobilising funds for climate change mitigation and adaptation.