



IGC

Towards catalysing an action programme for the Coalition of Trade Ministers on Climate: Four suggested action points

Christian Lippitsch and Richard Newfarmer

- This policy brief argues for institutionalising a multilateral discussion framework to share knowledge and align global and national views to drive coordinated, proactive action.
- Establishing a formal work programme at the WTO could facilitate in-depth discussions on the intersection of climate change and trade, enabling better-informed, coordinated policies.
- Reconciling development objectives with climate action requires a multilateral approach that aligns green trade regulations with sustainable economic growth for low-income countries.
- Strengthening regional cooperation among Trade Ministers on Climate would amplify the voices of low-income countries and ensure their interests are represented in global forums.
- Linking “aid-for-trade” to green initiatives would empower low-income countries to adopt sustainable practices, fostering both climate resilience and development.

POLICY BRIEF RWA-24157

NOVEMBER 2024

This project was funded
by IGC Rwanda

www.theigc.org

DIRECTED BY



FUNDED BY



Introduction

International trade can be a key force on the continuous pathway towards green, resilient, and inclusive development in a world that will continue to be shaped by the impact of climate change. The evolving landscape of climate change presents complex challenges that necessitate new strategies and innovative tools to leverage international trade in the fight against global warming. The potential of these novel approaches, including regulations towards carbon content in exports and the tradability of mitigation efforts, is vast. Yet their success hinges on coordinated efforts to ensure their feasibility and maximise their effectiveness. It will require an even stronger shift towards a framework of multilateral coordination.

The institutionalisation of a discussion framework with a strong emphasis on multilateralism to share knowledge, exchange ideas, and align global views with national contexts has the potential to lead to coordinated and proactive action. The Coalition of Trade Ministers for Climate is uniquely positioned to embed the nexus of climate change and trade in international institutions like the WTO. Strengthened coordination has already been on the coalition's agenda recently at the WTO's Ministerial Conference (MC13). Low-income countries promoted dedicated and broadened multilateral discussions on the trade aspects and domestic, regional and global implications of climate change in a framework of international cooperation. While this was further supported by the US delegates who supported better communication across the committees at the institutional and member levels, concrete next steps will take this up towards action.

This policy brief describes four potential actions that low-income coalition members might suggest at upcoming WTO Ministerial meetings. The brief also seeks to stimulate a discussion on strengthened coordination amongst low-income countries in the global fight against climate change.

Advocating that the WTO launch a formal work programme

- Which elements are needed to build green competitiveness through modern and green value-chain integration, seizing comparative advantages, and leveraging emerging opportunities?
- How can low-income countries overcome the financial and technological constraints that they face in transitioning to low-carbon, green economies?
- How can regional and international carbon markets be developed and implement a global carbon tax to incentivise reduced carbon emission and generate additional tax income simultaneously?

- How can measurements such as carbon content in exports be harmonised and work through the nontrivial technical issues of setting up internationally agreed measures of carbon content?
- How can low-income countries' concerns with perceived discriminatory environmental measures be integrated into formal discussions to avoid limiting and distorting market access?

Reconciling development objectives with the fight against climate change

New international trade policies and regulations aim to tackle climate change at the necessary global level. However, it is key to address the critical balance between aligning trade policies with green growth objectives and maintaining an open and rules-based trading system that does not undermine national economic development. The international trade system shall not move towards unilateralism and impose a burden through green and unilateral protectionism. Instead, it needs to move to a multilateral world of coordinated approaches toward joint sustainable and inclusive development. This will require a coordinated approach to align ambitious goals embedded in trade regulations and multilateral trade commitments and the flexibility and feasibility of local implementation toward sustained economic growth. A step towards this would be a regularisation of this discussion in the context of the WTO that could address:

- How can trade in environmental goods, services, and technologies such as reductions in border barriers and liberalisation of environmental services be fostered?
- How can technology enable the transfer of green tech/environmental technology to lower-income countries?
- How can the general system of preferences in green goods and services be extended to lower-income countries through existing WTO preference regimes?
- How can policies and regulations be harmonised to create a consistent policy environment across countries to facilitate the implementation of sustainable practices in trade and industry?
- How can compliance with international regulations, such as those defined in PTAs, and national/regional industrial development paths evaluate the trade-off between regulatory stringency and necessary flexibility? How are trade-offs between short-term economic gains and long-term sustainability addressed?

- How can measurement and reporting standards, such as those for domestic carbon tracing, be developed to ensure access to international markets and the use of international mitigation trading?
- How can cooperation on developing international standards for net zero carbon emission products and services facilitate and ease trade across borders?

Creating strong regional voices

The international trade environment is fundamentally shaped through discussions and negotiations taking place at international forums. In many of these meetings, the participation of representatives of low-income countries is limited, and countries' voices often are subordinated to larger, usually wealthier players. Finding common positions among regional groups can allow for a coordinated and strengthened voice in these fora. The potential goal of these regional coalitions could include:

- To share knowledge about key issues that specifically affect the trade of African economies to improve domestic industrial and agricultural policies as well as promote green exports and climate-resilient domestic activities;
- To take stock of ongoing and prospective initiatives in Africa (and similar economies, where relevant) that would inform climate-related trade policy;
- And to contribute to the building of regional coalitions in different international forums, including the Annual Meetings of the World Bank/IMF, COP29, and regional meetings e.g., the AfCFTA, and preferential trade agreements such as with the EU.

Promoting development through green trade

Leveraging the "aid-for-trade" initiative is crucial for empowering low-income countries to combat climate change through enhanced participation in global trade. Aligning aid with the development of green trade capacities can be pivotal for low-income countries not to be left behind in the transition to a sustainable global economy. This approach will enable them to adopt environmentally sustainable practices and technologies, fostering resilience against climate change while integrating into the global trading system. These topics could be strengthened by further institutionalisation at events such as the annual "aid-for-trade" meeting and through a strengthened and coordinated sharing of knowledge and best practices. These fora could address a wide array of topics, including:

- How can innovative financial mechanisms and incentives that support investments in green technology and sustainable practices in low-income countries be implemented? What are the key elements of an effective and transparent regulatory financial architecture?
- How can capacity building for sustainable practices be targeted to enhance knowledge and skills related to sustainable agriculture, renewable energy, and green manufacturing?
- How can we facilitate the transfer and sharing of green technologies and best practices between developed and developing countries toward increased use of low-carbon technology?
- How can frameworks be established to assess aid-for-trade initiatives' environmental and economic impacts, ensuring they contribute effectively to trade development and climate resilience?