The impact of climate policies on farm trade: What implications for developing countries?

FAO expert consultation
Rome, 5-6 November 2013
1. Introduction
2. How could climate policies affect trade?
Climate policies can affect trade in different ways

<table>
<thead>
<tr>
<th>(i). Border measures</th>
<th>Imports / exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ii). Domestic measures</td>
<td>Subsidies / taxes</td>
</tr>
<tr>
<td>(iii). Regulatory measures</td>
<td>Health and safety, technology, environment, etc.</td>
</tr>
</tbody>
</table>

+ *private standards*

Adapted from analysis in Blandford, D (2013), “*International trade disciplines and policy measures to address climate change mitigation and adaptation in agriculture*”. ICTSD and IPC. ICTSD, Geneva
'Bona fide' climate measures unlikely to discriminate... but some policies have generated tension

<table>
<thead>
<tr>
<th>Dispute</th>
<th>Country</th>
<th>Complainant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local content requirements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renewable energy sector</td>
<td>Canada</td>
<td>Japan</td>
</tr>
<tr>
<td>Renewable energy generation sector</td>
<td>EU and certain Member States</td>
<td>China</td>
</tr>
<tr>
<td>Measures related to solar cells and solar modules</td>
<td>India</td>
<td>USA</td>
</tr>
<tr>
<td>Biodiesels</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Importation of biodiesels</td>
<td>EU and a Member State</td>
<td>Argentina</td>
</tr>
<tr>
<td>Importation, marketing, and support of biodiesel industry</td>
<td>EU</td>
<td>Argentina</td>
</tr>
<tr>
<td>Countervailing duty measures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Countervailing duty measures on certain products from China</td>
<td>USA</td>
<td>China</td>
</tr>
</tbody>
</table>

(i). Border measures
(ii). Domestic measures
EU: climate-related conditions partially used to justify ongoing decoupled direct pmts

Source: EU subsidy notifications to the WTO; ICTSD compilation.
Note: post-Doha OTDS cap is EUR 22.1bn. 2009 DS was EUR79bn (=USD110bn), GB was EUR64bn (=USD89bn)
Biofuel blending mandates: Pushing up prices when yields are low

Figure 9. Marketing Year 2011 Maize Prices Conditional on Maize Yield

(iii). Regulatory measures
EU thresholds for GHG savings creating tension with some trading partners

Source: Figures are based on Annex V of the EU Renewable Energy Directive (RED), but not all details are shown. The value for corn ethanol refers to Community production only. There is no default value for third country production.
Perverse effects of uncoordinated env'l standards:
US - Brazil ethanol trade flows in 2011

Brazil* exports
10,150,000 litres

US exports
14,700,000 litres

Brazil* exports
10,150,000 litres

* Includes exports via the Caribbean

3. What might be the implications for developing countries?
Developing countries: varying importance of ag trade in economy, overall emissions...

...but large economies represent bulk of emissions

Reverse trend on ag ODA, and ensure coherence with climate financing + 'aid for trade'

4. Conclusion
Ways forward

1). **Policy coherence:**
Governments need to discuss trade and climate in fora at WTO and UNFCCC;

2). **New research agenda:**
Needs to address how border measures, domestic measures and regulations could affect poverty and food security;

3). **Applied research:**
Network could bring new analysis to attention of policy-makers and negotiators on ag, trade + climate
Thank you.
Jhepburn [at] ictsd.ch
References:


Monkelbaan, Joachim and Michelle Christy; (2013, forthcoming); “Some Selected Conflicts Between WTO rules and Climate Change Policies”; ICTSD, Geneva.

Further reading:


ICTSD research on agricultural trade and food security: [http://ictsd.org/programmes/agriculture/livelihoods/](http://ictsd.org/programmes/agriculture/livelihoods/)

(additional slides)
Climate change: trade could help partially offset growing food insecurity

Note: Assuming no carbon fertilisation under NCAR and CSIRO climate change scenarios. Figures given are to the nearest million.

Increased no. of malnourished children by 2050 due to climate change

- Sub-Saharan Africa: 10 million
- South Asia: 7 million
- East Asia and the Pacific: 4 million
- Europe and Central Asia: 1 million
- Middle East and North Africa: 1 million
- Latin America and the Caribbean: 1 million

Source: ICTSD
Sustainable farm productivity growth needed to raise rural incomes and match growing demand.
Table 3. GHG Emissions Comparison—Cut Flowers from Kenya and the Netherlands[1]

<table>
<thead>
<tr>
<th>Supply chain section</th>
<th>Kenya</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>300</td>
<td>36,900</td>
</tr>
<tr>
<td>Packaging</td>
<td>110</td>
<td>160</td>
</tr>
<tr>
<td>Transport to airport</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td>Transport to distribution centre</td>
<td>5,600</td>
<td>0</td>
</tr>
<tr>
<td>Transport to distribution centre from airport</td>
<td>5.9</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>6,034</td>
<td>37,110</td>
</tr>
</tbody>
</table>