

# THE ROLE OF INTERNATIONAL TRADE IN REDUCING THE CARBON FOOTPRINT OF FOOD AND AGRICULTURE

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# THE CONTEXT FOR ADDRESSING THE CHALLENGE

- Agriculture and associated changes in land use are a **major source of GHG emissions**
- **Agriculture** accounted for **3.8%** of world GDP in 2015 but **24%** of global GHG emissions (World Bank)
- **Developing countries** accounted for **92%** of global emissions from AFOLU in 2012-14 (FAOStat)

# TRADE'S POTENTIAL CONTRIBUTION

- As a facilitator of shifts in the pattern of global production to low-carbon food sources
- Through the expansion of market opportunities (improved livelihoods) for low-carbon suppliers of food
- As a facilitator for global adaptation in the location of production in response to climate change
- As a stabilizer for food prices in the face of climate-induced disruptions in supply

# PRESENTATION COVERAGE

1. Policies to address emissions costs and international trade
2. Government financial support for mitigation/adaptation – trade implications
3. Domestic adaptation policies and border measures

An important issue is whether domestic climate change policies for agriculture can be consistent with existing GATT/WTO disciplines on trade policies

# MITIGATION/ADAPTATION POLICIES – MAJOR OPTIONS

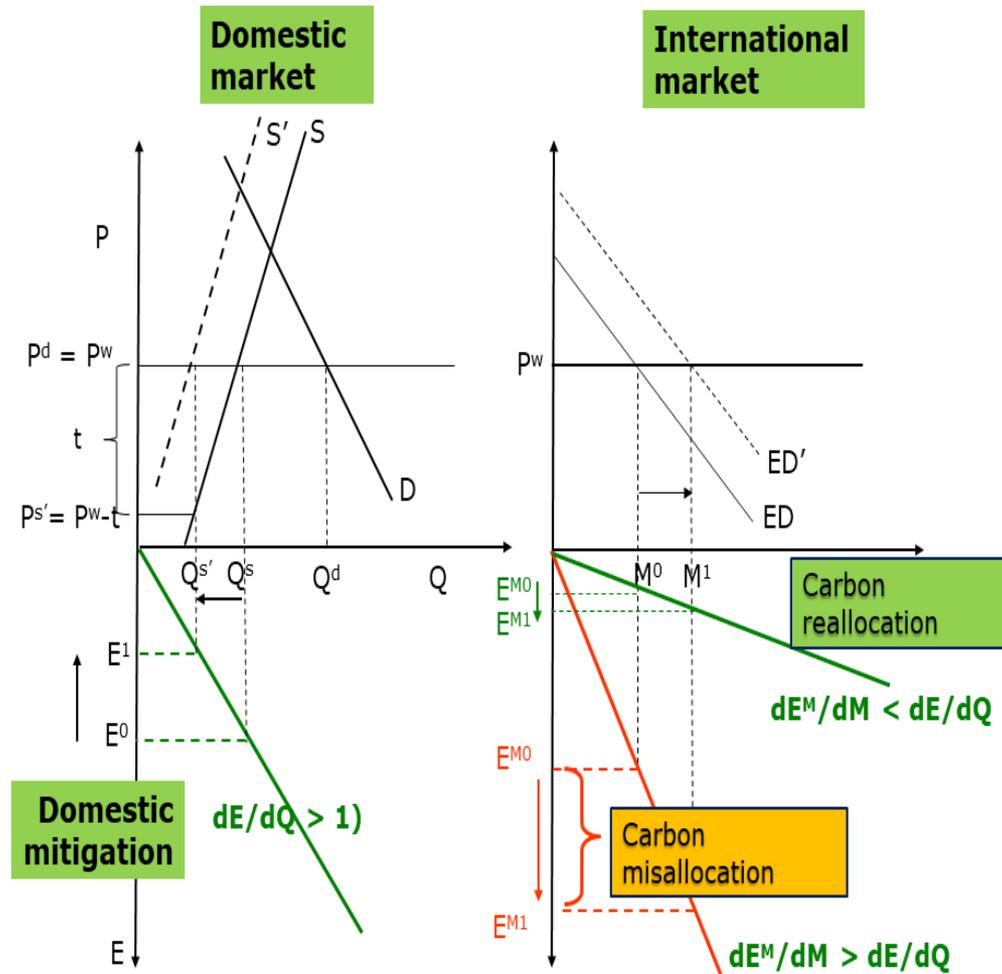
- **Internalization of emissions costs** in production/consumption through taxation, regulation or a mixed approach (cap-and-trade)
- **Financial support** for adaptation or for adoption of low-emission practices/consumption of low-emission products (includes support for development/adoption of low-carbon technologies)
- **Behavioral change** inducements for producers and consumers through information, education, knowledge transfer

# WTO TRADE DISCIPLINES – SOME KEY ISSUES

- **Non-discrimination** principle of the GATT – application of internal measures or border measures affecting imports
- **Government support** – the “boxes” in the Agreement on Agriculture (as well as disciplines under the Subsidies Agreement)
- **Inadequately disciplined measures** – export taxes and restrictions

# Internalization and Imports

- Internalization of emission costs (explicit or implicit)
- Changes in imports as carbon **leakage** from a domestic perspective
- Carbon **reallocation** versus **misallocation** from a global perspective





# TRADE POLICY ISSUES IN MITIGATION

- Lack of a **global carbon price** (“bottom-up” approach of the Paris Agreement) poses great challenges, nationally and internationally
- Border measures (tariffs, import restrictions, BTAs) cannot be used to **discriminate** between “like products” with **differing carbon footprints** and be WTO legal
- But products with differing carbon footprints are **not “like products”** in terms of their implications for global mitigation
- Without specific **exemptions** (e.g., GATT Article XX) difficult to address “unlikeness” legally through border measures

# MITIGATION POLICIES – A way forward?

- **Carbon footprint labeling** through an internationally agreed approach (ISO?) to Life Cycle Analysis (LCA)
- **Effectiveness** depends on consumer response to low-carbon options, but could intensify global effort if choices are not based solely on price
- **Regional trade agreements** could play a supporting role by fostering cooperation (e.g., labeling) and preferential access for low-carbon products
- **Special and differential treatment (SDT)** could focus on promotion of trade in low-carbon products by least-developed countries

# FINANCIAL SUPPORT FOR ADAPTATION/MITIGATION – SOME ISSUES

- Government support is not always needed because of private incentives for adoption of mitigation/adaptation options
- Is government financial support amber box or green box under WTO rules?
- Are current green box categories and restrictions in the Agreement on Agriculture (AoA) appropriate (e.g. on environmental programs)?
- Do SDT exemptions under Article 6.2 of the AoA need to be “tightened up” to avoid mal-adaptation?

# ADAPTATION AND BORDER MEASURES

- Increased **international price variability** as a key policy issue
- Domestic and border measures can affect *transmission* of domestic variability to international markets and *absorption* of international variability in domestic markets
- **International consistency** of domestic measures (e.g. stockholding)
- **International disciplines** on some border measures are relatively weak (e.g. export restrictions and taxes)
- SDT role through expansion of **food aid** for least-developed countries (LDCs)

# FINAL TAKE-AWAY

- Climate policies that seem to make sense from a **national** perspective may not make sense from an **international** perspective when trade is in the picture
- Technical and legal issues make it complicated to **reconcile** climate policy and trade policy – the potential for conflict between them is high
- **SDT** needs to be used in a more targeted way if developing countries are to contribute effectively to global mitigation and adaptation in agriculture
- In general, global mitigation and adaptation can be **supported through trade**, but national policies need to be consistent with that role

# THANK YOU

For further information please contact [dblandford@psu.edu](mailto:dblandford@psu.edu)  
or visit [www.researchgate.net](http://www.researchgate.net) for many of my publications on  
climate change policies and trade policies

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