

Trade and Climate Change Agenda for South Asia

Background

The relationship between trade and climate change has come under increasing attention as the urgency of national, regional, and global actions intensifies with predictions of climate change impacts getting ever grimmer. The relationship has several dimensions: for example, the physical impacts of trade on climate change and *vice versa*; linkages between climate change and trade rules and policies at national, regional, and global levels; and the impact of measures to combat climate change on competitiveness. Trade can help to adjust to climate-induced changes in productivity and production in South Asia. A regional effort to contend with opportunities and interlinkages requires to be developed within the region.

Given the interlinkages, the need to make trade and climate rules mutually supportive has been recognised at multilateral levels, for example, at the United Nations Framework Convention on Climate Change (UNFCCC) and at the World Trade Organization (WTO). While negotiations on the liberalisation of trade in environmental goods and services are taking place in the Doha Round of WTO negotiations, the UNFCCC process also involves negotiations on the role of trade in addressing climate change impacts.

South Asia is a region that is especially vulnerable to the impacts of climate change, mainly due to its geographic conditions coupled with high levels of poverty and population density. All eight countries in the region are parties to the UNFCCC, six are WTO members and two are WTO observers, and four are least-developed countries (LDCs). At the

regional level, under the auspices of the South Asian Association for Regional Cooperation (SAARC), they are pursuing economic integration through the Agreement on South Asian Free Trade Area (SAFTA). With a coverage limited to goods trade, SAFTA came into implementation in July 2006. At the 16th SAARC Summit in Thimphu, the South Asian Agreement on Trade in Services (SATIS) was signed with the aim of liberalising intra-regional trade in services. Member states are yet to schedule their specific liberalisation commitments under SATIS.

Despite over two decades of efforts at regional economic integration, South Asia is one of the least-integrated regions in the world, with intra-regional merchandise trade hovering at 5% of its total merchandise trade.

Responding to climate change presents opportunities and challenges for *inter alia*, intra-regional trade. A clear mapping of the opportunities and challenges within and outside the region is essential to make trade and climate policies mutually supportive.

The theme of the 16th SAARC Summit was climate change. The Thimphu Statement on climate change, *inter alia*, expresses determination to make South Asia 'a world leader in low-carbon technologies and renewable energy'. The activities/actions that Member states agreed to undertake and that which are related to the interface between trade and climate change are 'advocacy and awareness programmes on climate change, amongst others, to promote the use of green technology and best practices to promote low-carbon sustainable and

inclusive development of the region'; and 'a study to explore the feasibility of establishing a SAARC mechanism which would provide capital for projects that promote low-carbon technology and renewable energy; and a low-carbon Research and Development Institute in South Asian University'.

However, there are a host of issues at the intersection of trade and climate change where there is plenty of scope for regional cooperation and initiatives.

Select Recommendations

1. Assess the potential of the liberalisation of trade in environmental goods under SAFTA (South Asian Free Trade Area), and to also study the potential of incorporating environmental services liberalisation under SATIS (South Asian Agreement on Trade in Services). Concurrently, develop common understandings and positions on the liberalisation of trade in environmental goods and services at the WTO (World Trade Organisation).
2. Identify, develop, and implement regional and sub-regional projects on value addition, product diversification, and market promotion of environmental goods, including organic agricultural products and bioproducts.
3. Set a timeline for pruning sensitive lists under SAFTA with an emphasis on bioproducts and environmental goods; removing non- and para-tariff barriers to boost intra-regional trade; and institutionalising the harmonisation of standards, including sanitary and phytosanitary measures on these goods.
4. Conduct a regional study of the impact of climate change on high-value agricultural crops with high potential to contribute to livelihood enhancement and export within and outside the region.
5. Conduct a regional study on the nature and extent of shifting comparative advantage in agricultural production resulting from the dynamic impacts of climate change within and across Member states, and assess possible changes in competitiveness and complementarities in regional trade.
6. Conduct a regional study on the role of intellectual property rights in technology transfer, and launch a South Asian Climate Change Technology Initiative to document and promote the sharing of local and indigenous climate-friendly technologies; identify regional technology needs; and develop measures to promote the progress, sharing, and transfer of climate-friendly technologies from within and outside the region.
7. Assess the implications for, amongst others, adaptation in agriculture and technology transfer from the implementation of intellectual property rights at national, regional, and global levels, and develop common understandings and positions for the ongoing review process of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the WTO as well as UNFCCC negotiations.
8. Exercise vigilance against the introduction of protectionist measures (e.g., border adjustment measures) especially in developed countries in the name of combating climate change, and make a proactive engagement in WTO negotiations to clarify/revise WTO rules such that they are complementary to a global climate regime.

Note: These recommendations are the outcome of the past and ongoing research and advocacy activities of the Trade, Climate Change and Food Security Programme of SAWTEE and Oxfam Novib, Regional Consultation on Monitoring the Climate Change Agenda in South Asia, Kathmandu, Nepal.

