

Forum on Impact of Response Measures -- Outline of presentation

Martin Khor, South Centre, 13 June 2011

1. Types of Response Measures: (a) Adequacy of level of response; (b) Types and design of response measures.
2. Adequacy of response measures and its impact or implications
3. Measures to reduce dependence on fossil fuels (eg remove subsidies; reduce its use).
 - Impacts on price not clear. Subsidy removal may tend to increase, reduced use may tend to decrease; in any case decline in oil stocks could tend to increase it.
 - Rise in price could increase import prices for net importing developing countries; impact on food prices and effects on food security; reduced demand for tourism.
 - Decline in prices or lower volume of demand affects oil producers; in any case need to diversify economies out of oil dependence
 - Effects on non-traded coal
4. Subsidies change in regime towards climate-friendly products and technologies
Assymetry between rich countries that can subsidise and poorer ones constrained by lack of finance to subsidise. Subsidies for climate-friendly products have positive effects but could also affect developing countries that are trying to **diversify** into new products and technologies.
Conclusion: Design subsidies in a way that also benefit developing countries; for example, avoid monopoly effects while sharing the lower costs through affordability; assist developing countries to also subsidise their farmers and firms to go “climate friendly.”
5. Standards and Labeling: (a) Need to design national or international measures in a manner that does not disadvantage developing countries; avoid use of standards and labels as trade protection measures (b) Assist developing countries to upgrade standards, so that they can diversify into new products and technologies.
6. Trade measures for goods and services. (a) Type of trade measures in relation to climate and environment should be agreed to internationally; avoidance of unilateral measures as far as possible. (b) Impact of carbon tariff or border adjustment taxes (c) Taxes on transport services (d) Avoidance of trade protection is most important aspect that enables diversification of developing economies. (e) Public campaigns eg “food miles”, may have good intentions but negative social effects unless a “just transition” is implemented for farmers, workers in developing countries.

7. Other response measures. Need for classification of measures (a) with good intentions and design but with unwanted side effects, and need to deal with side effects (b) with negative intentions or poor design which lead to adverse effects, and need to avoid these measures.
8. Diversification and other measures to assist developing countries to avoid or minimize the impact of response measures, or to offset the negative impacts.
 - (a) Assistance to losers among developing countries or within developing countries: need to work out what kinds of losers, and what kind of assistance.
 - (b) Need to avoid inappropriate types response measures, and to design response measures with the priority of avoiding adverse impacts on developing countries and to offset or have compensatory policies/measures for unavoidable adverse effects
 - (c) Oil and other commodities: Trade prices should be neither too high or low: (a) Need to regulate commodity markets to avoid speculation (b) Re-examine international price stabilization schemes
 - (d) Diversification strategies: (a) Assist developing countries to obtain more value for their commodities: add value to commodities through processing and manufacturing; need for policy space to establish measures, and need for technology and industrial upgrading measures, markets. (b) Assist developing countries to move towards climate-friendly products and to market them (eg organic farm produce). (c) Technology transfer and upgrading of developing countries' goods and services, by generating innovation among economic units in developing countries and by obtaining imported technology at affordable prices.
 - (e) Financing schemes to assist coping with consequences for response measures, and to boost diversification policies. (a) Compensatory financing schemes for countries facing external shocks or adjustment problems; (b) financing to boost the supply capacity of developing countries towards environmentally sustainable products and services. (c) Others.
 - Some of these financing schemes can be through outside the climate framework (eg aid for trade, or finance for development) in which case UNFCCC can link up with them and input into them; other schemes may be through the UNFCCC finance mechanism and technology mechanism.
 - (f) Review of trade, finance, technology and other international regimes to make them supportive of assisting developing countries to diversify and to meet the challenges of a move towards a climate friendly world environment. Need to provide policy space for developing countries (for example to add value to commodities; to upgrade their technologies; to subsidise towards the shift to climate friendly products; to avoid new protectionism) to enable them to embark on the "new industrial revolution" and "the new agricultural and forest revolution" that is environmentally sustainable and must also be made to be economically sustainable for the developing countries.