

G77 AND CHINA PRESENTATION: FORUM ON THE IMPACT OF THE IMPLEMENTATION OF RESPONSE MEASURES

**Views of the G77 and China on Area (d):
Exchanging experience and discussion of
opportunities for economic diversification and
transformation**

**Bonn, ·38th Session of the Subsidiary Bodies
4 June 2013**

Introduction

Decision 8. CP.17: Area (d):

The workshop on this area will help us to:

- Promote understanding and the development and dissemination of measures, methodologies and tools among experts and Parties to assist developing countries in economic diversification. This will be aimed at reducing reliance on vulnerable economic sectors, in the context of Article 4, paragraph 8, of the Convention, in order to give full consideration to what actions are necessary to meet the specific needs and concerns of developing country Parties arising from the impact of the implementation of response measures

Area d) will help us to (cted):

- Improve our knowledge on how economic diversification can be integrated into sustainable development plans, especially those that promote economic and social development and eradication of poverty, being these the first and overriding priorities of developing countries.
- Context: **Objective** of the Convention – **article 2-** *(stabilization of greenhouse gas concentrations in the atmosphere should be achieved at a level that would prevent dangerous anthropogenic interference with the climate system... and within a time-frame sufficient to ... ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner*
- **Rio plus 20 outcome (par.2):** *“Eradicating poverty is the greatest global challenge facing the world today and an indispensable requirement for sustainable development. In this regard we are committed to free humanity from poverty and hunger as a matter of urgency”.*

Area (d) will help us to (cted.):

- Exchange experiences and lessons learned on national cases for economic transformation and diversification, taking into account there is not a unique approach for this transformation and diversification.
- As recognised in Rio plus 20 outcome document, « there are different approaches, visions, models and tools available to each country, in accordance with its national circumstances and priorities, to achieve sustainable development in its three dimensions which is our overarching goal »(par.56).

High costs of economic diversification

Economic transformation and diversification entail high adjustment costs for developing countries.

- This is a significant issue for many developing countries, as their economies are generally characterized by a low economic diversification. They have traditionally relied heavily on the production and exports of commodities whose production is particularly vulnerable to climate change.
- Also, there are still serious development challenges in developing countries, as social and economic development are at a low level, while the cost of clean technologies remain prohibitive for those countries.

High costs and need for support

- Developed country Parties and other developed Parties included in Annex II shall provide financial resources, technology transfer, and capacity building to developing country Parties (e.g., articles 4.3. 4.5 and 4.7 of the Convention)

This would allow those countries to integrate economic diversification into sustainable development strategies and to facilitate their efforts in this regard, by the development of the needed endogenous structural and institutional capacities.

Decision 2.CP/17 (Durban): « 89. *Also urges* developed country Parties to assist developing country Parties to promote economic diversification in the context of sustainable development, especially for those listed in Article 4, paragraphs 8 and 9, of the Convention”

Some barriers affect economic diversification

It is important to consider the role of barriers implemented by developed countries –such as agricultural subsidies, standards and tariffs-, as they can hinder economic and social development of developing countries, and therefore their possibility for economic diversification.

Some response measures require an economic transformation

- Economic transformation is needed to achieve sustainable development, in accordance with nationally defined priorities
- However, some response measures, such as standards and labelling related to carbon content of goods and services, implemented by developed country Parties put pressure on developing countries to undertake a structural economic transformation
- These measures would transfer the burden of the mitigation obligations of developed countries to developing countries, without the adequate support.

This could be inconsistent with the principles of the UNFCCC, in particular the principle enshrined in Article 3.5:

“The Parties should cooperate to promote a supportive and open international economic system that would lead to sustainable economic growth and development in all Parties, particularly developing country Parties, thus enabling them better to address the problems of climate change. Measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade”

- The principle in art. 3.5 relates to **principle 12** of the Rio Declaration on Environment and Development (also reaffirmed in Rio plus 20), by which:

“States should cooperate to promote a supportive and open international economic system that would lead to economic growth and sustainable development in all countries, to better address the problems of environmental degradation. Trade policy measures for environmental purposes should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.

Unilateral actions to deal with environmental challenges outside the jurisdiction of the importing country should be avoided. Environmental measures addressing transboundary or global environmental problems should, as far as possible, be based on an international consensus”

Summary

This area is an opportunity to **exchange views, experiences, lessons learned on national cases** for economic transformation and diversification in the context of nationally defined priorities, circumstances and needs.

There is a need to consider the **high adjustment costs and barriers** to economic diversification and transformation that developing countries face

Developed countries obligations' in terms of support of **financial resources, transfer of technology and capacity building** to developing countries need to be fulfilled in order to assist developing countries in that economic diversification

THANK YOU VERY MUCH
FOR YOUR ATTENTION!