

Discussion Note on the Triple Crisis

1. Double Standards in Triple Crisis Response

The current global crisis is so severe and encompasses so many areas – finance, climate, food, energy – that countries have been forced, willy-nilly, to coordinate with each other. The question is who has benefited from such coordination? What about the most vulnerable, especially those countries that already faced severe fiscal constraints even before these converging crises? How much have they been helped by the collective actions taken? Sadly, the responses thus far at the international level point to the existence of **double standards in all key policy areas – fiscal policy, trade policy, and monetary / liquidity policy.**

One global inequality is the **fiscal stimulus available to developed countries while developing countries face fiscal constraints** and are often advised by creditor institutions and aid-giving countries, to use fiscal discipline and keep low budget deficits. In the area of international trade, developed countries have been able to subsidize industries that are unable to cope with the recession while developing countries can only use temporary defensive measures, such as increases in tariffs, use of non-tariff measures, or other trade-restrictive measures. Finally, access to liquidity is also differentiated. Member countries of the G20 have identified the possibility of using Special Drawing Rights allocations as a way of shoring up international reserves balances. Developing countries, however, face credit constraints in the commercial markets or with their external debt burdens.

Given the challenges being presented by a global environment that perpetuates an unequal playing field, countries and peoples of the South may use the crisis as **an opportunity for re-imagining international financial, trade and monetary systems and architectures** that are cognizant of global inequalities and which respect policy space for all countries. In particular, the global crisis has highlighted the need for regional (South-South cooperation) and national responses that not only focus on the reduction of inequalities, including those based on gender, race, ethnicities, sexuality, among others, but also contribute to breaking down the hegemonic institutions, systems and structures in the current unjust architecture.

2. Financing Development with Climate Justice and Women's Empowerment

Additional challenges are created by the **interconnections between finance, food and climate**, all of which need urgent attention. These three interconnected challenges are separately **addressed in their distinct policy silos**, against the backdrop of the continuing lack of political will to take public action on global problems at a global level. The growing distrust of development aid and the sluggish pace of international cooperation on climate change illustrate this critical failure in global governance.

Macroeconomic Policies

Macroeconomic policy determines the allocation of resources in the economy. For instance, the financial flows that the South needs can be encouraged/ discouraged through multiple macroeconomic instruments, incentives or disincentives. These constitute a powerful array of tools for influencing, controlling and shaping policies and actions of poor countries in virtually all domains, including those having to do with climate change and sustainable development. Moreover, as feminist economists have underlined, **macroeconomic policies are not gender neutral and have differentiated impacts on men and women.**

From the perspective of climate justice, **macroeconomic policies need to ensure policy space and flexibility for developing countries to achieve their development goals and adapt to climate change.** In particular, the policy parameters for the design of macroeconomic policies must provide policy space for developing countries in the areas of investment promotion and regulation, industrial and trade policy, and finance regulation. This implies the need to address several outstanding issues that are briefly discussed below.

Chief among these are the structural drivers of the present global growth model, which has proved to be environmentally unsustainable, as evidenced in the body of scientific knowledge which clearly links climate change to the last 200 years of economic growth in the industrialized countries of the North. While the economic recession may reduce global carbon dioxide emissions by 3 per cent (IEA 2009), **economic recovery in the absence of the adequate policy changes will bring about an upward trend in greenhouse gas emissions** as the use of fossil fuels grows again.

Thus, some analysts have underscored that recovery from the financial crisis will exacerbate the climate and food crises, if there is no significant and sustained shift to low-carbon models of growth (Addison et al, 2009). Whether the global recovery sustains itself or not, poor countries and their peoples are likely to be negatively affected: “if the recovery from the global financial crisis stalls, then poor countries and poor people will suffer another macroeconomic shock (the recovery in trade, remittances, and commodity prices will all stall) (Addison et al, 2009). But if the global recovery sustains itself, then **food-prices and energy prices will continue to climb**, delivering fresh shocks to energy and food importers” (ibid.) This points to the **vital importance of a new, global food architecture and comprehensive social protection systems.**

External Debt and Climate Debt

The **external debt burden** that most poor countries continue to bear is a major impediment for their adaptation and development strategies. In particular, it is a cause for major concern that the debt relief mechanisms are linked to the Poverty Reduction Strategy Paper (PRSP) processes, most of which overlook both gender and environmental issues.

Climate justice advocates have raised the **notion of climate debt**, which addresses the historical responsibility of industrialized countries that created the climate change crisis, to not only drastically reduce their own emissions but also assume the greatest burden of adaptation and mitigation costs. At present countries with the highest cumulative historical emissions from over 500 years of inequitable industrialization, through the destruction of nature and the extraction of resources, continue to deny their climate debt and pass the burden of mitigation and adaptation onto developing countries.

Fiscal policy

The fiscal effect of climate change on the budgets of poor countries is substantial, and will **make those countries more aid-dependent** (Jones et al. 2008; Addison et al., 2009). On the expenditure side, there is the heavy burden entailed by the public actions required for flood-control; assistance to displaced populations; health services to deal with the spread of diseases; social protection to cope with more vulnerable livelihoods; etc. On the revenue side,

the tax base is eroded by the economic downturn caused by climate change (Addison 2009b; Heller 2003, cited in Addison et al., 2009).

As underlined by the IPCC in its 2007 Synthesis report on Climate Change, fiscal policy can and should provide for **non-climate taxes/subsidies and/or other fiscal and regulatory policies that promote sustainable development**. Taxation and fiscal policy can also be designed so as to be more gender responsive.

3. Incoherence between Trade, Environmental and Gender Policies and Agreements

As a result of the reduction of global demand and trade finance due to the global financial and economic crises, world trade has experienced its sharpest decline in decades, exceeding that of the Great Depression (Eichengreen and Kevin O'Rourke, 2009). Against this background, the actions that governments have to take at the national level to meet the agreed emission reduction targets under the Kyoto protocol will affect the costs of production of traded goods. The competitive position of producers in world markets will change and affect international competitiveness. As countries develop their national response strategies to "level the playing field", trade measures are likely to play an increasingly important role. In this context, **any measures taken to reduce emissions will have to take into account the disciplines of the various World Trade Organisation (WTO) agreements**.

Coherence between the regimes that govern world trade and climate change is therefore of primary importance, especially since the UN convention on climate change does not specifically provide for any trade related environmental measure, and the Kyoto Protocol states that measures to combat climate change should not constitute "disguised restrictions on international trade". Parties are to implement policies and measures in such a way as to "minimise adverse effects on international trade".

The challenge from a trade policy perspective – and for the WTO in particular - is to draw the line between legitimate measures to restore competitiveness and those designed to create an unfair advantage to local producers in the countries that have the necessary financial and technological resources. Already, carbon and energy taxes have been introduced in a number of European countries. These all include some form of compensatory measures including total exemptions for certain sectors, reduced rates for most energy-intensive processes, ceilings for total tax payments and subsidies for energy audits.

More generally, issues at the **interface between trade and environment have attracted increased political and market attention**, even before climate change came on top of the international agenda. Such issues include "market access, agriculture, traditional knowledge, transfer of environmentally sound technology, environmental goods and services, environmentally preferable products, and issues concerning eco-labelling and certification costs" (UNCTAD, 2006:3). Thus, WTO member countries agreed to include trade liberalization in EGS (environmental goods and services) in the negotiations agenda (paragraph 31(iii) of the DMD) "with a view to enhancing the mutual supportiveness of trade and environment" (UNCTAD, 2006:3), in spite of the complex nature of the mandated negotiations, which pertain also to tariffs and NTBs (non-tariff barriers). This is compounded by the **lack of clear definitions and specific criteria for environmental goods and services**. Against this background, many developing member countries have called attention

to the potential imbalance in the share of environmental and trade gains between developed and developing countries.

In this connection, of note are the EU plans to build on its expertise in green technologies and to promote the idea that “the Kyoto Protocol, and whatever global agreements will follow it,” should be seen “as investment and trade agreements”, and to “create an open global market in environmental technologies... that allows green technology and investment to move freely” (ref) through the WTO along with the regional and bilateral trade agreements. In addition, environmental provisions and/or specific governance structures focused on environmental issues have been part of a number of recent bilateral trade and investment agreements (UNCTAD, 2006). An increasing number of developing countries, in turn, are focusing on **the integration of environmental issues into economic and social policies**. The involvement of many developing countries in biofuel production – which potentially tightens the link between food and fuel prices - is an example of such efforts to seize opportunities for promoting trade in products derived from the use of biodiversity.

Because of their crucial dependence on environmental resources, together with their central role in the management of these resources, the stakes are very high for women in this context of increasing marketization of climate change. The emerging issues around trade and environmental measures (TREMs), together with the governance of the global agenda for addressing climate change constitute additional layers on top of the host of issues that women face in relation to trade policy, including the emerging global regime for protection of intellectual property and knowledge, trade-related investment measures, standards, etc.

It is evident that **the global food crisis continues to deepen and affects women disproportionately**. It exemplifies in a dramatic way the inter-linkages between the international trade regime, food availability and pricing, and the extreme **vulnerability of many poor countries and poor people to both price volatility and climate change**. Experts predict that cereal production will fall in 65 countries due to climate change (FAO, 2009), while global and regional trade agreements have created “a global competition among consumers” (Murphy, 2009: 22) whereby poor consumers are the main losers.

At the same time, **the food crisis has triggered the so-called “land grab”** by corporations and rich countries in several developing countries, many of which are characterized by high levels of chronic hunger and poverty. These along with other false solutions to climate change, such as geo-engineering, nanotechnology and synthetic biology, are part of capitalism’s response to the climate, food and fuel crises. Yet they are not neutral in their design or effect and are likely to increase the existing imbalances between countries, undermine food sovereignty, threaten to appropriate the biological resources and livelihoods of peoples and disrupt the systems of ecological balances for the entire planet.

The **increased deregulation of international trade in agricultural commodities** has played a significant part in the global food crisis. However, the international response to this crisis does not seem to address the need to regulate speculative demand in agricultural commodities future markets. Nor does the push for the completion of the Doha Round of negotiations (HLTF, 2008) take into account the dramatic changes in global trade in terms of levels of commodity supplies and the related issue of the contribution of the global credit crunch; trade positions among major food exporters; and other political economy issues that bear on the final outcomes of the proposed response to the food crisis.

As happened with the global food crisis, speculation in the expanding carbon markets is also bound to become a key factor in global responses to climate change.

Given the complexity of the issues under consideration, the challenge from a feminist perspective is to ensure that both policy makers and women's rights activists have all the facts in hand. In this respect, information and training are much needed to better understand all the issues at stake and devise appropriate responses, especially informed advocacy, given the decisive influence of corporate lobbying groups on both trade and environmental policy outcomes.