



Trade Policy and Climate Change

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1. Trade Policy and Climate Change

Trade Policy can affect climate change due to the production of greenhouse gases as an output of manufacturing processes. On the other hand, climate change affects trade negatively, in recent years, Lesotho has experienced widespread and persistent droughts and floods that affect agricultural production, road infrastructure, electricity and business in general. Globally, there is a shift in production methods which has resulted in an industrial transition from conventional to sustainable and efficient processes. The relation between Trade and Climate Change is intertwined and transcends to the livelihoods and economic activities within nations. Trade policy can be a solution to the current challenges of climate change in order change the negative impacts while maintaining or improving.

The WTO Agreements do not specifically address climate change expressively. However, WTO Members can adopt trade-related measures to protect the environment and human health and life as long as such measures comply with GATT rules, or fall under exceptions to these rules. Furthermore, Article XX of General Exceptions provides for a number of conditions in which WTO members can be exempted from GATT rules. These include environmental and human health protection. By implication, the WTO membership, which cover over 98% of global trade have liberty to adopt measures that can protect the environment to protect human, animal and plant health. However, the measures to be adopted have to be consistent with WTO rules and should not introduce protectionist measures to global trade.

The intricacies of trade policy and climate change in global trade continue to be change the way countries trade as well type of goods as a result of innovation to adopt to the current climatic conditions. To curtail the effects of climate change, there is now emphasis to introduce more efficient ways of production or altogether use renewable sources of energy on a broad scale to power this transition. This gives impetus to the new industrialisation activities across the globe and adoption of new methods of production in areas such as Agriculture, manufacturing, energy generation and mining.

2. Challenges

Lesotho as a Least Development Country (LDC) has great developmental challenges and is in transition to improve the economic prospects through industrialisation. The focus is to create a conducive environment for investment and industrialisation for job creation, economic growth and poverty alleviation. To guide the policy direction, Lesotho developed the National Strategic Development Plan (NSDP II). In this strategy Lesotho aims to transform her economy to a producer and export-driven from the current consumer based-based economy. The strategy recognises climate change, specifically the effects including droughts and floods that have repercussions to the economy and economic development. The preoccupation of the Government efforts are to foster job creation, inclusive economic growth and reduce poverty. This is central to the development of the country. Though the country is one of the least contributors of harmful emissions, Lesotho has to grapple with the effects of climate change that are becoming extreme. These have negative impact on food production and general sustenance of the most vulnerable in the nation.

3. Policy Appraisal and Recommendation

The NSDP makes policy recommendations to engage in activities that streamline climate change adaptation to ensure sustainability. Another key policy document is the National Trade Policy Framework (2021-2025) which provides guidelines for implementing Lesotho's trade agenda. The framework is organised across nine thematic areas which include "Trade and Sustainable Development".

In implementing these two policies a number of interventions and measures were undertaken, however, based on the other competing developmental needs and external challenges such as COVID-19 pandemic and the Geopolitical challenges, progress has been slow. Lesotho has engaged in clean energy generation based on hydro and solar sources and continue to do so. The hydro power generation stands at 72MW while solar is 30WM with possibility to increase it much further. Secondly, there have been a number of national projects aimed at improving the new methods of agriculture production (SADP, LMDC, EIF) that are promoting climate smart technologies. In addition, efforts have been made to restore the degraded water sources and to improve the rangelands to support animal husbandry in the rural population which makes up 65.8% of the total population. The Agricultural sector is key in developing the country as over 70% of the population derive their livelihood from Agricultural activities.

Furthermore, to improve the efficiencies in reducing the costs of doing business in Lesotho, Trade Facilitation has taken centre stage in recent years. Lesotho has undertaken initiatives including modernising customs processes and procedures as well as investing in supporting infrastructure to ease export and import. These initiatives contribute to reducing the greenhouse emissions from the transport sector. There have been efforts to improve the infrastructure to support trade across the country. Most of the environmental goods are supported through low tariffs or removal of applicable tariffs. Lesotho is party to various trade agreements such as AfCFTA, SADC and the Economic Partnership Agreements with the EU and UK and can therefore source equipment for renewable energy generation.

The challenges that Lesotho is facing in adopting the proposed climate change activities include financing. There is limited access to private capital, local capital markets are not well developed to support such activities. There are also trade policies of key export markets that affect countries like Lesotho. The case in point is the Carbon Border Adjustment Mechanism introduced by the EU (one of the key export markets for Lesotho's exports) in 2023. The main concern is on additional sectors that are being considered such as mining and textiles and clothing which are key industries in Lesotho. As an LDC, Lesotho already has a huge infrastructure development backlog to facilitate her envisioned growth trajectory.

Some of the opportunities in adopting climate change activities are enhanced market access for "green products", in the context of Lesotho this include aquaculture and high value horticulture products. Secondly, there is massive opportunity to general clean energy based on available water resources and other power sources such as solar and wind. Generally, it is also quite possible to increase the transition to green industrial revolution as Lesotho will adopt new efficient production methods to diversify the economy.

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