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## **CAN INTERNATIONAL TRADE HELP MITIGATE CLIMATE CHANGE?**

*Discussion paper presented by Dr. Khunying Kalaya Sophonpanich (Thailand)*

It is an honour for me to address a topic that is becoming an immediate concern for all of us. In the past few years, we have all witnessed dramatic climate change and grave disasters around the planet.

But first let me tell you something about what has happened in my country, Thailand.

Thailand is an agriculture-based country. It is one of the six top food-producing and exporting countries in the world. Traditionally, we grew rice, fruits, herbs and vegetables mainly to satisfy local demand and export some surplus. Gradually, our food production became export-orientated. After the Second World War, more land was made available for irrigation and gradually we embraced the so-called "Green Revolution", where the practice of monoculture, the cultivation of field crops such as corn, sugarcane, and cassava became increasingly popular and lucrative.

Roads were constructed to open up the country and to link the hinterland to global market.

The farmers earned a good income and the country earned foreign exchange to pay for infrastructure investment. With increasing prosperity, not many were concerned that expanding areas of cultivation was destroying forests and watersheds. In the past, 70 per cent of our land was covered with forests. Today, that figure has dwindled to about 26 per cent.

We also embraced industrialization about 50 years ago; it was the trend of the day. We made efforts to attract foreign investment by offering tax incentives, tariff reductions (monopolistic licenses), industrial estates and many other benefits. These new industries also created a greater need for more infrastructure such as dams, power plants, transportation and communication networks, etc. Therefore, more forests were destroyed.

Not many people were aware of the consequences, such as pollution, carbon emission, slums and soil erosion, so we were destroying our environment as we raced towards economic growth. We took from the land but we did not conserve it.

It is due to the deterioration of our forests that I was inspired to initiate a reforestation project under the Rajapruerk Institute Foundation, of which I am Secretary. The sole objective of the Foundation is to increase forest areas in the country, while at the same time heightening environmental or green awareness in the hearts and minds of all Thai people. The motto which we use to guide our work is: "Each and every Thai hand can help make our land green again".

Throughout the past 21 years, the Foundation has devoted itself to increasing public awareness of our collective responsibility to our natural environment and has promoted the planting of perennial or evergreen trees in the country in cooperation with Thai citizens from all walks of life to give back what we owe to our land. Through various projects we have been able to plant more than 20 million trees.

One of the projects of which I and the Foundation are most proud of is the reforestation project honouring His Majesty the King of Thailand on the occasion of the 50<sup>th</sup> anniversary of His Majesty's coronation in 1996.

In 1994, the then coalition government led by the Democratic Party initiated a reforestation project in various watershed areas in Thailand. The aim was to plant about 2 million acres of forest in ten years to commemorate the 50<sup>th</sup> anniversary of His Majesty's accession to the throne. The government requested the cooperation of public corporations, the leading private companies, banks, civil servants, as well as the general public to help realize this reforestation project in honor of His Majesty. Because the King is revered in Thailand, Her Majesty the Queen made a public appeal to the people and the government, and the leading institutions in Thailand have thus far contributed about US\$ 500 million over a 15-year period.

For the first time in Thailand's history, we were able to reverse the steady trend of deforestation. We were able to increase our forest areas by 10 per cent to the current level of 26 per cent.

It was only logical that the Foundation should become a contractor of the leading companies in the reforestation endeavour as it had already completed several reforestation projects from the donations it had received. From 1994 to this date, the Foundation has planted and nurtured more than 10 million trees in watershed areas on about 33,000 acres of land under the royal project.

We engaged local villagers to plant the trees and nurture them. The villages planted the seedlings, nurtured them and took care of the trees. As the trees grew they saw the benefits of forests again. The birds, the animals and the crabs returned. The land became moist and fertile again. Water became plentiful and cleaner. The forests also provided herbs and medicines. After three years, the forests were handed over to the Forestry Department and we were able to arrange for the villages to continue to look after the forests.

It was a win-win solution! Thailand was able to reclaim much land for forests. The local villages were paid for rebuilding their environment. They did not have to leave their land to work in the cities or overseas. Some people who were working in cities came back. They also learned to appreciate the value and importance of these forests to the environment and the meaning of sustainable development. In other words, trees are the answer.

Allow me to return to a very brief history of Thailand's economic growth over the past 50 years. Our history has shown us that trade, and especially international trade, affect negatively the environment and the climate. Trade does bring more material wealth and more

income, but each country has to understand the possible effect on its society, cultures, environment and climate. In short, we should understand the benefit to the people, the possible adverse effects and the structure and policies that we have to implement to reduce the possible adverse effects to an acceptable level.

Too often we forget that benefits to the people have to come first and that sustainable development is a close second, otherwise any benefit will be short-lived.

Let me give you an example. We have a very attractive island in southern Thailand called Koh Lanta. It has a population of about 20,000 inhabitants. It has become a popular destination for Scandinavians during the winter months because the climate - albeit cool - is warmer than Scandinavian summers. It has lovely beaches. The people are friendly, helpful and charming. Two ferry trips were needed to reach so there were not many tourists. The Scandinavians came with their families and stayed for many months during the winter.

The central government built a road around the island to cater for the tourist trade and soon many hotels and guest houses were built by foreign investors along the beaches. As many did not understand the need for conservation and the need for a proper sewerage system, very soon the waterways became blocked. The garbage dump became too small for the increase in rubbish. The forest area was reduced by more than half. The locals found that their cost of living had increased while their income from their traditional fishing activities did not. The better jobs for the growing tourist industry were filled by more sophisticated and better educated mainlanders from other parts of the country. Only recently, a junior high school was added to the primary school.

Soon, we will no longer have a tropical paradise. The tourists will no longer find the island attractive and we will have social discontent. So even without major factories and toxic waste, we can destroy our precious environment.

Nevertheless, from my past political experience, as a member of parliament, I have discovered that trade and investment have and will continue to become more globalized, and in an increasingly intensive manner, both through multilateral and bilateral means.

I believe that the multilateral trading system under the World Trade Organization can play a vital role in mitigating climate change. The current Doha Round of trade negotiations in which one of the main goals is to considerably reduce trade-distorting agricultural subsidies, mostly meted out in rich countries, could potentially have a very positive effect on reducing the stress on the environment and our climate. Achieving this goal of overhauling trade-distorting agricultural subsidies would mean increased opportunities for countries, especially in the developing world, to compete on food production on a level playing field where world prices are not distorted by subsidies. There would then be a higher incentive to engage in sustainable agriculture, as was our traditional mode of production in agricultural practice. In addition, under the Doha Round, WTO members are negotiating the liberalization of environmental goods and services, the result of which could help to further facilitate and widen the scope of market access for these goods and services, and as a result help to indirectly mitigate climate change. It is also important to mention that under the current Doha Round, there are several other negotiations that could be very beneficial to the environment as a whole, such as the negotiations to reduce fish subsidies to mitigate the problem of overfishing and depletion of natural resources.

Nevertheless, it would still be difficult to answer the question *Can international trade help mitigate climate change?* unless the following vital issues are properly addressed: transparent processes, public accountability, public participation, and transparency.

The most important factor is to have a clear understanding of which economic activities under the trade and investment realm should or should not be undertaken, or what are the parameters under which they should be undertaken, for example, the construction of large dams, etc. These are all problems which essentially need political decisions, based on adequate knowledge and information. These are crucial challenges that developing countries are facing and will continue to face in the future.

I am certain many countries share experiences similar to that of Thailand. Today we have greater awareness and knowledge of the effect of economic growth and trade on climate change and the environment. We also have the recommendations and guidelines contained in the United Nations Framework Convention on Climate Change (UNFCCC) and the Intergovernmental Panel on Climate Change (IPCC) and a wealth of knowledge and experts for guidance. We need to track, monitor and protect our world and our heritage.