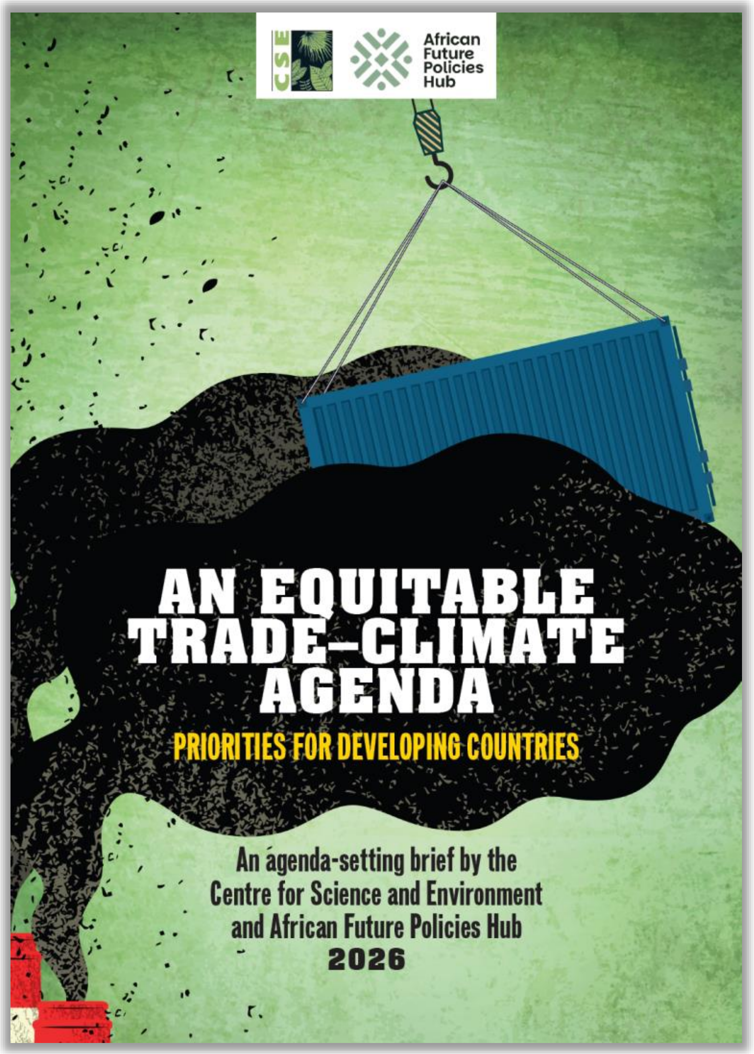

AN EQUITABLE TRADE-CLIMATE AGENDA

Priorities for developing countries

Trishant Dev, Shimukunku Manchishi, Avantika Goswami, Rudrath Avinashi

Centre for Science and Environment
&
African Future Policies Hub
2026

Trade and climate agendas are converging

- The convergence of the trade and climate agenda is reflected in the use of **trade instruments to pursue climate goals**, such as the use of **unilateral trade measures** like border carbon measures and standards, which extend the regulatory reach of 'rule-making states' beyond their borders.

- It is also reflected in the growing **influence of the green transition on the trade competitiveness** of countries. More broadly, large regulatory jurisdictions increasingly shape global market rules through domestic regulations that acquire extra-territorial effects, requiring firms and governments in other countries to adapt in order to retain access to those markets. For instance, the pursuit of clean technology has elevated industrial policy through subsidies, public procurement, local content requirements, and finance as an important component of green transitions.

- The trade-climate nexus also extends to considerations of **trade in critical minerals**, **intellectual property rules** governing access to climate-relevant technologies (including under the WTO TRIPS Agreement), and the **impact of weaponised tariffs** on the ability of countries to pursue their climate and development goals unhindered.

Key trade-climate interfaces

	Trade as an enabler of climate action		Trade as a site of climate regulation	
	Critical Minerals	Low carbon technologies	Energy-intensive sectors	Land-use linked commodities
What are trade-climate instruments used for?	Supply security and risk diversification	Market creation; Industrial competitiveness	Managing carbon exposure	Compliance and continued market access
Trade-climate instruments: Strategic partnerships	**Supply-chain agreements** Mineral security partnership led by the US		**Sectoral decarbonization clubs** Global Arrangement on Sustainable Steel and Aluminium (GASSA - proposed)	**Cooperation frameworks** EU, Indonesia, Malaysia Joint Task Force on EUDR
Trade-climate instruments: Industrial protection		**Subsidies** China's subsidies on EVs **Domestic content requirement** India's DCR under Solar PV	**Subsidies** Free allocation under emission trading	
Trade-climate instruments: Market access measures	**Export controls** Indonesia's export ban on raw nickel	**Tariffs** US' tariffs on Chinese goods	**Export controls** Scrap export control policy	
Trade-climate instruments: Standard-based measures		**Technical regulations** EU Battery Regulation - sustainability and carbon footprint standards	**Border carbon measures** EU CBAM **Benchmarks** Green steel rules	**Due diligence** EU Deforestation Regulation

Source: Authors' depiction

Mapping stakeholders in the trade-climate interface

ACTOR CATEGORY	KEY STAKEHOLDERS (WHO)	CORE CONCERNS
States	Industrial ministries; Environment ministries; Trade ministries; Finance ministries	• Balancing growth needs with climate priorities • Export competitiveness of goods & managing trade measure exposure • Access to critical inputs & policy space under international rules • Risk of retaliations
Domestic Industry (Incumbents)	Heavy industries; Auto manufacturers; MSMEs in supply chains	• Protection from import competition • Access to subsidies and concessions • Regulatory stability, predictability & ease of compliance • Gradual transition & cost-pass through to consumers
Domestic Industry (Clean-tech)	Renewable energy companies; Storage companies; EV manufacturers	• Protection from import competition & access to subsidies • Regulatory stability & market creation/demand certainty • Dependence on global value chains and imported inputs
Export-oriented Firms (Manufacturing)	Clean-tech exporters; Intermediate goods suppliers	• Avoidance of tariff and non-tariff barriers • Cost and complexity of compliance • Predictability of trade rules & access to technologies
Export-oriented Firms (Commodities)	Critical minerals; Agriculture/forestry	• Sensitivity to trade and access to markets • Land-use, environmental and social compliance costs • Volatility of demand and supply
Workers & Labor Orgs	Labour ministries; Industrial labour unions; Informal sector workers; Skill-building institutions	• Just transition policy & job security • Reskilling and social protection • Trade agreements and foreign competition impacts

Mapping stakeholders in the trade-climate interface

ACTOR CATEGORY	KEY STAKEHOLDERS (WHO)	CORE CONCERNS
Workers & Labor Orgs	Labour ministries; Industrial labour unions; Informal sector workers; Skill-building institutions	• Just transition policy & job security • Reskilling and social protection • Trade agreements and foreign competition impacts
Multilateral Institutions	WTO; UNFCCC; Regional trade blocs	• Maintaining a rule-based order • Preventing fragmentation of global governance
Financial Actors	DFIs; Credit Agencies; Private Investors; Sovereign Wealth Funds	• Policy certainty & bankability of green manufacturing projects • Sensitivity to trade rules, frameworks, and accounting rules
Consumers	Institutional consumers; Individual consumers	• Affordable energy and goods • Jobs and economic security • Environmental benefits

Source: Authors' depiction

How trade-based climate policy tools transmit impact

ACTOR	UNILATERAL TRADE MEASURES (UTM)		GREEN INDUSTRIAL POLICY (GIP)	
	RULE-MAKING STATE (ACTION)	OTHER STATE (IMPACT)	RULE-MAKING STATE (ACTION)	OTHER STATE (IMPACT)
States	• Shape standards to domestic interest • Externalize climate policies	• Compliance costs & market access risks • Reduced policy autonomy	• Use policy instruments such as subsidies to build a competitive advantage	• Seek policy space for catch-up • Constrained by fiscal & rule limits
	Impacts	Impacts	Impacts	Impacts
Domestic Industry (Incumbents)	• Benefit from protection against imports	• Face adjustment & compliance burdens	• May receive transition support • Pressure to decarbonise faster	• Loss of competitiveness
Domestic Industry (Clean-tech)	• Gain as first movers • Preferential market access	• Face barriers to entry	• Major beneficiaries of subsidies & procurement	• Struggle to compete without comparable fiscal support
Export-oriented Firms	• Risk of retaliatory impact	• Face tariffs & carbon-costs • Administrative & compliance barriers	• State-backed competitiveness	• Risk displacement • Lose export competitiveness
Workers & Trade Unions	• Gains in protected sectors	• Job insecurity in exposed industries	• Gains in new sectors • Just transition support for traditional sectors	• Adjustment costs • Job loss risk in traditional sectors
Multilateral Institutions	• Lack mechanism to reconcile rules • Limitations due to institutional mandates • Lack of coordination & coherence		• Dysfunctional multilateral space • Risk fragmentation of multilateral space • Outdated structures to handle industrial policy	
Financial Actors	• Challenge to align with climate rules • Privileged access enabling influence	• Climate-trade risks priced in • Higher cost of capital	• Regulatory certainty • Shape bankable sectors	• Regulatory uncertainty • Capital diversion to rule making states
Consumers	• Pay a high price for carbon costs • Percieved fairness gains from accountability	• Indirect welfare impacts from employment & income and inflation impacts	• Long-term gains from cheaper green goods	• Slower access to affordable green goods

Source: Authors' depiction

What should multilateral fora aim to address?

Systemic Gaps

Policy Gaps

- Trade rules do not recognise emissions-based criteria; process and production methods are a contested issue under WTO rules
- Trade rules constrain green industrial policy tools such as subsidies, local content, and procurement
- Technology access barriers persist due to strong intellectual property regimes

Governance Gaps

- Trade-climate issues fall between institutional mandates
- No forum exists to contest impacts or raise systemic concerns about unilateral climate-related trade measures.

Knowledge Gaps

- Limited understanding of the distributional impacts of climate-related trade measures
- Limited understanding of carbon leakage risks and policy trade-offs

Contrasting Institutional Logics

The fundamental mismatch between trade and climate regimes

WTO (TRADE)	UNFCCC (CLIMATE)
Trade Liberalization Focus on market access & reducing barriers	**Climate Action** Focus on climate action & emission reduction
Binding & Enforceable Hard law with dispute settlement	**Voluntary & Consensus** Nationally Determined Contributions
Differentiation is Exceptional & Temporary Special & Differential Treatment (S&DT)	**Differentiation is Foundational** Common But Differentiated Responsibilities (CBDR)
Restrictive Views state subsidies/policy as market distortion. Restrictive towards subsidies, industrial policy	**Supportive** Views state as central actor & financier. Supportive of public finance, subsidies.

What should multilateral fora aim to address?

Proposed thematic pillars

MARKET AND SUPPLY

Trade in primary commodities and transition-critical goods

Critical minerals, agriculture- and forest-based commodities, and other raw materials

POLICY INSTRUMENTS

Climate-related trade measures

Unilateral border measures (e.g., CBAM) and their impact on development & competitiveness.

POLICY INSTRUMENTS

Green Industrial Policy

Role of subsidies, local content requirements, public procurement, and other industrial policy tools

TECHNOLOGY

Clean technology access

Trade in low-carbon tech, including supply chains, market access, and IP issues affecting technology diffusion.

ENERGY TRADE GOVERNANCE

Fossil fuels in trade

Subsidies, export controls, and trade implications of the fossil fuel phase-down.

INVESTMENT

Investment rules

Investment treaties, ISDS disputes, and their implications for climate policy space.

Principles for an equitable trade-climate agenda

Developing countries enter this debate from structurally unequal starting points, characterised by commodity dependence, weak manufacturing bases, constrained technological capabilities, and limited fiscal space. Multilateral regimes must therefore actively shape outcomes that support sustainable development, value addition, and just transitions.

- **Development as a central objective**: Trade-climate cooperation must explicitly recognise industrialisation, value addition, and structural transformation in developing countries as legitimate and necessary climate pathways.
- **Operationalising differentiation**: Principles such as common but differentiated responsibilities and special and differential treatment must be translated into concrete design features of trade - climate instruments.
- **Preserving and/or enlarging policy space**: Countries must retain the ability to deploy green industrial policy tools - subsidies, public procurement, localisation measures, and strategic regulation - to build domestic clean technology capacity.
- **Green technology as a global public good**: Rapid and affordable diffusion of climate - critical technologies requires greater flexibility in intellectual property regimes and proactive international cooperation.
- **Multilateralism over unilateralism**: Cooperative, transparent, and inclusive approaches must be prioritised over unilateral trade measures that risk fragmenting markets and deepening inequities.

Trade-Climate Dialogue

Bonn Climate Conference (SB64)

The mandate and Bonn Dialogue

The mandate – Belem decision

- Para 56 reaffirms Art. 3.5 of the Convention: cooperate for a supportive, open international economic system and climate measures, including unilateral ones, must not be arbitrary discrimination or disguised trade restrictions.
- Para 57 mandates dialogues at SB64, SB66 (June 2027) and SB68 (June 2028) with Parties, stakeholders, and WTO, ITC and UNCTAD — feeding a high-level event in 2028.
- SB64 was the first of the three, framed by the Chairs as a landscape-mapping session on opportunities, challenges and barriers to cooperation on trade.

First Dialogue: Three guiding questions

Q1 How should trade contribute to a supportive and open international economic system that delivers sustainable growth and development in all Parties — particularly developing countries — so they can address climate change?

Q2 How can climate measures also support international trade and safeguard economic development, energy security and sovereign interests of all nations, particularly developing countries? What are the opportunities and challenges for cooperation?

Q3 In which specific areas can UNFCCC / COP trade-and-climate discussions — as distinct from other forums — evolve to support delivery of the Convention's and Paris Agreement's objectives?

Where the negotiating groups landed

Group	Core message
G77 + China	Welcomes dialogue; unilateral trade measures (UTMs) designed without regard for equity/CBDR-RC burden developing countries; wants transparency, impact assessment, predictable support, and a complete process with meaningful outcomes.
African Group (AGN)	Compliance costs undermine green industrialisation; African markets and natural capital consistently undervalued; equity and special treatment central.
Arab Group	Sharpest critique: cited CBAM as a $141bn gain to developed vs $161bn loss to developing countries; called for proportionate remedial action; EU measures 'not Paris-aligned'.
BASIC	Trade rules and climate transition must be made together in service of development; CBAM plus deforestation/due-diligence rules have the same effect; wants an institutional space in the UNFCCC dedicated to Art. 3.5.
LMDC	Climate policies increasingly used to justify restrictive trade measures; not neutral technical instruments; corrective and cooperative approaches needed.
LDCs (Ethiopia)	Trade must reduce clean-tech costs, not become another mechanism of exclusion; raised compulsory-licensing-type measures and tariff reduction on clean technology.
AOSIS / SIDS	Attention to SIDS' special circumstances (maritime supply chains, remoteness, small markets); ambition should not shift transition costs onto those who contributed least; avoid importing disputes into this space.
AILAC	Deepen shared understanding; measures just only if transparent, gradual, supported; assessments must stay within Convention/PA scope.
EU	Trade and climate action reinforce each other; pointed to WTO tracks, FTAs with binding sustainability terms, clean-trade partnerships; wants interoperability of standards and open, fair, clean markets.
Umbrella (UK obo) / EIG	Non-binding, non-rule-setting shared-learning space; don't single out policies or countries; don't reopen the agreed COP30 mandate — a single report in 2028 only.

Critical interventions

Country	Viewpoint
China	solar PV costs declined −90%, battery storage −93% since 2010 via open markets; fragmentation would raise solar module costs 20–25% and cut deployment 15–20% by 2030. Five asks: clarify Art. 3.5 obligations; map measures & impacts; assess compliance with Convention/PA; a dedicated work programme; tangible outcomes incl. Chair's summaries to COP/CMA.
India	Rejected the guiding questions' framing; trade measures disguised as climate policy violate CBDR and transfer the mitigation burden; developed countries have exhausted the carbon budget — harmonised standards are further appropriation of developing countries' fair share.
Saudi Arabia	UTMs reverse the 1992 bargain — resources rediverted, finance flowing South-to-North; asked WTO whether CBAM is a climate measure, a trade measure or both; asked UNCTAD whether such measures are worth it.
Egypt	Proposed a summary report per dialogue feeding a final report; real-world impact assessment drawing on UN agencies, World Bank and IMF; operationalise Art. 3.5 via a mapping exercise of measures.
South Africa	Must industrialise and decarbonise simultaneously — developing countries must 'keep the room to industrialise'; outcomes should be carried forward yearly into the 2028 high-level event.
Iran / Kuwait / Algeria / UAE / Indonesia / Philippines / Argentina / Azerbaijan / Russia	Common threads: CBAM, deforestation rules, due-diligence and reporting requirements create compliance burdens developing countries can't meet; calls for corrective/remedial action, finance and tech transfer, preferential treatment for low-carbon goods from developing countries, and a permanent institutional space.

Defense interventions

Country	Viewpoint
EU	Decarbonisation needs the right market signals; offered practical cooperation topics — carbon accounting, border efficiency, export-credit reform, transparency
UK	Carbon leakage is a real climate risk; proposed four practical topics (clean-tech uptake, fossil-fuel subsidy reform, national integration of trade policy, climate impacts on supply chains); language must be non-prejudicial — no singling out policies; one report only, in 2028.
Canada	Measures should be transparent, predictable, non-discriminatory; strong value in WTO TESSD work on interoperability and MRV; next dialogue should cover interoperability, equivalency, standards and carbon-reporting approaches; stick to agreed modalities.
Japan / Norway / Switzerland / New Zealand / Korea	Carbon leakage tools legitimate; avoid duplication and mandate creep; Switzerland proposed fossil-fuel subsidies and critical-minerals supply chains as future focus areas; Korea stressed grounding in multilateralism vs unilateralism.
Brazil (bridge)	'Not a rewriting of rules, but not a talkshop': build a shared diagnosis; sequence the dialogues — landscape, then tools, then institutional options; link to GST-2; trade is a means of implementation in its own right.
Singapore / Chile	Trade and climate are interdependent, not competing; avoid a 'war of competing standards'; prioritise interoperability, capacity-building and inclusion of SMEs.

The fight over capturing outcomes

The dispute (Chairs' follow-up meeting)

- Developing countries (China, Egypt obo LMDC, Ghana obo AGN, Saudi Arabia, South Africa, Iran, Argentina, Russia, Philippines, Ethiopia): each dialogue must be captured in a report; a dedicated agenda item at SB66/68 — “without it, the next dialogue just restates positions.”
- Developed countries (UK obo Umbrella, EU, Norway, Canada, Switzerland obo EIG, New Zealand): the Belem mandate was a careful balance — one report tied to the 2028 high-level event; this meeting risked becoming a renegotiation (points of order from Norway and the UK).
- Secretariat legal advice: no mandate exists for per-dialogue reports — but nothing prohibits the SB Chairs from producing an informal record on their own authority. No new agenda item is mandated.

What was decided

- Chairs will prepare an informal note — no legal status, under their own authority, capturing the discussions — and hand it to the incoming SB Chairs for the next two dialogues.
- No new agenda item; no change to the mandate. The single formal report remains tied to the 2028 high-level event.
- The full dialogue was webcast; Party and observer interventions to be uploaded to the UNFCCC website (upload glitches acknowledged).
- Next dialogues: SB66 (June 2027) and SB68 (June 2028) — with a live push (China) for longer sessions, no time limits and real Q&A formats.

Thank You

Scan to download the report