



Unilateral trade measures hinder climate ambition – say developing countries

Belém, Nov 14 (Hilary Kung): Developing countries at the on-going climate talks in Belem said that unilateral trade measures [UTMs] would “hinder [climate] ambition, violate the right to development, and exacerbate poverty, clearly attacking the very concept of just transitions,”.

This remark was made by **Saudi Arabia** for the **Like-Minded Developing Countries (LMDC)** during the negotiations on the Just Transition Work Programme (JTWP) on 13 Nov, which is taking place under the UNFCCC’s Subsidiary Bodies (SBs). Similar concerns were shared by many other developing countries. [See details below.]

The contact group, co-chaired by **Federica Fricano (Italy)** and **Joseph Teo (Singapore)**, convened on 13 Nov to discuss the issue of UTMs and how it will be framed and reflected in the decision text. (Following a call by the LMDC, a footnote was added during the adoption of SB agendas on Monday, Nov. 10, that the issue will be dealt with in the relevant agenda items, including under the JTWP, to reflect the understanding reached among Parties).

Saudi Arabia, for the **LMDC** also added that such measures disproportionately harm the people in developing countries, and reverses the financial flow from developing to developed countries. The

LMDC then proposed creating a dedicated space within the JTWP to discuss UTMs, including measures such as the **European Union’s (EU)** Carbon Border Adjustment Mechanism [CBAM], through a working group, to address concerns and promote international cooperation.

Said the LMDC, “What we need is not a CBAM” but “a BAM [referring the ‘Belem Action Mechanism’ (BAM) which was proposed by the civil society organisations, for the continuation of the JTWP]; a BAM that respects equity; a BAM that advocates the right to development and a BAM that reflects national sovereignty,”.

Several developed countries, including the **EU**, **United Kingdom (UK)**, **Australia**, and **Japan**, disagreed with the framing of unilateral measures. The **EU** argued that addressing carbon leakage in emission-intensive sectors is not a unilateral measure and that the UNFCCC and the Paris Agreement [PA] have no mandate to assess other Parties’ policies, while highlighting its efforts to provide capacity building and tools to facilitate compliance. The **UK** stressed that “green trade” offers huge opportunities for the global economy and argued that measures such as the CBAM are needed to address the risk of carbon leakage. **Japan** cautioned against duplicating discussions

in the World Trade Organisation [WTO].

Developing countries stressed that unilateral trade-restrictive climate measures are not about climate ambition but serve to protect industries in the Global North at the expense of equity, and sustainable development in the Global South.

Discussions on the matter are continuing on the basis of the informal produced from SB62 in Bonn, Germany.

KEY HIGHLIGHTS OF THE INTERVENTIONS

Saudi Arabia for the **LMDC** proposed that there should be a dedicated space within the JTWP to discuss UTMs and why they should be rejected by establishing a working group to address the concerns and dis-enablers to international cooperation.

Explaining further, **Saudi Arabia**, in reference to the CBAMs explained that the mechanism “is projected to increase the income of Annex II Parties [developed countries] by USD 2.5 billion, while reducing the income of developing country Parties by USD 5.9 billion, all for an estimated global CO₂ [carbon dioxide] reduction of just 0.1%....This is not climate ambition; it is an economic transfer from the poor to the rich, disguised as climate action.” The group also warned that when some nations attempt to impose their own models of carbon pricing on the rest of the world, they are not promoting ambition, instead they are actively and deliberately limiting it.

It stressed that unilateral measures such as the CBAM, when imposed on other countries, undermine the ability of developing nations to pursue the highest level of ambition. The group noted that such measures lock countries into pathways that disregard their national circumstances, exacerbate poverty, and extract from the Global South rather than empower them.

Saudi Arabia questioned “what is ‘just’ in all this, when your measures deepen our poverty and limit our ambition, [and] you are taking the ‘just’ out of Just Transitions”.

The **EU** in response said that, “the framing of unilateral measures does not make sense” and that

“addressing carbon leakage in emission intensive sectors should not be qualified as unilateral measures. The EU also argued that the UNFCCC and the PA [were] not designed to assess Parties’ nationally determined policies and response measures to climate change and there is no mandate to do so. It also said that “any assessment of response measures is outside the scope of this discussion”.

Elaborating further, it noted that the **EU** has demonstrated that it is becoming more conscious of partner countries’ concerns, affirmed its commitment to complying with WTO rules, and emphasised that the EU Green Deal has been carefully designed with these considerations in mind. It then briefly explained the measure, noting that the EU has tools in place and will provide capacity-building support to facilitate compliance, while reassuring its trading partners that it will maintain dialogue and work closely with them.

Qatar for the **Arab Group** outlined 5 key points, which it wanted all the points to be reflected in the decision text:

- (1) Recall article 3.5 of the Convention;
- (2) CBAM does not recognise the different starting points and does not account for the concept of equity and the common but differentiated responsibilities and respective capabilities (CBDR-RC), in light of national circumstances. Developing countries face higher cost of borrowing, limited access to technology and have weaker infrastructure, all of which create an uneven playing field;
- (3) Unilateral measures are an attempt to export policies to developing countries, which is against the PA architecture;
- (4) CBAM has forced Parties to focus their decarbonisation on certain sectors, which is against national sovereignty and disregard national circumstances; and
- (5) For developing countries, instead of being supported to implement their nationally determined contributions [NDCs], CBAM will lead to a reverse financial flow from developing countries to developed countries.

(Article 3.5 of the Convention states that, “*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.”)

Tanzania for the **African Group (AG)** also echoed the concern and said that, “unilateral measures including CBAM must not have spillover or negative cross border impacts on developing countries”. Commenting further, it said imposing such measures would restrict economic development, constrain its ability to achieve sustainable development and hinder just transitions in Africa.

The **UK** said that it has significant concerns on the framing of this issue, noting that there is no agreed definition and emphasised that any discussion must be “balanced”. The UK called on Parties to focus the discussion on ambitious outcomes that deliver the goal of the PA, stressing that “green trade” offers huge opportunities for the global economy. It also highlighted global emissions from industries and argued that a low carbon economy cannot be achieved if emission intensive industries are able to avoid carbon taxes by relocating from countries with stringent climate policies to those with weaker decarbonisation requirements. (In this context, it argued that measures such as the CBAM are needed to address the risk of carbon leakage.) It also highlighted that it is taking the lead with ambitious 1.5 aligned NDC, and that “UK policy is not arbitrary, not unjustifiable, not a disguised restriction on trade” and it has legitimate concerns over carbon leakage.

Australia emphasised the need to be practical and get “transition” on the ground, while ensuring that workers, women, youth, indigenous people and local communities have a seat at the table.

India said it supported the call to establish a working group on unilateral measures. It highlighted that UTMs – across multiple papers in international law, trade, and even environment, is defined as follows: “Unilateral trade measures involve actions taken by a single country or a group of countries to restrict or alter trade practices based on standards, such as environmental

standards for example, aiming to incentivise foreign nations to modify their practices or penalise those that do not.”

Explaining further, **India** said, “UTMs such as the CBAM, serve to protect industries in countries that already benefit from historical and ongoing advantages—robust fiscal environments, strong state support for innovation, and infrastructure built over decades through extensive use of the global carbon budget, which has contributed to the temperature rise we are witnessing today. These industries will now be further protected [via CBAM] at the cost of industries in developing countries.”

Further, it also emphasised that unilateral measures like CBAM is “in effect, outsourcing the mitigation burden to the developing world” by “imposing compliance costs on developing countries without providing enabling finance or technology, acting as true disenablers for climate action”. This violates both the Article 2.2 of the PA which states that the Agreement shall be implemented to reflect equity and CBDR-RC and Article 4.5 which clearly places the onus on developed countries to provide financial and technological support to enable enhanced action by developing nations. It also risks diverting scarce resources away from essential priorities such as poverty eradication, energy access, rural electrification, and adaptation.

“Empirical studies show that CBAM-type measures could reduce the export competitiveness of small and medium industries in developing countries by 10–25%, slowing structural transformation and delaying the transition to clean technologies,” said **India**.

Responding to Australia’s intervention on the impact on communities, **India** highlighted that “all of these communities are particularly vulnerable in the Global South. That is why we have heard so many developing country voices speak about this issue, raising concerns.”

“Non-discriminatory trade practices in an open global economic system can help developing countries pursue industrialisation and modernisation paving the way for improved well-being of their populations. Even issues such gender justice, and just and equitable development for all

peoples and communities (which many of our colleagues have referred to) cannot be addressed if those with historical advantages continue to prioritise the profits of some sections of their own populations through protectionist, unilateral policies,” stressed **India**.

Explaining further, it said CBAM has both direct and indirect impacts on people in developing countries. Policies affecting industries in the Global South also affect workers, hinder poverty eradication, and slow sustainable development, disproportionately impacting women, children, and local communities. **India** then questioned the reluctance of developed countries to engage in discussions on unilateral measures, noting the irony that these are the same countries that frequently raise concerns about impacts on communities.

India concluded by saying that, “Unilateral trade restrictive climate measures are not about climate ambition. They are about competitive advantages for industries in the Global North at the cost of development in the Global South. This is what is meant by carbon leakage.”

Japan said the definition of unilateral measures is “ambiguous” and there is already discussion in the WTO on trade and environment. It did not support discussing it in the JTWP and notes that this topic is undergoing Presidency consultations and so “any duplication should be avoided”. Japan also highlighted that the “cross-border impact” is also being discussed in the ‘Response Measures’ agenda track.

China said that unilateral measures is the “new” injustice and asked why developing countries are being asked to pay additional costs to countries for their unilateral measures. It also commented that it is “unilateral” because the rules are not being discussed in a multilateral platform. It also emphasised that the definition of unilateral measures should be determined not by the Parties introducing them, but by those affected by them.

Egypt explained that it is very concerning to see the trend of developed countries implementing

CBAMs, not specific to any single country’s CBAM. Commenting on how the CBAM would cause a reversed financial flow from developing to developed countries, Egypt stressed that developing countries are now being expected to finance the transition plans of developed nations, which runs counter to the PA’s principles of just transitions.

Further, it said that CBAM is based on highly sophisticated carbon markets that the Global North took decades to develop, yet developing countries are being asked to implement them without support. This approach undermines the nationally determined nature of climate action and the principle of CBDR-RC. It then said that in the fourth dialogue under the JTWP, participants provided scientific and economic evidence on the CBAM’s impacts on specific developing countries and emphasized the need for space under the work programme to discuss not only these impacts but also practical solutions to address them.

The **Russian Federation** and **South Africa** also raised concerns on unilateral measures and supported the call for a dedicated space to discuss this issue further.

Echoing others, **Cuba**, in its intervention, also highlighted the UN Report of the Special Rapporteur on ‘The negative impact of unilateral coercive measures on the enjoyment of human rights.’

Iran asserted that unilateral coercive measures must be included in the JTWP. It then called for cooperation, solidarity and adherence to international law, and not through coercion – and urged immediate cessation of all unilateral measures.

Chile on behalf of the **Independent Alliance of Latin American and the Caribbean Nations (AILAC)** said that it supported the inclusion of this topic in the decision text.