

Sections



ENGLISH | தமிழ் | বাংলা | മലയാളം | ગુજરાતી | हिंदी | मराठी | BUSINESS | बिज़नेस

Newsletters



EDITION INDIA



The Indian EXPRESS

JOURNALISM OF COURAGE

Thursday, Nov 14, 2024

EPAPER TODAY'S PAPER

Home ePaper My Express UPSC World India Explained Opinion Politics Entertainment Business Spor

TRENDING — Express Monthly — Elections — Express Shorts — Mini Crossword — Premium — ADVERTISEMENT — Podcast — Health & Wellness

News / Explained / Explained Climate / Why India and China have pushed against climate change-related trade measures at COP29

Why India and China have pushed against climate change-related trade measures at COP29

Trade restrictions on grounds of promoting climate objectives are expected to trigger many more battles, and result in greater protectionism and disruptions in global supply chains

Written by [Amitabh Sinha](#)

Baku | Updated: November 14, 2024 20:59 IST



🕒 6 min read



The United Nations climate change conference, known as COP29, in Baku, Azerbaijan. (REUTERS/Aziz Karimov)

A formal submission by China, India and some other countries to discuss climate change-related trade measures such as those introduced in the European Union (EU) delayed the opening plenary of the climate conference in Baku, Azerbaijan, on Monday (November 11) by several hours. The request was eventually put aside for the time being but the issue is unlikely to wither away.

Trade restrictions on grounds of promoting climate objectives are expected to trigger many more battles, and result in greater protectionism and disruptions in global supply chains. It could also lead to some positives such as greater innovation in green technologies, and the adoption of higher environmental standards. At least that is the hope. However, as it happens in most cases, countries with limited capabilities and resources might find themselves at great disadvantage.

Climate-related trade restrictions

Last year, the EU rolled out its [Carbon Border Adjustment Mechanism \(CBAM\)](#), which taxes certain products coming in from other countries on the basis of their

emissions footprint in their production process. For instance, if the imported steel was produced through a process that entailed higher emissions than the emissions standards for that product in Europe, it would be taxed.

ADVERTISEMENT

CBAM allows industries in Europe to remain competitive while continuing to maintain high environmental standards. It prevents these industries from relocating their production to countries where the production might be cheap owing to less strict emission norms, a situation described as carbon leakage. In the process, it hopes to contribute to reducing global emissions.

However, it hurts the export competitiveness of developing countries such as China and India. These nations complain that the move is an unfair barrier to trade and violative of provisions of several international agreements. For example, the Paris Agreement has provisions that seek to protect developing countries from the social and economic impacts of “response measures” taken to fight climate change. Last year, the final outcome of the Dubai climate meeting acknowledged that “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”.



The developing countries also point out that CBAM overlooks the “differentiation” embedded in the global climate architecture that allows them to be treated differently than the developed nations.

Industries in developed economies, with emissions standards comparable to the EU, stand to benefit from a CBAM-like measure, since their products would not be taxed and, hence, become more competitive in the European market. CBAM, thus, can have the net effect of helping industries in the developed world while putting those in developing countries at a disadvantage.

ADVERTISEMENT

On behalf of the BASIC group of countries that also includes India, Brazil and South Africa, China made a request to discuss these issues at the climate meetings. It met with strong opposition from the EU and some other countries, and the proposal has been put on the backburner for now.

CBAM is not the first-of-its-kind trade measure linked to climate change but likely to be the most impactful till now. The EU is a large market, accounting for about 15% of global imports. CBAM currently applies to only a handful of goods — emission-intensive products such as steel, aluminium or cement — but is set to be expanded on a large number of other items in coming years. Other countries might also be tempted to bring in similar regulations. The United Kingdom and Canada are already reported to be considering their own versions.

There are also other non-tariff trade measures linked to climate change. Several regions, including the EU, for example, ban the import of products made from illegally harvested forests. Even the incentives offered in the [Inflation Reduction Act \(IRA\)](#) to clean energy technology or electric vehicle industries in the United States are examples of climate-related non-tariff measures that can impact and reshape global trade.

Also in Explained | **What is carbon border tax, which India opposed at COP27**

Accelerating protectionism

ADVERTISEMENT

Climate change is also accelerating a process of increasing protectionism that is being driven by several other considerations, including economic, strategic, and security-related. Incoming US President [Donald Trump](#)'s promise of imposing tariffs on imported goods — higher on those coming in from China — for example, is not cloaked in climate imperatives. But it does play on America's fears on energy security which is threatened by the heavy concentration of renewable energy supply chains in China.

In fact, the dominance of China in the control of resources and technologies related to new energy sources — solar, wind, batteries, and critical minerals — far exceeds that of oil-producing countries in the fossil fuel era. This too has been facilitated by climate change that is forcing a global energy transition.

The experience during the [Covid-19](#) pandemic has made the world suspicious and distrustful of global supply chains, especially those heavily concentrated in one country or region. It has led to a growing trend of countries trying to gain as much control over key resources and production as possible, even though this goes against basic economic lessons — producing goods at a lower opportunity cost compared to others can benefit everyone. It might still be possible to produce and trade relatively benign products such as clothes, footwear or simple toys on these principles, but more sophisticated products, particularly those involving electronics, are likely to face increasing scrutiny.

A study by the Asian Development Bank Climate published in February this year showed that measures such as CBAM would likely have minimal impact on reducing greenhouse gas emissions compared to some other emissions trading options that are available. But climate change does offer a convenient guise for countries to meet their economic or other objectives.

Climate disruptions to trade

ADVERTISEMENT

There are other ways in which climate change could be reshaping global trade. Global supply chains, with footprints spread over a large number of countries, have

large risk exposure from the increasing frequency and ferocity of natural disasters induced by climate change. **Disruptions in supplies and large-scale economic losses due to these natural disasters are making countries reduce their dependence on such networks. This too is leading countries to encourage “nearshoring” (moving production closer home) or “reshoring” (moving production back home).**

© The Indian Express Pvt Ltd

First uploaded on: 13-11-2024 at 16:48 IST

TAGS: Explained Climate Express Explained

ADVERTISEMENT

EXPRESS *Shorts*



Ravi Shastri bats for Virat Kohli to come out of slump in Australia tour

Sports 26 min ago