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BALANCING TRADE AND CLIMATE ACTION: ROLE OF THE WTO AND UN

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Introduction

Climate change is a global issue that necessitates cooperative solutions that combine environmental preservation with trade policy. Reducing greenhouse gas emissions is simply one aspect of the problem; another is making sure that climate policies don't unnecessarily impede international trade.

There are two organizations which are essential bodies for trade and climate action: the first one is the World Trade Organization, which shapes the laws and values governing international trade, and the United Nations, through its climate governance agreements or conventions like the UNFCCC and the Paris Agreement. According to both, global warming must be kept far below 2°C and actions done to address climate change must not amount to arbitrary trade barriers.

The second is the UN establishes the political, scientific, and legal frameworks for addressing climate change, outlining equality principles, global temperature targets, and ways to collaborate. The WTO guarantees that climate-related trade policies are open, nondiscriminatory, and consistent with a stable, rules-based trading system. Together, these organizations influence how nations create trade-related climate policies and how trade can either strengthen or weaken global climate ambitions.

UN's Approach to Climate Action and Trade

The UN is the main institution through which global climate governance is exercised, mainly the UNFCCC that was created in 1992, and the Paris Agreement that came out of it, which is regarded as a significant milestone. The UNFCCC has been ratified by a total of 196 countries and its goal is to reduce the concentrations of greenhouse gases until they are at a level where they would not cause interference with the climate system. ¹One of the most important parts of

¹ United Nations Framework Convention on Climate Change, "United Nations Framework Convention on Climate

the convention, Article 3.5, asserts 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,” thus making a direct connection between climate efforts and trade equity. This provision is a reiteration of the GATT principles which in turn makes it easier for the WTO to work alongside.

The Paris Agreement, which was signed by 196 countries in 2015 under the UNFCCC, says that countries must keep global warming to less than 2°C, and optimally to 1.5°C. Article 2.3 states that it is prohibited for climate measures to be "arbitrary or unjustifiable discrimination or a disguised restriction on international trade." aligning with WTO rules to avert protectionism.² Although WTO regulations do allow for certain exceptions, such as those meant to safeguard national security, human health, or the environment, that nations may use to assert protectionist policies. To avoid sanctions, a nation that implements protectionist policies must demonstrate to the WTO that they are necessary.

The UN links climate change to the broader development agenda through the SDGs, especially SDG 13 on Climate Action. The linking of these elements amplifies the importance of making the economy resilient to climate change, adopting sustainable working practices, and making the shift into low-carbon technology all basic prerequisites for the long-term growth of the economy and stable trade systems. The UN helps countries incorporate climate considerations into their national goals, which involve trade, economic, and environmental policy. It also establishes financial and technological cooperation platforms such as the Green Climate Fund (GCF) and the Technology Mechanism, which help countries adopt climate-friendly technologies, conform to new global standards, and participate more in climate-friendly trade.

³The UN acts as a global facilitator through its annual Conference of the Parties (COP) meetings, where nations negotiate key issues relating to climate ambition, carbon markets, loss and damage, and just transitions all of which have implications for trade. In order to ensure that trade-related climate policies are fair, supported by sustainable development, and grounded in science, these negotiations provide political impetus and normative guidance.

Change,” accessed November 26, 2025

² Delbeke, J., & Vis, P. (2019). *Towards a Climate-Neutral Europe*. In *Curbing the Trend*. Routledge

³ Fund, G. C. (n.d.). *About GCF*. Green Climate Fund.

The UN Environment Programme (UNEP) has been analyzing the trade-climate relationship for a long time, and in its 2009 report, it showed that trade liberalization could be a major source of emissions (through transport) but also could help reduce emissions (through efficiency gains).⁴ As part of a "green trade" agenda, UNEP proposes various policies such as environmentally friendly supply chains for the essential minerals needed to make batteries and solar panels - minerals for which the demand could increase six times by 2050 and be worth \$400 billion. ⁵The UN Development Programme (UNDP) is very clear that using trade as a tool for climate strategies will not only help the countries to diversify their economies and shift to low-emission sectors but also to create more jobs - renewables globally employed 16.2 million in 2023, which is more than fossil fuels.

In a 2023 study published at COP28, UNCTAD evaluated the use of trade measures by 60 developing countries in their Paris Agreement NDCs, resulting in the identification of 680 trade-related actions directed at climate mitigation. For instance, more than 50 countries declared their intention to facilitate the import of renewable energy equipment such as solar panels and wind turbines to energy efficiency by way of use, with Africa highlighting green value chain development (31% of measures) for sustainable agriculture exports.⁶ In Latin America and the Caribbean, 53% of the NDCs included the implementation of the REDD+ program for forest conservation linked to carbon credit trading, while Asia concentrated on technical regulations such as energy performance standards for the products of import.

Through bodies like the Intergovernmental Panel on Climate Change (IPCC), the UN quantifies trade's climate footprint, warning that unchecked food waste linked to 10% of emissions could inflate agricultural trade costs by 30-40% by 2050 without intervention. ⁷UN advocates for reforms that prioritize inclusivity and innovative ideas over maintaining traditional practices and views trade as a tool to accomplish climate goals.

⁴ Charnovitz, S. (2010). Trade and Climate Change: A report by the United Nations Environment Programme and the World Trade Organization by UNEP and the WTO. Geneva: WTO, 2009. *World Trade Review*, 9(1), 273–281.

⁵ United Nations Environment Programme. (2025). *Critical energy transition minerals*.

⁶ UNCTAD study shows trade's untapped potential in climate action. (2023, December 18). UN Trade and Development (UNCTAD).

⁷ UNFCCC. "Food Loss and Waste Account for 8–10% of Annual Global Greenhouse Gas Emissions; Cost USD 1 Trillion Annually." UNFCCC, 30 September 2024.

WTO's Approach to Climate Action and Trade

The World Trade Organization (WTO) primary responsibility is to monitor that trade-related climate measures are compliant with international trade regulations. Article XX of the WTO, in particular to the General Agreement on Tariffs and Trade (GATT), allows the nations to lay down environmental protection measures as long as they are non-discriminatory and do not conceal trade restrictions.⁸ This maintains the steadiness and predictable nature of the trading system while allowing nations to implement climate measures, such as import limits on high-emission goods, carbon standards, or subsidies for renewable energy. Guidelines about the likely interpretation of climate measures are provided by WTO jurisprudence in environmental disputes.

The World Trade Organisation (WTO) has also been established as a forum for dialogue between its Members. The Committee on Trade and Environment (CTE) was established to facilitate discussions among Representatives of Members on the trade-related aspects of Climate Change, including carbon pricing; border adjustable carbon tariffs; and "Green" subsidy programmes.

Initiatives such as Trade and Environmental Sustainability Structured Discussions (TESSD) promote cooperation on environmentally friendly goods and services, fossil fuel subsidy reform, and circular economy approaches.⁹ These discussions help reduce tensions among countries by allowing early consultation, transparency, and technical clarification of emerging climate measures that could affect trade flows or market access.

WTO dispute settlement has been pivotal in testing this balance. Notable cases such as the US Tuna/Dolphin case under GATT involved U.S. restrictions on tuna caught using dolphin-harming nets, where the Panels (reports available in the GATT/WTO archives) ruled that countries cannot impose trade bans based on "process and production methods" outside their jurisdiction.¹⁰ US Shrimp/Turtle case, where the Appellate Body held that while the United States could protect endangered sea turtles under GATT Article XX(g), its import ban on shrimp was applied in an arbitrary and unjustifiable manner, highlighting that environmental

⁸ *WTO / Trade and environment*. (n.d.-b).

⁹ *WTO / Trade and environmental sustainability*. (n.d.).

¹⁰ Ross, D.J. "Making GATT Dolphin-Safe: Trade and the Environment." *Duke Journal of Comparative & International Law* (DJCIL), 1992.

measures must be non-discriminatory.

A recent case is India Solar Cells (WT/DS456, 2016) where India's domestic content requirements for solar equipment were struck down for violating the national treatment principle under GATT and the TRIMs Agreement, despite India arguing that the policy supported its UNFCCC climate commitments.¹¹ These precedents affirm that environmental protection is a legitimate policy objective under GATT Article XX, the general exceptions clause, which permits measures "necessary to protect human, animal or plant life or health" or "relating to the conservation of exhaustible natural resources."

Some of the key factors behind the environmental implications of trade laws are:

- a. **The Race to the Bottom:** Nations engaging in a competition for foreign investment and access to markets can reduce environmental protection standards, potentially leading to a "race to the bottom." This tends to lead to diminished regulations and higher environmental pollution.¹²
- b. **Technology Transfer:** The exchange of trade agreements can make environmentally sound technology available globally. Cleaner production and renewable energy technologies can be developed with cross-border collaboration and technology sharing, encouraging sustainable processes.
- c. **Regulatory Convergence:** Regional trade agreements may harmonize standards across countries, potentially enhancing environmental regulations. However, if these uniform standards are inadequate, local environmental needs may be.¹³
- d. **Tariffs and Quotas:** Adjustments in these can significantly influence domestic environmental regulations; countries often face pressure to liberalize markets, which may compromise local environmental standards.
- e. **Environmental Safeguards in Trade Agreements:** Numerous recent agreements have provisions permitting temporary environmental measures. Such safeguards offer nations the freedom to impose strict environmental policies without compromising on trade obligations.

Finally, the environmental footprint of trade legislation is largely determined by the policies

¹¹ A WTO panel ruled against India's solar power scheme. (2020, January 24). Trade Pacts.

¹² International Society for Ecological Economics, Internet Encyclopaedia of Ecological Economics, & Ekins, P. (2003). Trade and Environment.

¹³ Charnovitz, S. (n.d.). Environmental harmonization and trade policy. In *Environmental Harmonization and Trade Policy* (p. 1)

designed and implemented by nation-states. A delicate balance is maintained so that trade liberalization can be reconciled with environmental protection policies, enabling nations to use open markets for sustainable development without undermining ecological integrity.

The WTO recent initiatives highlight an evolving role towards climate change. In 2023, the WTO launched the Trade and Environment Week. This event brings together discussions on how to align trade policy with the goals of the Paris Agreement, including transparency in carbon pricing and reforming subsidies (to create a level playing field).¹⁴ In 2024, WTO Members established the Steel Standards Principles as a way to create a standard for measuring emissions produced in the steel sector (which is responsible for creating about 8% of total global greenhouse gas emissions) and to create an incentive to move toward near-zero-emissions production. However, there is criticism from some that the WTO needs to go further, potentially including Climate Vulnerability as part of Special and Differential Treatment for Developing Countries and making certain that trade rules do not increase inequities in the green transition.

Challenges and Way Forward

Despite significant progress, several challenges remain. One of the central issues is ensuring that trade policies do not inadvertently disadvantage developing countries, which are often most vulnerable to the impacts of climate change. Here, the principle of common but differentiated responsibilities comes into play, demanding a flexible framework in which trade liberalization and environmental protection coexist. Another challenge is fostering consensus within the WTO, where decisions require balancing the interests of a diverse set of members, each with unique economic and environmental priorities.

In addition, one-sided trade restrictions related to climate, like the EU's Carbon Border Adjustment Mechanism (CBAM), show the emerging conflicts by putting a duty on imports based on the carbon footprint which makes it very difficult for developing countries with no modern technology or financial resources to become compliant. As UNCTAD points out, such policies may further limit the access of the weakest exporters to the market, at the same time, making worse the \$2.2 trillion annual climate finance gap,¹⁵ illustrating again that it is very

¹⁴ *WTO Trade and Environment Week 2023*. (n.d.).

¹⁵ *Balancing investment and trade to address climate challenges*. (2024, November 14). UN Trade and Development (UNCTAD).

important to have multilateral reforms that will support the differentiation of responsibilities and technology transfer under UN frameworks to avoid a divided global response.

Future Prospects: Toward a Harmonized Global Framework

- a. The future of global trade and climate action lies in enhanced collaboration between the WTO and the UN. This cooperation can be strengthened by:
- b. Developing specific trade provisions that accommodate climate policies, ensuring that measures such as carbon pricing are applied in a non-discriminatory manner.
- c. Encouraging technology transfer and joint innovation projects that enable developing countries to leapfrog to sustainable industrial practices.
- d. Enhancing transparency and multilateral dialogue, which will help identify and reduce unintended trade barriers arising from environmental policies.
- e. Investing in research and capacity building to better understand the dynamic relationship between global trade and environmental sustainability.

The evolving relationship between trade and climate action requires continuous dialogue, flexibility, and an integrated approach. As the WTO and UN work towards harmonizing their approaches, they set the stage for a future where economic growth and sustainability reinforce each other, rather than standing in opposition.

Conclusion

When dealing with the question of whether to prioritize trade or climate action, it can be seen that these two goals cannot be achieved independently. In fact, the environment should be at the center of any trade policy if we want trade to remain viable in the long run, as climate change is the main source of instability for global markets, supply chains, and economic growth. On the other hand, trade is the main enabler of the global diffusion of clean technologies, renewable energy sources, and climate-friendly innovations. Hence, the World Trade Organization and the United Nations are two entities that have different but complementary roles: the WTO is the organization that by providing a rules-based framework ensures that climate measures are fair, transparent, and in line with trade obligations whereas the UN is the body that offers the global vision, climate commitments, and development principles.

In the future a close collaboration between the UN and WTO would be essential in effecting an orderly worldwide reaction. Governments are obliged to cooperate to make certain that climate-related trade policies including carbon pricing, green subsidies, and border measures are helpful to the environment and do not increase the inequalities or limit the development possibilities of the less developed countries. Such a multilateral system that is cooperative, predictable, and fair is the only means to reconcile climate stability with sustainable economic growth.

