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# Greening Global Trade: Strategies for Aligning with SDGs and Climate Action

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## ABSTRACT

Confronted with compounding crises encompassing climate change, biological diversity decline, and environmental contamination, there is an increasingly pressing imperative for the establishment of a sustainable global economy, a notion gaining prominence within the international political discourse. Simultaneously, a profound equity dilemma prevails, characterized by the exacerbation of acute socio-economic disparities both among nations and within them, coupled with marked disparities in susceptibility to ecological hazards. The COVID-19 pandemic underscored the interconnected nature of these concerns, prompting appeals to institute a recovery framework characterized by sustainability and fairness. This vision of recovery, advocating for ecological and egalitarian principles, has garnered support from a spectrum of political ideologies and regions across the globe. The intersection of global trade policies with the SDGs and climate action presents a critical confrontation and an unparalleled scope for policymakers, businesses, and society at large. This article explores the multifaceted landscape of trade policies, sustainability, and climate action, shedding light on harmonizing these realms for a more sustainable future.

We delve into the fundamental challenges existing trade policies pose that may inadvertently hinder progress toward SDGs and climate action targets. These hurdles encompass issues such as trade barriers, regulatory misalignments, and economic interests that may clash with sustainability objectives. Recognizing these obstacles is essential in order to navigate the path forward. The article also focuses on the opportunities and strategies available to green global trade. We explore innovative tools and mechanisms that can be harnessed to promote green trade, such as eco-labelling, green supply chains, and carbon pricing. These strategies facilitate alignment with the SDGs and climate action and create new avenues for market growth and competitiveness. Top of Form

## INTRODUCTION

In an era defined by profound environmental challenges and an urgent global need for sustainability, the intersec-

tion of international trade policies with the United Nations Sustainable Development Goals (SDGs) and climate action has taken center stage in the discourse on responsible global governance. The imperative to align trade policies

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with these monumental initiatives not only underscores the pressing need for responsible and conscientious trade practices but also offers a unique opportunity to channel the formidable engine of global commerce towards the betterment of our planet and its people.

The United Nations Sustainable Development Goals, adopted in 2015 as a universal call to action, encompass 17 interrelated objectives aimed at eradicating poverty, safeguarding the environment, and ensuring peace and prosperity for all.<sup>1</sup> At the same time, the escalating climate crisis demands immediate and transformative actions to mitigate greenhouse gas emissions, adapt to the impacts of climate change, and promote environmental sustainability. Both the SDGs and climate action are cornerstones of our collective global responsibility to secure a sustainable future.

The intricate intersection of global trade policies with the SDGs and climate action arises from the profound impact that international trade exerts on environmental and socio-economic dynamics. This relationship can be understood through several key aspects:

1. International trade is an engine for economic growth, employment, and poverty reduction. By leveraging trade, countries can advance the economic aspects of several SDGs, such as eradicating poverty, ensuring decent work, and fostering economic growth and innovation.<sup>2</sup>
2. Trade has extensive environmental consequences. It can drive deforestation, contribute to carbon emissions through transportation, and affect ecosystems. To align with climate action and sustainability objectives, trade policies must minimize environmental harm and promote resource efficiency.<sup>3</sup>
3. The labour practices and working conditions associated with global trade significantly impact SDGs related to social justice and decent work. Ensuring fair labour practices and promoting responsible supply chains are integral components of trade policy alignment with SDGs.
4. Trade can either facilitate or hinder access to critical resources, which directly affects food security and access to clean water, key components of the SDGs. Trade policies

must address these access issues to foster equitable global development.

5. Trade allows for the interchange of technologies and innovations, that can be instrumental in advancing climate mitigation and adaptation efforts in different regions. A deliberate focus on technology transfer can support climate action and the SDGs.

## INTERSECTION OF GLOBAL TRADE POLICIES WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGS) AND CLIMATE ACTION

### i. SDGs and Trade

The Sustainable Development Goals (SDGs) serve as the fundamental basis for continuing global initiatives focused on sustainable production and consumption. These goals are at the core of the United Nations' 2030 Agenda.<sup>4</sup> SDG12 has a significant historical presence in the field of international diplomacy since it places a strong emphasis on the need to shift towards more sustainable practices in consumption and production. This has emerged as a topic of considerable importance following its initial recognition at the Rio Earth Summit in 1992. This significance was further emphasized during the Rio+20 Summit in 2012, where governments collectively pledged their commitment to a 10-year Plan of initiatives designed to foster sustainable production patterns.<sup>5</sup> Despite the existence of several projects and efforts in this field, the trajectory of advancement has been marked by fragmentation and gradual approaches. Reviews done within the framework of the United Nations High-Level Political Forum on Sustainable Development frequently emphasize the presence of cost-effective and impactful solutions. Nevertheless, it has been observed that there are significant deficiencies in the execution of strategies and noticeable modifications in practical proce-

<sup>1</sup> General Assembly, "Sustainable development goals." *SDGs Transform Our World* 2030, 6-28 (2015).

<sup>2</sup> Pedersen, C.S., The UN sustainable development goals (SDGs) are a great gift to business! *Procedia Cirp*, 69, pp.21-24 (2018).

<sup>3</sup> A. Opoku, SDG2030: A sustainable built environment's role in achieving the post-2015 United Nations Sustainable Development Goals. In *Proceedings of the 32nd Annual ARCOM Conference* Vol. 2, pp. 1149-1158 (2016) Manchester, UK: Association of Researchers in Construction Management.

<sup>4</sup> UNEP (2018), "Issues Brief SDG12. Ensuring sustainable consumption and production patterns, United Nations." Available at: [https://wedocs.unep.org/bitstream/handle/20.500.11822/25764/SDG12\\_Brief.pdf?sequence=1&isAllowed=y](https://wedocs.unep.org/bitstream/handle/20.500.11822/25764/SDG12_Brief.pdf?sequence=1&isAllowed=y) (accessed 24 December 2024).

<sup>5</sup> L. Akenji, et al., "Sustainable Consumption and Production. A Handbook for Policymakers," Available at: <https://sustainabledevelopment.un.org/content/documents/1951Sustainable%20Consumption.pdf>, United Nations (2015), (accessed 24 December 2024).

dures. These factors, when combined, hinder progress in achieving SDG12.<sup>6</sup>

The Sustainable Development Goals include certain particular goals and targets pertaining to trade, which are pertinent to the implementation of ecologically sustainable trade practises. One example is SDG 14, which focuses on the preservation of marine ecosystems. This has brought attention to the sustainably utilising ocean resources and promoting the concept of the 'Blue Economy.' This became a significant topic at the intersection of environmental and trade issues, especially for many developing countries and intergovernmental organisations (IGOs). This integration comprises facets of commerce that are closely associated with the promotion of "sustainable value chains for seafood and other live marine resources."<sup>7</sup> Moreover, SDG 14 has established a target of 2020 for a World Trade Organisation (WTO) accord designed to mitigate ecologically harmful subsidies in the fisheries industry.

Moreover, SDG 15, which is titled 'Life on Land,' places its primary emphasis on the protection, restoration, and sustainable exploitation of terrestrial ecosystems. It also aims to advance sustainable forest management, address desertification, halt and reverse land degradation, and importantly, mitigate the loss of biodiversity. Additionally, it includes objectives that are specifically focused on addressing the issue of illegal trafficking in endangered species.<sup>8</sup> Furthermore, SDG 17, which places emphasis on 'Partnerships for the Goals,' recognises trade as a mechanism for implementing the overall 2030 Agenda. It highlights the crucial significance of promoting a "multilateral trading system that is universal, based on rules, open, non-discriminatory, and egalitarian."<sup>9</sup> From a larger perspective, the SDGs suggest that prioritising the inter

ests of developing countries in trade agreements is critical for promoting development in several areas, including sustainable agriculture and exploitation of natural resources responsibly.

Despite stakeholders and governments often use the SDGs to garner political support for trade-related initiatives and increased Aid for Trade, there is a discrepancy between rhetoric and implementation. At the World Trade Organisation (WTO), governmental entities were unable to meet the 'SDG deadline of 2020' for an agreement on the reformation of fish subsidies that have adverse environmental impacts. This failure occurred after almost two decades of discussions. However, endeavours to finalise an agreement persist in the year 2021. In contrast, it is worth noting that the EU consistently incorporates chapters into its bilateral trade agreements with both developing nations as well as developed nations<sup>10</sup>, the SDGs have not gained significant influence in most reciprocal and domestic trade discussions.

Although discussions around the SDGs do occur within the context of trade diplomacy, the focus of international organisations is on using trade and investment as means to attain the SDGs. This approach places less attention on the examination or mitigation of adverse consequences resulting from trade or trade agreements.<sup>11</sup>

A diverse array of global organisations are engaged in various facets of SDG12. The 'United Nations Environment Programme (UNEP)' is actively engaged in several initiatives pertaining to sustainable consumption as well as production. The International Organisation for Standardisation (ISO) endeavours to advance sustainable patterns for production by facilitating the development of sustainability standards among stakeholders. These standards include a variety of topics, including procurement, manufacturing processes, and environmental objectives, across many commodities.<sup>12</sup> Aligned with SDG12, "the

<sup>6</sup> United Nations Secretary-General and UNEP, "Progress report on the 10-year framework of programs on sustainable consumption and production patterns: Note by the Secretary-General, United Nations" p.3 (2018), *Available at:* <https://digitallibrary.un.org/record/1627351?ln=en> (accessed 2 January, 2025).

<sup>7</sup> UNEP (2018), "Second oceans forum on trade-related aspects of SDG 14", *available at:* "<https://www.unenvironment.org/events/conference/secondoceans-forum-trade-related-aspects-sdg-14>" (accessed 2 January, 2025).

<sup>8</sup> UN-DESA (2018), "Sustainable Development Goal 15: Progress and Prospects, United Nations." *Available at:* "[https://sustainabledevelopment.un.org/content/documents/18501SDG15\\_EGM\\_background\\_noteFinal.pdf](https://sustainabledevelopment.un.org/content/documents/18501SDG15_EGM_background_noteFinal.pdf)" (accessed 3 January, 2025).

<sup>9</sup> UN-DESA (2021), "Sustainable Development Goal 17, United Nations." *Available at:* "<https://sdgs.un.org/goals/goal17>" (accessed 3 January, 2025).

<sup>10</sup> Bellmann, C. and Tipping, A. (2016), "The Role of Trade and Trade Policy in Advancing the 2030 Development Agenda, International Development Policy, Geneva: The Graduate Institute. *Available at:* <https://journals.openedition.org/poldev/2149>" (accessed 8 January, 2025).

<sup>11</sup> UNCTAD (2020), "Multilateralism for trade and development, SDG Pulse. *Available at:* <https://sdgpulse.unctad.org/multilateralism-for-trade-and-development/>" (accessed 24 Feb. 2021); Also Refer, "SDG Knowledge Platform, 'Biodiversity and ecosystem. *Available at:* <https://sustainabledevelopment.un.org/topics/biodiversityandecosystems>" (accessed 8 January, 2025).

<sup>12</sup> "16 ISO, Goal 12: responsible production and consumption. *Available at:* <https://www.iso.org/sdg/SDG12.html>" (accessed 10 January, 2025).

Food and Agriculture Organisation (FAO) of the United Nations” undertakes the coordination of many worldwide endeavours and undertakings pertaining to subjects including the mitigation of food loss and waste, as well as the promotion of sustainable agricultural practises.<sup>13</sup> “The International Telecommunication Union (ITU)” is actively engaged in addressing SDG12 via its Global E-waste data Partnership (GESP). The primary objective of GESP is to assist nations in generating and monitoring e-waste data.<sup>14</sup>

‘UNCTAD’ and the ‘International Trade Centre (ITC)’ have implemented many initiatives in the field of trade with the objective of facilitating advancements towards SDG12. The “Trade, Climate Change, and Sustainable Development Branch of UNCTAD” aims to enhance the domestic capability to generate environmentally friendly exports, exert influence on global talks concerning trade and the environment, and develop suitable national policy frameworks.<sup>15</sup> The organisation engages in efforts to facilitate the implementation of voluntary sustainability standards in developing nations, a process that can pose significant challenges and expenses for small-scale enterprises such as smallholder farms. Additionally, it conducts National Green Export Reviews (NGERs) to evaluate a country’s capacity to foster green industries that create employment opportunities and facilitate exports.

## ii. The Climate Crisis and trade

In light of the COP26 and the Paris Agreement, there is an increasing acknowledgment of the necessity to harmonise policies for commerce with ecological objectives. Simultaneously, there is a heightened recognition of the substantial CO<sub>2</sub> emissions embedded in global commerce

and its international transportation, as well as the consequences of the climate emergency on international trade.<sup>16</sup> Three key events underscore the intricate nature of the climate-trade relationship. One significant aspect pertains to the rise and execution of climate policies that possess explicit ramifications for trade policies. One notable example is the European Green Deal, which was introduced in 2020. This initiative sets forward Europe’s commitment to attaining carbon neutrality by the year 2050 and implementing a ‘Carbon Border Adjustment Mechanism (CBAM)’.<sup>17</sup> There are several worries among trade partners, particularly developing nations, over the possibility of the ‘Carbon Border Adjustment Mechanism (CBAM)’ to serve as a façade for concealed protectionism and inequitably disadvantage trading counterparts.<sup>18</sup> Numerous suggestions have been put forth regarding the development of border carbon adjustments (BCAs) that are efficient, equitable, transparent, and in accordance with the regulations set by the World Trade Organisation (WTO). However, it is crucial to address certain political challenges in order to prevent unwarranted bias against regional manufacturers and vendors, assist commercial partners in their shift towards decarbonise, and recognise BCAs as merely a component of a wider strategy.

Another aspect pertains to the expansion of the e-market. As the administrations endeavour to modernise regulations for commerce in order to address the e-market, there is a sense of hope regarding the capacity of e-technologies to mitigate the ecological impact of commerce. However, this optimism is accompanied by mounting apprehension regarding the substantial and escalating energy consumption associated with the digital economy. This concern stems from factors such as the carbon emissions resulting from the extensive ‘data centres’ necessary to support ‘online and mobile communication technologies

<sup>13</sup> FAO, “Sustainable Development Goals. Ensure sustainable consumption and production patterns. Available at: <http://www.fao.org/sustainabledevelopment-goals/goals/goal12/en/>” (accessed 10 January, 2025).

<sup>14</sup> C. P. Baldé, V. Forti, V. Gray, R. Kuehr, P. Stegmann (2017), “The Global E-waste Monitor 2017, United Nations University, International Telecommunications Union, and International Solid Waste Association.” Available at: <https://www.itu.int/en/ITU/ClimateChange/Documents/GEM%202017/GlobalEwaste%20Monitor%202017%20.pdf> (accessed 16 January, 2025).

<sup>15</sup> UNCTAD, “Trade, Environment, Climate Change and Sustainable Development.” Available at: <https://unctad.org/en/Pages/DITC/Trade-andEnvironment.aspx?Pu=161,4,,&Me=91,20,,&Ne=6,5>, (accessed 20 January 2025).

<sup>16</sup> European Commission (2019), “A European Green Deal: Striving to be the first climate-neutral continent.” Available at: [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en) (accessed 12 January 2025).

<sup>17</sup> European Commission (2021), Lamy et al. (2020). “EU Green Deal (carbon border adjustment mechanism).” Available at: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12228-EU-Green-Dealcarbon-border-adjustment-mechanism> (accessed 16 January 2025).

<sup>18</sup> Lamy, P, Pons, G. and P. Leturcq (2020), “Greening EU trade 3. A European Border Carbon Adjustment proposal, Paris: Europe Jacques Delors.” Available at: [https://institutdelors.eu/wp-content/uploads/2020/06/PP\\_200603\\_Greeningtrade3\\_Lamy-Pons-Leturcq\\_EN-1.pdf](https://institutdelors.eu/wp-content/uploads/2020/06/PP_200603_Greeningtrade3_Lamy-Pons-Leturcq_EN-1.pdf) (accessed 20 January, 2025).

One notable aspect of progress is the increasing acknowledgment of interconnections among issues pertaining to climate, biodiversity, and international commerce. There exist evident connections between trade policies and endeavours aimed at mitigating deforestation. Additionally, ongoing deliberations within the framework of the Paris Agreement revolve around collaborative measures for international emissions trading, with a focus on utilising such mechanisms to encourage investments in ecosystem based mitigations for addressing climate crisis.<sup>20</sup>

The advocacy for increased amalgamation of 'climate and economic policy' formulation has generated demands for a 'Global Green New Deal', highlighting the significance of an equitable shift towards decarbonization, which in turn has many consequences for trade policy.<sup>21</sup> In conjunction with the utilisation of the conserved resources resulting from the reduction of subsidies allocated to fossil fuels, the efforts undertaken by the "United Nations Conference on Trade and Development (UNCTAD)" in relation to 'the Financing a Global Green New Deal' initiative underscore the significance of both public and private investment, alongside debt alleviation, in the hope of establishing a global economy that is free from carbon emissions. Additionally, it underscores the need of providing incentives and assistance to emerging nations in order to enable them to bypass carbon-intensive growth trajectories.<sup>22</sup>

<sup>19</sup> Stoltz, S. and S. Jungblut (2019), "Our Digital Carbon Footprint: What's the Environmental Impact of the Online World?" RESET Editorial. Available at: <https://en.reset.org/knowledge/our-digital-carbon-footprintwhats-the-environmental-impact-online-world-12302019> (accessed 23 January, 2025).

<sup>20</sup> World Economic Forum (2021), "Rapid Roll-out of Carbon Trading including Natural Climate Solutions Critical to Reaching Net Zero, WEF News Release, 27 January 2021." Available at: <https://www.weforum.org/press/2021/01/rapid-roll-out-of-carbon-trading-including-naturalclimate-solutions-critical-to-reaching-net-zero/> (accessed 25 January 2025).

<sup>21</sup> Gallagher, K. and Kozul-Wright, R. (2019), "A New Multilateralism for Shared Prosperity: Geneva Principles for a Global Green New Deal, UNCTAD and Boston University." Available at: [http://www.bu.edu/gdp/files/2019/04/A-New-Multilateralism-GDPC\\_UNCTAD.pdf](http://www.bu.edu/gdp/files/2019/04/A-New-Multilateralism-GDPC_UNCTAD.pdf) (accessed 24 January 2025).

<sup>22</sup> UNCTAD (2019), "Trade and Development Report 2019: Financing a Global Green New Deal, United Nations Conference on Trade and Development." Available at: <https://unctad.org/webflyer/trade-and-developmentreport-2019> (accessed 6 Nov. 2023); "United Nations (2019), Financing for Sustainable Development Report 2019, United Nations." Available at: <https://developmentfinance.un.org/fsdr2019> (accessed 26 January 2025).

Several industrial policies that have been suggested, such as targeted subsidies for environmentally friendly initiatives, tax incentives, and the establishment of IP and

licencing regulations, need the presence of international trade and investment frameworks. In the year 2021, governmental entities are advocating for an environmentally sustainable worldwide recovery from the COVID-19 pandemic. This entails enhancing their dedication to implementing measures outlined in the 'Paris Agreement' and addressing the insufficiency of ecological-related funding in developing nations. Additionally, there is a growing demand to promote environmentally friendly trade practises as part of the recovery process, in line with the imperative for more robust climate action.<sup>23</sup>

## CHALLENGES IN TRADE POLICIES HINDERING SDGS AND CLIMATE ACTION TARGETS

While the integration of global trade policies with Sustainable Development Goals (SDGs) and climate action holds immense promise, it is imperative to confront the fundamental challenges posed by existing trade frameworks. These challenges not only impede the realization of sustainability objectives but also underscore the intricate balance required to harmonize economic interests with environmental and social imperatives.

### i. Trade Barriers

One of the primary challenges lies in the persistence of trade barriers that hinder the effective alignment of trade policies with SDGs and climate action targets. Trade barriers, ranging from tariff and non-tariff measures to intricate trade regulations, can impede the flow of environmentally sustainable goods and services. These barriers often favour conventional, resource-intensive industries over emerging sustainable alternatives.<sup>24</sup> Reducing or eliminating such

<sup>23</sup> Charveriat, C. and Deere Birkbeck, C. (2020), "Greening Trade for a Global, Green, and Just Recovery, Geneva: Global Governance Centre, London: Hoffmann Centre for Sustainable Resource Economy, and Brussels: the Institute for European Environmental Policy (IEEP)." Available at: <https://ieep.eu/uploads/articles/attachments/10a0999c-06d5-4972-914a-251b2b02b3ef/Greening%20trade%20for%20a%20green%20recovery.pdf?v=63756597346> (accessed 25 January 2025).

<sup>24</sup> Monkelbaan, Joachim. "Using trade for achieving the SDGs: The example of the environmental goods agreement." *Journal of World Trade* 51.4 (2017).

barriers is pivotal for fostering the growth of sustainable industries and facilitating the international exchange of eco-friendly products.

Moreover, the unequal distribution of resources and technological capabilities among nations exacerbates these challenges. Developing countries may face impediments in meeting stringent environmental standards, leading to a potential trade disadvantage. Addressing these imbalances and promoting equitable trade opportunities is crucial for ensuring that the benefits of sustainable practices are accessible to all nations. Ultimately, *the Trail Smelter Arbitration*<sup>25</sup> marked an important step in recognising the importance of cooperation at the international level and legal mechanisms to address environmental issues that transcend national boundaries.

## ii. Regulatory Misalignments

Regulatory misalignments across different jurisdictions pose another substantial hurdle in the quest to align trade policies with SDGs and climate action. Divergent environmental and labour standards, varying regulations on emissions, and inconsistent approaches to sustainable practices create a complex web of challenges for businesses operating in multiple markets. Such discrepancies not only contribute to regulatory compliance burdens but also create uncertainties that may deter investments in sustainable initiatives.<sup>26</sup>

A comprehensive approach to address regulatory misalignments involves fostering cooperation internationally to develop common standards and frameworks. Establishing Framework for sustainable practices can streamline global trade, encourage responsible business conduct, and facilitate the achievement of shared environmental and social objectives. If we refer to Corfu Channel Case,<sup>27</sup> Although primarily a case on state responsibility, it has significance in environmental law as it involved damage to British ships by underwater mines in Albanian waters. The case highlighted the obligation of states to prevent environmental harm by fostering international

cooperation to develop common standards and frameworks. Moreover, in the landmark Minamata Bay Case,<sup>28</sup>

the Japanese government sought compensation for dam

ages caused by the discharge of methylmercury into the bay. The court held that Japan had violated its obligations under international law by failing to prevent the discharge of harmful substances.

## iii. Economic Interests

The clash between economic interests and sustainable development objectives constitutes a critical impediment to the alignment of trade policies with SDGs and climate action. Economic considerations, often prioritized in traditional trade models, may drive decisions that compromise environmental and social responsibilities. Industries reliant on fossil fuels or resource-intensive practices may resist transitioning to more sustainable alternatives due to perceived economic risks or short-term financial implications.<sup>29</sup>

Addressing this challenge requires a paradigm shift in economic thinking, emphasizing the long-term benefits of sustainable practices. Governments, businesses, and international organizations need to collaborate to create incentives for green investments, foster innovation in sustainable technologies, and reshape economic structures to reward environmentally responsible practices.<sup>30</sup> The International Court of Justice (ICJ) has also ruled on the obligations of states to conduct environmental impact assessments and cooperate on transboundary environmental issues.<sup>31</sup>

In navigating these challenges, it becomes evident that reimagining global trade requires a strategic and holistic approach. The subsequent sections of this article will explore innovative

strategies and mechanisms that can pave the way for the greening of global trade, offering solutions to overcome these challenges and propel the international community towards achieving the SDGs and climate action targets.

<sup>25</sup> Trail Smelter Arbitration (*United States v. Canada*) (1938-1941).

<sup>26</sup> Prag, Andrew. *Trade and SDG 13: Action on climate change*. No. 735. ADBI Working Paper, 2017.

<sup>27</sup> *United Kingdom v. Albania* (1949-1950).

<sup>28</sup> Minamata Bay Case (*Japan v. Minamata*) (2014).

<sup>29</sup> Kroll, Christian, Anne Warchold, and Prajal Pradhan. "Sustainable Development Goals (SDGs): Are we successful in turning trade-offs into synergies?" *Palgrave Communications* 5.1 (2019).

<sup>30</sup> van Niekerk, Arno J. "Inclusive economic sustainability: SDGs and global inequality." *Sustainability* 12.13 5427 (2020).

<sup>31</sup> Gabčíkovo-Nagymaros Project Case (*Hungary/Slovakia v. Czech Republic*) (1997).

# OPPORTUNITIES AND STRATEGIES FOR GREENING GLOBAL TRADE

As we navigate the complexities of aligning global trade with Sustainable Development Goals (SDGs) and climate action, several opportunities and strategic pathways emerge. The transformative potential of green global trade lies in harnessing these opportunities and implementing strategic measures to propel sustainable practices across international markets.

## 1. Renewable Energy Trade

One of the most impactful opportunities for greening global trade resides in the expansion of renewable energy trade. As the world shifts towards a low-carbon future, the demand for renewable energy sources continues to rise. Countries endowed with abundant renewable resources can capitalize on their natural advantages and engage in the export of clean energy, fostering economic growth while contributing to global decarbonization efforts.<sup>32</sup> International collaborations, such as cross-border renewable energy partnerships and the development of interconnected energy grids, can unlock the renewable energy trade completely.<sup>33</sup>

## 2. Sustainable Agriculture and Ethical Food Trade

Revitalizing global trade in the agriculture sector presents a significant avenue for development in a sustainable manner. Embracing regenerative and sustainable agricultural practices, coupled with ethical food trade initiatives, can enhance food security, protect biodiversity, and promote fair labour practices. The *Aerial Herbicide Spraying in Ecuador case*<sup>34</sup> which involved Ecuador's challenge against Colombia's aerial herbicide spraying to eradicate coca crops. The International Court of Justice ruled that Colombia should take precautions to protect Ecuador's Environment. International agreements that prioritize sustainable agriculture, reduce food waste, and ensure equi-

table access to markets for creating a greener and more socially responsible global food system.<sup>35</sup>

## 3. Circular Economy and Eco-Innovation

The adoption of circular economy principles and eco-innovation offers a strategic pathway to mitigate resource depletion and environmental degradation. By promoting product life extension, recycling, and the use of eco-friendly materials, countries can enhance the sustainability of their manufacturing sectors. Global collaborations on research and development, technology transfer, can accelerate the transition towards a circular economy, minimizing waste and maximizing the efficient use of resources.

## 4. E-Mobility and Sustainable Transportation

The electrification of transportation and the promotion of sustainable mobility solutions provide an avenue to reduce carbon emissions and enhance energy efficiency. International trade in electric vehicles, renewable fuels, and sustainable transportation infrastructure can drive advancements in clean mobility. Strategic investments in e-mobility technologies, coupled with the development of international standards for sustainable transportation, can facilitate the transition towards a more environmentally friendly global transportation sector.

## 5. Green Finance and Investment

Fostering green finance and investment is essential for supporting the shift to a sustainable global economy. Governments, financial institutions, and businesses can collaborate to develop innovative financial instruments that incentivize green projects and penalize environmentally harmful practices. International platforms for green finance, such as green bonds and sustainable investment funds, can channel capital towards initiatives that align with SDGs and climate action targets.<sup>36</sup>

<sup>32</sup> Wang, Gang, et al. "The dynamic association between different strategies of renewable energy sources and sustainable economic growth under SDGs." *Energy Strategy Reviews* 42 100886 (2022).

<sup>33</sup> *Ibid.*

<sup>34</sup> *Aerial Herbicide Spraying in Ecuador (Laguna del Sauce)* (2008).

<sup>35</sup> El Bilali, Hamid, Carola Strassner, and Tarek Ben Hassen. "Sustainable agri-food systems: environment, economy, society, and policy." *Sustainability* 13.11 6260 (2021).

<sup>36</sup> Wang, Kai-Hua, et al. "Does green finance inspire sustainable development? Evidence from a global perspective." *75 Economic Analysis and Policy* 412-426 (2022).

## 6. Technology Transfer and Capacity Building

Promoting the transfer of environmentally sound technologies and building the capacity of developing nations are pivotal strategies for leveling the playing field in global trade. Developed countries can facilitate technology transfer through cooperative agreements, research partnerships, and the establishment of technology parks.<sup>37</sup> Capacity-building initiatives can empower developing nations to adopt and implement sustainable practices, fostering a more inclusive and equitable global trade landscape.

## 7. Certification and Standards Harmonization

Harmonizing certification standards across borders can enhance the credibility and effectiveness of sustainability initiatives. Developing common standards for eco-labeling, ethical sourcing, and environmental performance can facilitate the global adoption of sustainable practices. International organizations and trade agreements can play a central role in standardization efforts, ensuring consistency and clarity in the interpretation of sustainability criteria.<sup>38</sup>

Greening global trade requires a collective and concerted effort to capitalize on the opportunities presented by renewable energy, sustainable agriculture, circular economy practices, e-mobility, green finance, technology transfer, and standards harmonization. By strategically integrating these opportunities into trade policies and practices, nations can not only achieve their economic objectives but also contribute significantly to the realization of SDGs and climate action targets. The subsequent sections of this article will delve into the tools and mechanisms available for the promotion of green trade and exemplary instances where countries and businesses have successfully embraced these opportunities, providing tangible

evidence of the transformative power of green global trade.

## TOOLS AND MECHANISMS FOR PROMOTING GREEN TRADE

In the pursuit of aligning global trade with SDGs and climate action targets, it is imperative to explore and implement innovative tools and mechanisms that incentivize environmentally sustainable practices. The following strategies, namely eco-labeling, green supply chains, and carbon pricing, offer promising avenues to reshape the landscape of international trade towards a more sustainable future.

### i. Eco-labelling

Eco-labeling serves as a powerful tool to guide consumers and businesses toward environmentally friendly products and services. By providing clear and standardized information about the environmental performance of goods, eco-labels enable consumers to make informed choices that align with their sustainability values.<sup>39</sup> For businesses, obtaining eco-label certification becomes a competitive advantage, signaling a commitment to environmental responsibility.

Governments and international organizations play a crucial role in promoting eco-labeling by establishing credible certification standards and fostering their widespread adoption.<sup>40</sup> Collaborative efforts to harmonize eco-labeling practices internationally can further enhance their effectiveness, ensuring consistency and reliability in conveying the environmental attributes of products across borders.

### ii. Green Supply Chains

Green supply chains involve the integration of sustainability principles into every stage of the production and distribution process, from raw material extraction to end-of-life disposal. This approach emphasizes minimizing environmental impacts, promoting fair labour practices, and optimizing resource efficiency throughout the supply chain.<sup>42</sup>

<sup>37</sup> Ulmer, Vanessa, and John Audley. "Strengthening Linkages between US Trade Policy and Environmental Capacity Building." (2013). Available at: <https://www.jstor.org/stable/pdf/resrep12909.pdf>. (accessed on 30 January, 2025).

<sup>38</sup> J.-F. Morin, A. Dur, and L. Lechner, "Mapping the Trade and Environment Nexus: Insights from a New Data Set, *Global Environmental Politics*" 18(1), p. 122–139 (2018). Available at: [https://www.researchgate.net/publication/318865914\\_Mapping\\_the\\_Trade\\_and\\_Environment\\_Nexus\\_Insights\\_from\\_a\\_New\\_Data\\_Set](https://www.researchgate.net/publication/318865914_Mapping_the_Trade_and_Environment_Nexus_Insights_from_a_New_Data_Set) (accessed 2 February, 2025)

<sup>39</sup> Bratt, C., Hallstedt, S., Robèrt, K.H., Broman, G. and Oldmark, J., Assessment of eco-labelling criteria development from a strategic sustainability perspective. *Journal of Cleaner Production*, 19(14), pp.1631-1638 (2011).

<sup>40</sup> *Ibid.*

To implement green supply chains on a global scale, collaboration is essential among governments, businesses, and non-governmental organizations. Establishing industry standards, sharing best practices, and incentivizing sustainable sourcing can drive the adoption of green supply chain practices. Technology and data-driven solutions, such as blockchain, can enhance transparency, traceability, and accountability in global supply chains, fostering a culture of responsible production and consumption.

### iii. Carbon Pricing

Carbon pricing is a market-based mechanism that assigns a monetary value to carbon emissions, aiming to internalize the environmental costs of greenhouse gas emissions.<sup>41</sup> By placing a price on carbon, businesses are incentivized to reduce their emissions, invest in cleaner technologies, and transition toward low-carbon practices. This mechanism not only encourages sustainability within individual companies but also facilitates the transition to a low-carbon global economy.

Countries and regions adopting carbon pricing mechanisms, such as carbon taxes or cap-and-trade systems, send a strong signal to businesses about the economic value of reducing carbon emissions. However, for carbon pricing to be effective on a global scale, international cooperation and coordination are crucial to avoid carbon leakage and ensure a level playing field for businesses across different regions.

## INTEGRATION AND SYNERGIES

While each of these tools and mechanisms presents a distinct approach to promoting green trade, their true power lies in their integration and synergies. Eco-labeling can complement green supply chains by providing consumers with information about the sustainability of entire product lines, while carbon pricing can act as a financial incentive within green supply chains to reduce emissions.<sup>42</sup>

Furthermore, governments and international organi-

zations should work collaboratively to create an enabling

environment that encourages the adoption of these tools. This includes providing financial incentives, establishing regulatory frameworks that support sustainability, and fostering global cooperation to standardize and streamline these mechanisms.<sup>43</sup>

The greening of global trade requires a multifaceted and collaborative approach. By leveraging tools such as eco-labeling, green supply chains, and carbon pricing, the international community can create a more sustainable and resilient trade system that aligns with the objectives of the SDGs and climate action targets. The subsequent sections of this article will delve into case studies and success

stories, illustrating how these tools have been effectively implemented and highlighting the transformative impact they can have on the future of global trade.

## CONCLUSION

In the pursuit of greening global trade, the intricate interplay between sustainable development goals and international commerce has come to the forefront. Recognizing both the challenges and opportunities inherent in aligning trade policies with the imperatives of the SDGs and climate action, the international community stands at a pivotal juncture. This article has explored the multifaceted landscape of global trade, unveiling the fundamental challenges posed by existing trade policies while illuminating the myriad strategies and tools available to foster sustainability. From addressing trade barriers and regulatory misalignments to navigating the complexities of economic interests, the challenges are formidable. However, the opportunities are equally compelling. Through eco-labeling, green supply chains, carbon pricing, and other innovative mechanisms, nations and businesses can pivot towards a climate-resilient future.

Fostering increased cooperation internationally to harmonize standards, regulations, and sustainability practices is very important. Collaborative efforts can streamline global trade and promote a shared commitment to sustainability. Governments should explore and implement innovative policies that incentivize green practices. This includes tax incentives, subsidies for sustainable industries, and the integration of sustainability criteria in trade agreements.

Prioritizing capacity building, especially in developing nations, to empower them to adopt and implement

<sup>41</sup> Khurshid, A., Rauf, A., Qayyum, S., Calin, A.C. and Duan, W., Green innovation and carbon emissions: The role of carbon pricing and environmental policies in attaining sustainable development targets of carbon mitigation—Evidence from Central-Eastern Europe. *Environment, Development and Sustainability*, 25(8), pp.8777-8798 (2023).

<sup>42</sup> Moomaw, W.R. and Verkooijen, P., The Future of the Paris Climate Agreement: Carbon Pricing as a Pathway to Climate Sustainability. *Fletcher F. World Aff.*, 41, p.69 (2017).

<sup>43</sup> *Ibid.*

sustainable practices is pivotal. The involvement of technology transfer, skill development, and knowledge sharing is most crucial. Furthermore, engagement of stakeholders, including governments, businesses, non-governmental organizations, and consumers, can help in decision-making processes inclusively, leading to more comprehensive and effective sustainability initiatives. Encourage investment in research and development to spur innovation in sustainable technologies and practices. This can lead to breakthroughs that make green alternatives more economically viable and attractive.

Greening global trade is not only an environmental and ethical imperative but also a strategic pathway for economic growth and resilience. By embracing sustainability as a core principle of international commerce, nations can forge a path towards a more equitable, inclusive, and sustainable global economy. The future of global trade lies in the hands of those willing to take bold steps, embrace innovative solutions, and build a collaborative framework that prioritizes the well-being of the planet and its inhabitants.