



GREEN INDUSTRIALISATION AND TRADE: THE QUESTION FOR DEVELOPING COUNTRIES

A DINNER ROUNDTABLE ON THE SIDELINES OF SB 62

JUNE 24, 2025

Hosted by the Centre for Science and Environment, India
and co-facilitated with Climate Action Network International



SUMMARY NOTE

On June 24, 2025, the Centre for Science and Environment (CSE) and Climate Action Network (CAN) International convened a dinner roundtable on the sidelines of the UNFCCC's SB 62 climate conference in Bonn, Germany. The gathering brought together climate negotiators, civil society representatives, researchers, and trade justice campaigners to discuss the growing tensions and opportunities at the intersection of green industrialisation, international trade, and climate cooperation.

The backdrop to the conversation was a rapidly shifting global landscape: the resurgence of 'industrial policy' tools, the implementation of carbon border measures like the EU's CBAM, rising competition over critical minerals, and a fragmented multilateral system struggling to keep pace with climate imperatives. At the same time, developing countries are under pressure to decarbonise without adequate financial, technological, or institutional support, while facing trade constraints that restrict their policy space.

The roundtable sought to explore how developing countries can navigate these structural asymmetries, assert greater agency in shaping green industrialisation pathways, and rethink the role of trade and cooperation within the climate transition. It also interrogated the role that the UNFCCC, despite its limitations, might play in surfacing and addressing these challenges, and what a more constructive, equitable trade-climate agenda could look like.

ATTENDEES INCLUDED

CSE India; CAN International; CAN Canada; the Delegation of the People's Republic of China; the Delegation of the Republic of South Africa; Demand Climate Justice; Greenpeace China; Institute of Law and Economics, Jamaica; International Trade Union Confederation; KCTU Korea; Publish What You Pay; Satat Sampada Climate Foundation; Southern Transitions; UN Trade and Development

DISCUSSION

Green industrialisation is increasingly central to national strategies, particularly among developing countries aiming to engage in the emerging green economy. The post-COVID era has seen a revival of industrial policy tools, with a significant portion targeting climate objectives. However, Emerging Market and Developing Economies (EMDEs) face multiple structural barriers, including limited fiscal space, high external debt, and an inability to match the scale of subsidies offered by wealthier nations.

At the same time, trade architecture often restricts the very industrial policies that were instrumental in the development of today's wealthier nations. A significant share of policy tools that may conflict with trade rules are found in advanced economies, challenging the narrative that only developing countries use such tools. Yet, it is developing countries that bear the brunt of punitive trade actions when they attempt similar strategies.

Export bans, cross-border measures, and non-tariff barriers are becoming more prevalent, often to the detriment of countries with limited market access. These trade dynamics reflect a broader inadequacy in aligning trade rules with climate realities and development priorities. The integration of socioeconomic realities into climate and trade discussions is essential.

INDUSTRIAL POLICY, NORTH-SOUTH ASYMMETRIES, AND CHINA

- Discussions on industrial policy underscored how the very tools used historically by the Global North for economic transformation are now restricted for the Global South, deepening asymmetries in the transition. The issue is differential treatment: Global North countries use industrial policy with impunity, while developing countries risk WTO sanctions for the same.
- Moreover, there was a shared recognition that the subsidy race is skewed: developing countries cannot compete with the fiscal firepower of OECD nations.
- The high cost of private finance for the Global South versus low or near-zero interest rates in developed countries impacts the capacity of countries to advance green industrialisation.
- For China, it was highlighted that sustained subsidies in the solar and electric vehicle (EV) sectors dramatically lowered costs over time. What some call overcapacity is viewed by others as a supply of goods from China that are servicing global climate targets, not just a domestic surplus.
- Participants also highlighted that green production is not automatically just or clean—producing climate technologies does not make them socially or environmentally neutral. Issues of job loss in traditional sectors, pollution in production processes, and inequities in value chains were highlighted, especially in sectors like EVs and battery minerals.

UNILATERAL TRADE MEASURES (UTMs)

- The roundtable highlighted growing concerns that UTMs, such as the EU's Carbon Border Adjustment Mechanism (CBAM), are being implemented without adequate multilateral oversight.
- The EU CBAM's compliance requirements redirect scarce resources—technical, financial, and institutional—away from national priorities. Countries like China may be able to meet these standards due to long-term investments in industrial readiness, but others like India, South Africa, and Vietnam are being forced to react under duress.
- CBAM's biggest burden falls on developing country governments, not polluters, reflecting a misallocation of accountability.
- Several participants questioned not only the fairness of such measures but also the institutional void between the WTO and UNFCCC that leaves developing countries with little recourse or space to discuss such measures.

MINERALS AND GREEN COLONIALISM

- There is the risk of green colonialism—a geopolitical race for acquiring critical minerals from developing countries, without fair terms. Many Global North countries are signing MOUs for access while limiting local beneficiation or sovereignty. The race for critical minerals is seen by some as a new form of colonisation, where rules are written to facilitate extraction, not development.
- South–South alliances could better coordinate positions on transition minerals, secure better terms, and prevent capture by large economies.
- There was a reference to the Organization of the Petroleum Exporting Countries (OPEC) as a model for potentially creating a producers' alliance for green minerals.

THE ROLE OF THE UNFCCC

- There is a persistent institutional gap between trade and climate governance. While trade impacts climate outcomes and vice versa, there is no effective coordination between WTO and UNFCCC.
- Participants noted that early UNFCCC processes did not institutionalise trade discussions. Now, as climate and trade increasingly overlap (CBAM, green subsidies, critical minerals), the need for UNFCCC engagement is more urgent than ever.
- Participants highlighted that the UNFCCC has long avoided addressing UTMs, considering them beyond its scope. At the same time, WTO has refused to address them as well, citing them as climate issues.
- Article 3.5 of the UNFCCC addresses trade measures; participants shared that the Convention does not prohibit climate-related trade measures, but requires that they be non-discriminatory, avoid unjustified restrictions and be multilaterally discussed. On the other hand, it was also argued that the UNFCCC language on trade remains outdated, anchored in a 1990s post-Soviet optimism, unable to address today's politics of resource nationalism, economic security, and industrial competition.
- In light of this, the need to foreground the Response Measures forum of the UNFCCC and, ultimately, to more prominently discuss the impacts of implementing response measures within the climate fora was suggested.
- Participants highlighted the direct contradictions between the WTO regime and the climate commitments under the Paris Agreement. WTO cases against India, Indonesia, and China challenged subsidies essential for renewable energy growth; while the climate agreements encourage public finance to be directed towards the achievement of climate targets.
- Some highlighted that the climate regime has never had the space to explore what prosperity or industrialisation could look like for the Global South. Trade is a dependency for many developing countries, yet the UNFCCC forum remains silent on how trade is connected to climate and development goals. The failure to include meaningful references to trade in recent discussions was flagged as a symptom of this marginalisation.
- While many agreed that UNFCCC is not equipped to resolve trade tensions, they also agreed that it has a role to play. Naming the problem is politically important, and keeping trade out of the climate conversation maintains the status quo.

CONSTRUCTIVE ENGAGEMENT

- Climate and trade cannot be treated as separate tracks; they must be tackled jointly from the outset, grounded in equity, historical responsibility, and development realities.
- A new framework is needed to expand policy space in support of green industrialisation and just transitions in the Global South—one that harmonizes the climate principle of Common but Differentiated Responsibilities (CBDR-RC) with trade's Special and Differential Treatment (SDT)—to reinforce flexibility and fairness for developing countries.
- Proposals like a climate waiver at the WTO, and exploring how TRIPS flexibilities can be considered for climate technologies.
- Building South–South solidarity and leveraging regional and multilateral cooperation will be key to challenging existing asymmetries and unlocking inclusive pathways to green industrialisation.
- UNFCCC could be used as a space to articulate norms, build South–South solidarity, and raise the legitimacy of trade-related grievances (even if not to resolve them).
- Participants suggested that countries could draw on the deep technical knowledge already present in the UNFCCC and build North–South dialogue that brings real material conditions into focus, rather than treating trade as out of scope.
- The next WTO Ministerial Conference and UNFCCC COPs were seen as key upcoming moments to begin surfacing the linkages, ideally with common narratives and demands from civil society and the Global South.

Ultimately, there is growing frustration with double standards in global rule-making. While developed countries promote non-interference in national sovereignty, they continue to adopt climate-related trade measures—like carbon border adjustments—that limit market access for developing economies. These measures often disregard differentiated capabilities and impose additional costs on countries already facing poverty, unemployment, and underdevelopment.

The principle of equity demands that those with greater capacity bear a greater share of the burden. However, financing remains a major stumbling block. Developed countries continue to sidestep meaningful discussions on funding mitigation and adaptation in the Global South. Meanwhile, financing terms from private actors remain unfeasible, with high return expectations that increase debt burdens and reduce policy flexibility.

Historical legacies—colonialism, slavery, and extractive trade systems—continue to shape today's climate and trade dynamics. Without redressing these, calls for modernisation and green transitions ring hollow for many in the Global South. Policies must reflect the realities of shared but unequal development trajectories.

Looking ahead, trade and climate policy must evolve into platforms for addressing these intersections—not through punitive approaches, but through enabling frameworks. This requires coherence between climate and trade regimes, grounded in equity and development.

FOR MORE DETAILS, PLEASE CONTACT

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