

- COP28 has brought the interplay between trade and climate policy into sharper focus. This comes from a growing awareness that trade must be part of the solution to climate change, but also from concerns on how unilateral measures based on alleged climate goals can impact developing countries' market access and syphon resources away from where they are most scarce and most needed for climate action.

- The resulting debate has sparked a two-way interest between our climate and trade communities. Trade was a main topic of negotiations at COP28 - at times, the center of discussions. That mirrors the landscape at the WTO, where environmental considerations have been mainstreamed. This budding convergence on mutual supportiveness between trade and climate regimes points to a recognition that one cannot succeed without the other. But when we try to unpack what "mutual supportiveness" concretely means, it becomes clear that both at the UNFCCC and the WTO this is one of the issues where positions are farther apart.

- From day one of COP28, trade was brought to the forefront by the BASIC countries, with support from the African Group, the Arab Group and the LDCs Group, by introducing an agenda item for the Conference focused on addressing unilateral measures. An agreement was then reached for that discussion to be streamed down across several negotiation tracks. A few of them include:

- (i) The Global Stocktake, where developing countries pushed for examining the impact of unilateral measures on collective climate efforts and the broader role of trade.
- (ii) The Forum on the Impact of the Implementation of Response Measures, with a focus on enhancing the ability of Parties to quantify and address negative spillovers from trade and climate measures.
- (iii) The Work Programme on Just Transition Pathways, where the emphasis was on the importance of a supportive and open international economic system, as well as the avoidance of unilateral measures, as part of the enabling environment needed for just transitions.
- (iv) Climate finance discussions, where Parties shared studies and models, including one prepared by UNCTAD, on how unilateral measures can restrict resources for developing countries and exacerbate financial challenges for climate action.

- A significant milestone was achieved in the Global Stocktake: on paragraph 154 of its outcome decision, developing countries were able to reassert the terms of paragraph 3.5 of the UNFCCC Convention:

“Recognizes that Parties should cooperate on promoting a supportive and open international economic system aimed at achieving sustainable economic growth and development in all countries and thus enabling them to better to address the problems of climate change, noting 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.”

- This reference not only brings back an important provision previously unaddressed by the Paris Agreement but also dispels any notion that it might have been superseded or lost political density. With the GST's overarching role in setting forward-looking guidance, this establishes a positive framing for trade discussions at the UNFCCC. It also follows very closely the terms of Article XX of GATT 1994 and underlines WTO-consistency as a litmus-test for climate measures.

- There was also agreement to enhance the institutional framework of the Forum on the Impact of the implementation of Response Measures – expanding the time afforded to meetings of its Katowice Committee, creating a global dialogue on response measures and incorporating provisions related to capacity-building for measuring the impacts of such measures. These are incremental steps, but could prove important in a possible scenario where unilateral measures not only proliferate, but also clash – and generate negative externalities not limited to developing countries.

- An overall impression: it's clear that COP28 was meaningful for trade discussions and that result was driven by a new sense of urgency from developing countries. Negotiations were challenging, polarized and often binary. On the one hand, developed countries primarily viewed trade through the lens of climate ambition – in certain cases, with the understanding that scrutinising trade and unilateral measures should be avoided, for fear that it might compromise ambition. This position sometimes translated into an overall resistance to discussing trade at the UNFCCC. On the other hand, developing countries would emphasize the role of trade in providing the means of implementing climate action – or depriving them thereof.

- On the background of these positions lies an awareness of the economic stakes involved in the climate transition. Individual interests in how the transition's benefits and burdens are shared, along with geopolitical divides, are key factors in play and often overshadow the systemic goal. A similar dynamic could be observed last month at the WTO 13th Ministerial Conference, where disagreements over transfer of technology led to Members being unable to agree on a trade and environment paragraph for the Conference's outcome document.

- Despite the clear need for coordination and complementarity between the two Organizations, a certain haziness remains on the specific roles of the WTO and the UNFCCC, creating grey areas where measures might escape scrutiny. One example: at COP28, the case was often made that unilateral measures, being concerned with trade, should be discussed exclusively at the WTO; conversely, at the WTO, these measures are claimed to be "trade-related climate measures" that merit a special status and are potentially exempt from specific disciplines. Beyond the evident political issues in play, the compartmentalization of expertise between communities may lead to a generalized, "broad granularity" approach that complicates the path to convergence.

- Against this background, there is a growing sense that bridging platforms are needed to gather the cross-sectoral technical and political mass for a truly just approach to trade and climate discussions. Without such efforts, there's a risk that climate goals could be co-opted as pretexts for trade measures aimed at shifting resources and market access in favor of certain players.

- UNCTAD, with its distinct development-oriented perspective, is perhaps the institution best positioned to frame a debate that can be effective exactly because it recognizes that just transitions must integrate the economic, social and environmental dimensions of sustainability. An example was the study published by UNCTAD and the European Union in 2021 on the Carbon Border Adjustment Mechanism. At COP28, it was a useful input for objective, balanced, evidence-based discussions, as opposed to a mere exchange of positions. In recognition of what UNCTAD has done and can do, Brazil has invited it to be a knowledge partner in our G20 Presidency. We look forward to expanding this partnership.