TWN Climate Change Series 10

# Shaping a Proactive Trade, Climate Change and Sustainable Development Agenda for the Global South

Vicente Paolo B. Yu III

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Third World Network

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# CONTENTS

# 1 Introduction

"*THE peoples of the South must by their own exertions free themselves from poverty, underdevelopment, and dependency and gain control of their economies and polities. History shows that domination is never surrendered voluntarily; it has to be brought to an end by the self-reliant actions of those who are dominated. History also shows that even greatly superior power can be defeated if people are determined not to accept it and to act together to weaken and eventually overcome it.*"[1]

These words written by the South Commission[2] in 1990 were true then and remain true now, as the world enters into a more fraught and volatile context marked by geopolitical and geoeconomic upheaval, climate change, technological disruption, and increased societal anomie in many countries, especially in the Global South. Such volatility has been particularly evident in the trade and climate change arenas.

The need for integrated and synergistic approaches to the trade, environment, climate change and sustainable development nexus is likely to become even more prominent as the multidimensional planetary crisis intensifies in the face of new challenges to sustainable development. This is particularly relevant considering global trends such as accelerating climate change, challenges to natural resource availability and access, global economic uncertainty, rapid technological change and demographic change. This concatenation of global developments creates both challenges and opportunities and gives rise to a more complex and interlinked world. These linkages, while long known, are starting to be acted upon by various parts of the multilateral system as interconnections become more salient and clearer.

At the same time, developing countries are having to increasingly contend with climate change response measures that developed countries are putting

in place. These response measures arise in the context of developed and developing countries taking actions to combat climate change at global, national and regional levels, such as for the protection and stabilization of the climate, emissions leakages and/or the costs of environmental compliance. They may have unintended and adverse consequences for developing countries' economies, most often in the poorest and most vulnerable sectors of those economies.

The global trade and climate policy landscape is undergoing rapid and disruptive shifts. Recent actions by the United States, particularly under the second Trump administration, have deepened economic nationalism, weakened multilateral institutions, and accelerated the use of unilateral trade and climate measures. Simultaneously, climate change is intensifying, while global cooperation remains fragmented and increasingly contested. These shifts are reshaping the rules of global engagement; they are being met with a mixture of adaptation, resistance, and recalibration by other countries, reflecting a world in which the balance between cooperation and fragmentation is increasingly volatile.

Developing countries are bearing the brunt of escalating climate impacts, from more frequent and severe droughts, floods, and storms to slow-onset events like sea level rise, which are causing mounting losses and damages and undermining their hard-won development gains. These compounding climate-induced stresses further constrain their fiscal space and policy capacity, hampering long-term resilience building and sustainable growth. At the same time, particularly over the last decade, there has been increasing recognition of the need to promote economic diversification and transformation in developing countries as part of a sustained and sustainable transition away from carbon-dependent development pathways in the context of sustainable development and the post-2030 development agenda.

This paper examines evolving dynamics, analyzes global reactions, and identifies strategic options for a proactive trade and climate change agenda for developing countries seeking to safeguard their interests and build systemic resilience leading towards greater strategic autonomy and sustainable development for the Global South.

# 2 A Fractured Global Trade Regime: From Multilateralism to Managed Competition

THE multilateral trading system, once anchored by post-war multilateral rule-making through the General Agreement on Tariffs and Trade (GATT) and its successor World Trade Organization (WTO), has seen a notable shift towards plurilateral and unilateral arrangements, especially by developed countries. In many developed countries, there has been a perceived failure of globalization to deliver inclusive growth, particularly in post-industrial Western economies, coupled with rising populism and electoral pressures to "bring jobs back" and restore national manufacturing capacity, as well as a clearer understanding of the need to ensure that they are able to compete in new and emerging strategic economic and industrial sectors (e.g., semiconductors, electric vehicles, critical minerals) viewed as vital to national security and economic sovereignty. In many cases, these reflect US and European Union (EU) efforts to counter what they perceive as challenges to their longstanding global economic dominance from what they view to be China's growing technological, trade, and financial influence, as well as to address growing concerns over supply chain security, digital sovereignty, and strategic vulnerabilities (e.g., rare earths, pharmaceuticals). The result has been an increasing penchant in much of the Global North for weaponizing economic tools, such as the threat and use of sanctions, export controls, pushing for "friend-shoring" or "ally-shoring" through investment screenings, and the regionalization of supply chains to reduce dependence on or decouple from geopolitical rivals.

More recently, the US has resumed and intensified its protectionist orientation, unilaterally imposing new tariffs (in violation of its WTO obligations), turning away from WTO-led liberalization in favour of bilateral approaches and unilateral trade protectionism, threatening penalties on countries seen as undermining US industrial competitiveness or national security, and

prioritizing domestic reshoring of manufacturing and investments over multilateralism.[3]

There has also been a resurgence of industrial policy in the West, with the US Inflation Reduction Act (IRA) and CHIPS Act as well as the EU's Green Deal industrial plan and its Carbon Border Adjustment Mechanism (CBAM) revealing national industrial policy agendas that often seek to exclude developing countries from key supply chains, exemplifying a broader push for domestic manufacturing, reshoring supply chains, and strategic decoupling from China and Russia. However, the US policies, for example, have also created tensions with allies in the EU, Japan, and Korea, who fear being denied access to generous US subsidies or subjected to protectionist trade discrimination.

Meanwhile, the negotiating deadlock in the WTO, particularly over issues such as reviving its Appellate Body, effectively addressing developing country concerns with respect to the implementation of special and differential treatment (SDT), public stockholding, fisheries subsidies, and new issues to be dealt with by the organization, has given rise to frustration over the utility and effectiveness of the WTO as a multilateral institution that provides developmental and trade benefits to its members.

Among developing countries, many are increasingly having to deal with old and new economic partners that may have competing geoeconomic and geopolitical agendas, facing reduced policy space, being hit by unilateral tariffs and measures that violate WTO obligations from their developed country partners, and new barriers, whether in the form of environmental trade restrictions or the tightening of export controls on advanced technologies.

Overall, global trade dynamics are shifting from rules-based governance to power-based bargaining, with countries forming flexible coalitions and deploying trade tools for geostrategic advantage.

# 3 Climate Policy: Between Ambition, Protectionism, and Unequal Burden Sharing

THE urgency of tackling climate change is now undeniable, as the world faces intensifying heatwaves, sea level rise, and ecosystem collapse. But while the scientific consensus demands rapid and just transitions that support economic diversification, decarbonization and sustainability, the political response, whether through the UNFCCC (United Nations Framework Convention on Climate Change) process or in the context of multilateral trade policy, remains fragmented and inequitable. A key element in this fragmentation is developed countries' increasing penchant for using unilateral trade and climate measures decided outside multilateral frameworks or for developing plurilateral "coalitions of the willing", often with exclusionary effects.

## A. The Use of Unilateral Climate-Change-Related Trade Measures

In the Global North, climate action is increasingly integrated into economic competitiveness agendas. There has been a consensus among the Global North's climate and economic policy elites on the need to make climate action market-compatible and growth-generating; to strategically use green industrial policy to secure first-mover advantage in low-carbon technologies (e.g., batteries, hydrogen);[4] and to externalize carbon responsibility onto trading partners via climate tariffs or conditionalities.[5] Developed countries also have long sought to avoid or minimize any financial liability for historical emissions,[6] preferring instead to shift and place the policy focus on future actions with respect to addressing climate change (such as mitigation). Hence, climate measures are increasingly being used as trade policy tools, with limited consultation or support for the Global South, to shape, influence and discipline developing countries' policy space under the guise of "green standards" or ESG (environmental, social and governance) standards compliance. Such measures are reflected in "green protectionism", or the trade-based enforcement of climate goals (e.g., CBAM, deforestation-free product rules),

as well as in linking climate finance or trade access to environmental performance or reform.

Developed countries are also now using unilateral measures to link climate change action to enhancing market access for environmental goods and services in which they currently have a comparative trade advantage.[7] Recent examples include the EU's Green Deal (specifically its adoption of the CBAM and the deforestation regulation); the United States' IRA (particularly the subsidies provided thereunder to domestic clean energy producers, although these are to expire in a few years due to new US legislation); and the almost automatic and reflexive refusal to even consider and discuss relaxing intellectual property rights (IPRs) with respect to various climate-related technologies. These are increasing trade and climate policy tensions in the multilateral arena. Such tensions are exacerbated by the increased willingness of the US to impose WTO-inconsistent trade-restrictive measures and sanctions on other countries on the basis of national security exceptions under GATT Article XXI.[8]

Unilateral climate-change-related trade-restrictive measures that have been adopted (such as the EU's CBAM),[9] are to be implemented (such as the UK's CBAM),[10] or are currently being explored (such as Canada's CBAM)[11] by various developed countries represent a systemic concern with disproportionate adverse effects on developing countries. Such measures increase the cost of worldwide climate action, hinder the efforts of developing countries to implement the UNFCCC and its Paris Agreement obligations, undermine the basis of multilateral cooperation, and contradict the principles and provisions of the UNFCCC and other longstanding international agreements on the topic such as the 1992 Rio Declaration on Environment and Development.[12] These measures, while presented by the developed countries as climate-positive, are often non-transparent and impose new compliance costs on developing countries that lack the technological or financial capacity to decarbonize quickly.

In addition, recent US policy under Trump has reversed, undermined or weakened the country's international climate commitments, reduced funding to key multilateral climate finance channels, and emphasized fossil fuel expansion. Key US actions include withdrawing from the UNFCCC's Paris Agreement;[13] rolling back components of the IRA's international provisions;

cancelling contributions to the Green Climate Fund and other climate funds;[14] and promoting expanded fossil fuel exports and domestic extraction, including in protected areas.[15]

## B. Plurilateral Approaches to Climate Change and Trade-Related Policymaking

In addition to unilateral climate-change-related trade measures, there has also been a visible push to undertake plurilateral approaches outside of the WTO such as the just energy transition partnerships (JETPs) or the plurilateral climate clubs.

### 1. Just Energy Transition Partnerships

JETPs are a primarily loan- and private-sector-based financing model in which the developed country partners link up with a donor pool from multilateral development banks and private sector banks to provide grants, loans, or investments to support the developing country partner's transition to clean energy, conditioned on the developing country partner agreeing to various policy reform conditionalities (including rapidly phasing out coal from its energy mix) as well as committing to provide a pipeline of "eligible" investment projects.[16]

These JETPs, as initiatives intended to leverage developed country private sector technology and capital to enter developing country markets, allow developed countries to gain both reputational and economic benefits while potentially creating new markets in developing countries for such technology and financing products (such as new loans). JETPs have been announced by developed countries for South Africa, Indonesia, and Vietnam, with JETPs for India and Senegal under discussion.[17]

Through the JETPs, the developing country participants will essentially be self-financing their energy transition (since they will still have to repay the likely more than 90 percent loan component of the financing packages) while at the same time committing to conditionalities that could likely limit their policy flexibility, increase their debt burden, provide profitable investment opportunities for the private sector donors, rapidly phase out coal, and provide the developed country donors with reputational benefits.

## 2. Climate Clubs

Climate clubs are intended to serve as plurilateral vehicles for joint policy action that covers only those within the club. They can however be used to push forward extraterritorial applications of such policy on those that are not in the club. This approach could have potentially adverse institutional and policy effects on longstanding consensus-based multilateral cooperation mechanisms such as the WTO and the UNFCCC in the sense that club members may no longer see the need to pursue multilateral cooperation initiatives and prefer instead to use the club approach.

There are different types of climate clubs, with various purposes, that have been developed since at least 2015, and with various configurations of membership.[18] These include, for example, the various plurilateral initiatives that were launched during the 26th Conference of the Parties to the UNFCCC (COP26) in 2021 in Glasgow.[19] Potentially the most consequential is the G7 Climate Club with its three pillars of ambitious mitigation, decarbonized industrial transformation, and partnerships.[20] The G7 Club's design mirrors the concept developed by economist William Nordhaus in 2015,[21] in which the climate club "would operate outside the UN climate regime, and have three main features: firstly, all members would need to have comparable carbon-pricing mechanisms; secondly, non-members that fail to take action on climate change could be sanctioned; and thirdly, the benefit of the club – and the incentive to join – would be a tariff-free border between members. The key feature of the climate club is the ability to sanction those countries that do not take action".[22]

Developed countries would likely seek as developing country partners to join a climate club only those that can provide relatively big markets due to population size, purchasing power or both, that are reliant on coal for power generation and thus possess good potential for emission reductions or have renewable/clean energy investment potential, and that provide the developed country partners with reputational and geopolitical alliance-building benefits. This implies that the developed countries will search for partners primarily among those developing countries that will allow them to leverage existing alliances or further their geoeconomic and geopolitical objectives.

# 4 Multilateral Trade and Climate Governance: Fractured and Slow

THE pace of multilateral negotiations in the trade and climate change areas has oftentimes been described as slow or glacial, often taking many years to progress and with few results.

## A. The WTO

In the WTO, since the launch of the Doha Round of multilateral trade negotiations in 2001, multilateral negotiations have largely stalled on most of the mandated agenda items. Only two new agreements have been concluded – the Trade Facilitation Agreement[23] was adopted in 2013 and entered into force in 2017, and the Fisheries Subsidies Agreement[24] was adopted in 2022 (not yet in force). Multilateral negotiations for the liberalization of tariff and non-tariff measures on the trade in environmental goods and services under paragraph 31(iii) of the WTO Doha Ministerial Declaration[25] have essentially stalled over the past 10 years. Plurilateral efforts to pursue environmental goods tariff liberalization launched in 2014 collapsed in 2016.

In the meantime, international trade in environmental goods and services has been expanding, although developed countries continue to be the major innovators, producers, and exporters of these goods and services, with most developing countries continuing to be net importers.

As of mid-2025, WTO negotiations remain fragmented and slow-moving, reflecting deep divisions between developed and developing countries over key issues. The organization continues to face institutional and political challenges, including:

- Limited progress on core issues: Talks on agriculture, fisheries subsidies, and dispute settlement reform have seen incremental but inconclusive

outcomes. The dispute settlement system remains partially paralyzed, with no resolution yet on restoring the Appellate Body.

- Emergence of plurilateral initiatives: Due to gridlock in multilateral negotiations, several members have pursued plurilateral agreements (e.g., on e-commerce and investment facilitation), which risks deepening the divide between developed and developing countries.
- Tensions over green trade measures: New climate-related trade policies by developed countries, such as the EU's CBAM, are raising concerns about unilateralism and green protectionism, fuelling debates over equity, development, and special and differential treatment.
- The focus and direction of WTO reform: Many developing countries, especially within the G90 grouping and the Africa Group, continue to press for reforms that reflect development priorities, preserve policy space, and uphold the principles of special and differential treatment. Other countries, especially developed countries, are looking for institutional and process-related reforms in the WTO, including in its decision-making.

Overall, the WTO is navigating a complex geopolitical landscape, with rising multipolarity and increasing pressure to demonstrate relevance and fairness in a rapidly evolving global trade and climate context.

## B. The UNFCCC

In the UNFCCC, multiple rounds of negotiations have taken place since its entry into force in 1994:

- The first major round between 1995–1997 resulted in the Kyoto Protocol in 1997 which, however, entered into force only in 2005 (with the US not joining it from the beginning and Canada subsequently leaving it in 2012). The Kyoto Protocol's second set of emission reduction targets for developed countries was adopted in Doha in 2012 and expired at the end of 2020 (with the US, Canada, Japan, and Australia not having been part of it). Nevertheless, in a recent advisory opinion, the International Court of Justice (ICJ) affirmed that Parties to the Kyoto Protocol continue to have obligations thereunder.[26]
- Negotiations for long-term cooperative action under the UNFCCC to enhance its implementation up to and beyond 2012 started in 2007 under

the Bali Action Plan[27] and resulted in the Cancun Agreements[28] in 2010 and the Bali Action Plan Agreed Outcome in Doha in 2012.[29] These were a set of consequential decisions that further developed the institutional architecture of the UNFCCC, including through the establishment of the Green Climate Fund, the Technology Mechanism, the Adaptation Framework, a registry through which developing countries can submit their voluntary mitigation actions and the support needed, and adoption of a climate finance mobilization goal by developed countries of USD100 billion annually by 2020, among others.

- In 2011, a new set of negotiations was launched under the Durban Platform[30] to deliver a new related legal instrument of the UNFCCC (i.e., "a protocol, legal instrument or other outcome with legal force") by 2015 for the period 2020 and beyond. These negotiations resulted in the Paris Agreement, a related legal instrument of the UNFCCC that has the purpose of enhancing the implementation of the UNFCCC.[31] It entered into force in 2016, with its implementation guidelines largely completed between 2018 and 2022.
- There were advances in the UNFCCC's institutional architecture such as the establishment of the Green Climate Fund in 2010 and its operationalization in 2012; the Technology Mechanism and its bodies (the Technology Executive Committee and the Climate Technology Centre and Network) in 2010; bodies to address the losses and damages arising from climate change (such as the Warsaw International Mechanism on Loss and Damage and its Executive Committee in 2013–2017, the Santiago Network on Loss and Damage in 2019–2023, and the Loss and Damage Fund in 2022–2023); and bodies to address capacity building (the Paris Committee on Capacity Building in 2015).

The provision of climate financing and technology to developing countries as mandated under the UNFCCC and the Paris Agreement has largely fallen short, while national efforts to reduce greenhouse gas emissions have also been deficient (notwithstanding the submission of nationally appropriate mitigation actions for the period 2013–2020 under the UNFCCC and of nationally determined contributions for the period 2021–2025 under the Paris Agreement).

In the meantime, greenhouse gas emissions have continued to rise, global warming has continued to rise, and the adverse effects of climate change

have continued to rise. Developed countries as a group failed to meet their long-term commitments under the UNFCCC to reduce emissions to 1990 levels by the year 2000, still remaining a little above their 1990 levels in 2020.[32] Developed countries in the Organisation for Economic Cooperation and Development (OECD) still had annual per capita carbon dioxide emissions of 8.5 tons as of 2019 compared with 3.4 tons among middle-income developing countries and less than 1 ton among least-developed countries (LDCs).[33]

There has not been much progress in terms of international cooperation for reducing greenhouse gas emissions or improving climate adaptation efforts. In this context, the climate regime is bifurcating: while mitigation ambition is rising in terms of rhetoric among many countries, especially developed countries, spurred by an increasing number of scientific studies highlighting the acceleration of global warming and continued rise of greenhouse gas emissions globally, actual mitigation action undertaken by many countries remains insufficient, and the implementation of longstanding treaty commitments to support adaptation and provide finance and technology lags even further behind.

The slow delivery on climate finance, equity, and technology transfer commitments, particularly the inability of the multilateral climate process to spur faster and adequate fulfilment of longstanding commitments under the UNFCCC and Paris Agreement, has given rise to a loss of trust and confidence among most developing countries in the commitment of developed countries to the UNFCCC regime. This in turn is leading to increased frustration over the utility of the UNFCCC as the multilateral forum for climate change governance.

## C. Multilateral Trade and Climate Negotiations: Adjusting to a Multipolar World?

International initiatives and discussions that link trade, climate change, and environmental policy initiatives should be understood in the context of the considerations that drive the policy positions of key international actors, particularly the developed countries and the developing countries. The difficulties in reaching agreement and in enhancing international cooperation

in key multilateral processes such as in the WTO and the UNFCCC can largely be traced to a more pronounced divide in terms of perspectives between developed countries and most developing countries (especially those that are usually seen as "emerging economies" such as Brazil, India, China, and South Africa, as well as many other developing countries in Africa, Latin America, and Asia). In both the WTO and the UNFCCC, the main substantive conceptual divide is over how to effect burden sharing when it comes to the assumption and implementation of new multilateral obligations.

The current transformation that we are seeing in the multilateral trade and climate regimes is not arbitrary – it is the result of deliberate policy realignments rooted in economic nationalism, systemic rivalry, climate urgency, and institutional stagnation. For the Global South, understanding these policy drivers is critical for crafting adaptive strategies, leveraging points of convergence, and building alternatives that advance developmental sovereignty, socio-economic and ecological justice, and systemic resilience.

Global policy discussions are becoming increasingly marked by a more pronounced and recognizable trend among developed countries to link their international trade, climate change, finance, and environmental policy agendas together, including by explicitly linking climate change action to enhancing market access for environmental goods and services in which they currently have a comparative advantage.

Since at least 2005 and certainly since 2010, there has been a marked shift in terms of the policy approach of developed countries in both the trade and climate negotiations, with a more intense focus on imposing new obligations to be assumed on an equal basis by both developed and developing countries (except the LDCs and small island developing states). Developed countries, in general, have become more reluctant or even opposed to any kind of differentiation in terms of applicability or implementation between developed countries and most middle-income developing countries (particularly the bigger ones), nor do they seek to extend existing and longstanding treaty obligations to provide finance and technology transfer to most developing countries, except to LDCs and small island developing states. They tend to view mid- and larger-sized middle-income developing countries as having the same general responsibilities and capacity to implement climate change

treaty obligations, notwithstanding that there continue to be relevant and real differences in development history, conditions, and present national circumstances that require differentiated treatment.

This is also linked to the framing self-narrative of developed countries as being global climate change action leaders and defenders and promoters of a liberal, democratic, and rules-based international order, in which their policy prescriptions and approaches generally seek to pursue the common good and deliver global public goods (such as effective climate change action, the protection of human rights, pollution control, and rising standards of living due to liberalized trade arrangements); while developing countries are seen variously as recalcitrant laggards on climate action, incapable of undertaking or unable to understand that climate action is for their own good, or as potential competitors that need to be constrained.

However, as frustration among developing countries grows with the unfulfilled climate and trade commitments under the UNFCCC and the WTO, and as developing countries (especially those in the BRICS+ grouping[34]) grow in terms of economic weight, they are becoming more insistent on the need for equity, voice, and differentiated responsibilities to be reflected and applied in multilateral processes, and on the need to strengthen South-South cooperation platforms such as BRICS+, the African Union (AU), Association of South East Asian Nations (ASEAN), Gulf Cooperation Council (GCC), Community of Latin American and Caribbean States (CELAC), and Shanghai Cooperation Organization (SCO) as alternative cooperation frameworks.

Most developing countries, certainly the bigger developing countries and many of the smaller middle-income developing countries, have been equally insistent that plurilateral approaches should not be preferred to multilateral cooperation. They often stress that longstanding principles of equity and of differentiation between developed and developing countries under both the trade and climate regimes (such as SDT in the WTO and common but differentiated responsibilities (CBDR) in the UNFCCC) remain relevant and should continue to apply because the underlying development gap and persistent development challenges that were the rationale for these differentiation principles continue to exist.

Many larger developing countries are also countering the developed countries' agenda with their own agenda of trying to preserve their national policy space and policy autonomy. Other developing countries highlight the provision of the means of implementation (finance, technology) through international mechanisms as a key element of international cooperation, while at the same time recognizing that they also have a responsibility to work with other countries to address global environmental and development challenges together. There are also attempts, albeit not yet fully at scale, to enhance South-South cooperation approaches.

This divide between developed and most developing countries in terms of approach is likely to continue and become more prominent in both the international trade and climate regimes as developed countries and the larger developing countries seek to pursue their respective geopolitical and geoeconomic agendas through these regimes.

Going into the next few decades of this century, the global economic policy environment looks likely to be marked by more volatile multipolar dynamics, all taking place even as national economies seek to adapt to the adverse effects of climate change, addressing challenges and finding opportunities. The international arrangements formed and dominated by developed countries after the Second World War which became key instruments for managing the global economy and governing multilateral climate change action are struggling with the inherent tension of trying to follow old centres of power while either coopting or adapting to new power centres – not least through the efforts of developed countries themselves as they seek to adjust to the rise of larger developing countries. Developed countries have shown great willingness to create exceptions for themselves to trade and climate rules that they believe developing countries should comply with, giving rise to impressions of developed country policy hypocrisy among the latter.

# 5 Systemic Inequities and Multilateralism

## A. The Colonial Roots of Current Systemic Inequity in the Trade and Climate Governance Regimes

FOR many developing countries, the current dynamics are manifestations of the systemic inequities that are at the foundations of the multilateral trade and climate change policy regimes and that stem from the centuries of unequal power dynamics that marked Western colonialism and imperialism.

Historically, mostly Western-imposed colonialism resulted in asymmetrical industrialization and development in most of the countries and societies that suffered colonization and imperialism. Today's developed countries by and large industrialized early using coal, oil, and gas, sourced at first domestically but subsequently increasingly from their colonial possessions. These were inexpensive fossil-based energy resources that fuelled economic growth but also caused environmental damage in their extraction and production and greenhouse gas emissions in their use, leading to global warming. This leading role in fossil-fuelled industrialization, coupled with the creation of international structures and patterns of trade that maintained colonial patterns of dependency, enabled today's developed countries to accumulate wealth and establish economic and political dominance on a global scale over the course of the past 500 years, and particularly more so from the late 19th to the early 21st centuries.[35]

Colonial powers from Europe and their offshoots in North America and Oceania systematically extracted raw materials, labour, and wealth from colonized regions, disrupting local political structures, economies, and ecosystems. Colonial exploitation established economic structures that prioritized resource extraction from the colonized regions for the benefit of colonial powers, leading to long-term economic dependencies. Colonial

infrastructure and institutions were designed to serve colonial export markets rather than support the development of the colonized regions. These colonial structural patterns continue to be reflected in many ways, including in the commodity dependence of the economies of many of today's developing countries, the patterns of trade with their former colonial masters, and the political, legal and economic structures that they have adopted.[36] Despite decolonization, many developing countries remain locked into low-value export roles with limited diversification and technological upgrading, reinforcing dependency and marginalization in global value chains.[37]

The economic patterns and structures in which today's developing countries were forced to serve as colonial-era providers of raw materials and labour that powered the fossil-fuel-dependent industrialization of today's developed countries, continue to be seen in, for example, the global trade system and the global climate change crisis. These patterns and structures are reflected in the developed-country-dominated global financial system, currency regimes, and intellectual property (IP) frameworks.

For example, in institutions like the WTO, the interests of powerful developed countries are often more clearly reflected.[38] Although provisions for special and differential treatment for developing countries exist, global trade rules overall continue to favour developed countries. The latter retain protective measures such as agricultural subsidies while pressuring developing countries to liberalize prematurely, undermining local industries and farmers. Trade-related intellectual property rules under the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) further entrench inequities by limiting access to essential medicines and climate technologies in the Global South. This asymmetry constrains the policy space of developing countries to pursue inclusive development.[39]

For most developing countries, participation in trade agreements has not translated into economic empowerment. They remain relegated to labour-intensive segments of global supply chains, with limited opportunities for value addition or innovation. Multinational corporations headquartered in the Global North often extract profits while limiting the benefits to local firms and workers. The inequities extend to multilateral and bilateral trade negotiations, by and large. Developed countries, with greater resources, expertise, and coordination, are often able to shape trade rules in their favour.

Developing countries, often fragmented and under-resourced, struggle to assert their interests.

This power imbalance is evident in multilateral, regional, and bilateral trade negotiations, where the voices of the Global South are frequently marginalized.[40] The asymmetry is also clearly evident in the ability of developed countries to act unilaterally. The US and EU can impose trade sanctions or take protectionist measures with little consequence, unlike developing countries that lack the same leverage.

For example, the imposition of unilateral tariffs on various policy grounds and entry into various bilateral trade agreements by the US under the Trump administration have violated the US' WTO obligations and exposed the institution's inability to enforce rules against powerful members. These actions are not isolated but symptomatic of a system where rules are selectively followed. These actions are tantamount to economic coercion, aimed at reshaping global supply chains in favour of US geopolitical and economic interests, reinforcing a pattern of hegemonic dominance. Such actions disproportionately affect developing countries, which are more vulnerable to trade disruptions due to their deeper integration into global supply chains and limited buffers against external shocks.

As the Trump administration makes use of US economic, political, and military power to undertake unilateral action in the trade and climate fields, the impact is to replace a putatively rules-based system with a power-based regime. However, the more other countries actively engage with the US under such conditions, the more they risk normalizing this power-based system that the US is trying to put in place. Such a development would only hurt the interests of most developing and least-developed countries in the medium and long term, given that on a bilateral basis, most such countries are at a severe power disadvantage vis-à-vis the US. The impacts of such a shift, particularly if solidified throughout the next few years of the current US administration, would likely extend beyond the Trump presidency, suggesting a lasting transformation in global geoeconomics, geopolitics, and international cooperation.

While some aspects of the Trumpian US policy may be reversed in the future,[41] several underlying shifts point to possible enduring changes:

- Economic nationalism could become the primary policy approach used by developed countries, particularly the US, in shaping and influencing global economic relations, including in any restructuring of global trade and currency systems in favour of US interests. This approach includes broad tariffs and linking trade access to national security cooperation. Such policies have set precedents that may influence future administrations and global trade norms.
- Power-based bilateral and transactional deal-making could become the primary mode for getting to agreements with other countries, moving away from multilateral agreements and favouring bilateral deals that prioritize immediate national benefits. This could lead to a more fragmented international system.
- Multilateral institutions, such as the WTO and the United Nations and its agencies, could be institutionally weakened, defunded, and lose their institutional authority. This has already started as Trump withdrew the US from WHO, UNHRC, UNRWA, UNESCO, and international agreements such as the Paris Agreement.
- Global realignment and the search for alternative power arrangements could accelerate, as developed countries in Europe realize the uncertainty in counting on the US security shield and developing countries attempt to accelerate efforts towards self-reliance and regional partnerships to reduce their dependence on US- or developed-country-dominated economic and political relationships.

Similar imbalances exist in global environmental governance.[42] Frameworks like the UNFCCC and Paris Agreement have established norms for international cooperation on climate change action, but the implementation of such norms continues to reflect the priorities of developed countries. Developing countries often are pressured to adopt standards that may not align with their development needs.

Achieving climate justice requires recognizing responsibility for historical emissions, ensuring fair access to and the provision of adequate finance and technology to developing countries, and empowering developing countries

in global forums. The principle of common but differentiated responsibilities and respective capabilities (CBDR-RC) – reflected in both the UNFCCC and Paris Agreement – underscores the need for differentiated obligations favouring developing countries. Developed countries, given their historical contributions to climate change, are expected to lead in mitigation and support developing countries.

President Trump's second withdrawal of the US from the Paris Agreement,[43] a withdrawal that is consistent with his administration's broader retreat from undertaking domestic and international climate change action, highlights the fragility of international climate commitments. Indeed, the US is not alone – other developed countries have fallen short in delivering on climate finance, adaptation support, and technology transfer commitments.[44] Their failure to uphold these obligations perpetuates global inequities and obstructs effective, just climate action. These underscore how developed countries can abandon their responsibilities without facing penalties, weakening collective action and emboldening others to do the same. This retreat not only reduces the financial and technological support available to developing countries but also undermines the trust and collaboration necessary for global climate resilience. The burden then falls disproportionately on developing countries, which have contributed least to the problem of climate change but face its worst consequences.

## B. Power-Based Unilateralism and Its Pitfalls: Why Multilateralism Remains Important for Developing Countries

Because the systemic inequity that favours their dominance and control over international trade and climate governance processes as discussed above means that they face little risk in the way of effective responses from developing countries, developed countries – certainly the larger ones such as the US and the EU – have become more prone to using unilateral approaches. Examples include the US' imposition of trade tariffs outside of WTO rules, and the EU's CBAM, which effectively exports domestic climate regulations to trading partners. As noted above, these actions undermine trust and confidence in the sanctity of international agreements and deepen existing inequalities by marginalizing developing countries in global decision-making.

Unilateralism is problematic because when powerful countries bypass multilateral mechanisms, they weaken the legal obligations and predictability that underpin global governance. Unilateral actions by their very nature respond only to domestic policy priorities and are rarely if ever made subject to broad consultation with partners, often ignoring the voices, concerns and realities of developing countries. Without multilateral safeguards, power-based asymmetries are intensified, and smaller developing countries often have little recourse against coercive or discriminatory measures. Unilateral policies could lead to a patchwork of incompatible regimes, creating uncertainty for governments, businesses, and civil society.

Hence, multilateralism remains essential for managing global interdependence. It provides a framework for dialogue, negotiation, and compromise, which are vital for addressing complex transboundary issues like climate change, biodiversity loss, pandemics, and financial instability. Often, multilaterally agreed treaty obligations and norms, such as those in the WTO, UNFCCC, and Paris Agreement, provide standards that bind all parties, promoting a sense of shared responsibility and accountability. Even when enforcement mechanisms are weak, the presence of agreed norms enables moral and political pressure to uphold commitments, as seen in the "naming and shaming" of countries that renege on climate finance or trade rules.

Multilateral forums also offer space, even if not perfect, for all countries to participate in shaping rules. Developing countries have used these platforms to push for equity and justice, including the principle of CBDR-RC in climate negotiations, or the inclusion of development-oriented provisions in WTO agreements. These multilateral forums provide more space and opportunity for South-South coalitions such as the Group of 77 (G77) and various sub-groups of developing countries to develop and employ, with varying degrees of success, coordinated collective action to challenge dominant narratives and influence outcomes.

Multilateral processes allow for institutional learning, gradual norm evolution, and reform. Rules-based multilateralism provides a more stable and predictable environment than power-based dynamics. Predictability is crucial for long-term investment, economic planning, and international collaboration, particularly in climate action where decades-long commitments are needed.

This means that despite their flaws and systemic inequities, multilateral processes such as those in the WTO and the UNFCCC remain the forums in which norms and rules to govern international cooperation and national action on trade and climate change should be developed and in which accountability can take place. The focus, however, should be on reforming these processes so that they better reflect and address equity concerns that developing countries have raised, provide for greater inclusivity, transparency and accountability in decision-making and implementation, and help channel additional resources and better-differentiated treatment in favour of developing countries.

The inequities in the global trade and climate regimes are real and must be addressed. Yet, unilateralism and power-based dynamics are not the alternatives. They risk deepening global fragmentation, eroding trust, and undermining cooperation at a time when collective action is more necessary than ever. Multilateralism – anchored in international norms and obligations – remains the best available mechanism for fostering equity, protecting shared global interests, and building a future where all countries, regardless of size or power, have a stake and a say. However, reform of multilateral processes in the trade and climate change regimes is needed, moving in the direction of enhanced equity, inclusivity, transparency and accountability.

## C. Developing Countries and the Need for Effective Multilateral Reform and Action

For developing countries, a reformed rules-based multilateral system, in both the trade and climate change policy areas, would hence be a better arena in which they can protect and advance their developmental interests, compared with the purely power-based system that the US, for example, seems to be seeking to put in place. To bring this about, developing countries would need to navigate the volatile confluence of geopolitical realignment, economic nationalism, and climate crisis. This confluence places developing countries at a strategic inflection point.

Developing countries' exposure to external policy shocks is increasing, while fiscal and institutional capacities remain constrained. Many countries remain torn between continuing to engage with (or remain dependent on) hitherto dominant powers from the Global North or pursuing strategic autonomy either

nationally or collectively with fellow developing countries within their regions or across the Global South.

Developing countries, however, by and large, have not yet been able to take the driver's seat, but this situation could change. Such change could come sooner rather than later as developed countries continue to manifest a more pronounced preference for unilateral or plurilateral approaches and make it more difficult to reach agreement on multilateral approaches that reflect longstanding equity principles.

In the face of such preference, it is highly likely that developing countries will react in different ways – some will seek to join or be pressed to join the developed countries' club-based approaches, while others will seek to articulate a more independent approach, exercising policy flexibility and selecting strategic engagement with various partners on various issues. The response will depend on each country's assessment of where its national interests may lie.

Such assessment, and the response, would have to consider a complex web of structural, institutional, financial, technological, and geopolitical circumstances. Taken together, these may often limit the ability of developing countries to assert strategic economic and political independence from developed countries. These barriers are deeply rooted in the global economic architecture, historical power imbalances, and policy dependencies that have evolved over decades. They include the following:

- **Structural dependence on inequitable trade and production systems** – Many developing countries rely heavily on the export of raw materials and low-value commodities, with little value addition or industrial diversification. The level, stage and pace of their integration into global value chains often lock developing countries into low-wage, low-tech nodes (e.g., assembly or raw material extraction) with minimal control over pricing or standards. Developed countries still represent the largest and most lucrative markets. Fear of losing preferential access to these markets (e.g., under the Generalized System of Preferences (GSP)) weakens the developing countries' bargaining power.[45]

- **Technological and intellectual property asymmetries –** Developed countries dominate the climate technology, digital, pharmaceutical, and biotech patent landscapes. Licensing costs and IP restrictions with respect to these technologies often hinder domestic innovation in and technology transfer to developing countries. Public and private investment in research, universities, and indigenous innovation in most developing countries remain weak due to budgetary constraints and brain drain. Most developing countries hence rely on digital and data infrastructures controlled by Global North technology corporations, for example.[46]
- **Financial dependence and external vulnerability –** For many developing countries, their external debt burdens and International Monetary Fund (IMF)/World Bank (WB) loan conditions restrict policy space for industrial or climate policy.[47] Washington Consensus–based policy approaches relating to capital flows often increase their exposure to volatile short-term capital flows, while rating agency bias discourages long-term strategic investment and leads to austerity pressures.[48] And given that most global trade and financial transactions remain denominated in US dollars, developing countries remain exposed to the adverse impacts of US monetary policy and the possible use of the dollar by the US for geopolitical leverage (e.g., sanctions, SWIFT restrictions).[49]
- **Legal and regulatory constraints imposed by global rules –** Many developing countries have also made themselves subject to bilateral investment treaties (BITs) and trade agreements that often limit their ability to implement local-content rules, industrial policy, or green subsidies. These treaties often contain dispute settlement provisions under which WTO rules and investor-state dispute settlement (ISDS) systems are often used to discipline the adoption and implementation of policy tools by developing countries that may be essential for structural transformation or climate action.[50]
- **Political economy constraints at home –** Many developing countries also face domestic elite capture and policy incoherence. Domestic elites may have vested interests aligned with developed countries (e.g., through capital holdings, foreign education, lobbying), undermining national autonomy. All too often, political cycles, corruption, and weak institutional memory may obstruct long-term development planning. Weaknesses in state capacities (e.g., institutional architecture, human resources, budgets) often mean that many governments lack the

technical, administrative, and legal skills to design and defend assertive trade or climate policies.

- **Narrative and ideological dominance** – Developing countries also often find it difficult to compete with or present alternatives to the dominant narratives around competitiveness, efficiency, and "free markets" that are shaped by developed countries' think-tanks, media, and institutions. South-led development approaches – such as agroecology, solidarity economies, or non-market climate solutions – often receive limited or no support or recognition in global debates. Knowledge inequities also exist in that academic publishing, rankings, and research funding are concentrated in Northern institutions, shaping global policy agendas and technical norms.
- **Fragmented South-South cooperation and institutional weakness** – Despite many common developmental interests, South-South political cooperation is often hampered by divergent national priorities, mistrust, and regional rivalries. For example, in trade and climate forums (e.g., WTO, UNFCCC), developing countries are often divided, reducing their influence in agenda-setting and outcomes even though in the UNFCCC, for example, developing countries could use the G77 while in the WTO, they have the Informal Group of Developing Countries. Furthermore, developing countries' regional development banks, research centres, and arbitration mechanisms often lack the capacity to serve as full alternatives to Northern-dominated systems.

The risks of marginalization are therefore real – but so are the opportunities for systemic transformation. Overcoming these challenges requires deliberate, collective strategies to build autonomous capacities, reform global governance, and construct a South-centred paradigm of development and climate justice. With coordinated strategies, institutional innovation, and South-South solidarity, the Global South can assert its agency in shaping a more equitable and sustainable global order.

Developing countries will find themselves to be in different situations in the context of current global economic and climate policy dynamics, leading them to respond differently. While some countries may respond reciprocally by building walls, others will likely be exploring bridges, hedging strategies, and looking for new alliances. Some may wish to preserve their access to their developed country export markets or have other political considerations

(such as political dependence) that may lead them to engage bilaterally with developed countries, such as the US, and undertake changes to their trade and climate regulatory regimes along the lines sought by their developed country partners. Doing so could, however, be inconsistent with the principles of SDT in the WTO and of CBDR in the UNFCCC, which in turn would constitute a major setback for the historical demand by developing and least-developed countries to preserve and strengthen policy space and for the recognition and operational and effective reflection of their differentiated development priorities in the trade and climate regimes.

In this context, seeking trade and climate equity would need policies that reflect economic and developmental realities, rather than political narratives. Effective policy solutions must be grounded in a complete understanding of the economic and developmental context. Collaborative approaches that recognize the complex interdependencies of the global economy are far more likely to yield sustainable outcomes than retaliatory measures based on incomplete or misleading analyses.

A rules-based multilateral trading and climate governance system is a better structure for protecting and advancing the development interests of smaller and less powerful countries in comparison to a purely power-based regime. To secure the future possibility of reforming and correcting the currently biased and developmentally harmful global trade rules and the inadequacies of the multilateral climate regime, developing countries should not sacrifice their developmental interests in the process of seeking short-term preferences with the current US administration or other developed countries.

Developing countries that seek a predictable and eventually reformed and more equitable global rules-based trading system and more effective multilateral climate governance regime should cooperate in the face of the current volatile trade policy environment, while accounting for the long-term view and avoiding a race to the bottom that could result from fragmented, uncoordinated responses.

# 6 The New Challenge to the South: Shaping a Proactive Trade and Climate Agenda in Today's World

THE coming years will likely see greater contestation over the meaning of "just transitions" in the context of climate change, the legitimacy of unilateral environmental trade measures, and the institutional future of global governance itself. Whether this results in deeper fragmentation or the reconfiguration of a more inclusive multilateral system depends largely on how developing countries assert agency, build solidarity, and invest in autonomous, resilient institutions.

The international trade and climate regimes are key arenas where one can see the evolution of international power dynamics from a situation where developed countries were often the main drivers of policy initiatives to one in which developing countries are now able to either block such initiatives or substantially influence their outcomes.

What is now emerging, though not yet fully, is a world where there could be multiple poles or centres of economic and political power – these could include one with the developed countries largely around the US and the EU, albeit potentially with a complicated ally-competitor relationship between the US and the EU and its various member states; China and other countries linked to its Belt and Road Initiative; another one built around Russia and its allies; potentially regional ones built on extant regional integration mechanisms such as ASEAN, the AU, GCC, Southern Common Market (Mercosur), Central American Integration System (SICA), Caribbean Community (CARICOM), East African Community (EAC), Southern African Development Community (SADC), Economic Community of West African States (ECOWAS), and West African Economic and Monetary Union (UEMOA); and potentially an inter–Global South formation revolving around BRICS+ (currently with members Brazil, Russia, India, China, South Africa, Iran, the UAE, Egypt, Ethiopia, and Indonesia). These "centres" are likely to

have varying levels of centrality and global influence based on their constituencies' respective national and regional economic strength, technological and industrial base, military capabilities, population size, and willingness to engage with other "centres".[51] How future global relationships and economic arrangements will play out exactly in the next couple of decades remains to be seen.[52]

## A. The Need for Strategic Policy Certainty in an Era of Global Geopolitical Volatility and Climate Change Acceleration

The current instability and uncertainty in the economic and political relationship between the US and the rest of the G7, the EU and the OECD has many analysts exploring the possibility that there may be an emerging permanent rupture in the longstanding trans-Atlantic/cross-North economic and political alliance that has dominated the global economy since the end of the Second World War. At the same time, it may also be that such longstanding economic and political relationships and solidarity within the Global North have sufficiently robust foundations that a new modus vivendi may emerge in which they may see the Global South as being of a greater collective threat to them than they are to each other, and hence they may seek to economically decouple from and exclude the rest of the world through the creation of a protected and closed integrated economic area among developed countries.

Either way, exclusionary and more unilaterally driven economic and political approaches from the Global North pose serious risks to developing countries. If coupled with high external tariffs, unilateral environmental trade measures, and exclusionary climate standards, such a move could significantly restrict market access, fragment global governance, and marginalize developing countries in shaping trade and climate regimes. Such a developed-country-focused economic decoupling premised on exclusionary trade and climate policies would exacerbate systemic inequities and undercut global solidarity.

The confluence of global crises – including great power competition, climate change, technological disruption, and fracturing multilateralism – has created a highly uncertain environment in which both governments and markets struggle to make informed decisions. Against this backdrop, policy volatility

– frequent shifts in regulatory, fiscal, or strategic orientation – can significantly undermine investor confidence, disrupt long-term planning, and exacerbate geopolitical risks.

With volatility in the geopolitical landscape taking place against the backdrop of accelerating climate change, strategic policy certainty becomes a crucial pillar for developing countries towards ensuring national resilience, economic stability, and international credibility. This does not mean rigidity, but rather the establishment of clear, consistent, and forward-looking policy frameworks that build institutional trust, reduce risk, and enhance national and international cooperation. In times of turbulence, deliberate certainty – grounded in strategy, not improvisation – is a form of power.

Strategic policy certainty can serve as a stabilizing force that enables both public and private actors to align long-term investments with national priorities. For instance, in the realm of energy transition, countries with consistent and credible policy frameworks – such as China's clean energy industrial strategy – have attracted sustained investment in renewables, manufacturing, and innovation. In contrast, abrupt policy reversals, as seen in some countries' backtracking on climate commitments or industrial subsidies, have created hesitation among investors and trading partners, weakening trust and strategic alliances.

Furthermore, policy clarity is essential for effective geopolitical positioning. In an era marked by intensified rivalry among major powers, especially between the US, China, and an emerging multipolar order, countries that project a coherent and predictable policy approach are better able to forge stable partnerships and avoid entanglement in zero-sum conflicts. Inconsistencies or abrupt changes in foreign, trade, or defence policy – particularly when driven by domestic political cycles – can signal unreliability, making it difficult to build durable regional or global coalitions.

For developing countries in particular, policy certainty is vital to navigating systemic external shocks, from debt crises to supply chain disruptions. With constrained fiscal space and limited buffers, these nations often depend on long-term concessional finance, foreign direct investment, and strategic partnerships. Erratic policy signals – whether on taxation, governance, or

trade – can deter external engagement and deepen vulnerability to external shocks.

Creating strategic policy certainty and stability among developing countries – especially in trade and climate policy – requires coordinated institutional, legal, and diplomatic mechanisms that can foster trust, reduce transaction costs, and align long-term development priorities. Strategic policy certainty among developing countries in trade and climate requires more than political declarations of South-South solidarity; rather, it demands the institutionalization of shared norms, rules, financing platforms, and legal tools. By working collaboratively across South-South regional and inter-regional frameworks, developing countries can shape more predictable and resilient development pathways for themselves on their own terms.

In this context, developing countries must adopt proactive, coordinated, and diversified strategies to safeguard their interests, preserve policy space, and build resilient economic systems. This would require them to focus on strategic South-South realignment. By leveraging South-South cooperation and investing in endogenous development pathways, the Global South can not only survive exclusionary transitions but also create strategic certainty, develop strategic independence from the Global North, and shape a more just, pluralistic global order.

## B. The Need for Developing Strategic Autonomy for the Global South

To strategically move away from longstanding inequitable economic and political dependence on developed countries – particularly in the trade and climate regimes – and gain strategic autonomy over their development pathways, developing countries should explore pursuing a combination of systemic, institutional, and geopolitical transformations. This would not be about isolationism but about rebalancing structural asymmetries, asserting strategic autonomy, and building resilient, cooperative alternatives grounded in the Global South's priorities.

This will involve a strategic refocusing and rebuilding of South-South solidarity and coordination, a shift from extractive integration to value-creating regionalism and regional integration, and a commitment to technological and financial sovereignty. Rather than replicating the inequity-

creating development pathways that have heretofore been dominated by developed countries, developing countries should work together to define alternative global governance models that are just, regenerative, and anchored in collective development.

This means that developing countries should move from reactive engagement to initiatives by developed countries that are designed and implemented within a geopolitical and economic context to preserve the latter's dominance, to proactively working together to design and construct fairer alternatives for their peoples and the planet. In this way, developing countries can move from structural dependence towards strategic sovereignty and resilience anchored in solidarity, cooperation, and planetary equity.

In the context of increasing geopolitical volatility, transactional diplomacy from the US and its allies, and the accelerating impacts of climate change, developing countries should hence pursue a proactive agenda to develop strategic autonomy through adaptive, cooperative, and resilient approaches. Such an agenda to reduce reliance, dependence, exposure, and vulnerability to external policy shocks has become both strategically justified and increasingly necessary.

## C. Assessing the Risks of Seeking Strategic Autonomy for the Global South

Efforts to put in place this agenda should, however, recognize the risks of exclusion, fragmentation, and coercion in existing global systems while exploiting emerging openings for autonomous development pathways. These include significant short-, medium-, and long-term risks that must be carefully assessed and managed.

### 1. Economic Risks

One of the most immediate concerns relates to potential economic repercussions. Many developing countries currently benefit from preferential trade arrangements offered by developed nations, such as the EU's GSP and GSP+. These frameworks provide duty-free or reduced-tariff access to key markets, supporting critical export sectors like textiles, agriculture, and processed goods. Strategic shifts away from these relationships – or perceived

misalignment – could trigger the loss of such privileges, whether retaliatory or incidental. The consequence would be reduced export earnings, heightened unemployment, and rising economic vulnerability. With respect to the US, its unilateral raising of tariffs on virtually all imports and its non-compliance with its tariff commitments under the WTO and various free trade agreements (FTAs) have already given other countries a taste of what it means to lose tariff preferences.

Potentially more importantly, efforts to implement industrial policy, enforce local-content requirements, or deepen South-South cooperation may be interpreted by Western investors as hostile to capital interests. This could lead to capital flight, delays in foreign direct investment (FDI), or challenges under BITs and ISDS systems. As developing countries attempt to transition away from entrenched supply chains, they also face the challenge of managing the costs of industrial realignment. These include temporary productivity losses, the obsolescence of current infrastructure, and the friction that accompanies large-scale trade reorientation.

## 2. Geopolitical and Diplomatic Risks

The geopolitical consequences of developing countries seeking to assert strategic autonomy from the developed-country-dominated global trading and economic system are equally significant. Efforts by the Global South to reconfigure economic relations may be interpreted by developed countries as adversarial or as signalling alignment with geopolitical competitors like China or Russia. This perception can strain diplomatic relationships, reduce aid flows, and create new pressures in multilateral negotiations under institutions such as the UN, WTO, or IMF.

Moreover, reducing dependency on traditional Western powers may inadvertently lead to greater reliance on emerging powers. For instance, China and the Gulf states have increasingly positioned themselves as alternative sources of investment, trade, and political influence. However, such partnerships risk reproducing previous dependency patterns – particularly in the form of extractivism, unequal trade relationships, or politically conditioned financial flows. The Global South may thus find itself navigating a new set of asymmetric dependencies under different geopolitical umbrellas.

## 3. Financial and Macroeconomic Risks

Financial independence is a core pillar of strategic decoupling, but it is fraught with macroeconomic risks. Moving away from dollar- and euro-dominated financial systems can create foreign exchange volatility and reduce access to emergency liquidity during global financial shocks. Without adequate safeguards, developing countries may struggle to stabilize their currencies or manage inflation, especially in the context of rising interest rates and global capital outflows.

Efforts towards greater financial sovereignty may also be penalized by international credit rating agencies. Perceived political risks or institutional instability associated with independence efforts can lead to rating downgrades, increased risk premiums, and reduced access to capital markets. This, in turn, may force countries to seek more expensive or less transparent sources of finance, such as bilateral loans from non-OECD countries or private capital with stringent conditions.

## 4. Institutional and Capacity Risks

The success of any strategic decoupling initiative depends on the strength of domestic institutions. Implementing large-scale economic and political transitions requires robust regulatory frameworks, coordinated planning, and effective governance. In many developing countries, particularly those affected by conflict or fragility, these institutions are not yet equipped to handle such complex transformations. Weak institutional capacity can delay reforms, reduce public trust, and amplify adjustment costs.

At the regional level, another concern is the potential fragmentation of the Global South itself. Divergent national interests, asymmetries in economic development, and regional rivalries can hinder collective action. Without coherent and unified strategies, South-South cooperation may falter, leaving smaller and more vulnerable states isolated in the global system. The absence of shared alternatives to OECD-centred mechanisms could diminish the transformative potential of rebalancing efforts.

### 5. Normative and Ideational Risks

There are also risks at the level of ideas, norms, and global governance. Withdrawing from or de-emphasizing participation in developed-country-dominated international institutions may limit the Global South's ability to influence the development of international rules and standards that may be formulated and applied through these institutions. This is particularly relevant in emerging governance areas such as digital trade, climate finance, and artificial intelligence (AI) regulation. If such risks are not addressed through proactive engagement and coalition-building, developing countries may find themselves relegated to rule-taker status, undermining their long-term sovereignty and economic prospects.

## D. Towards a Strategic Agenda for the Global South on Trade and Climate

### 1. Seizing Agency in a Volatile and Multipolar World

Developing countries find themselves at a critical historical and developmental juncture. In a global system characterized by economic volatility, climate disruption, and geopolitical fragmentation, the Global South faces a dual challenge: (1) to reduce dependence on external powers that shape trade, finance, and technology regimes in their own interests; and (2) to build resilient, just, and sovereign pathways to development that reflect the values and priorities of the South.

Structural dependencies in current global arrangements that have been shaped by colonial legacies, unequal trade relations, and exclusionary governance frameworks continue to limit the policy and fiscal space and choices of many developing countries. The concentration of economic power, technological control, and narrative dominance in developed countries has historically marginalized the development priorities of the South. Simultaneously, the emergence of new poles of economic and political power presents both opportunities and risks. Today, amid renewed pressures from unilateral trade and climate measures, coupled with intensifying global power rivalries, developing countries must adopt a comprehensive strategy that spans trade, finance, legal systems, institutional foresight, and narrative power.

The push for strategic autonomy and reduced dependence on developed countries is both timely and necessary for developing countries. However, as pointed out above, while these efforts offer substantial developmental and political benefits, they also come with substantial risks and trade-offs. Navigating these successfully requires deliberate, carefully thought out, sequenced and coordinated strategies. Doing so entails the need for developing countries to strategically invest in shaping global norms and narratives, ensuring their values and interests are reflected in the rules of an emerging multipolar world.

The goal is not isolationism, but rather a calibrated form of engagement based on strategic autonomy that enables developing countries to respond to external shocks on their own terms, while contributing meaningfully to a more equitable global order. This is an approach that would seek to gain developing country agency in shaping the rules of global engagement, while deepening cooperation among developing countries. This is particularly important in the multilateral trade and climate policy arenas.

Despite their diversity in size, geography, culture, and economic structure, the countries of the South share a common aspiration: to overcome poverty and underdevelopment. That shared struggle forged powerful forms of solidarity during the anti-colonial era and continues to underpin institutions like the G77 and the Non-Aligned Movement. Yet while political independence has been largely achieved, economic and technological sovereignty remain elusive.

In this context, the Global South must resist becoming a passive battleground for great power competition or a marginal player in global rule-making. Instead, it must become an active shaper of the emerging multipolar world order – through cooperation, institution-building, legal empowerment, and narrative leadership.

## 2. Defining an Integrated Agenda for the Global South in the Trade and Climate Regimes

This section lays out some suggestions for a strategic, proactive, and integrated agenda for developing countries that coherently deals with the interlinkages, risks, and opportunities in the multilateral trade and climate policy arenas,

with a view to enabling developing countries to better address the systemic barriers limiting their economic and political autonomy from developed countries.[53]

Such an agenda, if adopted and implemented, can help the Global South assert its agency, protect its interests, and proactively shape a fairer world. This constitutes a proposed roadmap for building economic resilience, legal autonomy, financial sovereignty, and narrative power. The goal is not only to reduce external dependence but to build a new model of South-led cooperation and development that redefines global norms from the ground up.

### *(a) Strengthen and deepen South-South solidarity, cooperation, coordination, and negotiating capacity in multilateral arenas, including in trade and climate*

Developing countries need to work together better. In the prevailing world environment, South-South cooperation offers developing countries a strategic means for developing strategic autonomy, developing strategic certainty, and creating development pathways that may be more suited to the needs and aspirations of their peoples. Individually, most developing countries may still be able to exert some influence or deal with their developed country partners. But there is power in collective numbers; developing countries must therefore take full advantage of their numbers by acting collectively.

Developing countries can work together on various bases. Regional geographical proximity is one key basis that can result in collective bilateral, subregional or regional action and cooperation. Another basis for collective action to advance common interests may be in working together on mutually beneficial economic projects or industries jointly; countries that are like-minded politically on certain issues or which share cultural or social similarities could also work together effectively; there could also be cooperation in various spheres that span the entire Global South. What is needed is creativity, imagination and political will in setting aside issues that divide and instead building cooperation on issues that unite. At the same time, developing countries should seek to ensure that the structural inequity that characterizes North-South relationships is not replicated in South-South cooperation, and that there is recognition and reflection that special arrangements may be needed for LDCs and small island developing states.

The Global South does have organizations and structures intended to foster subregional, regional and inter-South cooperation, such as the various regional integration mechanisms like ASEAN, GCC, AU, etc., and global collectives such as the G77 and the Non-Aligned Movement. New formations like BRICS+ form part of this architecture for Global South collective cooperation and action. But the path forward involves both institutional innovation and tactical flexibility, grounded in shared development goals and respect for sovereignty. Organizations like the G77 and other developing country groups and coalitions should focus on their common interests to push for stronger, more unified demands in international negotiations. Unity increases bargaining power and helps shift the narrative from charity to rights and justice.

Sharing knowledge, technologies, and best practices among developing countries – especially around climate adaptation practices, technology development, and environmental governance – can build collective resilience and reduce dependency on developed countries. Regional climate funds, joint research initiatives, and technology transfer agreements can reduce dependence on the Global North. By consolidating their positions in international forums, developing countries can advocate more effectively for equitable climate policies and financial support.[54] In the trade area, developing countries could explore reviving and strengthening the Global System of Trade Preferences (GSTP) and use it to support their just transitions and economic diversification initiatives;[55] in the climate area, South-South cooperation initiatives on climate technology transfer, finance, and capacity building for climate action should be explored.[56]

While the need for South-South solidarity, cooperation and collective action has long been recognized, individual developing countries have not always been able to sustain that solidarity in the face of the temptation to separately seek remedies for pressing national situations. With different national priorities, individual countries are often unable to withstand the pressures selectively exerted upon them by developed countries; furthermore, inadequate appreciation of the long-term implications of matters under negotiation may lead some of them to break ranks with other countries of the South without realizing that this would harm the broader long-term development interests of all – including their own.

All too often, the Global South has difficulty in organizing effectively for complex multilateral negotiations that deal with global problems requiring global solutions. Most developing countries individually do not have the capacity to deal with the detailed technical negotiations in the many forums and with the multitude of subjects involved in global issues such as trade and climate that are marked by intense developed-developing country dynamics. In many cases, developing countries find it difficult to establish common priorities, to share technical and negotiating expertise, or to hold constructive South-South discussions in advance of negotiations.

There are, of course, some success stories as well, such as the coordinated and united push by developing countries through the G77 in the UNFCCC negotiations that eventually resulted in the establishment of the Green Climate Fund in 2010–2012 and the Loss and Damage Fund in 2022–2023; or in the WTO negotiations, the development and insertion of a model for special and differential treatment for developing countries in the Trade Facilitation Agreement adopted in 2013 that links the implementation of trade facilitation obligations to their acquisition of implementation capacity and the provision of technical assistance and capacity building to developing countries.

But the Global South must deepen and reconfigure its cooperation architectures to reflect today's fragmented multipolar context. This includes expanding alliances such as BRICS+, the G77, and the Non-Aligned Movement into serving as proactive economic and climate platforms. Developing countries could consider developing a modular approach to South-South cooperation, such as issue-based coalitions that work on selected topics (such as on CBAMs, IPR waivers for climate technologies, etc.), which can provide flexibility while maintaining solidarity.

At the same time, a key element to enhanced South-South cooperation would be to pursue stronger multilateral engagement on a non-aligned basis, where developing countries refuse binary alignments and instead engage with all major powers on sovereign terms using a strategic hedging approach. A key component of this could be to support multilateralism centred on existing international processes such as in the UN and WTO while creating or strengthening complementary plurilateral or regional South-based platforms.

To assert influence in these global governance regimes, developing countries should coordinate positions more systematically in multilateral institutions that have significant norm-setting authority such as the WTO, UNCTAD, UNEA, UNGA, WIPO, CBD, and the UNFCCC. Developing countries could also focus on building the habit of using collective bargaining to resist coercive diplomacy that may be deployed by developed countries (e.g., conditional aid, extraterritorial sanctions). Through collective bargaining, they can better resist developed-country-driven unilateralism, especially in areas where principles like SDT (in the WTO) and CBDR are of key importance to developing countries.

Cooperation and linkages with and among bigger developing countries could also be developed and strengthened strategically by individual or groups of smaller developing countries, while at the same time seeking to avoid creating dependency.

Strategic capacity must be strengthened through investments in legal, trade, and climate negotiation expertise. A successful reorientation of South-South strategy also requires significant investment in human capital and institutional capability. Developing country governments must build a new generation of trade and climate negotiators who are adept at navigating the intersection of legal regimes and capable of leveraging complex bargaining environments. They should seek to build legal capacity to contest trade-environment linkages that marginalize the South, including through strategic litigation against CBAMs or green subsidies; explore sharing and coordinating legal and technical expertise among developing countries to monitor, challenge, and counter unilateral climate-linked trade barriers or extraterritorial measures adopted by developed countries that violate multilateral norms or disproportionately burden developing economies (e.g., CBAM, deforestation bans); and train developing country legal experts in WTO, ISDS, and regional arbitration and in international legal doctrine and the strategic use of litigation to advance development interests and to assert developing countries' regulatory space.

South-South climate-trade forums and peer-to-peer information exchange and learning mechanisms should be developed or strengthened to enhance cooperation and collaboration – currently, most such forums and mechanisms

tend to be ad hoc. In many cases, a key focus for such forums and mechanisms could be to train trade and climate negotiators to understand intersecting regimes and legal tactics; enhance engagement among and support for developing country think-tanks and universities in crafting Global South–aligned development models; and support the building of domestic and group mechanisms that promote the coordination of positions across ministries and stakeholders to align external and internal policies.

A key barrier to sustained South-South cooperation and coordination in the multilateral arena is policy fragmentation and misalignment between national, regional, and global agendas. More attention should be paid to building, maintaining and strengthening coordination mechanisms (such as under the G77, BASIC, or BRICS+, or on a regional or issue-based coalition basis) for regular South-South consultations ahead of major global negotiations, such as the UNFCCC's Conference of the Parties (COP) and the WTO Ministerial Conference. Developing countries should establish informal coordination mechanisms that would enable structured discussions among themselves to develop and push forward coordinated positions and perspectives. Such mechanisms should ideally involve experts and policymakers of the participating countries who are knowledgeable about the issues and are active in representing their respective countries in the WTO, UNCTAD, UNEP, UNFCCC, and Convention on Biological Diversity (CBD). These informal platforms would allow countries to coordinate positions, prevent last-minute divergences, and present a unified front in global arenas.

### *(b) Building domestic and regional economic and climate resilience to external shocks*

As the global trade and climate policy landscape becomes more volatile and exclusionary, given the unilateralist and protectionist trends in major developed countries, developing countries need to look towards reinforcing their domestic economies, deepen regional integration, and enhance South-South economic cooperation. With rising climate vulnerability, inadequate financing for adaptation and mitigation, and growing exclusion from dominant financial regimes, the imperative is clear: the Global South must assert greater agency and control over trade flows, industrialization initiatives, innovation platforms, and financial flows and instruments that are crucial to their development and creating resilience.

Building resilience to current and forthcoming external shocks, whether from geoeconomic or geopolitical dynamics or climate change, will be key to ensuring that developing countries are able to weather the storm. There is a close connection between domestic and regional resilience building – resilience begins at home but flourishes through regional integration and cooperation and national strategic policymaking and implementation. Enhancing domestic and regional economic resilience requires a coordinated and ambitious policy agenda across multiple dimensions, including in the trade, industry, agriculture, climate, innovation, and finance areas.

Economic resilience is no longer simply a desirable policy outcome; it is now a strategic imperative for safeguarding sovereignty, mitigating external shocks, and enabling long-term sustainable development. To this end, the Global South should adopt a multifaceted strategy centred on regional integration, localized value chains, climate and technology sovereignty, and institutional coherence across domestic and regional levels. This is not simply about survival in a volatile geopolitical environment, but about laying the foundation for structural transformation, development sovereignty, and equitable integration into a multipolar global economy.

By investing in regional integration, technology localization, supply chain decentralization, and institutional coherence; and by de-risking intra-South investments, building regional financial institutions, reforming monetary dependencies, and asserting climate finance sovereignty, developing countries can collectively shape a more self-reliant and just economic order – one that is capable of withstanding external shocks while advancing the shared goals of prosperity, sustainability, and sovereignty.

*(i) Strengthen regional integration and cross-regional South-South links*

Developing countries should prioritize strengthening their regional integration mechanisms to produce, trade and consume more of each other's goods and services and build regionally integrated supply chains to reduce dependence on developed country markets. These can harmonize trade rules, foster regional green value chains, and develop food and energy sovereignty. These regional blocs, if sufficiently developed in a strategic and regionally defined manner, could offer viable pathways for reducing dependency on developed country and extra-regional markets by creating robust internal demand,

creating larger internal regional markets to buffer against potential exclusion from developed country markets, harmonizing trade rules, and reducing cross-border transaction costs.

Integrated regional markets can not only provide a buffer against trade exclusions or disruptions from external extra-regional shocks, but also conceivably serve as the space for regionally integrated and balanced industrial development and value addition in climate-resilient sectors. Recalibrating trade relations towards fellow developing countries, especially at a regional level, through local currency settlements, South-South trade and transport links, intra-regional investments, and intra-regional labour mobility, can reduce vulnerability to developed-country-dominated economic relationships.

The creation of regional and cross-regional value chains that minimize exposure to developed-country-dominated supply systems prioritizes the building of South-South trade and investment relationships both intra-regionally and cross-regionally with other developing country regions. Investment in South-South transport corridors (such as more direct transport links between Africa, Asia, and Latin America) and digital networks (such as more direct subsea data cables between Africa, Asia, and Latin America) can bypass developed-country-focused and -dominated logistical and infrastructure networks, enhancing trade connectivity and technological diffusion among developing countries. Developing countries could develop regional clean technology value chains that maximize their natural and human resources in complementary ways. For instance, countries in Africa with abundant reserves of cobalt and lithium, essential for battery production, can partner with multinational corporations to establish local processing and manufacturing facilities.

Critical supply chains should be decentralized by pooling regional capacities to localize the production of climate technologies, food staples, and pharmaceuticals to reduce reliance on volatile global markets and break the dominance of developed countries and their knowledge and technology industries over climate technology supply chains and IP regimes.

*(ii) Strengthen strategic domestic economic sectors to embark on just transition pathways*

Domestic industrial and agricultural transformation is critical to reducing vulnerability and fostering inclusive growth leading to sustainable just transition pathways. Rather than replicating the carbon-intensive paths of the past, countries in the Global South should invest in renewable energy, agroecology, and green industrialization pathways that can create jobs, reduce emissions, and build resilience.[57]

These pathways could include the following as key elements:

- Green industrial zones and food-sovereign agriculture could be positioned as cornerstones of this diversification. Developing countries should invest in their own domestic climate-smart industries to lay the foundation for reducing their exposure and vulnerability to developed countries' unilateral carbon border measures like the EU's CBAM and building resilience into their economies.
- On the agricultural side, agricultural policy should pivot towards agroecology and climate-resilient farming, creating localized food systems that not only reduce import dependence but also strengthen rural livelihoods and environmental sustainability. By promoting climate-friendly manufacturing and agroecological value chains within these frameworks, developing countries can localize production while contributing to global environmental goals.
- Developing countries can pursue low-carbon industrialization by investing in renewable energy, energy efficiency, and sustainable infrastructure, and diversifying clean technology supply chains can enhance resilience and reduce dependence on a single country or region.
- Developing countries can leverage their natural resources and labour advantages to participate in global value chains, such as by processing critical minerals for battery production. Policies that shift focus from raw material exports to value-added production can help build domestic clean tech industries. Incentives for local manufacturing of batteries, solar panels, and wind turbines are key.[58]
- Green industrial policy can be an important part of the policy mix governments can use to foster economic diversification, direct the economy towards achieving environmental goals, and increase resilience

to the impacts of climate response measures. Green industrial policy would include, inter alia, measures to encourage cleaner production in potentially impacted vulnerable sectors (e.g., promoting renewable energy as an input to the production of traded steel); redesigning existing export goods such that they have less climate impact in their end use (e.g., promoting a shift from internal combustion engine vehicles to electric vehicle production; promoting production of higher-efficiency white goods); phasing out of significant climate-damaging sectors (e.g., removal of subsidies to entrenched vulnerable sectors such as the fossil fuel industry); and supporting the development of entirely new low-carbon and climate-adapting sectors of economic activity (e.g., promoting the development of new clean energy technologies, transportation systems, or production methods).[59] Such green industrial policies are likely to gain more attention as part of the policy toolbox for countries to undertake economic diversification efforts and move towards a low-carbon development pathway.[60] Green industrial policies, however, could have trade-related implications mainly through the use of standards, labelling requirements and other regulatory measures relating to the industrial production of goods, focusing either on the energy performance of the goods themselves or on production or processing methods (PPMs).[61] Cross-border green industrial clusters can play a transformative role in facilitating this shift, particularly if underpinned by shared infrastructure and research hubs.

- Strategic import substitution policies that are linked to the development of resilient domestic and regional industrial capacity would be important. This involves supporting import substitution in strategic sectors like renewable energy, pharmaceuticals, and staple food systems. These efforts need to be aligned with broader goals of just transitions that prioritize resilience over export competitiveness alone.

*(iii) Develop South-focused and -led innovation*

Developing countries should prioritize funding and other subsidies for local research institutions and forge South-South collaborations. Open-source patent pools and cooperative technology-sharing agreements can reduce the barriers created by intellectual property monopolies. By investing in domestic research and development (R&D), fostering local production, rethinking

global trade rules, and democratizing access to finance, developing countries can begin to chart their own path towards clean, equitable, and sustainable development.[62]

Public R&D hubs and patent pools to promote indigenous innovation could be explored:

- To build climate and technology sovereignty, developing countries should strengthen their indigenous R&D ecosystems supported by public financing, undertake South-South knowledge exchanges, promote technology transfer via South-South cooperation and reverse innovation and open innovation models, and incentivize domestic and regional production of solar panels, electric vehicle components, and other climate technologies and sustainable agricultural commodity products.
- In the face of restrictive IP regimes, a strategic push for waivers or compulsory licensing of climate technologies or the widespread use of TRIPS flexibilities is essential. Regional patent pools and collaborative innovation centres can also serve as a foundation for reverse innovation and the domestic manufacture of green technologies such as electric vehicle components, solar panels, and biofertilizers; these could also enable the production and deployment of essential climate technologies by developing countries.

*(iv) Prioritize reforms in the global financial architecture to increase financing for the South and explore South-South finance arrangements*

Lack of finance is one of the major obstacles to an environmentally sustainable structural transformation. Given the complexities of the international climate finance architecture and its associated challenges, developing countries need additional funds associated with their trade and environment goals. Reliance on developed-country-dominated global financial systems that are characterized by procyclical capital flows, biased credit rating practices, and conditional lending has often constrained rather than enabled sustainable development. At the same time, attracting sustainable investment from within the Global South requires a deliberate effort to reduce perceived and actual risks, and developing countries should explore creating South-South finance arrangements that are not extractive but instead are mutually beneficial and

support domestic value creation and regional integration, rather than resource extraction or elite capital accumulation. Sovereign debt relief for indebted developing countries would also be needed.

Some ways in which this could be done include the following:

- De-dollarizing cross-border transactions is essential to insulate Southern economies from exchange rate shocks, monetary policy spillovers, and capital volatility. Barter arrangements and trade paid for in local currencies can serve to reduce dependency on the US dollar and insulate domestic and regional economies from external financial shocks. Currency and payment system diversification can also reduce exposure to dollar volatility. This could be done through developing regional payment systems and digital currencies and engaging in currency swap agreements among developing countries (such as among BRICS+ members or the members of regional integration mechanisms).[63]
- Equally important is challenging the dominance of Western credit rating agencies, whose methodologies often fail to reflect the real resilience and prospects of developing economies. Alternative, South-based credit rating systems and sustainability taxonomies that reflect developing country realities and which incorporate climate risks, sustainability indicators, and socio-economic progress should be either created or strengthened to shift perceptions of risk and investment viability away from developed-country-dominated narratives which are often linked to speculative capital flows and austerity metrics.[64]
- Instruments such as sovereign guarantees and green credit ratings tailored to local contexts can help de-risk projects and mobilize private capital. Strategic co-investment frameworks involving BRICS+ countries, Gulf sovereign wealth funds, and diaspora capital can channel funds into priority sectors like climate-resilient infrastructure, renewable energy, and agroecology.[65]
- Special Drawing Rights (SDRs) should be rechannelled away from developed-country-dominated institutions (such as the World Bank) into regional finance institutions governed by the South, with concessional finance linked to just transition objectives. South-based climate finance institutions could be established, or existing ones like the African Development Bank (AfDB), the Islamic Development Bank (IsDB), and the New Development Bank (NDB) strengthened, to offer

concessional lending windows for energy access, just transitions, and climate adaptation. The institutions could be provided with financing mandates that prioritize social equity, low-carbon development, and climate resilience, including for infrastructure projects such as solar corridors and low-carbon trade and transport logistics, and support climate-resilient industrial and agricultural goods value chains.

- Current climate finance flows remain heavily skewed towards mitigation in middle-income developing countries, often bypassing the adaptation and loss-and-damage needs of most developing countries that are particularly vulnerable to the adverse effects of climate change.[66] Developing countries should continue to push for increased climate, adaptation, and loss-and-damage finance commitments consistent with UNFCCC and Paris Agreement commitments.
- A key impediment to unlocking sustainable development finance for the Global South is the burden of sovereign debt, which has reached unsustainable levels in many developing countries. The current sovereign debt architecture lacks a fair, transparent, and rules-based mechanism for resolving debt crises, often resulting in prolonged negotiations, creditor impunity, and austerity measures that undermine social spending and climate resilience. Addressing the debt crisis is essential to free up fiscal space for investment in climate action, green industrialization, and structural transformation. Reforms should aim to establish a multilateral sovereign debt workout mechanism under the auspices of the United Nations that ensures equitable burden sharing among creditors, respects developing countries' development priorities, and upholds the right to development and climate justice. Debt relief efforts must be comprehensive and development-oriented.

### *(v) Building strategic foresight capabilities*

Resilience also implies the ability to have foresight, so that the prevention and mitigation of risks can be better undertaken. Anticipating disruption is central to resilience. In an era defined by accelerating geopolitical shifts, climate volatility, and unpredictable global policy regimes, the capacity to anticipate and adapt to future challenges is no longer optional – it is essential. For developing countries navigating a multipolar and crisis-prone world, creating and strengthening institutional capacity for strategic foresight is a vital step towards achieving policy resilience, development continuity, and

long-term sovereignty. This involves not only enhancing national planning frameworks but also building regional and South-South cooperation systems that can detect and respond to emerging threats in a coordinated and informed manner.

Developing countries should invest in national strategic foresight units that are capable of systematically analyzing future risks, including geopolitical and geoeconomic realignments, trade and technological disruptions, and climate threats. These units should track and interpret policy swings in major powers, such as shifts in US climate and trade positions, or changes in European trade and climate regulatory regimes that could have spillovers or extraterritorial application to or impacts on developing countries.

Given external shocks often require collective regional responses, developing countries should also explore establishing or strengthening regional or South-South cooperation systems and mechanisms (e.g., built around regional integration institutions) to detect and assess external trade and climate-related shocks. These can serve as trade-climate observatories that monitor geopolitical disputes, regulatory developments such as the EU's CBAM, and shifts in global supply chains linked to climate policy. By pooling data, expertise, and political intelligence, these can issue timely alerts and impact assessments that inform national decision-makers and foster coordinated responses. When a major policy shock emerges, such as new tariffs, environmental restrictions, CBAMs, or carbon pricing mandates, developing countries would then be alerted and can more readily explore shared legal strategies, technical assistance, and contingency plans rather than acting in isolation or reacting defensively.

Creating and strengthening institutional capacity in the Global South for strategic foresight would help developing countries shift from reactive governance to anticipatory statecraft. For developing countries, this shift is not a luxury but a necessity. It enables them to better navigate the turbulence of global economic restructuring, climate volatility, and shifting power balances. Through trade rebalancing, financial sovereignty, and South-South solidarity, creating the capacity for strategic foresight would enable developing countries to face the future not as passive recipients of global trends, but as active shapers of their destinies.

### *(c) Shaping a proactive agenda for the Global South in the multilateral trade and climate regimes*

Developing countries should also work together to put together an integrated and proactive strategic multilateral agenda to achieve sustainable development and climate resilience through a more equitable global trade and technology regime, pursuant to which the WTO and UNFCCC regimes would be reformed. Such a framework would entail coordinated action by the Global South in both the WTO and UNFCCC regimes as well as related relevant institutions such as the UN Conference on Trade and Development (UNCTAD) to push for the following:

#### *(i) Technology transfer*[67]

Developing countries need access to climate-action-relevant technologies to move towards a sustainable development pathway and enhance climate change action ambition. The central role of technology transfer to developing countries as well as their development of endogenous technology was recognized in the 1992 Rio Earth Summit, as well as in its related conventions including the UNFCCC. Technology transfer is to be undertaken as a means for furthering international cooperation, and a proactive role of public policy at national and international levels is required to enable developing countries' access to technology. Under the UNFCCC, in recognition that greenhouse gas emissions from developing countries will continue to grow as their economies grow even as developed countries are committed to reducing their emissions, technology transfer is part of a broader policy package for international cooperation (along with climate finance and adaptation support) under which developed countries, following the CBDR principle, are also committed to providing support to developing countries in undertaking climate actions (mitigation and adaptation).[68]

Developing countries must have equitable access to climate technologies to achieve their development and climate goals. Technology transfer is a key means of implementation that should be provided to developing countries to support the implementation of their nationally determined contributions (NDCs) under the Paris Agreement and for achieving sustainable development.[69] For example, the NDCs of 13 of 17 Latin American countries and 11 of 16 Caribbean countries express interest in receiving technology

transfers, with most countries citing their developing status and minimal contribution to climate change and requesting financial and technological assistance from the international community to help them meet some or all of their emissions reduction goals.[70] A review of the 190 NDCs submitted prior to COP21 in Paris in 2015 found that nearly 140 developing countries highlighted the importance of climate technologies and almost 50 percent of all developing countries specifically referred to the importance of technological innovation or R&D for achieving their climate objectives.[71]

International cooperation frameworks and trade policies should prioritize technology transfer and capacity building. Developing countries can negotiate technology transfer agreements as part of international climate and trade agreements. For instance, the UNFCCC's Technology Mechanism is intended to facilitate the transfer of climate technologies to developing countries, supported by funding from developed countries.[72]

Technology transfer could provide developing countries with the opportunity to leapfrog and effect structural transformation and economic diversification away from fossil-fuelled economic growth towards sustainable development pathways using low-carbon mitigation technologies, adaptation technologies, and loss-and-damage technologies that are appropriate for their specific economic and ecological conditions.[73] Doing so would enable developing countries to avoid long-term fossil-fuelled technology lock-in and provide opportunities for diversifying economic activity into sectors for which there would be new and expanding markets (such as those which require compliance with high environmental standards or show consumer preferences for environmentally sustainable goods and services).[74]

Given that most technologies that developing countries import, absorb or adapt are privately owned,[75] and most climate-relevant technologies are currently developed and produced in developed countries,[76] the direction and enhanced efforts for technology transfer will have to be from developed to developing countries,[77] paying particular attention to ensuring that manifestations of private ownership of such technologies (e.g., in the form of patents or other intellectual property) and trade-related rules do not hamper such transfers.[78] Technology transfer among developing countries through South-South cooperation could also play an important complementary role

but has remained limited.[79] Deploying climate-relevant technologies from developed countries to developing countries will not be easy but can be done.

Done correctly and appropriately, taking into account national circumstances and consistently with national development priorities, transfer of climate-relevant technologies (for mitigation, adaptation, and loss and damage) can help meet both climate change and sustainable development goals, improving lives and livelihoods, and enabling developing countries to become producers and exporters of climate-relevant technologies in their turn.

To be effective, technology transfer has to include not only the physical hardware (e.g., solar panels and wind turbines) but also the technical knowhow and capabilities necessary to understand, operate, and maintain new technologies, as well as institutional and policy arrangements that facilitate technological uptake and encourage local innovation. To be sustainable, it requires the capabilities to deploy, operate, maintain, adapt, improve, and reproduce the transferred technology and, ultimately, the capacity to invent new technologies.[80]

To this end, developing countries should push for a renewed focus on technology transfer in existing multilateral processes such as those in the UNFCCC and the WTO – they can push for an expansion in terms of scope of discussion and possible outcomes to support endogenous technology development and technology transfers to developing countries. Existing multilateral processes have the advantage of already being in place, have the participation of developing countries (hence they are nominally representative and inclusive), and potentially can serve as jumping boards for multilateral norm setting. The focus should be on developing multilateral solutions and cooperation to enhance a virtuous centripetal effect of multilaterally supported initiatives vis-à-vis international cooperation and hence counteract possible fracturing of the multilateral system.

*World Trade Organization*

For example, the role of the WTO's Committee on Trade and Environment (CTE) as a multilateral forum to discuss trade, environment and climate interlinkages, including those pertaining to climate-relevant technology

transfers, could be developed. This will require shifting the focus of the CTE by putting more strategically and consistently on its agenda topics for discussion that can help WTO members identify and agree on actions to strengthen multilateral cooperation on climate-related technology transfers.[81] This is particularly important given that there are trade and climate-related issues that have given rise to increased tensions between developed and developing countries and which could hence make multilaterally cooperative climate change action more difficult – e.g., the EU's adoption and future implementation of regulations relating to its CBAM and due diligence with respect to deforestation. The CTE could be revitalized as a place for dialogue among developed and developing countries' policymakers on climate-change-related trade measures (including technical regulations that act as barriers to trade). Such dialogue should aim, among other goals, at facilitating the identification of shared priorities for the adoption, at the international or regional level, of relevant climate-change-related standards or technical regulations.[82]

In addition, the WTO's Working Group on Trade and Transfer of Technology (WGTTT) – which has been relatively moribund since the late 2000s although meetings have been taking place regularly – could, for example, commence focused discussions by WTO members to address the constraints inherent in certain WTO agreements which limit the policy space to drive industrialization, economic diversification and structural transformation programmes, including the ability to respond to emerging challenges such as climate change.[83] The WGTTT could also try to identify specific green technological gaps in developing countries and measures to address them, including trade rules that enable green industrial policies, and how to improve coherence between trade measures and the implementation of technology transfer provisions in multilateral environmental agreements (MEAs) (such as those found in the UNFCCC and the Paris Agreement).[84] This revitalization of the WGTTT could be undertaken alongside a similar revitalization of the WTO's Working Group on Trade, Debt and Finance (WGTDF), to explore how transfers of climate-related technologies can be further facilitated through financing.[85]

Developing countries have been active in asking for the WGTTT's work to be more relevant and to be reinvigorated. In 2016, WTO members discussed a submission made earlier in 2008 by India, Pakistan and the Philippines entitled "Facilitating Access to Information on Appropriate Technology Sourcing – A Step to Increase Flows of Technology to Developing Countries", in which the proponents recommended the establishment of a dedicated WTO webpage on technology transfer which would serve as a one-stop-shop on technology-related issues.[86] In 2011, China and India together called for technology transfer to be an integral part of any outcome of the then-ongoing WTO negotiations on the liberalization of trade in environmental goods and services.[87]

More recently, the African Group made a submission on the role of transfer of technology in resilience building, in which it called on the WGTTT and other relevant WTO bodies to have discussions on various themes that are related to the issue of trade and transfer of technology.[88] Additionally, India also made a submission in 2023 to reinvigorate discussions on the relationship between trade and the transfer of environmentally sound technologies to developing countries.[89] In March 2024, Bangladesh, Colombia, Egypt and India made a joint submission in the WTO calling for a review of the TRIPS Agreement and asked the TRIPS Council to examine how the TRIPS Agreement could facilitate transfer and dissemination of technologies to developing countries including LDCs.[90]

Furthermore, the WTO General Council could explore establishing a joint work programme that could be undertaken by the CTE, the Committee on Trade and Development (CTD),[91] the WGTTT, the WGTDF, and the TRIPS Council to discuss the trade-related aspects of just transitions to environmental and economic sustainability and climate change resilience through the use of trade-related measures such as green industrial policy and technology transfer and dissemination to support economic diversification and the adoption of low-carbon pathways. The discussions could engage the expertise of international organizations (such as UNCTAD, ILO, UNIDO, WIPO, World Bank, UNEP, UNDP), taking into account MEA and WTO obligations relating to the provision and mobilization of finance, technical assistance, and technology transfer to support developing countries.

*UNFCCC and Paris Agreement*

Developing countries could also explore the possible use of the UNFCCC's newly established Just Transition Work Programme,[92] as well as the Katowice Committee of Experts on the Impacts of the Implementation of Response Measures (KCI)[93] and the Technology Executive Committee (TEC),[94] to discuss (either separately within the context of their respective mandates or jointly) trade-related aspects of technology transfer and to explore possible additional international cooperation arrangements that can be recommended for adoption by the COP/CMA (the respective governing bodies) to support UNFCCC/Paris Agreement–based technology transfer promoting endogenous technology development in developing countries.

At COP28 in Dubai in December 2023, the COP and the CMA adopted decisions related to technology transfer that could be used by developing countries to strengthen their call for a stronger Technology Mechanism within the UNFCCC/Paris Agreement architecture. For example, the COP and CMA explicitly noted "the insufficient transfer and deployment of technology in developing countries" and encouraged "the Technology Executive Committee and the Climate Technology Centre and Network [CTCN] to continue collaborating with the operating entities of the Financial Mechanism and relevant financial institutions with a view to enhancing the capacity of developing countries to prepare project proposals, facilitating their access to available funding for technology development and transfer and for implementing the results of their technology needs assessments and the technical assistance of the Climate Technology Centre and Network, and strengthening the transfer and deployment of technology and calls for regional balance in this work".[95] The COP also encouraged "the Technology Executive Committee and the Climate Technology Centre and Network to consider opportunities to support developing countries in accessing funding from the Global Environment Facility and/or the Green Climate Fund for work on climate technology incubators and accelerators, taking into account the specific needs of the least developed countries and small island developing States".[96]

This reflects some of the conclusions of the terminal evaluation undertaken by the UN Environment Programme (UNEP) of work done by the Technology Mechanism's CTCN. The UNEP report highlighted that the technology

transfer partnerships that were developed through the CTCN "happened more on case-by-case basis, without systematic and strategic partnership plan/ approach", with "particular challenges in implementation coherence; in order to be 'adequate' to the needs of the country, the link to the other interventions (financing mechanism, private sector, academia, etc.) or funding is critical to achieve the desired catalytic effect, impact and continuity (sustainability)". The report also stated that the CTCN overall did not have sufficient resources (financial or human) to respond to the high demand from developing countries for technologies to be transferred; and that the CTCN technical assistance projects often did not necessarily translate into actual technology transfer impacts on the ground.[97] In essence, the report's conclusions seem to say that while the CTCN did well in terms of its adherence to its own institutional mandate and design, the technology transfer technical assistance projects that it did undertake were not adequate and were not sufficiently resourced financially, nor did they have much impact on the ground in terms of actual technology transfer having taken place.

Under the Paris Agreement, as part of the outcome of the first Global Stocktake (GST) agreed in Dubai at COP28, the CMA reflected the importance of technology transfer as an enabler in enhancing developing countries' climate actions and decided to establish, following proposals from developing countries, "a technology implementation programme, supported by, inter alia, the operating entities of the Financial Mechanism, to strengthen support for the implementation of technology priorities identified by developing countries, and to address the challenges identified in the first periodic assessment of the Technology Mechanism".[98] This presents an opportunity for developing countries to ensure that the modalities of the programme will allow for the full consideration and action by the CMA on the various barriers and opportunities that need to be addressed to ensure that technology transfer and development to developing countries fulfil the mandates for such transfer and development under Article 4.5 of the Convention and Article 10 of the Paris Agreement.

*(ii) Intellectual property reform*

The role of intellectual property rights in promoting or impeding technology transfer, technological progress and innovation in countries at different levels of development remains an important consideration.[99] IPRs are considered

to be a major factor in the debate related to technology transfer, particularly in cases where the technology is patented.

IPR regimes must strike a balance between incentivizing innovation and ensuring affordable access to climate technologies. At the international level, developing countries should advocate for fairer trade rules and challenge restrictive IPR regimes at forums like the WTO. Expanding South-South trade agreements can also help bypass Global North–imposed constraints. Developing countries can advocate flexible IPR provisions in international agreements, such as compulsory licensing for essential climate technologies.[100]

Countries could explore the use of flexibilities under the TRIPS Agreement to promote and support climate-relevant technology transfers. Compulsory licensing is an option when the patent holder is unwilling to provide a voluntary licence with reasonable conditions. Some developing countries have previously proposed at the WTO that countries be allowed not to patent environmentally sound technology so that its transfer and use can be facilitated. The relaxation of the TRIPS rules in the case of climate-related technologies has also been proposed by developing countries in the UNFCCC. Governments can also facilitate easier access to voluntary licences. Measures can also be taken to ensure that royalty and other conditions in voluntary licences are fair and reasonable – however, some FTAs (such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)) and BITs may restrict this particular flexibility. Another TRIPS flexibility that could be used is to employ "rules of exhaustion" that limit patent protection only to the first sale of the patented technology, thereby allowing parallel importation and competition (but some FTAs such as the Morocco-US FTA may restrict this flexibility[101]).

Several forms of intellectual property are potentially relevant to climate change mitigation and adaptation initiatives: patents, trademarks, especially certification marks, trade secrets/knowhow, plant variety rights, and the suppression of unfair competition. However, the climate change discussions touching on the IP system have principally concerned patents.[102] Companies that export technology and invest in foreign countries use patents to protect their intellectual property, making patents a proxy measure of technology transfer because they "give the right to commercially exploit the invention in the country where the patent is filed and because patentable technologies

must be both novel to the local context and susceptible to industrial application".[103]

The innovation gap between developed and developing countries remains stark, as developed countries (aside from China) largely dominate the field.[104] The vast majority of patents and scientific journals are concentrated in developed countries, with very little or no activity in most developing countries. Climate-related technologies exhibit similar patterns as other technologies, particularly in terms of geographical concentration in developed countries and low levels of diffusion in developing countries.[105] This imbalance in patent ownership limits the accessibility of climate technologies for developing countries, as the cost of licensing patented technologies can be prohibitively high, slowing adoption and localization.[106]

In 1990–2015, 80 percent of all low-carbon technological inventions were concentrated in developed countries, with Japan, the US and Germany leading the way.[107] A study of over 800,000 patents filed between 1990 and 2015 for climate-relevant mitigation technologies shows that the largest number of patented technologies was in the energy,[108] manufacturing, and transportation sectors (which also accounted for the largest share of innovations or inventions over the same period), while carbon capture and storage (CCS), a recent and more limited field, accounted for the fewest patented technologies. These innovations or inventions were concentrated in developed countries and China, which produced at least 80 percent of climate-relevant innovations, while lower-middle-income and low-income developing countries produced almost none during the same period.[109]

Similarly, patented adaptation technologies are predominantly concentrated in developed countries, with two-thirds of such technologies in 2010–2015 being in China, Germany, Japan, the Republic of Korea or the US.[110] Patenting in most adaptation technologies has not surged in the past two decades, unlike the significant increase in patenting in mitigation technologies.[111]

The fact that most patents for climate-relevant technologies are in developed countries has significant implications on technology transfer possibilities as the design and use of such technologies may not be directly responsive to the needs of developing countries.[112] Most of these patents are held by private sector companies in developed countries, giving them a significant

competitive advantage relative to their developing country counterparts.[113] Furthermore, most of the science and research that contribute to the development of climate-related technologies in one way or another are carried out in developed countries: an analysis found that "between 2000 and 2014, for the 93,584 publications on climate change, more than 85 per cent of author affiliations were from OECD countries, less than 10 per cent were from any country in the South, and only 1.1 per cent were from low-income economies. This has the effect of narrowing research paradigms to the cultural settings and perspectives of the global North and of countries mainly in the West, while depriving the scientific community of considerable intellectual capital".[114]

International patent data show "negligible levels" of transfers of low-carbon technologies to low-income developing countries as between 2010 and 2015, almost three-quarters of all such transfers occurred between developed countries, around a quarter from developed to middle-income developing countries, 4 percent from middle-income developing countries to developed countries, 1 percent between middle-income developing countries, and almost no patent transfers took place to or from low-income developing countries.[115] Likewise, 85 percent of cross-border trade of adaptation-related patents took place in developed countries and China.[116] Among developing countries, China is the primary outlier in terms of innovation and patenting in climate-relevant technologies, reflecting its prioritization of innovation in such technologies.[117]

Developed country dominance with respect to the acquisition of IPRs over climate-relevant environmental goods then translates into dominance over the production chains and trade flows of these goods. Exports of climate- or sustainable-development-relevant technologies and knowledge remain concentrated in developed countries, accounting for 73 percent of total exports in such technologies by value in 2015–2016; upper-middle-income developing countries accounted for a quarter of such exports, and lower-middle-income and low-income developing countries combined accounted for just some 2 percent of exports (1.9 percent and 0.01 percent respectively).[118] Of this trade in 2016, North-South trade accounted for around a quarter while South-South trade accounted for 9 percent; South-North trade grew (but mostly from China and Mexico) from just 5.2 percent of global exports of such goods in 1992 to 18.1 percent by 2016.[119]

Between 2018 and 2021, total exports of green technologies from developed countries jumped from around USD60 billion to over USD156 billion, while in the same period, exports from developing countries rose from USD57 billion to only about USD75 billion (resulting in developing countries' share of global exports of such technologies falling from over 48 percent to under 33 percent).[120] In 2020, trade in such technologies accounted for 5 percent of global trade, with developed countries having the largest export share (69.82 per cent), followed by middle-income developing countries (30.16 per cent) and low-income developing countries (0.02 per cent).[121]

These figures highlight what UNCTAD has noted with respect to such trade patterns – "developed economies are seizing most of the opportunities, leaving developing economies further behind".[122] Developed countries are largely remaining ahead of and dominating the curve (particularly with respect to so-called "frontier technologies", including climate-relevant technologies) while developing countries in Latin America, the Caribbean and sub-Saharan Africa are the least ready to harness such technologies and hence more at risk of missing technological opportunities (several Asian countries such as India and some in Southeast Asia are in a better position).[123]

However, there continue to be academic and policy debates over the impact of patents on technology development and transfer, especially with respect to climate-relevant technologies. The evidence as to whether patents promote or hinder technology transfer remains inconclusive, with proponents on both sides of the debate. On one hand, some argue that stronger patent rights may trigger increased international trade flows as patent-sensitive industries and firms respond positively to the strengthening of patent rights among middle-income and large developing countries, and that patents do not prevent countries from taking measures to promote climate-related technology transfer (so long as the TRIPS Agreement is complied with).[124] On the other hand, some argue that stronger patent rights can prevent endogenous innovation through reverse engineering and adaptive copying, can be expected to raise considerably the rents earned by international firms as patents become more valuable, obliging developing countries to pay more for the average inward protected technology, and would not result in technology transfer to developing countries, especially low-income developing countries.[125] There are yet others who contend that the picture will likely be mixed, depending

on the circumstances in which the technology transfer and the patented technology interact.[126]

To address the IPR-related problems surrounding the effective transfer of environmental technology to developing countries, in order to promote the development in these countries of their endogenous technological base, an agreement could be negotiated, either at the WTO or in the UNFCCC, so that countries would:

- Ensure that intellectual property rights and agreements, including the TRIPS Agreement, shall not be interpreted or implemented in a manner that limits or prevents any WTO member from taking any measures to address environmental problems;
- Respect and refrain from challenging the use by developing countries of the full flexibilities contained in the TRIPS Agreement, including compulsory licensing and patent revocation, in particular in cases of refusals to license;
- Ensure that the process of providing compulsory licences with respect to environmentally sound technologies under the TRIPS Agreement is made less cumbersome for developing countries;
- Adopt and enforce measures to provide differential royalty pricing between firms from developed and developing countries with respect to IPR-protected environmental goods and services, with firms in developing countries being offered fair and most favourable royalty prices;
- Review and amend all existing relevant national IPR regulations in order to remove the barriers and constraints affecting the transfer, absorption, and innovation of technology relating to environmental goods and the provision of environmental services in developing countries;
- Promote, through effective national regulations and bilateral, regional, plurilateral or multilateral arrangements, innovative IPR-sharing arrangements for joint development of environmental goods and services among firms in developed and developing countries;
- Limit or reduce the minimum period of patent protection on environmental goods, including through appropriate amendment of TRIPS Article 33;

- Prohibit "evergreening" of patents with respect to environmental goods (i.e., prohibiting extensions of the effective period of patent protection through the patenting of incremental changes to a previously patented product);
- Provide favourable differentiated treatment for developing countries through, for example:
  - Creation and enhancement by developed countries, as well as other countries which voluntarily deem themselves to be in a position to do so, of appropriate incentives, fiscal or otherwise, to stimulate the transfer of environmentally sound technology by companies from developed countries to developing countries;
  - Purchases by developed countries of patents and licences of privately owned environmental technologies and services on commercial terms for their transfer to developing countries on non-commercial terms as part of development cooperation for sustainable development;
  - Developed countries undertaking measures to prevent the abuse of IPRs, including the use of compulsory licensing, by providing for rules on the provision of equitable and adequate compensation by IPR holders in cases of abuse.

There have been previous suggestions for having a global voluntary patent pool[127] of patented climate-relevant technologies that can be accessed by developing countries, or having developing countries pool their needs for such patented technologies together and negotiate collective access to such technologies with the patent holders.[128] Others have suggested that existing funding mechanisms such as the Green Climate Fund (GCF)[129] can be leveraged to acquire ownership and dissemination rights in patent-protected technologies to expedite technology transfer to poor countries through technology donations, aided by voluntary patent pool agreements, and that cooperative IPR arrangements such as cross-licensing, patent pooling, technology standards agreements, and other forms of technology sharing could have "the greatest, outsized positive impact in the poorest countries with least access to finance".[130] Developing countries could also mutually support each other in building their technical and financial capacities by pooling resources at the regional level to create Green Technology Banks, where identified patent-free green technologies and new technologies innovated

through new South-South research partnerships can be made available as public goods.[131]

Other IP-related initiatives to facilitate green technology transfers could include open-sourcing key green technologies and declaring them as public goods; an agreement to waive the payment of royalties to the patent holders of climate-related goods being transferred to developing countries; or having a tiered system for royalty payments to patent holders in which royalties for climate-friendly technologies being transferred to developing countries would be lower. The WTO could also adopt a "Declaration on TRIPS and Climate Change" to clarify existing TRIPS flexibilities and offer new incentives for the transfer of environmentally sound technologies, for both adaptation and mitigation purposes, including for the implementation of TRIPS Article 66.2.[132]

*(iii) Favourable differentiated treatment for developing countries*

Developing countries must retain access to SDT provisions in trade agreements, which allow them flexibility to implement policies that support their development and climate goals. Such flexibility includes longer timelines for compliance with environmental standards, and access to financial and technical assistance.[133]

With respect to climate technologies and other environmental goods, this could mean, for example, that developing countries, including least-developed countries, are accorded greater flexibility and policy space with respect to their tariff commitments in relation to environmental goods as compared with developed countries. This means that both the quantum and scale of tariff reductions to be undertaken by developing countries must be less than those to be undertaken by developed countries. This is because such policy space in relation to tariff commitments – e.g., the retention of as much space as possible between the bound and applied tariff rates – is essential for developing countries to be able to use trade policy in a manner that would be appropriate to their needs and circumstances.

Viewed in this light, previous proposals from some developed country members in the WTO for the elimination by developing and developed

countries alike of their tariffs on environmental goods,[134] would not reflect the principle of SDT and of less than full reciprocity. The argument that the tariff elimination would benefit developing countries as they can import the products cheaply runs into the same type of criticism regarding proposals for import liberalization in food products. Just as most developing countries promote local food production and thus are against large cuts to their food tariffs, they are against tariff elimination on environmental goods as they wish to preserve policy space to be able to produce these goods and their infant industries would need protection at least initially.

Providing for such SDT in the WTO context would be fully consistent with the approach vis-à-vis developing countries that is envisioned in terms of the application of the CBDR principle in the UNFCCC context. As previously noted by UNCTAD in its *Trade and Development Report 2021*, "making the most of the coherence between special and differential treatment (SDT) and the UNFCCC principle of 'common but differentiated responsibilities' (CBDR) may offer a better point of departure for a development-oriented approach to the trade-climate nexus".[135]

*(iv) Addressing unilateral climate-change-related trade measures*

From the perspective of developing countries, trade measures are not necessarily the best nor the most appropriate means for addressing environmental concerns. Developing countries should push to explicitly prohibit unilateral trade measures taken on environmental grounds that would have an adverse impact on, or discriminate against, the trade of developing countries.[136]

There are very useful existing multilaterally agreed texts that speak against trade protectionism on environmental grounds.[137] These include, for example, Principle 12 of the 1992 Rio Declaration on Environment and Development, and Chapter 2, paragraph 2.22 of Agenda 21. In terms of treaty text, Article 3.5 of the UNFCCC and the chapeau of GATT Article XX come to mind. More recently, the text of Article 3.5 was reiterated by UNFCCC COP28.

Unilateral trade measures taken by developed countries ostensibly to address environmental concerns such as climate change, like the EU's CBAM, may

in fact have the effect of restricting the market access of developing country products in developed countries and of enhancing the competitive edge that developed countries have in global trade. This would damage the trade and development prospects of developing countries and therefore result in the non-achievement of the objective of sustainable development.

These concerns have been reflected by developing countries in discussions in the WTO as well as in, for example, the UNFCCC. Since then, various developing country groups have worked together to put forward specific wording for inclusion in the negotiating texts of the climate negotiations opposing trade protectionism on the grounds of climate change.

To address these concerns, textual language could be agreed upon, either in the WTO or in the UNFCCC, for example, to prohibit unilateral trade measures on environmental grounds that would have an adverse impact on, or discriminate against, the trade of developing countries. This could be done under the mandate of paragraph 31(i) of the WTO's Doha Declaration or in the context of the implementation of Article 3.5 of the UNFCCC.

Furthermore, in anticipating the further development and implementation of unilateral trade measures and other, similar initiatives that may be undertaken by developed countries, developing countries could also consider various strategic courses of action to address these, including:

- Challenging such measures under WTO law, including challenging the countries imposing CBAMs to comply with their commitments under and the principles of the UNFCCC as well as WTO principles and obligations
- Pushing for a WTO General Council decision to reaffirm the principle that unilateral trade protectionist measures cannot be used as environmental or climate change response measures, and ensure that any such unilateral measures comply with GATT Article XX and Article 3.5 of the UNFCCC
- Pushing within the WTO context greater coherence between SDT and the UNFCCC principle of CBDR by seeking to widen non-reciprocal

SDT measures to expand policy space for climate and development initiatives, such as through:

- Legal tools such as waivers and peace clauses to help diminish the number of restrictive rules and extent of regulatory chill, as well as to expand the policy space for developing countries
- Supportive incentives from developed countries, such as:
    - Optional preference schemes that provide ringfenced climate financing additional to official development assistance
    - Preferential market access in exchange for progress in the implementation of developing countries' climate NDCs
- A WTO Ministerial Declaration or General Council Decision on TRIPS and Climate Change, with a view to expanding TRIPS flexibilities for developing countries in relation to climate-related goods and services, supporting innovative mechanisms for promoting access to patent-protected critical green technologies, and encouraging the open-sourcing of key green technologies as global public goods.

At the same time, given the importance of supporting their shift onto a sustainable development pathway, developing countries may wish to use trade measures to make their environmental policies more effective. These may include, but are not limited to, subsidies as defined under the WTO Agreement on Subsidies and Countervailing Measures. Because of the special needs and circumstances of developing and least-developed countries, especially in the context of their relatively greater vulnerability to the adverse effects of climate change and environmental pollution, greater flexibility should be provided to them, such as by establishing a period of due restraint among WTO members with respect to their use of such measures.

# 7 Conclusion: Reclaiming the Power to Shape the Future and Meeting the Challenge to the South

THE preceding analysis underscores a stark but clarifying reality: the current global trade and climate regimes are neither neutral nor equitable. They are shaped by a history of colonial exploitation, institutionalized asymmetries, and geopolitical power plays that continue to marginalize the development priorities of the Global South. Yet, amid this systemic inequity, the Global South is not without agency. The volatility of today's geopolitical order, the cracks in multilateral governance, and the emergence of new power centres offer both challenges and transformative openings.

The uncertainty generated by right-wing nativist politics in many developed countries that are shaping the current volatility of global trade relations, fragmented climate governance, and accelerating global crises requires developing countries to shift from reactive positioning to intentional strategic transformation, cooperation and action. This involves not only insulating themselves from external shocks but also proactively building South-led systems of cooperation, institution-building, and strategic action.

Rather than resign themselves to fragmentation or unilateralism, developing countries must assert a collective, coordinated, and future-oriented vision – anchored in the principles of equity, solidarity, and sustainable development. A rules-based multilateralism, even if flawed, remains the most viable framework for securing long-term structural change. It provides normative legitimacy, predictability, and a platform for negotiation that unilateral power-based dynamics simply cannot offer.

The path forward requires more than reactive engagement. It calls for strategic certainty, institutional innovation, and coherent South-South cooperation. It demands that developing countries move from the periphery to the centre of

global rule-making – through strengthened coalitions, regional resilience-building, and investments in their own technological, legal, and economic infrastructures. This is not a call for isolation, but for a recalibrated engagement – one that resists dependency and reclaims development trajectories aligned with the aspirations of the Global South.

Multilateralism must be reformed – not abandoned – to serve as a tool for justice and equity. For this to happen, developing countries must lead in reshaping its content, institutions, and outcomes. The stakes are high. But so too is the opportunity: to build a world order that does not simply reproduce old hierarchies under new names, but instead lays the foundation for a fairer, pluralistic, and sustainable future for all.

In closing, it is important to recall "the challenge to the South" that was laid down by the South Commission 35 years

**The Challenge to the South**

The South covers the larger part of the Earth's surface. Its people are the vast majority of the world's inhabitants. But they have a very much smaller proportion of the world's income than the people of the North. Hundreds of millions of the people living in the South suffer from hunger, malnutrition, and preventable disease, and are illiterate or lack education and modern skills. … The peoples of the South have begun to say that these conditions are unacceptable. They must now make that rejection effective.

The challenge to the South is to reaffirm, in words and action, that the purpose of development is the promotion of the well-being of its people, with economic growth directed at satisfying their needs and fulfilling their purposes.

The challenge to the South is to strengthen democratic institutions so that its people may live in freedom and chart their own path to development in harmony with their culture and values.

The challenge to the South is to use its own resources more effectively to accelerate its development, giving priority to meeting the basic needs of its people and freeing them from poverty, disease, ignorance, and fear.

The challenge to the South is to enable its people to realize the full potential of their talents and creativity, and to develop self-confidence, and to mobilize their contribution to the well-being and progress of their societies.

The challenge to the South is to enlarge its capacity to benefit from advances in science and technology in securing a better life for its people.

The challenge to the South is to pursue its development with due concern for the protection of the natural environment so that it may sustain the present and future generations.

The challenge to the South is to organize itself effectively and to seek strength through wide-ranging joint undertakings of South-South cooperation which benefit from complementary resources and increase collective self-reliance.

The challenge to the South is to use its unity and solidarity in efforts to make the world a more just and more secure home for all its people, through a restructuring of global relationships that responds to the growing intimations of the interdependence of the world's nations and people: members of one human family living in one world.

These challenges are formidable. But they must be met.

*Extracted from: South Commission,* The Challenge to the South *(1990), pp. 23–24, at https://www.southcentre.int/wp-content/uploads/2013/02/The-Challenge-to-the-South_HRes_EN.pdf*

ago in 1990. This challenge continues to be as relevant now as it was then (see box "The Challenge to the South").

With coordination, vision, and solidarity, the Global South can move from dependence to sovereign resilience and systemic leadership.

The Global South should not seek to withdraw from the world, but rather to reshape it. A just global order cannot be imposed from above; it must be built from below by those who have been excluded from its construction for too long. Through deliberate cooperation, first and foremost, developing countries can move from being rule-takers to rule-makers.

Developing countries have a historic opportunity to recast their position in the global order, not through isolation, but through strategic autonomy, cooperation, and principled leadership. The strategic and proactive agenda suggested in this paper proposes an integrated way for developing countries to navigate confidently together through an increasingly unpredictable world. This agenda is not just about managing risks. It is about reshaping global norms, institutions, and partnerships in ways that affirm the right of all nations to pursue development on their own terms. A just and equitable future depends on the ability of the Global South to act collectively, strategically, and boldly.

This proactive agenda is not a defensive shield, it is a proactive strategy for development sovereignty, climate justice, and global equity. The journey ahead is complex, but the moment is ripe. The time for strategic reimagination and decisive action to meet the challenge to the South is now.

## Endnotes

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supply chains; (4) "Globalization lite" would be a relatively liberalized and globalized operating environment with lower geopolitical tensions.

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137 The current trend is that "national security" is being used more often as grounds for justifying trade protectionism, e.g., in the case of Russia or Saudi Arabia/UAE/Egypt vs Qatar. Climate change has been branded as a "national security" issue in the policy agenda of many countries.

# SHAPING A PROACTIVE TRADE, CLIMATE CHANGE AND SUSTAINABLE DEVELOPMENT AGENDA FOR THE GLOBAL SOUTH

Amid juddering geopolitical and economic volatility, the global policy landscape in the interlinked areas of trade and climate change is becoming fragmented. Marked by an increasing shift away from multilateralism towards unilateralism and from rules-based governance towards power-based dynamics, the international trade and climate regimes are marginalizing the development priorities of the Global South.

Instead of reactive engagement with this inequitable conjuncture, the developing world can assert its agency in shaping a more just and conducive global order. This paper identifies strategic options for a proactive trade and climate agenda for the countries of the South to pursue development on their own terms. Encompassing domestic resilience-building, regional cooperation and multilateral reform, this strategy aims at mapping a path to development sovereignty, climate justice and global equity.

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