

The Green Agenda in Global Trade: Reducing Greenhouse Gas Emissions

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Abstract. The environmental agenda in world trade has two main dimensions: the expansion of environmental requirements for goods and the reduction of greenhouse gas emissions. Environmental requirements, due to their admissibility by WTO rules, provide countries with an opportunity to support national producers and protect against goods produced “incorrectly” in terms of environmental or even social standards. The reduction of greenhouse gas emissions, which, although regulated at the global level by the UN Framework Convention on Climate Change, is largely voluntary, “multi-speed” in nature, as it faces a fundamental contradiction - the right of lagging states to develop in accordance with their national goals. The whole complex of these contradictions is a serious problem, but it also brings opportunities for those who know how to play in this field, including Russia, as an important participant in international trade focused on sustainable development.

1 Introduction

Government support programs and trade protection measures vary from country to country. At the international level, the introduction of restrictions should be justified by consensus - for example, be regulated by universal international agreements such as the UN Framework Convention of 1992, the Montreal Protocol of 1987, the Cartagena Protocol of 2000. Given the limited scope of regulation of such agreements, issues that go beyond their scope, will each time require detailed proceedings before the WTO Dispute Settlement Body [1]. According to WTO rules, restrictions can only be imposed on the basis of a product’s properties, not its method of production. However, modern environmental regulation is based on tracking the way a product is produced to assess its environmental friendliness. However, not every restriction based on the method of production is automatically prohibited, and in each case it is necessary to understand whether the measure introduced was dictated by environmental considerations, or whether the goal was protectionism. In the context of the WTO crisis, the activity of some regional and national actors in extending their own development imperatives to other countries and regions is becoming more and more noticeable. One of the key players in this field today is the European Union. In 2018,

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the European Parliament stopped considering palm oil as a renewable biofuel due to the detrimental impact of its extraction methods on equatorial forests. Based on the sustainability argument, the EU has thus dealt a heavy blow to producers in Indonesia (53% of the market) and Malaysia (29% of the market) [2]. At the same time, such a decision will obviously lead to an increase in the use of other crops, including those grown within the Union. In addition, the environmental argument is increasingly being used by the EU as a tool during negotiations. Despite some benefits for the environment, such decisions distort international trade. International climate regulation has two foundations: an understanding of the extreme importance of environmental problems and economic methods as the most effective way to solve them. In this vein, the system of trading greenhouse gas emissions (cap-and-trade) has become a kind of “flexibility mechanism” designed to help reduce them. Despite the voluntariness of interaction under the Paris Agreement, emissions trading continues to develop rapidly at the regional level.

2 Research Methodology

The European Union aims to achieve carbon neutrality by 2050. (Fig.1) The EU greenhouse gas trading system has been in operation since 2005 and continues to expand into new areas. The most important development both for international trade in general and for Russia will be the definition of the contours of the EU Border Corrective Carbon Mechanism (PCCM), or carbon tax, which will obviously bring competitive advantages to European producers [3]. In 2020, the Ministry of Economic Development of Russia prepared a draft Strategy for the long-term development of Russia with low greenhouse gas emissions until 2050. According to the baseline scenario (there are also inertial and intensive scenarios), the total greenhouse gas emissions of the country by 2050 will amount to 64% of the 1990 level. 3%. Achieving carbon neutrality is planned by the end of the 21st century. The increased use of the climate agenda to create barriers to trade is causing a reaction from the developing world, such as the BRICS [4]. Nevertheless, other countries are already moving along the European path.

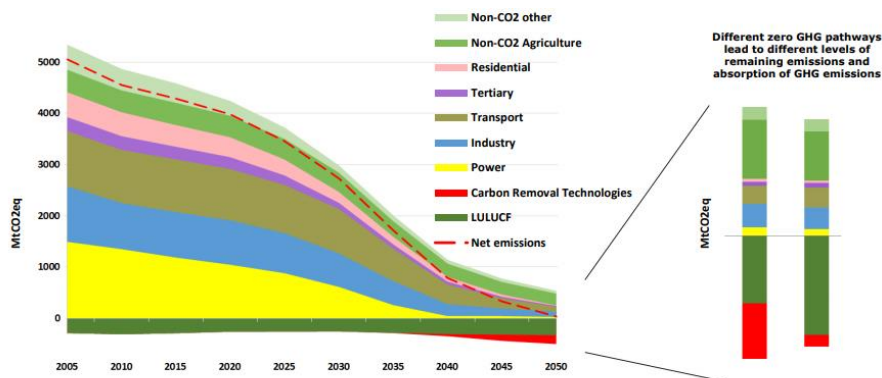


Fig. 1. The European Union aims to achieve carbon neutrality

According to ACRA, an analogue of the “European Green Deal” to achieve carbon neutrality by 2050 has already been adopted in the Republic of Korea, the discussion of the Green New Deal is taking place in the United States, despite the current administration’s struggle with attempts at international climate regulation [5]. Russia, taking into account the commitments made under the Paris Agreement to reduce greenhouse gas emissions to 70–75% of 1990 emissions by 2030, has the advantage of a low base for implementing the concept of low-carbon development. However, regulation in this area remains an urgent

issue, as well as government incentives for the transition to sustainable development. An objective catalyst for the implementation of the principles of sustainable development, the adoption of strategic documents and norms in the field of sustainable development and low-carbon development is the changing environment of international trade. The penetration of the environmental agenda, coupled with the peculiarities of the Russian economy and exports, creates a challenge for the country's exporters, fraught with the threat of losing the markets traditional for Russian carbon-intensive products, primarily Europe. A key role in stimulating the introduction of "green" innovation belongs to large companies acting proactively in order to maintain competitiveness in global markets.

3 Results and Discussions

The importance of the trend towards greening grew in proportion to the problems that humanity faced as industrialization and an increase in anthropogenic pressure on the environment. At the same time, world trade has been and remains a catalyst for change in many ways. The beginning of the "green" trend is considered to be the 1970s. The oil crisis that erupted in 1973 had a fundamental impact on the worldview of Western countries, their strategy regarding their energy and environmental security [6]. The sharp rise in energy prices, restrictions on supplies from the Persian Gulf countries revealed a dependence that could be overcome only through fundamental changes and a course towards a new development format. In France and Japan, nuclear energy, the transition to gas and renewable energy sources are getting a boost. The construction of a gas pipeline infrastructure from the USSR to Europe begins [8]. These transitions are based on trade, namely, the need to diversify supplies and the structure of the fuel and energy complex, ensure the security and stability of resource flows, which should ultimately affect the strengthening of the sovereignty of countries. During this period, the economies of developed countries experienced a fundamental transformation associated with the Third Industrial Revolution: automation and computerization of production. The growing globalization processes, which were based on world trade, made it possible to transfer labor-intensive industries to countries with low labor costs, primarily to Asia. So, from 1960 to 2012 [5], the share of the manufacturing industry in Western countries has halved due to outsourcing of production. At the same time, it was the transfer of production by transnational companies (TNCs) to developing countries that provoked economic breakthroughs, accelerated development and an increase in the standard of living of the population. Today, 60% of international trade is in intermediate goods within global value chains. Thanks to globalization and international trade, whose share of world GDP grew by 35% from 1960 to 2008, countries such as Singapore, the Republic of Korea, China and many others have achieved economic success. The economic deindustrialization of Western countries went hand in hand with greening and the rise of the green movement. The release of the labor force, the transfer of the least environmentally friendly, heavy industry, such as steel, coal mining, marked the beginning of the phenomenon of "rust belts" (Rust Belt). In the US, such a belt is located between the East Coast and the Great Lakes. European analogues are the Ruhr region in Germany, Northern England, the Industrial Valley of Wallonia (Belgium), Nord-Pas-de-Calais in France - it was from environmental projects in these areas, the centers of the first and second industrial revolutions, that the "green" movement in the West began [6]. The report of the Club of Rome "Limits to Growth" (1972) became a kind of manifesto, which is still a guideline and a relevant program document of the "green" movement. In it, the authors, using mathematical models, pointed out the limited nature of natural resources in the conditions of the Malthusian trap (a periodically recurring situation, as a result of which population growth outstrips the growth of food production) and deduced scenarios for the future of mankind that are not encouraging. Despite its

controversial nature, the report laid the foundation for the philosophy of the “green” economy, the philosophy of anti-growth, as well as the concept of sustainable development: meeting the needs of the present without undermining the capabilities of future generations - mainly through the development and implementation of new technologies [9]. The new economic reality gradually changed people's minds. Responsible consumption, the fashion for environmental friendliness, and new consumer habits have become a consequence of this [13]. Thus, in the United States in the 1970s, the era of muscle cars (muscle cars) came to an end: consumers opted for more “economical” Japanese cars with four-cylinder engines, which ensured an increase in international trade and the rise of brands such as Toyota, Nissan, Honda. And in the political spectrum, “green parties” have emerged that compete on equal terms with mainstream parties. Nevertheless, the new reality has not become universal for the whole world. If for developed countries, the Global North, “green” innovations and the economy, environmentally friendly consumer culture have become ubiquitous, then for the Global South, in addition to the growing problem of climate change, the issues of development, bringing living standards up to the standards of developed countries, remain vital [10].

However, an inexorable fact is of increasing concern: the resources of the planet will be enough to provide a decent existence for 10 billion people, but not enough to provide all people with a standard of living characteristic of the middle class of the Global North. That is why the 17 Sustainable Development Goals set by the UN in 2015 with a deadline of up to 2030 come to the fore [12]. Aimed at ensuring a decent future for all mankind, the concept of sustainable development is broader than these goals. Rather, it is a guiding principle for the development of the planet, associations, states and companies, and it is based on confronting the main threat to humanity, namely climate change and the depletion of the Earth’s resources.



Fig. 2. Six steps to achieving the Sustainable Development Goals

International trade and the environmental agenda are intertwined, collectively driving globalization [11]. Trade is the basis for the well-being of peoples, successful economic development and solving development problems, without which it is impossible to prevent harmful environmental consequences. But at the same time, its character becomes the object of criticism due to a number of negative consequences for the development of states and the ecological balance. Even more remarkable, ecology is rapidly permeating international trade as a source of constraints and an opportunity to support national producers.

4 Conclusions

In the last few years, the Russian environmental market has begun to grow. The government, experts and business leaders are increasingly paying attention to the need to restructure the economy, taking into account measures to protect the environment. As part of the general priority task of building an innovative economy in Russia, the goal is to create a new system of environmental safety so that the growth of the Russian economy is based on high environmental standards. To this end, laws are adopted and new norms and standards are introduced that contribute to the growth of the country's ecological market. The list of environmental certification objects is expanding. The trend towards sustainable production is penetrating into all new industries. Business leaders see sustainability as an integral part of the development of their businesses, and environmental standards are applied alongside technical ones. Large Russian companies finance environmental programs, implement "green" technologies, apply international standards, use environmental reporting and other environmental policy instruments. Thus, they become one of the driving forces for the greening of industries in our country. At the same time, such activity is largely a reaction to the changing landscape in international trade - a response to the penetration of the environmental agenda and a way to protect against negative effects. Promising sectors of the environmental market in Russia are the market for water and air pollution control, wastewater treatment, waste management and processing, as well as the market for environmentally friendly agricultural products, etc.

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