

# A NEW ORDER OF TRADE

The global superpowers are abandoning free trade to fight climate change. Armed with massive subsidies and tariffs, the US and EU are leading this charge towards protectionism. This may change the global trade system as we know it. But will developing countries and the climate gain from it? An analysis by **AVANTIKA GOSWAMI**



ILLUSTRATIONS: YOGENDRA ANAND / CSE



**T**HE RACE to build a low-carbon economy is heating up. Countries have in recent months proposed or introduced policies and laws to speed up the transition from fossil fuels, promote manufacturing of clean-energy technologies at scale and decarbonise industries. On the face of it, this race appears to be part of the global effort to cut greenhouse gas emissions. But it has sparked fears of economic rivalry and neo-protectionism, as governments on the pretext of climate action try to reshore green industries and dominate the global supply chain of goods and technologies essential to avert a climate catastrophe.

Some of the new climate-focused trade measures that threaten globalisation as we know it are by the US and EU—the largest and second largest historical emitters of greenhouse gases.

Consider the Inflation Reduction Act (IRA), passed by the US in August 2022. It has been billed as the most serious effort yet by the US to face up to climate change. Under IRA, the government aims to unleash subsidies, about \$370 billion, mainly through tax credits, over 10 years for sectors such as renewable energy, electric vehicles, energy-efficient appliances and leading-edge technologies like carbon capture and storage and clean hydrogen. An analysis by McKinsey, a global management consulting firm, shows that corporations are the biggest recipient of IRA funding, with an estimated \$216 billion worth of tax credits. There are indirect subsidies for manufacturers too, in the form of tax credits worth \$43 billion, that aim to make low-carbon purchases such as electric vehicles and rooftop solar panels more affordable.

To make US manufacturing more competitive, many tax credits are applicable to products only if manufacturers fulfil the “domestic content” requirement. A buyer of an electric car is eligible for a tax credit of up to \$7,500 if its battery has been manufactured or assembled in North America and critical minerals in the battery have been recycled in North America or have been extracted or processed in a country that has a free-trade agreement with USA (such as Canada or Mexico). These strategies already seem to be bearing fruit. In the past year alone, points out a press statement by the White House in September 2022, automakers have announced \$13 billion in electric vehicle

manufacturing investments (triple the investment in 2020) and \$24 billion in batteries (28 times the investment in 2020).

The US subsidies have rankled other green technology-manufacturing powers which fear that their companies will jump ship and expand business in North America. South Korea's automaker Hyundai and battery company LG Energy Solution, Japan's Honda and Toyota have already made announcements to bring large-scale operations to the US. Reports that Tesla and Northvolt are pausing their expansion plans in Germany to potentially invest in the US, have sent shivers through Europe, which is its major trade partner (see 'prime movers', p29). Such developments make economic conflicts and trade wars inevitable.

## CONFLICT INEVITABLE

Suggestions of an emerging trade war started surfacing around the UN climate change conference (COP27) summit at Egypt, in November 2022, where the US talked up its ambitious climate bill to whoever would listen. Soon, the EU voiced fears that massive US subsidies would lure its companies to the US.

The EU is bound by strict "state aid rules" which do not allow tax credits of the scale that the US is providing. Smaller EU countries fear that if the limits are lifted, larger economies like France and Germany will corner huge subsidies and that would wreck the fairness in the European single market. Sure enough, in early January, the French Finance Minister claimed to be working on a new green industry bill, along with his German counterparts, to offer "state aid" to companies. The same month, at the World Economic Forum at Davos, European Commission President Ursula von der Leyen, announced that the EU "would mobilise state aid and a sovereignty fund to keep firms from moving to the US". On February 1, the EU announced a "green deal industrial plan" as an equivalent of IRA. Its member states will debate on it in February.

## A CLIMATE TARIFF WALL

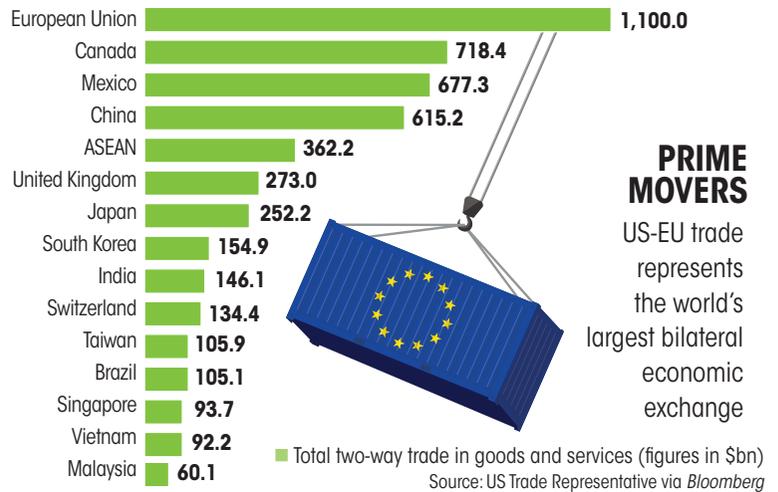
While the EU is fuming over US' green subsidies, it too has introduced trade measures that could hurt countries by reducing opportunities for export-led development. In December 2022, it reached a provisional agreement on a Carbon Border Adjustment Mechanism (CBAM). Touted as a carbon leakage instrument, the goal of CBAM or carbon border tax is to eliminate the difference in carbon price paid by companies subjected to EU's domestic compliance-based carbon market, the emissions trading system (ETS), and the price paid by companies elsewhere whose manufactured goods are imported into the EU (see 'Exposed...', p31). Companies under ETS pay about €85 per tonne of carbon emitted above a certain threshold. This adds 20 per cent to the cost of each tonne of steel produced in the EU, says *Financial Times*. When CBAM is operationalised, importers will have to buy certificates to cover their emissions based on EU's carbon price.



From EU, CBAM is “levelling the playing field” for its firms, cushioning them from competitors who can manufacture cheaply in countries with lenient environmental laws. “It is one of the only mechanisms we have to incentivise our trading partners to decarbonise their manufacturing industry,” Mohammed Chahim, lead negotiator for the deal, said in a press release. On top of this, he said, it “will allow us to apply the polluter pays principle to our own industry.”

The emerging economies of BRICS nations (Brazil, Russia, India, China and South Africa) and the US criticise CBAM. In a speech in December 2022, India’s Finance Minister Nirmala Sitharaman warned the country’s firms to reset themselves and be ready for “tariff walls coming up newly in the name of climate change”. The UN Conference on Trade and Development’s (UNCTAD’s) Trade and Development Report 2021 states that CBAM imposes “on developing countries the environmental standards that developed countries are choosing”. This goes against the principle of common but differentiated responsibility (CBDR) enshrined in the Paris Agreement on climate change. If revenues from these mechanisms are used in developed countries, “they would turn basic principles of climate finance on their head”, states the UNCTAD report.

Speaking to *Down To Earth* (DTE), Rashmi Banga, economist at UNCTAD, disputes the climate-friendly claims of CBAM. UNCTAD estimates that CBAM, if applied at \$44 per tonne, will reduce global carbon emissions by not more than 0.1 per cent but will have an adverse distributional impact because it will decrease global real income by \$3.4 billion, with developed countries’ income rising by \$2.5 billion while developing countries’ incomes fall by \$5.9 billion, Banga says. In this world of global value chains, lead firms have outsourced high-emitting activities like manufacturing to the South and retained low-emitting activities like branding and financing. So, the comparative energy efficiency in the North cannot be delinked from the energy inefficiency in the South. Besides, traded goods and services account for only



## PRIME MOVERS

US-EU trade represents the world’s largest bilateral economic exchange

27 per cent of global carbon emissions. This indicates that the scope of international trade policy, particularly international trading rules, in achieving global green growth is limited, Banga explains.

Yet, EU’s CBAM move could see other developed economies follow suit. In December 2022, the US sent a proposal to the EU for the creation of a “carbon club”—a multi-country grouping that would have favourable terms for metals traded between themselves and produce them using greener technologies, but would impose tariffs on steel and aluminium from China and elsewhere. In January, a rumour emerged that the UK is also considering a carbon border tax on steel imports to help its domestic producers invest in green technologies.

US-based economic historian Adam Tooze explains the futility of the race. The world is going to need vast capacities of battery production, and neither Europe nor North America can be the main supplier. Their efforts will be dwarfed by China’s, he writes. According to BloombergNEF, a strategic research provider, reducing dependence on China for green technologies will come at a cost—\$149 billion for EU and \$113 billion for US, to build plants to manufacture solar panels, batteries and electrolyzers to meet domestic demand in 2030. As Tooze writes, the need of the hour is cooperative action to accelerate decarbonisation by whatever means work.

# A REGIME UPENDED

The US and EU have finally come on board on green industrial policy, but they are kicking away that ladder for other countries

**T**HE CLIMATE-FOCUSSED trade measures introduced by the US and European countries in recent months mark a huge reversal of their approach to global trade governance. In the past three decades, these rich countries have often joined forces through the World Trade Organization (WTO) and tried to knock down trade barriers and encourage countries to treat one another's products equally to boost global commerce and, in their estimation, to bring about stability of the global economy.

To understand this dynamic, you have to view how the free trade regime came about, says Sunita Narain, director-general of the Centre for Science and Environment (CSE), Delhi. In the 1990s, the rich world found that it would be cheaper for its industries to set up shop in parts of the world, like in China, where labour was cheap, labour conditions were weak and environmental safeguards could be ignored. As a result, the rich world "exported" their emissions to the balance sheet of "other" countries and continued to consume goods at cheaper rates, while not reducing their domestic emissions, Narain explains.

According to Sanjay Reddy, chair of the Department of Economics at the New School for Social Research, US, measures like CBAM are being imposed in an already uneven



context, due to the prior failure of rich countries to make good on their promises to make green technologies more accessible to developing countries through extending knowledge or providing financing. One way to implement such compensation would be, suggests Reddy, to operationalise CBAM but to remit all of the taxes collected to exporting countries, which could then choose to transfer some of these funds to affected industries and firms as grants to aid in the implementation of clean technologies.

There have also been covert attempts by developed countries, through WTO, to thwart green growth in developing countries.

It is widely believed that developing countries need to industrialise for economic development. To foster the growth of clean technologies and to decarbonise industry—the sector was responsible for 24 per cent of GHG emissions in 2019, as per the Sixth

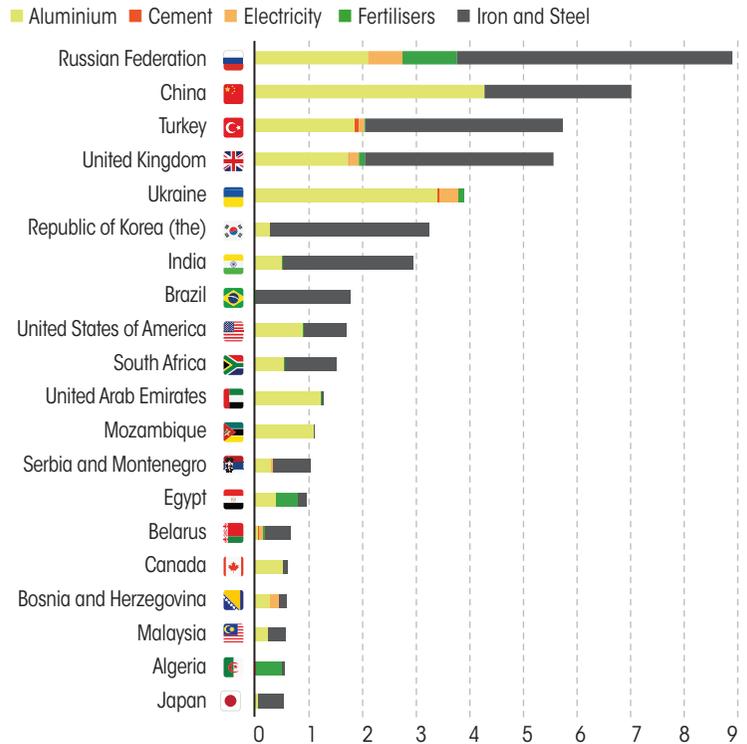
Assessment Report of the Intergovernmental Panel on Climate Change (IPCC)—governments have two policy instruments. One, market-based policy like carbon taxes which can make polluting industrial activities more expensive, or emissions trading systems that can reward entities that pollute less while making bigger polluters pay. The other instrument is “industrial policy” that refers to government intervention like subsidies, public procurement, product-specific research and development and feed-in tariffs in strategic economic sectors.

Since market-based policy instruments are incremental in nature, analysts say they may not be an efficient tool to achieve the massive decarbonisation required today. Besides, implementing market-based policy requires institutional capacity and strong governance regimes, which many developing countries struggle with. Advocates therefore suggest deploying industrial policy, which can also create jobs, and in the context of decarbonisation, can create political support for the further growth of green industry. But since its inception, WTO has treated industrial policies like subsidies and export bans as “trade-distorting”.

Experts have recognised a trend within WTO to prevent developing countries from deploying industrial policy tools to achieve economic diversification and industrialisation. Rob Davies, former minister of trade for South Africa, wrote about ways in which developed countries push for this. These include restricting the application of “Special and Differential Treatment” so that the obligations of developing countries are far less differentiated from those of developed countries; tightening up rules and notifications in relation to the deployment of an increasing range of “behind the border” regulatory and policy issues; seeking recognition for “plurilaterals”, or so-called Joint Statement Initiatives where selected groups of “like minded” countries make rules without adhering to the principle of consensus decision-making; and, limiting the powers of the Dispute Settlement system so

## EXPOSED TO CARBON TARIFF

Countries and industries likely to face tariff under EU’s Carbon Border Adjustment Mechanism (aggregated value for 2019, in \$bn)



Source: UNCTAD based on UN COMTRADE. The list does not include Iceland, Norway and Switzerland because they participate in, or are linked to, the ETS. Therefore, it is likely that these countries are exempt from the mechanism.

that, say, departures from rules justified on “national security” or strategic withholding of supplies could not be subject to a judicial challenge.

Much of this is to restrict China that has rapidly grown to dominate global manufacturing supply chains since it joined WTO in 2001, but it affects the growth of the rest of the developing world as well. The implementation of such “reforms” would further limit the ability of the developing world to bring about structural transformation and move from their colonially determined role as producers and exporters of primary materials to higher value-added production, writes Davies. It could also embolden those seeking to weaken the principle of “common but differentiated responsibilities” in climate change negotiations, he adds.

# A NEW COLD WAR

The crucial question for development is not whether industrialising countries should plug into world trade, but how

**APRATIM SAHAY**

**OVER THE** course of the last few decades, a prominent story has been the takeoff of Asian growth against a backdrop of premature deindustrialisation in Africa. Development depends on foreign direct investment (FDI) and the technology transfer that can and should accompany it. FDI flows to developing Asia totalled \$476 billion in 2020, compared with just \$38 billion for Africa. It is a travesty, as Hippolyte Fofack, director of African Export-Import bank, points out, that Canada got more FDI in 2020 than 54 African countries put together. The crucial question for development is not whether industrialising countries should plug into world trade, but how.

The greatest risk to African development in the current climate is not North America and Europe scrambling for resources, but rather closing up their markets and cutting off FDI under the cover of new “onshoring” policies. The threat is real, since both the US and Europe have hollowed out the political coalitions that once legitimised open trade. At the World Economic Forum Meeting held in Davos in January 2023, the International Monetary Fund (IMF) Director Kristalina Georgieva cited an analysis by the IMF staff to warn that “geo-economic fragmentation” could cut the global GDP by 12 per cent. How? By forcing countries to sever links, the new Cold War is going to hurt trade, migration, capital flows, and technology diffusion. That fear is perhaps the reason the 26 African countries and so many Global South countries chose non-alignment (these countries prefer not to take sides even as geopolitical tensions rise between the West and Russia since the invasion of Ukraine and even in the face of a clear violation of a sovereign state’s territorial integrity). Non-aligned countries want the following: 1. core technologies to power future growth; 2. advanced military hardware for enhanced security; 3. upper hand in trade negotiations with Europe, the US, and the new Russia-China bloc; 4. essential commodities like food, energy, metals and fertilisers from the new Russian-Chinese bloc; and 5. better terms to restructure their debt to Western and Chinese creditors during a punishing global dollar debt crisis that threatens their sovereignty.

*(Author is senior policy manager at the Green New Deal Network in the US)*

## CONVENIENT MOOD SWINGS

US’ Inflation Reduction Act (IRA), essentially a package of industrial policy tools, points to a shift that Davies describes as bipolar disorder, where there is one rule for the rich and the powerful, and another rule for the rest of us. “When it suits the developed world, they will depart from the neoliberal playbook—the one which was developed during hyperglobalisation,” Davies tells DTE.

Consider this. In 2018, the US imposed tariffs on steel and aluminium imports to counter the “overcapacity” created by China in these sectors. WTO ruled that the tariffs were in violation of trade rules. In response, the US trade representative said: “WTO has proven ineffective at stopping severe and persistent non-market excess capacity from the PRC and others that is an existential threat to market-oriented steel and aluminum sectors and a threat to US national security”. In November 2022, Canada asked three Chinese companies to divest their investments in its lithium mining sector, citing national security, a move that China stated, “broke international commerce and market rules”.

Industrialisation may have enabled sustained productivity growth in the EU and US, but industrial development has historically been an uphill battle for developing countries. This is in part due to trade agreements designed to constrain their policy space, says Isabel Estevez, deputy director of industrial policy and trade at Roosevelt Institute, US. Many trade agreements prevent developing countries from using local content and technology transfer requirements. They prevent them from using tools like government procurement to stimulate domestic industries—a policy US is using actively with requirements like “Buy America”. Now that rich countries are increasingly embracing industrial policy to ensure their economic resilience, it is difficult for them to prevent developing countries from implementing similar policies, says Estevez, adding that it should be a lesson for developing countries that even industrialised countries cannot attain economic resilience without industrial policy.

## GLOBAL SOUTH MUST ACT FAST

All countries need policy space under WTO to forge their equity and green development growth paths. But WTO, largely because of the US and EU in the past, has made this difficult, says Kevin P Gallagher, director of the Boston University Global Development Policy Center, US. “It is great that the US and EU have finally come on board on green industrial policy, but they are kicking away that ladder for other countries,” says Gallagher. He believes that while it is important for the historical emitters to go first, if the Global South does not act fast and have more ambition, then the Global North will be the “winner take all” from a new carbon economy which could only accentuate the inherent asymmetries and inequities. This is the conundrum. If the Global North acts first they create and keep the technologies and patents for the new carbon economy and the Global South becomes dependent on it and be stuck with ‘stranded assets’ such as oil, gas and carbon-intensive products, says Gallagher.

In this era of climate change, developing countries need to build self-sufficiency in domestic production of green technologies. But inequitable trade rules hinder this. In 2014, the US challenged India’s Jawaharlal Nehru National Solar Mission that aimed to set up 100,000 MW of grid connected solar power by 2022. The US said “India’s power purchase agreements with solar power developers mandated the use of India-manufactured cells and modules, which would amount to a forbidden domestic content requirement under India’s WTO obligations,” says a paper by Gladwin Issac and Trishna Menon at Gujarat National Law University. India lost the ruling. The paper says the ruling is “a sober reminder that in the mercantile trading framework, bilateral considerations and climate change issues are subservient to the interests of the developed world”.

Subsequently in 2016, India won a dispute at WTO, for a claim that the US’ domestic content requirements and subsidies provided by eight of its states in the renewable energy sec-

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tor violate global trade norms. This also makes IRA eligible for questioning at WTO.

Davies says for developing countries being able to use tools like localisation is critical. Minerals needed for green technologies, such as bauxite and copper ore used in wind turbines, or lithium and nickel ore used in electric vehicle battery, are concentrated in a few countries many of which are developing economies. Indonesia, for example, supplies 40 per cent of the world’s nickel ore, as per the International Energy Agency (IEA). Since 2014, Indonesian has instituted a ban on the export of nickel ore and requires it to be processed domestically for export. As a result, its share of global refined nickel output rose from 1 per cent in 2013 to 30 per cent in 2021. The EU took the issue to WTO claiming that the ban violated trade rules; WTO agreed. Indonesian President Joko Widodo now plans to appeal the ruling. He may now ban export of bauxite in 2023 (it holds 3.75 per cent of the world’s reserves). Paul Butarbutar, co-founder of Indonesia Research Institute for Decarbonization, says: “When one company sets up a nickel smelter to process the nickel, it employs more than 12,000 people and local and central governments earn revenue. So, this protectionism helps our local economic development.”

WTO panelists suggested that Indonesia could only block exports in acute crises like mass starvation—and not in response to the needs of economic development, writes Todd N Tucker, director of industrial policy and trade at the Roosevelt Institute, US, in *The Washington Post*. This suggests WTO would not leave much room for countries to manage economic transitions for the benefit of their own workers and producers, he adds

Gallagher says in the entire value chain for green transition, many developing countries have strategic assets that they should hold dear. These give them real bargaining power in a global economy where they otherwise have little power. New coalitions should be formed across countries and sectors to ensure bargains allow access and benefit sharing all throughout the global value chain.

# TRADE-READY?

What global powers' switch to protectionism means for India

**T**HE US and EU are major export destinations and India certainly cannot remain immune from the climate-focussed trade measures that these countries have introduced.

Let's consider the impact of Carbon Border Adjustment Mechanism or CBAM introduced by the EU. The tariff, also known as carbon border tax, will impose a carbon price on the "embedded" emissions in goods that enter the EU. Emission-intensive products like aluminium, and iron and steel that India exports to the EU are likely to be subject to a tax under CBAM once it comes into force later this year.

But the extent of the impact is difficult to gauge as India so far does not have a single domestic carbon price, which can be used under CBAM to equalise the price of carbon between domestic products and imported commodities. The Rajya Sabha has approved a domestic carbon market last year, but it will be fully operational by 2026. Besides, many companies in the country have already adopted voluntary climate targets. An analysis by the Centre for Science and Environment (CSE), Delhi, shows that the emission reduction targets set by many Indian steel players are even more ambitious than the National Steel Policy 2017. "The National Steel Policy 2017 targets 2.2 to 2.4 tonnes of CO<sub>2</sub> per tonne of steel (from the blast furnace-basic oxygen furnace



# LESS TRADE WARS, MORE COOPERATION

Developing countries should have more policy space to undertake domestic policies

**KATIE GALLOGLY-SWAN**

**THE CURRENT** trading system has not led to decreasing poverty or inequality; in fact, it has led to market concentration, vast inequalities, instabilities in the global economy, and challenges in “just in time” supply chains as we have seen during the pandemic. These issues have been raised by developing countries and heterodox economic thinkers for years since the WTO was established. So, it is frustrating for a lot of people to see the great protectors of the current trading system renege on those claims, and to do exactly what they have told other nations not to do. The trade imbalances globally and the very different position of developing countries in the globalised economy shows that they need asymmetric treatment. But what we have seen in WTO is an increasing critique and attack on this principle of “special and differential treatment”, which is supposed to be the mechanism through which developing countries have more policy space to be able to undertake

the sorts of industrial policy and developmental intervention that is necessary to economically develop.

We need to relook at the trade rules and reframe them and rethink them for a time of climate change and, to address the long-standing concerns of developing countries. We need less trade wars and more trade cooperation. Developing countries should have more policy space to undertake domestic policies that support their economic upgrading to manufacturing and to advanced service exports, because that structural transformation is the only tried and tested route that has been successful in history for countries to be able to economically develop. For example, if a country is rich in green minerals, they should be able to deploy a set of policies that attempt to retain those minerals, process them domestically, and create jobs and a manufacturing sector and thus, build innovation and technology locally. But an approach to trade that forces you to export those minerals

hinders development. What we are seeing now is this fear from advanced economies who are scrambling to access raw materials that they need to secure their supremacy in the supply chains of the future.

The current trade rules will not help combat climate change. What we might see in the interim, is a legal mechanism in WTO, like the waivers (in this case, a climate waiver) or peace clauses being used to create a temporary space for countries to undertake climate measures, as long as they are clearly defined. Developing countries need to work together to have a stronger position and state what their needs are and what policy space is needed. The only reason that the Loss and Damage Finance Facility [at COP 27] was successful, is because there was G77 solidarity, and that is what we need if we are going to have a development friendly trade regime.

*(Excerpt from an interview with Katie Gallogly-Swan, Economic Affairs Officer, UNCTAD)*

route), whereas companies like Tata Steel and JSW Group have set targets below 2 tonnes,” says Parth Kumar of CSE’s industrial pollution unit. Companies are also geared towards decarbonisation by following strategies such as carbon capture storage and utilisation, scrap-based steel manufacturing and the use of plastics as a fuel, despite the absence of a well-defined policy framework for such technologies and interventions, he says.

Whether or not this patchwork of market-based schemes, the country’s nationally determined contributions (NDCs) to reduce greenhouse gas emissions and voluntary climate targets by manufacturers will create a case for Indian industry to avoid the tariff

burden from CBAM is yet to be seen.

What’s clear is that CBAM, as a tool, favours large industry players, or “lead firms”, that can afford the capital expenditure on new green technologies and machinery, an advantage that smaller players usually lack. Take the example of steel major Tata Steel. In a 2021 interview with news portal *CarbonCopy*, Sanjiv Paul, vice-president, safety, health and sustainability, pointed to policy pressure to decarbonise and a desire to not want to end up with “stranded assets” as driving factors for firms like Tata Steel to proactively invest in carbon-cutting technologies. In successive months, rumours had it that the firm had softened its stance on

CBAM, and had even positioned itself as a supporter. In January 2023, it was suggested that the UK government will offer 300 million pounds to Tata Steel's UK subsidiary to switch to green technologies—a sum lesser than the 1.5 billion pounds the firm had initially requested—and this would be offset with a CBAM on imported steel.

Though India has initially joined other countries to voice its concerns against CBAM, experts say it would be undesirable for India to seek a dispute with the EU at the WTO on it. “Of course, India could diversify and look at alternative markets for exports, but a preferred approach would be to bilaterally seek support from the EU to help affected sectors decarbonise so that trade can continue with minimum tax,” says Badri Narayanan Gopalakrishnan, former lead adviser, trade and commerce at NITI Aayog. India could also seek partnerships with the EU to become a production hub for green technologies emerging from the EU, Gopalakrishnan suggests.

## JOIN FORCES

Gopalakrishnan advises against moving WTO against the US' Inflation Reduction Act (IRA), as subsidies under the Act are not directly targeted at all exports or imports, but are focused on boosting domestic production. It would also be risky for India, which has its own domestic manufacturing aspirations for green technologies.

To promote the use of electric vehicles in the country and to make their manufacturing cost-effective, the Union government in 2019, approved the second phase of the Faster Adoption and Manufacturing of Electric Vehicles (FAME-II) with an outlay of ₹10,000 crore for three years. In 2021, the government approved two production-linked incentive schemes—one for automotive sector, which includes electric vehicles, with a budgetary outlay of ₹25,398 crore, and the second, for manufacturing of Advanced Chemistry Cell Battery Storage with a

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budgetary outlay of ₹18,100 crore. India has also started signing long-term supply contracts to access critical minerals such as lithium, copper, nickel and cobalt directly from mines to reduce its dependence on China, which dominates the mid-stream refining. A public sector joint-venture entity Khanij Bidesh India Limited (KABIL) is reportedly exploring partnerships in Bolivia and Australia, while private sector companies like Ola Electric have also started direct talks with mining companies.

However, prices of minerals on the global market is set by big players, says Moushumi Mohanty, senior programme manager, Electric Mobility at CSE. “Currently China is the biggest buyer. If the US gets more involved in accessing minerals for domestic manufacturing on a larger scale, India will have to aggressively scale up to command prices on its own terms,” she adds. India should focus on the sectors in which it has a ready domestic market—two-wheelers and three-wheelers which constitute 63 per cent and 34 per cent of the domestic electric vehicle market, says Mohanty. It can also become a hub for recycling of spent batteries, which will enable it to recover the processed critical minerals that it is currently lacking.

As the US-China cultural and economic war escalates, USA has been courting India for its “friend-shoring” efforts—which US treasury secretary Janet Yellen described as “proactively deepening economic integration with trusted trading partners” during a visit to New Delhi in November 2022.

Some suggest that more research and development in green technologies in the US or EU through their domestic climate investments would spill over and benefit countries like India. India's current moment as leader of the Group of 20 economies (G20) could be a vital opportunity to foster solidarity with the rest of the Global South and argue for a more equitable trade regime amid the climate crisis. [DTE](#) [@down2earthindia](#)