

# WHY WORLD TRADE CONTRIBUTES TO THE PERPETUATION OF THE CLIMATE CRISIS

by  
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The climate crisis is a global problem. How emissions develop and how they affect different countries also depend on the organization of our world trade system. As a result, international trade contributes to perpetuating the climate crisis.

## Signs of the global climate crisis

Global greenhouse gas emissions have again reached a new peak in 2019. Since the mid-19th century, this has increased the average global temperature by about 1.1 degrees Celsius. If this trend continues, living conditions will change fundamentally and irreversibly. Droughts, storms, floods and heat waves will increase. The effects of the climate crisis are being felt particularly hard in regions of the global south that have contributed little to the development and often have too few resources for adaptation measures. Since the mid-1800s, the U.S. alone has emitted twice as much CO<sub>2</sub> as China, which is now one of the largest emitters.

## The impact of the world trade system on the climate.

The main causes of the increase in greenhouse gas emissions lies in the way, our economic system is currently organized: the consumed products and services are not produced in our immediate environment but are often widely branched out worldwide. By the time a product reaches the consumer, it has sometimes travel long distances. This is also reflected in emissions: Around one third of the total greenhouse gases emitted by the EU are imported from other countries.

The countries of the Global North consume significantly more CO<sub>2</sub> than is caused by

production in these countries. For example, companies in the USA and the EU are among the largest importers of CO<sub>2</sub> by importing raw materials, (intermediate) products and services produced elsewhere in the world. Estimates suggest that about 26 percent of the global CO<sub>2</sub>-emissions are attributable to international trade. This increased relatively strongly compared to global economic output, especially in the 1990s and 2000s. A further seven percent of global CO<sub>2</sub> emissions can be attributed to trade-related freight transport alone. Such emissions have increased rapidly in recent years. The International Transport Forum predicts that they will quadruple by 2050.

## Emissions from international trade are part of a larger problem

Globalization is based, among other things, on the exploitation of lower environmental regulations and low social and labor standards by large multinational corporations. These conditions make it particularly attractive for climate-damaging industries to relocate their production. This way of organizing the economy hits people in countries with lower environmental and labor standards particularly hard. International trade also has an indirect effect on climate and the environment. The integration of countries into world trade has an impact on their economic structure and increases economic activity. So far, however, this requires more resources and leads to a greater environ-

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## Exports and Imports of Greenhouse Gas Emissions in EU Trade flows

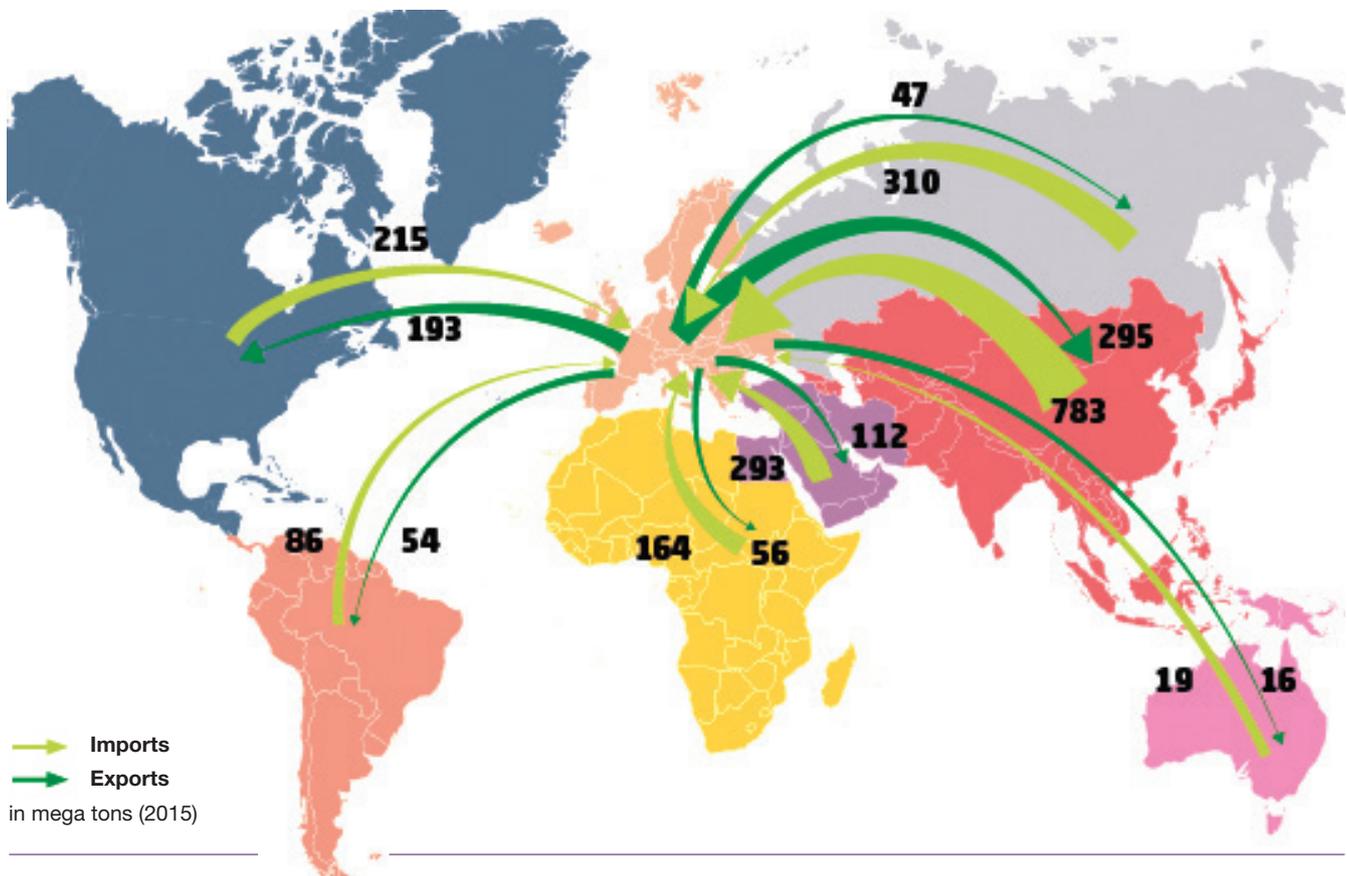


Chart based on: Woods et al. (2019), The structure, drivers and policy implications of the European carbon footprint, Climate Policy. Supplemental material.

mental impact. While new technologies and services are hoped to reduce emissions, studies show that they do not. Studies show that this is not the case, because savings in one area are offset by higher resource use in other areas

### A rethinking of trade policy is required

The EU's trade treaties solidify this way of organizing the global economy by defining the framework for trade with other countries. The environment and climate do not play a major role. The priority is to expand international trade by reducing tariffs and recognizing and (downwardly) harmoniz-

ing standards. This is primarily intended to reduce costs for internationally active corporations and further increase the volume traded. People and the environment are put on the back burner. For the sake of a climate-friendly world economy, a fundamental rethinking of the global and European trade order is therefore needed.

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