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Cooperation with (Re)Emerging Powers for the European Green Deal

Conference Report, 16-17 November 2020 jointly organised by DIE, FIIA and KAS

Table of contents

1. Key Take-aways	2
2. Introduction and Context Analysis	3
3. Panel discussion	4
3.1 EU-China climate cooperation	4
3.2 EU-Indonesia climate cooperation	5
3.3 EU-India climate cooperation	6
3.4 EU-Russia climate cooperation	7
3.5 EU-South Africa climate cooperation	8
3.6 EU-Brazil climate cooperation	9
3.7 EU-Mexico climate cooperation	10
4. Concluding discussion	11
References	12
Contacts	13



KAS-MDPD, the German Development Institute (DIE) and the Finnish Institute of International Affairs have launched a new publication series on the external dimension of the EU's Green Deal, with inputs by experts from the biggest (re-)emerging powers.

How is the Green Deal perceived by (re-)emerging powers across the world? And what does the Green Deal mean for the EU's global power ambitions? The publication series involves perspectives from eight countries/regions: Brazil, China, the EU, India, Indonesia, Mexico, Russia and South Africa.

1. Key Take-aways

1. Despite reservations over a future EU border carbon tax, **China's** leadership appears to view the European Green Deal as an instrument that can strengthen global governance mechanisms; it is open to cooperating in order to achieve this goal.
2. Following the pandemic, **Indonesia** is placing its focus elsewhere in order to face the immediate economic issues, rather than pursuing a green agenda. EU climate finance could help the country refocus on climate action.
3. **India** is concerned over EU technical barriers and a carbon border tax; however, the Green Deal could also instigate new climate-friendly cooperation, inspired by the idea of a just transition.
4. In **Russia**, the energy transition and a future carbon tax are seen as a potential threat to economic relations, which are based on fossil fuel and energy-intensive exports to the EU. However, Russia's potential for renewable energy and for improvement in energy efficiency does open up opportunities for partnerships within the Green Deal agenda.
5. **South Africa's** most pressing political priority for stability is job creation. If the EU is able to demonstrate that green technologies are economically efficient and provide jobs, South Africa may feel incentivised to follow the example set by the Green Deal.
6. While the EU is seen as an ambitious leader in climate affairs, under the Bolsonaro presidency **Brazil** is facing a considerable degradation of its environmental policies. The leading role in global climate diplomacy that the country used to hold has been greatly undermined.
7. The current **Mexican** government has allowed environmental policy to slip down the political agenda. The EU should use its market leverage to incentivise Mexican compliance with multilateral climate agreements and environmental standards.
8. By linking economic growth to social and environmental issues through the Green Deal, the **EU** is setting an example for sustainable and equitable governance. Looking to the future, the EU should demonstrate the social feasibility and economic viability of a green recovery, thus leading by example.

2. Introduction & Context Analysis

A recent workshop entitled “The External Dimension of the Green Deal – Prospects for Cooperation with (Re)Emerging Powers” saw experts from (re)emerging powers discussing the topical issue of **approaches and understandings of ‘green economies’**. **They also touched on key requirements for ‘green leadership’ globally.**

This event took place approximately one year after the European Commission had announced its ‘European Green Deal’. The Green Deal is aimed at transforming the EU’s economy to one that is sustainable and carbon neutral. It sets out a series of internal plans and strategies for the EU that will also have global effects. Directed at internal transformation, this ambitious plan **aims to make Europe a global leader in climate change and a role model for other regions**. However, in order to be able to achieve this ambitious goal and overcome domestic and external challenges, the **EU will need** to work with **international partners**.

The panels, which included experts from **Brazil, China, India, Indonesia, Mexico, Russia, South Africa** and the EU, discussed the perspectives of the EU’s partners on ‘greening’, taking into account the recovery plans following the COVID-19 pandemic. Furthermore, the international discussion groups explored **potential areas of joint interest and disagreements** on the EU’s Green Deal and on the **EU’ s role in future green partnerships**. This event was a preparatory workshop that will feed into a 2021 conference.

3. Panel discussion

3.1 EU-China climate cooperation

The panel discussion opened by outlining **China's ambitions for greening its economy**. According to the forecast in the Chinese Communist Party's Five-Year plan for 2020-25, the country is **shifting from a high-growth approach to green, high-quality development**, following Beijing's recent announcement that the country seeks to achieve carbon neutrality by 2060. Strongly anchored in the political agenda, this ecological shift in direction for the Chinese economy will be pursued through actions such as assuming global common responsibilities and by promoting and implementing new drivers for economic growth and structural reforms.

As part of these efforts, the **EU is viewed as a suitable partner for expanding the policy window for green economies worldwide**, with the ultimate goal of achieving carbon neutrality and setting sustainable global standards for the post-COVID-19 recovery. Thus the Chinese view of the EU's Green Deal is generally favourable, but there are **concerns over its scope**. Chinese analysts believe that the slowdown in economic growth and the COVID-19 pandemic could act as a brake on the Green Deal, creating increased financial burdens for EU Member States. This has made it more difficult to generate the capital required for the green transition in Europe. They have also expressed reservations over the coordination and harmonisation of the positions of the Member States in supporting the green transformation within the collective EU budget.

Within Chinese political and economic circles, there is **scepticism over the Carbon Border Adjustment Mechanism (CBAM)**, which is suspected of establishing green trade barriers. In the EU, the CBAM is perceived as a key tool to strengthen the climate ambition of Third Countries; China, however, argues that this mechanism could be contrary to WTO rules, thus potentially undermining the EU's legitimacy as an inclusive climate leader. As such, the barriers resulting from CBAM are seen as potentially disrupting trade between China and the EU. Although this criticism is evidently significant, **China clearly understands the rationale behind the CBAM. It sees the potential for cooperation with the EU's ambitious green agenda**, for example in the areas of sustainable infrastructure and standards, the digital economy and renewable energy technologies. In a broader political sense, Beijing considers the Green Deal as a diplomatic instrument for consolidating and strengthening global governance mechanisms and managing the effects of the COVID-19 pandemic on a multilateral level.

3.2 EU-Indonesia climate cooperation

The next panel included an **Indonesian perspective**. The presentation on Indonesia **initially identified connections between the fight against climate change and the impact of the COVID-19 crisis**. There are major difficulties between the central Indonesian government and the regional administrations in coordinating the responsibilities and funds for the fight against natural disasters. To underline this, the Indonesian government presented the **so-called Omnibus Law**. During the pandemic, this law helped reduce bureaucracy in order to help enable an adequate reaction to the health crisis. At the same time, however, the law has greatly relaxed existing environmental standards, creating a consequent risk. The law has demonstrated that the Indonesian government, which **lacks the financial resources for a long-term strategy to combat climate change, is giving priority to its immediate economic concerns** in the wake of COVID-19. Although climate resilience is included in Indonesia's medium-term plans along with disaster management, under the current circumstances, it has been placed on the back burner.

This has raised the issue of **how to initiate a green rebuild of the economy in Indonesia once the COVID-19 crisis has been concluded**, when the majority of the population will be focused on their economic survival. Here, the decisive EU presence was seen in its ongoing support via technical assistance, financing and market access for Indonesian products to the EU internal market. In the medium to long term, the EU's ongoing provision of climate finance will be of particular importance for Indonesia, ensuring that the country has the financial means needed to meet its climate-related challenges. In addition, given the poor coordination between national and local governments, the **subnational level in Indonesia was seen as a valuable platform for the EU to share best practices**, success stories and knowledge on networks between cities, start-up assistance and wind energy.

3.3 EU-India climate cooperation

With a view to strengthening the green agenda in EU-India relations, the workshop identified technology development, trade and investment, circular economy transition, carbon pricing and the just transition for coal economies as the main areas for prospective cooperation. **There was a general consensus that both actors already enjoy significant synergies in these areas.** Nevertheless, several **key points remain** that will **need careful consideration in order to be future-proof**, such as on technology standardisation and **intellectual property rights**. These are topics that have been on the EU-India agenda for quite some time and will benefit from fresh impetus. A more effective **promotion of a technology partnership** could address these issues and sustain the focus on the energy transition.

Experts also highlighted the need for progress on an EU-India FTA (Free Trade Agreement), which has been under negotiation since 2007 without any outcome. Bilateral trade with EU Member States is increasing, but a FTA between the two major players would massively increase economic gains in key sectors. **CBAM** is also among the **key issues in need of careful consideration** (particularly on matters of climate justice), as are **technical barriers** in the sanitary and phytosanitary realm and the **lack of social safeguards** across supply chains. There are also opportunities for improved EU-India cooperation in the **transition to a circular economy**.

Finally, the debate focused on the mechanism for a **just transition** proposed by the EU in the Green Deal, including the creation of a fund for this purpose. The need for social justice, and therefore strategies to deliver the just transition, could provide inspiration for future EU-India cooperation on renewable energy technologies. The implementation of the Paris Agreement was also perceived as an opportunity to focus on the just transition – with Indian representatives highlighting the importance of the “Common But Differentiated Responsibility”, a key feature of UN climate change negotiations.

3.4 EU-Russia climate cooperation

A subsequent panel addressed the **Russian perspectives** on the EU's Green Deal. Based on its current climate policy targets, **Russia lacks ambition in reducing its greenhouse gas (GHG) emissions**. By 2020, the reduction in GHG emissions will be 30% lower than in 1990. However, this in part is also the result of the economic downturn of the 1990s. The 2020 national target is for renewables to make up 2.5% of the total energy mix (excluding large-scale hydropower); and even this is unlikely to be met. Russia also has a low-carbon strategy, but this needs greater consideration. As Russia is a major exporter of fossil fuels and energy-intensive products to the EU, the **Green Deal presents a significant challenge for Moscow**. The **CBAM** proposed in the EU Green Deal is seen as a **potential threat for Russia's energy-intensive exports**, with Russian policymakers viewing the proposal as a protectionist measure, rather than as a green instrument for the global public good.

Cooperation with the EU on the basis of the Green Deal, given the lack of reciprocal decarbonisation efforts, **appears difficult**. This issue is further aggravated by the concomitant geopolitical crisis. Nevertheless, **one opportunity for cooperation is the inclusion of a carbon consumption footprint** for imports into the EU. Russia could also adopt its own emission trading system. In addition, given to the current energy inefficiency of its industries, **Russia** offers European investors and companies a **cheaper option for emission reductions**. One discussion examined the concept of the EU supporting projects aimed at reducing emissions in Russia. Adopting such an approach that primarily addressed private actors could also improve the focus of Russian interest groups and the government on renewables, thus incentivising them to see renewables as a competitive sector for future Russian exports.

3.5 EU-South Africa climate cooperation

During the event, there was further emphasis on the challenges and opportunities of the EU Green Deal for **South Africa**. First, it was argued that the South African government has faced severe social and economic challenges in recent years, such as mass unemployment. Its main **political tool for stability** still lies in **job creation**, which currently is driven by carbon intensive sectors such as mining, including coal mining. While South Africa was the first country on the African continent to introduce a carbon tax, **most initiatives on climate action have been limited, and focused on adaptation rather than mitigation**. As a consequence, the **green economy is seen as an emerging sector with the potential to boost the COVID-19 recovery** by attracting investment, rather than as a project for full economic transformation.

The EU's opportunities for shifting South African perceptions on the green economy will be determined by its ability to lead by example, as well as any funding levels. If the EU can demonstrate that green technologies are economically efficient and offer jobs for both skilled and non-skilled workers, the appeal of such measures will be greater. Furthermore, the official commitments and the implementation of decarbonisation targets in South Africa are conditional on external technical and financial assistance from the international community. Thus, **EU climate finance could become pivotal** in incentivising national emission reductions.

3.6 EU-Brazil climate cooperation

From a **Brazilian perspective**, the event recalled the **major political upheavals** of the last five years following the signing of the Paris Agreement in 2015. There was Brexit in 2016, the Trump Presidency (2016-2020), the 2020 COVID-19 pandemic and the resulting economic and financial crisis as well as political developments in China and Russia. In Brazil, there was the 2016 impeachment of President Dilma Rousseff and the Bolsonaro government in 2019-2022. Within the international context - which nevertheless provoked a paradigm shift to global green politics - the **European Green Deal is considered a type of self-financed EU Marshall Plan** to restructure production to a low-carbon economy and a sustainable society. For Brazil, the EU Green Deal is a strategic move that highlights the European approach to, and understanding of, green economies and provides guidance for the international community. However, China is also emerging as a multinational environmental champion.

While the EU and China are ambitious pioneers in green leadership, **Brazil - under the Bolsonaro presidency - is facing the destruction of its environmental policy**. This has been highlighted by an end to four decades of Brazilian leadership in global environmental diplomacy. Federal **institutional arrangements responsible for environmental policy are being dismantled** (regulation, licensing, conservation, forest management, command and control), with substantial detrimental effects on **deforestation of the Amazon region**. Finally, **the Brazilian government's decision to turn its back on environmental issues** is highlighted by the lack of ambition in the country's NDCs and the disregard of the 2030 Sustainable Development Goals. Most recently, the government has also rejected significant offers of donor funding to protect the Amazon rainforest and **attacked NGOs, social movements and ecological activism**.

3.7 EU-Mexico climate cooperation

The final discussion of the workshop focused on **Mexico**. There are opportunities for cooperation with the EU rooted in the shared public concern for climate issues and in the international frameworks that bind the two regions. The **Mexican public generally hold positive attitudes towards environmental issues and the EU**. Furthermore, there is existing institutional infrastructure where further cooperation on environmental matters can be built at both international and at the bilateral EU-Mexico levels.

In the past, Mexico was active in international efforts on environmental issues in the past in reaching existing agreements and displayed some leadership, such as at the UNFCCC-COP16 in 2010. However, the **current Mexican government is not prioritising environmental policy** and is openly opposed to a rapid energy transition. This makes the role of Europhile interlocutors, as well as policy and financing preferences of the EU as a donor, more difficult. The EU **should use market leverage to incentivise the Mexican government**, cooperate with private and sub-national actors and seek consensus on environmental standards with the US in order to amplify its voice. In addition, the EU-Mexico Global Agreement (2000), which is currently being modernised and ratified, and the Strategic Partnership (2007) are the **EU's most effective instruments for engaging with the Mexican government over compliance with multilateral agreements**. These are explicitly mentioned in the treaty and are linked to trade.

4. Concluding discussion

In the concluding discussion, the **EU perspective on the external dimension of the Green Deal** was considered. The exchange acknowledged the **disruptive paradigm shift** that the Green Deal will bring for both Europe and its trading partners. The ambitious green agenda of the European Commission remains - according to participants - an unavoidable and urgent necessity for addressing the consequences of climate change. By combining an economic growth strategy with social and environmental issues, the **EU is raising ambitions for sustainable and equitable governance, which other actors can follow.**

Here, the EU seeks to use incentives – made up of a **blend of official development assistance, external investment plans and the mobilisation of domestic resources** - to channel the capabilities and liquidity for green transformation to external actors. The dynamics created by the Green Deal have the potential to make inaction increasingly costly and to persuade third countries to rethink existing green economic policies. In the future, the EU should **lead by example** in proving the social feasibility and economic viability of any green recovery.

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