

## **FINANCIAL INSTRUMENTS FOR GREENING INTERNATIONAL TRADE AS AN IMPERATIVE FOR GREENING GLOBAL COOPERATION**

**Anastasia Tsybuliak**

*Doctor of Economic Sciences,*

*Professor of the Department of International Economics,*

*Business and Management,*

*Ukrainian-American Concordia University*

Financial instruments are organically interconnected and can be considered as a holistic financial mechanism for achieving environmental parameters of world trade, which acts as a structural link of the general mechanism for implementing environmental and trade interaction. The essence of the financial mechanism for greening global cooperation lies in the organic combination of the principles of global financial activity in the environmental sphere, methods, forms, instruments, and levers of its implementation, which are used to achieve the environmental goals of the development of the modern world [1-3]. The legal components of the financial mechanism are regulatory documents, standards, norms and rules aimed at regulating the financial component of environmental development. The economic components include specific restrictions, privileges, and prohibitions that can be used to regulate trade flows between countries of the world, taking into account their own interests in greening at the national level. At the same time, the system of financial levers is an important link in the mechanism for financing global environmental measures in the sphere of world trade. It should be noted that the formation of the financial mechanism is carried out at all levels of management. At the mega-level, its implementation is ensured by financial initiatives of international environmental organizations. Among them, the activities of the European Investment Bank, which is a financial institution of the European Union, should be particularly noted [4].

The Global Environmental Facility unites the efforts of governments of 182 member countries in partnership with international organizations and the private sector to solve global environmental problems. Today, the fund allocates the largest funds to finance projects for global environmental improvement. Projects of the International Development Association and the International Bank for Reconstruction and Development aimed at environmental protection. An important component of intergovernmental agreements are the financial aspects of greening world trade. International quota trading is of significant importance here. If a country has exceeded its quantitative obligations to reduce greenhouse gas emissions, it can sell its

excess quotas to another country, thus the emission reduction is credited to the buyer in the established amount. There are more surplus quotas on the world market than demand for them. And according to current international agreements, funds received from trade should be directed to projects to reduce greenhouse gas emissions. The main problems of the international quota trading mechanism are the absence of any rules on reporting and transparency of the use of funds, and even more so their targeted use. At the integration level, funding is carried out through grants, environmental programs, etc. Here it is worth noting the EU Framework Program for Scientific Research and Innovation “Horizon 2020”, within which the direction of “sustainable growth” is of great importance for the development of the environmental component, which includes components of sustainable development, efficient use of resources, etc.

At the state level, financing is carried out on the basis of the allocation of state budget funds to finance environmentally oriented measures, specialized state programs, the use of financial and economic regulation instruments that make it possible to satisfy the economic interests of business entities (benefits and subsidies) and the state (revenues from environmental taxes). The main feature of the development of greening in European countries is that each of them implements legislative acts developed at the EU level, taking into account existing traditions and experience within the country [5]. Promising areas of development of greening financing methods, in addition to traditional ones, in EU countries are pollution rights exchanges, pollution rights banks, the international quota market, emissions trading. At the regional level, financing of environmental initiatives is carried out by specialized funds, the activities of which are aimed at a certain region. The sectoral level involves the orientation of financial resources to ensure the environmental development of those industries that have the most harmful impact on the environment. Among them, in particular, UNCTAD highlights the following: chemical, mining and quarrying (mining of minerals, including oil, gas, coal, metal ores), pulp and paper industry, cement, glass, ceramics, as well as metallurgy and metalworking. At the same time, a significant number of large corporations with the largest assets operate in the oil and gas and mining and quarrying industries. The Nopec Fund pays priority attention to projects and investments that contribute to increasing energy efficiency, saving resources, developing sustainable energy and innovations in climate issues and environmental protection in general. These are projects for the creation of advanced production facilities and the use of modern equipment, the modernization of technological processes, the use of methods for reducing pollution and waste processing, effective solutions in housing construction, in the development of infrastructure and in transport. The Fund also finances international projects, one of the results of which is the achievement of an environmental effect, for example, as a result of the development and supply of technologies, production

equipment and automatic control systems, information solutions, the provision of technical support and training programs. Thus, solutions are supported in which a positive impact on the environment is achieved at the user level.

Specific manifestations of the implementation of the financial mechanism are the use of instruments aimed at regulating global environmental measures. Among them, the most significant are environmental investments, environmental innovations, environmental taxes, environmental subsidies, environmental credits, environmental tariffs, prices for environmental goods and services. A special environmental tax is widely used by leading countries in the field of greening [6]. It is a fixed deduction from the total amount of tax revenues. Among the various types and forms of environmental taxes, it is worth highlighting, firstly, environmental taxes and fees levied on emissions of pollutants and use of resources (EU countries); secondly, taxation of harmful industries (Germany, France, Great Britain, Netherlands).

It should be noted that environmental investments are primarily aimed at protecting and recreating conditions for supporting natural resource potential, taking into account the properties of self-regulation and self-renewal of ecosystems. Environmental investments are manifested primarily in: the development and use of environmental protection and purification equipment; the use of resource-saving technologies; the creation of a material and technical base for the use of renewable and environmentally friendly energy sources in the production process; the production of environmentally friendly products and the development of environmental infrastructure [7]. In terms of the form of manifestation, environmental investments involve financing projects aimed at the environmental modernization of production, the introduction of resource-saving technologies; financing the development and implementation of new regulatory documents in the environmental sphere and the improvement of existing environmental legislation on the basis of its harmonization with international standards; the development of environmentally friendly technologies. Environmental investments in different countries of the world are an important tool for implementing financial policies aimed at ensuring the principles of sustainable development.

### References:

1. Tsybuliak, A. H. (2016). Henezys rushiinykh syl ekolohizatsii mizhnarodnykh torhovelnykh vidnosyn [Genesis of driving forces of the greening of international trade relations]. *Skhidna Yevropa: Ekonomika, biznes ta upravlinnia*, 3, 37–40.
2. Tsybuliak, A. H. (2015). Naukovi osnovy ekolohizatsii svitovoho vyrobnytstva [Scientific foundations of the greening of global production]. *Stratehiia rozvytku Ukrainy (ekonomika, sotsiologhiia, pravo)*, 2, 124–127.
3. Tsybuliak, A. H. (2017). Teoretyko-metodolohichni aspekty analizu ekolohizatsii svitovoho hospodarstva [Theoretical and methodological aspects of analyzing the greening of the world economy]. In A. V. Rybchuk (Ed.), *Internatsionalizatsiia osvity i nauky: natsionalni osoblyvosti ta svitovi tendentsii: kolektyvna monohrafiia* [Internationalization of education and science: national characteristics and global trends: collective monograph]

(pp. 484). Drohobych: Vydavnychi viddil Drohobyskoho derzhavnoho pedahohichnoho universytetu imeni Ivana Franka.

4. Medvedieva, M., Yedeliev, R., Reznikova, N., Nanavov, A., & Grydasova, G. (2024). European strategy for achieving climate neutrality and analysis of legal instruments for its implementation. *Social & Legal Studios*, 7 (2), 64–74. <https://doi.org/10.32518/sals2.2024.64>.

5. Grod, M., & Reznikova, N. (2023). Rehuliatorni pastky tsyrkuliarnoi ekonomiky v politytsi perekhodiv YeS do stalosti: problemy identyfikatsii dzherel finansuvannia Novoho yevropeiskoho konsensusu z rozvytku ta Yevropeiskoho zelenoho kursu [Regulatory traps of the circular economy in the EU's sustainability transition policy: Problems of identifying financing sources for the New European Consensus on Development and the European Green Deal]. *Investytsii: praktyka ta dosvid*, 16, 49–57. <https://doi.org/10.32702/2306-6814.2023.16.49>

6. Grod, M., & Reznikova, N. (2023). Finansovi ta investytsiini instrumenty spriannia tsyrkuliarnii ekonomitsi: stalyi rozvytok i klimtychna neutralnist yak tryhery ozelenennia mizhnarodnykh rynkiv kapitalu [Financial and investment instruments for promoting the circular economy: Sustainable development and climate neutrality as triggers for greening international capital markets]. *Visnyk Khmelnytskoho natsionalnoho universytetu. Seriya: Ekonomichni nauky*, 3 (318), 249–259. <https://doi.org/10.31891/2307-5740-2023-318-3-39>.

7. Reznikova, N., Panchenko, V., Karp, V., Grod, M., & Stakhurska, S. (2024). The Relationship between the Green and Digital Economy in the Concept of Sustainable Development. *Economic Affairs*. 69 (Special Issue), 389–399. doi:10.46852/0424-2513.1.2024.41