

REVISTA DE DIREITO INTERNACIONAL
BRAZILIAN JOURNAL OF INTERNATIONAL LAW

Coordinating conflicts between environmental standards and trade competition through legal mechanisms: transplanting EU initiatives into Vietnam's framework

Coordenação de conflitos entre normas ambientais e a concorrência comercial por meio de mecanismos jurídicos: transplante de iniciativas da União Europeia para o arcabouço jurídico do Vietnã

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VOLUME 22 • N. 3 • 2025
TENSÕES REGULATÓRIAS NO DIREITO
INTERNACIONAL CONTEMPORÂNEO

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Coordinating conflicts between environmental standards and trade competition through legal mechanisms: transplanting EU initiatives into Vietnam's framework*

Coordenação de conflitos entre normas ambientais e a concorrência comercial por meio de mecanismos jurídicos: transplante de iniciativas da União Europeia para o arcabouço jurídico do Vietnã

Linh Nguyen Huu Khanh**

Abstract

The interaction between environmental standards and trade competition has emerged as one of the most pressing legal issues in the context of next-generation free trade agreements (FTAs). While environmental regulation seeks to safeguard ecological sustainability through binding technical requirements, trade law prioritizes market liberalization and the principle of non-discrimination. Tensions surface when environmental measures are perceived as disguised restrictions on trade or create uneven compliance burdens for foreign producers. The European Union (EU), through instruments such as the Emissions Trading System (ETS), the Carbon Border Adjustment Mechanism (CBAM), and the 2022 Guidelines on State Aid for Climate, Environmental Protection and Energy (CEEAG), has constructed an integrated model in which environmental protection is mainstreamed across trade and competition policy. According to 11 of the Treaty on the Functioning of the European Union, environmental intergration has been recognized as a core principle so that environmental protection serves as a prerequisites for the legitimacy of EU trade measures. Against this background, the paper evaluates Vietnam's legal framework in light of its participation in agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA), where environmental provisions though often soft-law in form, carry significant implications for domestic legislation and enforcement capacity. The fragmentation of Vietnam's legal system and the lack of an inter-ministerial coordination body have resulted in inconsistencies that harm environmental governance and compliance with international trade commitments. Accordingly, the EU's CBAM poses significant challenges, requiring accurate emissions data from supply chains. Currently, Vietnam does not have the systems to meet these requirements effectively. Under such circumstances, a hybrid legal model could be ideal for Vietnam, in which the policy makers consider transplanting the selective EU

* Recebido em 29/10/2025
Aprovado em 19/02/2026

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instruments into several domestic pieces of legislation. In particular, it is vital to harmonize trade, investment, and environmental regulations, integrating the carbon traceability and green procurement practices into legally binding rules and establishing a National Council on Green Trade Governance. These initiatives are designed to transform regulatory discrepancies into sustainable development catalysts, thereby enhancing global competitiveness and adherence to environmental standards.

Keywords: conflict management; environmental standards; trade competition; legal harmonization; EU law; coordination mechanism.

Resumo

A interação entre normas ambientais e a concorrência comercial emergiu como uma das questões jurídicas mais prementes no contexto dos acordos de livre comércio de nova geração (FTAs). Enquanto a regulação ambiental visa salvaguardar a sustentabilidade ecológica por meio de requisitos técnicos vinculantes, o direito do comércio internacional privilegia a liberalização dos mercados e o princípio da não discriminação. Tensões surgem quando medidas ambientais são percebidas como restrições disfarçadas ao comércio ou quando criam encargos de conformidade desiguais para produtores estrangeiros. A União Europeia, por meio de instrumentos como o Sistema de Comércio de Emissões (ETS), o Mecanismo de Ajuste de Carbono na Fronteira (CBAM) e as Diretrizes de 2022 sobre Auxílios Estatais para o Clima, Proteção Ambiental e Energia (CEEAG), construiu um modelo integrado no qual a proteção ambiental é transversal às políticas comercial e de concorrência. Nos termos do artigo 11 do Tratado sobre o Funcionamento da União Europeia, a integração ambiental é reconhecida como um princípio fundamental, de modo que a proteção do meio ambiente constitui um requisito para a legitimidade das medidas comerciais da União. Nesse contexto, o artigo avalia o quadro jurídico do Vietnã à luz de sua participação em acordos como o Acordo Abrangente e Progressivo para a Parceria Transpácífica (CPTPP) e o Acordo de Livre Comércio União Europeia–Vietnã (EVFTA), nos quais as disposições ambientais, embora frequentemente qualificadas como *soft law*, produzem implicações significativas para a legislação doméstica e para a capacidade de implementação. A fragmentação do sistema jurídico

vietnamita e a ausência de um órgão de coordenação interministerial têm gerado inconsistências que comprometem a governança ambiental e o cumprimento das obrigações comerciais internacionais. Ademais, o CBAM da União Europeia impõe desafios substanciais, exigindo dados precisos de emissões ao longo das cadeias de abastecimento. Atualmente, o Vietnã não dispõe de sistemas capazes de atender eficazmente a tais exigências. Diante desse cenário, um modelo jurídico híbrido revela-se adequado, no qual os formuladores de políticas considerem o transplante seletivo de instrumentos europeus para diferentes diplomas normativos internos. Em particular, mostra-se essencial harmonizar as regulações relativas ao comércio, ao investimento e ao meio ambiente, integrando mecanismos de rastreabilidade de carbono e práticas de compras públicas verdes em normas juridicamente vinculantes, bem como instituir um Conselho Nacional de Governança do Comércio Verde. Tais iniciativas visam transformar as discrepâncias regulatórias em vetores de desenvolvimento sustentável, fortalecendo, assim, a competitividade global e a conformidade com padrões ambientais.

Palavras-chave: gestão de conflitos; normas ambientais; concorrência comercial; harmonização jurídica; direito da União Europeia; mecanismos de coordenação.

1 Introduction

Alongside a global shift toward sustainable development, the environmental rules have been increasingly integrated into the next-generation FTAs. As a result, the challenges regarding the responsibilities of state coordination emerged, notably in developing countries. This paper will explore two significant questions: (i) How can legal systems mediate constraints between environmental rules and trade competition? and (ii) How to design a hybrid legal model to green the rules of free market economies based on a comparison between the EU and Vietnamese legal systems.

The authors adopt comparative legal analysis for identifying divergences and emerging convergences among FTAs. The comparison is carried out along three dimensions: horizontally across agreements such as CPTPP, EVFTA, RCEP, and USMCA to discern models of environmental chapter design; vertically - between international commitments undertaken in FTAs and the

domestic legal system of Viet Nam, to evaluate levels of consistency and challenges in the process of incorporation; and normatively through the assessment of regulatory techniques adopted to balance liberalization and sustainability. This methodological choice is grounded in international scholarship, which recognizes comparative analysis as a predominant tool in trade-and-environment law, beneficial for identifying the models of “trade for sustainable development” and the modalities of cross-sectoral legal coordination.

2 Theoretical framework for coordinating conflicts between environmental standards and trade competition through legal mechanisms

2.1 The nature of the conflict between environmental standards and trade competition

Environmental protection and trade liberalization represent critical paradigms that contribute to realizing sustainable development, a multifaceted goal aiming to balance economic growth, environmental care, and social fairness. Sustainable development requires a balanced approach that fosters economic advancement while ensuring ecological integrity and fair treatment of all stakeholders.

Environmental protection and trade liberalization can be synergistic, provided that appropriate regulatory frameworks are established. However, in practice, tensions often emerge between these two domains. Such conflicts may arise from divergent national priorities, varying degrees of regulatory intervention, or asynchronous policy implementation timelines among trading partners. Disputes frequently stem from perceptions that newly instituted environmental regulations impose unjust trade restrictions or preferential treatment for domestic over foreign products. For instance, if a jurisdiction implements stringent standards regarding product quality, greenhouse gas emissions, or sustainability certifications, it may inadvertently create competitive disadvantages for its trade partners that lack the infrastructure or capability to comply with the

se requirements. This situation can lead to allegations of non-compliance with international trade agreements, particularly those stipulating equitable treatment and non-discrimination.¹

At the national level, conflicts often manifest as legal fragmentation² - the coexistence of parallel yet uncoordinated sectoral legal systems, including environmental law, trade law, investment law, and corporate law. Instead of integrated and cross-referenced provisions aligned toward the goal of sustainable development, these systems frequently operate without effective intersectoral coordination mechanisms and lack a unified strategic vision.

Inconsistency and disconnect within environmental policy frameworks diminish the efficacy of implementation and heighten the risk of non-compliance with international obligations. This scenario burdens enterprises with complex legal requirements and complicates adherence to sustainable commitments at the global level.

The challenges are particularly pronounced in next-generation FTAs, where sustainable development commitments are categorized as “soft law.” Despite this legal characterization, they significantly shape national legal systems. Agreements such as the EVFTA, the CPTPP, and the UKVFTA incorporate dedicated environmental chapters. These provisions mandate member states to uphold their environmental standards rather than compromise them to attract foreign investment or enhance export capabilities, potentially leading to friction with domestic economic policies designed to support local industries.

2.2 The concept of coordinating conflicts between environmental standards and trade competition

In an era marked by advanced development and global interconnectivity, countries are increasingly compelled to balance economic growth with stringent demands for environmental sustainability. While both goals are inherently aligned towards achieving sustainable deve-

¹ SASMAL, S. *New approaches and challenges regarding trade, climate action, and the WTO*. New York: Columbia Center on Sustainable Investment (CCSI), 2024. p. 12–13.

² KOSKENNIEMI, M. *Report of the study group of the ILC, A/CN.4/L.682*. Apr. 2006. Available at: https://legal.un.org/ilc/documentation/english/a_cn4_l682.pdf. Access on: 2 Aug. 2025.

lopment, they frequently generate conflicts in legal enforcement and policymaking at the national level. These conflicts can manifest within domestic legal frameworks and between national statutes and international obligations, especially in the context of next-generation FTAs that increasingly encompass provisions related to sustainable development, environmental protection, climate change initiatives, and corporate social responsibility.³

An essential component of coordinating conflicts between environmental standards and trade competition is the application of comparative law as an effective tool to identify similarities or differences and to formulate appropriate legal recommendations in the context of legal harmonization and integration.⁴ Among the methods of comparative law, the functional method allows for assessing the suitability of adopting foreign legal models based on their regulatory functions rather than merely on the textual content of the legislation.⁵ As Alan Watson has pointed out, the transfer of law between legal systems can be effective, provided that the receiving institutions possess sufficient capacity to absorb and adapt it in accordance with endogenous conditions.⁶ To manage conflicts effectively, the comparison of legal systems serves as an important tool.⁷ Such comparison not only helps identify the strengths and limitations of each system but also enables countries to find optimal solutions for resolving legal conflicts.

As a result, effectively navigating the conflicts between environmental regulations and trade competition through legal frameworks involves intricate legislative technicalities and a comprehensive and systematic legal analysis. In this context, by harmoniously combining selective legal adoption, the development of a flexible legal framework, and the establishment of effective coordination mechanisms among regulations, Vietnam can fully transform challenges into driving forces-moving

toward the creation of a proactive and sustainable conflict management model.

2.3 Environmental standards and trade competition from a legal perspective

Environmental standards⁸ are regulatory frameworks designed to mitigate adverse environmental impacts from production and consumption processes. These standards consist of precise legal stipulations, typically of a binding character, that delineate acceptable thresholds or technical criteria applicable to the actions of governments, corporations, or individuals. Their primary objective is to preemptively address, regulate, and diminish detrimental effects on the ecosystem, ensuring compliance with ecological conservation principles. According to the OECD, environmental standards encompass various forms, such as emission limits, requirements for the adoption of clean technologies, product standards linked to carbon traceability or eco-labeling, and obligations for environmental reporting and monitoring throughout the entire supply chain.⁹ The World Trade Organization (WTO) considers these standards to be part of “Technical Barriers to Trade” (TBT), which are governed by the TBT Agreement within the WTO legal framework.¹⁰ Accordingly, for environmental standards to be recognized as legitimate in international trade, they must meet the requirements of non-discrimination, be based on scientific evidence, and avoid creating unnecessary barriers to trade.

These standards are typically grounded in scientific evidence, empirical data, and technical criteria to ensure both effectiveness and feasibility in implementation. According to the OECD, they include: (i) emission limits; (ii) mandatory clean technologies; (iii) product

³ COTTIER, T.; DELIMATISIS, P. *The prospects of international trade regulation in the era of sustainable development*. Cambridge: Cambridge University Press, 2011. p. 17–22.

⁴ LE XUAN, T. Applying the comparative method in legal science research: some issues to ponder. *Journal of Legislative Studies*, v. 12, n. 396, p. 68–76, 2021.

⁵ MICHAELS, R. The functional method of comparative law. In: REIMANN, M.; ZIMMERMANN, R. (eds). *The Oxford handbook of comparative law*. Oxford: Oxford University Press, 2005. p. 339–382.

⁶ WATSON, A. *Legal transplants: an approach to comparative law*. 2. ed. Georgia: University of Georgia Press, 1993. p. 21–23.

⁷ HOAN, N. Q. *Comparative law textbook*. Ho Chi Minh City: People's Police Publishing House, 2017. p. 43–45.

⁸ The term “environmental standards” is derived from the term “Rule-setting” as “rule-setting” are specific and often legally binding obligations imposed on states, industries or individuals to prevent environmental damage, often based on scientific and technical criteria”. See: COX. Environmental regulation and international trade. *International Environmental Law Review*, p. 213, 2004. See also: SANDS, P. et al. *Principles of international environmental law*. 4. ed. Cambridge: Cambridge University Press, 2018. pt 2.

⁹ ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT. *Environmental requirements and market access*. 2011. Available at: <https://www.oecd.org/env/ehs/non-tariff-measures.htm> Access on: 1 Aug. 2025.

¹⁰ WORLD TRADE ORGANIZATION. *Agreement on technical barriers to trade (TBT)*. 1995 Available at: https://www.wto.org/english/docs_e/legal_e/17-tbt.pdf Access on: 1 Aug. 2025.

standards such as carbon traceability or eco-labeling; and (iv) obligations for transparency, environmental reporting, and monitoring throughout the entire supply chain.¹¹ In the context of integration, these standards have become binding components of FTAs such as the EVFTA, CPTPP, UKVFTA, and USMCA, in the form of sustainable development provisions and environmental obligations.

Trade competitiveness refers to the capacity of a nation or enterprise to efficiently produce and export goods and services that satisfy international market requirements regarding quality, pricing, and standards, all while maintaining or expanding its global market presence. This competitiveness is regulated by domestic competition statutes and core WTO principles, including trade liberalization, anti-dumping regulations, subsidy oversight, and the Most-Favoured Nation principle.¹² As globalization progresses and free trade commitments expand, trade competition law increasingly intersects with so-called “non-traditional” issues, such as environmental standards, labor rights, and sustainable development practices.¹³

The interplay between environmental regulations and trade competitiveness can be synergistic and contentious. On one side, robust environmental standards can drive the transition toward sustainable business practices and enhance long-term competitive advantage. Conversely, poorly conceived or executed standards can be construed as technical barriers to trade, violating the tenets of international free trade. For instance, if a country mandates that imported goods possess carbon certifications or eco-labels without offering adequate technical support to exporting nations, it could lead to discriminatory practices and potential trade conflicts. Consequently, legal frameworks must be adeptly designed to create standards that fulfill environmental protection mandates while ensuring equity and transparency in global trade negotiations and practices.¹⁴

¹¹ ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT. *Environmental performance reviews: key environmental indicators*. Paris: OECD Publishing, 2020. p. 8–14.

¹² MATSUSHITA, M.; SCHOENBAUM, T. J.; MAVROIDIS, P. C.; HAHN, M. *The world trade organization: law, practice, and policy*. 3. ed. Oxford: Oxford University Press, 2015. p. 548–557.

¹³ EUROPEAN COMMISSION. Trade and Sustainable Development (TSD). *Chapters in EU Free Trade Agreements*. 2020. Available at: <https://policy.trade.ec.europa.eu/> Access on: 1 Aug. 2025.

¹⁴ BONSI, R.; HAMMETT, A. L.; SMITH, R. Eco-labels and international trade: problems and solutions. *Journal of World Trade*, v. 42, n. 3, p. 407, 2008.

3 The EU's model for coordinating conflicts between environmental standards and trade competition

3.1 Integration of environmental standards into European Union law

The EU has crafted a unique regulatory and institutional coordination framework to align environmental objectives with international trade imperatives. Emphasizing sustainable development while maintaining fair competition, the EU has implemented a cohesive legal architecture and multi-tiered coordination mechanisms to effectively reconcile the tensions between rigorous environmental standards and trade liberalization principles. This framework is anchored in foundational legal principles such as the rule of law, proportionality, and transparency, facilitating a balanced approach to policymaking in environmental protection and trade relations.¹⁵

Environmental integration is explicitly recognized and made legally binding under Article 11 of the Treaty on the Functioning of the European Union (TFEU), which provides: “Environmental protection requirements must be integrated into the definition and implementation of the Union’s policies and activities, in particular with a view to promoting sustainable development.” The EU Charter of Fundamental Rights and cross-sectoral initiatives such as the European Green Deal significantly support the integration of environmental considerations within EU policy frameworks. Notably, Article 11 of the Treaty on the Functioning of the European Union (TFEU) mandates the inclusion of environmental protection criteria in all EU policies and activities, encompassing areas like trade and competition, to foster sustainable development.¹⁶ This provision embodies the “mainstreaming” approach¹⁷ prevalent in EU jurisprudence, signifying that environmental protection is no longer relegated to a secondary

¹⁵ ARIAS, C.; VARELA-ALDÁS, J. Sustainable development as a transformative axis of the European Union’s trade policy. *Sustainability*, v. 17, n. 15, p. 7151, 2025.

¹⁶ JORDAN, A.; LENSCHOW, A. Environmental policy integration: a state of the art review. *Environmental Policy and Governance*, v. 20, n. 3, p. 147, May 2010.

¹⁷ This is the principle of horizontal environmental integration.

status but is considered a fundamental prerequisite for the legitimacy of trade policy.¹⁸

To operationalize the integration of environmental standards into the fields of trade and investment, the EU has developed a comprehensive set of legal instruments, encompassing market-based mechanisms, border adjustment measures, and green finance support schemes. Three key instruments exemplify the EU's multi-layered regulatory framework and methodology for reconciling environmental and trade priorities, highlighting its systemic legal strategy to foster a sustainable internal market. These include:

First, the EU Emissions Trading System (ETS) which is the world's largest greenhouse gas emissions trading scheme, operates as a market-based mechanism built on the cap-and-trade principle.¹⁹ The EU Emissions Trading System sets an overall emission cap for the entire region²⁰, allocates or auctions emission allowances to businesses and permits the trading of these allowances on the market. In the EU ETS, the "emission cap" refers to the total volume of GHG²¹ emissions allowed within the EU for each trading period, codified in EU directives. This is a system-level emission control instrument that facilitates the creation of a market for trading allowances, thereby achieving environmental objectives in a cost-effective manner. In essence, the EU ETS is not only an environmental protection tool but also a financial-commercial regulatory institution²², generates a carbon price signal to influence corporate behavior in a cost-effective manner.²³ Businesses can

trade these allowances on the market to optimize compliance costs. A key characteristic of the EU Emissions Trading System (EU ETS) is its capability to convert environmental obligations into financial instruments, facilitating not only the attainment of emission reduction targets but also influencing market dynamics in a streamlined and transparent fashion. This framework exemplifies the effective use of regulatory mechanisms to align environmental priorities with market objectives through carbon pricing signals. Currently, the EU ETS is operating within its fourth phase (2021–2030), aiming for a minimum 62% reduction in emissions by 2030 compared to 2005.²⁴ This system's distinctive feature lies in its role as a regulatory tool that enhances market behavior regulation by transforming environmental commitments into tradable commodities.

Second, the Carbon Border Adjustment Mechanism (CBAM). The EU has designed CBAM as an environmental regulatory safeguard²⁵, to address the phenomenon of "carbon leakage".²⁶ The proposed mechanism mandates that imported goods from nations lacking equivalent environmental standards undergo a financial adjustment reflecting their embedded carbon emissions. The CBAM serves not only as a tool for environmental protection but also as a pivotal mechanism for ensuring competitive equity in international trade, promoting a level playing field among domestic and foreign producers.²⁷ Under this mechanism, imported products such as steel, cement, aluminum, fertilizers, and electricity must declare their embedded carbon emissions and are subject to a corresponding financial adjustment if they do not meet standards equivalent to those of the EU ETS. CBAM thus serves both as an environmental protection measure and as a means of maintaining fairness in international competition, ensuring the principle of a "level playing field".²⁸ At the same time, the EU has de-

¹⁸ PAUWELYN, J. *International trade and environmental regulation*. Cambridge: Cambridge University Press, 2006. p.143.

¹⁹ "Cap-and-trade" is a combined legal-economic mechanism that helps turn environmental protection goals into cost-effective business practices, creating a more dynamic, flexible and efficient carbon market than rigid administrative measures. The "cap-and-trade" principle is institutionalized in the EU Directive 2003/87/EC, Article 17 of the Kyoto Protocol, and domestic laws of many countries such as the US and China.

²⁰ EUROPEAN UNION. Directive (EU) 2018/410 amending Directive 2003/87/EC [2018] OJ L76. *Official Journal of the European Union*, Mar. 2018.

²¹ Total greenhouse gas emissions (GHG emissions) are the total mass of greenhouse gases emitted into the atmosphere from natural and human activities over a given period of time, usually calculated annually and converted to standard units of tonnes of CO₂ equivalent (tCO₂-eq).

²² EUROPEAN UNION. Regulation (EU) 2023/956 establishing a carbon border adjustment mechanism, recital 12. May 2023. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R0956> Access on: 15 July 2025

²³ ELLERMAN, D. *Emission trading in the European Union*. Cam-

bridge: Cambridge University Press, 2008. p. 67–95.

²⁴ EUROPEAN COMMISSION. *EU Emissions Trading System (EU ETS)*. Available at: https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets_en Access on: 2 Aug. 2025.

²⁵ VAN ASSELT, H.; MEHLING, M. Trade and climate change: towards a legal framework for border carbon adjustments. *European Journal of International Law*, v. 29, n. 2, p. 411–436, 2018.

²⁶ ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT. *Aligning policies for a low-carbon economy*. Paris: OECD Publishing, 2021. p. 94–95.

²⁷ LAFARGE, A. The impact of CBAM on international trade. *Journal of Environmental Law*, 2021. p. 121.

²⁸ The "level playing field" principle is a fundamental principle in trade and competition policy, aiming to ensure that all market entities, regardless of country or region of origin, operate in a fair legal

signed CBAM with clear criteria for transparency, non-discrimination, and compliance with WTO principles, so as to avoid being perceived as a disguised form of protectionism.²⁹

Third, the Green State Aid mechanism. To promote the green transition in key economic sectors, the EU has issued the 2022 Guidelines on State Aid for Climate, Environmental Protection and Energy (CEEAG). The Green State Aid framework enables Member States to grant financial assistance to enterprises implementing clean technologies while remaining compliant with the competition rules outlined in Article 107 TFEU. The CEEAG serves a regulatory function, ensuring that environmental protection mandates are harmonized with the necessity of preserving competitive dynamics within the internal market.³⁰ To facilitate the green transition, the EU has implemented a framework that allows Member States to channel financial assistance to enterprises embracing clean technologies, all while adhering to competition regulations. The CEEAG articulates the specific criteria for permissible state aid, underscoring the principles of transparency, necessity, and the efficient allocation of public resources. This approach exemplifies the EU's adaptive interpretation of competition law to further sustainable development goals.³¹

Integrating the EU Emissions Trading System (ETS), the CBAM, and the Green State Aid framework has resulted in a cohesive regulatory landscape within the European Union. This ecosystem³² facilitates realizing environmental objectives by blending market-based instruments, border adjustment measures, and

and cost environment. See: EUROPEAN COMMISSION. *Regulation (EU) 2023/956 establishing a carbon border adjustment mechanism OJ L130*. Recital 12. May. 2023. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R0956> Access on: 15 July 2025.

²⁹ EUROPEAN COMMISSION. *CBAM transitional period guidance document*. 2023. Available at: https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en Access on: 1 Aug. 2025.

³⁰ EUROPEAN COMMISSION. *2022 Guidelines on state aid for climate, environmental protection and energy (CEEAG)*. Nov. 2022.

³¹ EUROPEAN COMMISSION. *2022 Guidelines on state aid for climate, environmental protection and energy (CEEAG)*. Nov. 2022. OJ C80/1.

³² The EU's "regulatory ecosystem" is an integrated, multi-layered, and cross-sectoral regulatory system, institutionalized through: i) Foundational Treaties (TEU, TFEU); ii) Strategies such as the Green Deal, Fit for 55; iii) Operational mechanisms such as the Better Regulation Guidelines. This ecosystem allows the EU to balance trade, environmental and sustainable development goals within a unified legal framework, while also being able to adapt to partner countries such as Vietnam through the EVFTA.

state support mechanisms. Such an approach maintains an equilibrium between environmental stewardship and the incentives for free trade.

The interplay between the EU ETS, CBAM, and Green State Aid creates a robust regulatory architecture in which environmental goals are closely intertwined with trade dynamics and economic imperatives. This framework mitigates potential clashes between environmental regulations and competitive trade practices. It provides a flexible institutional model that can be tailored and disseminated to trading partners, particularly in developing nations.

3.2 Intersectoral coordination mechanisms and co-governance institutions under the EU Model

The EU has developed a practical framework for reconciling environmental standards with trade competition, establishing a governance structure and inter-institutional coordination mechanisms that promote policy coherence across various sectors. This multi-tiered integrated governance model is particularly prominent in the execution of the European Green Deal, facilitating both horizontal and vertical alignment among EU institutions and Member States. As outlined, "Governance mechanisms will ensure horizontal and vertical coordination among EU institutions and Member States," thereby enhancing synergies and fostering cohesive policy implementation.³³ The text embodies a fundamental tenet of the EU's environmental governance framework, emphasizing the necessity of cross-sectoral and multi-level coordination. This institutional architecture is pivotal for effectively executing key climate initiatives, including the Green Deal, the CBAM, and the Fit for 55 package³⁴. It ensures synergies and coherence among the diverse environmental policy objectives, trade regulations, and sustainable development strategies.

Within the framework of the European Union, the Directorate-General for the Environment (DG ENV) and the Directorate-General for Trade (DG TRADE)

³³ EUROPEAN COMMISSION. *The European Green Deal*. COM. 640-final. Brussels, Dec. 2019.

³⁴ "Fit for 55" is a comprehensive policy package of the European Union (EU) announced by the European Commission on July 14, 2021 to achieve the target of reducing greenhouse gas (GHG) emissions by at least 55% by 2030 compared to 1990 levels to achieve carbon neutrality by 2050, according to the European Climate Law.

are pivotal in the coordination process regarding environmental standards and FTAs. All significant decisions related to formulating environmental regulations and negotiating and ratifying FTAs are subject to an extensive consultation protocol between these two directorates. This ensures that environmental considerations are integrated into trade policies and agreements effectively.³⁵ This reflects the principle of “mandatory inter-departmental consultation”³⁶ with the aim of minimizing policy conflicts and ensuring that sustainable development objectives are mainstreamed throughout the trade policymaking process. In addition, the EU implements a soft co-regulation mechanism through institutions such as the Trade and Sustainable Development (TSD) Committees established under its FTAs³⁷. The TSD Committees function as crucial intergovernmental dialogue platforms, facilitating stakeholder engagement with entities such as the business sector, civil society organizations, and international environmental agencies. This framework promotes transparency in the formulation and execution of environmental standards linked to trade, thereby enhancing accountability and institutional legitimacy. These committees are grounded in the constitutional provisions of the Treaty on European Union (TEU). They are supported by the White Paper on European Governance,³⁸ with implementation guided by the Better Regulation Guidelines.³⁹ These principles apply to internal EU policymaking and extend to the governance frameworks of FTAs, such as the EVFTA, through institutions like the TSD Committee and the Civil Society Forum. The incorporation of intersectoral institutions and soft co-regulation mechanisms within the EU’s coordination system has effectively mitigated

³⁵ YOUNG, O. R. The coordination of environmental and trade policies in the EU. *European Law Journal*, p. 76, 2020.

³⁶ EUROPEAN COMMISSION. *Commission Decision (EU) 2021/2121*. Rules of procedure of the commission. Dec. 2021. p. 8759-final. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021D2121> Access on: 2 Aug. 2025.

³⁷ BARTELS, L. The EU’s trade and sustainable development chapters: towards co-regulatory governance?. *Journal of International Economic Law*, v. 24, n. 3, p. 465-491, 2021.

³⁸ White Paper on European Governance published by the European Commission on 25 July 2001, is a strategic policy document aimed at reforming governance in the European Union (EU) to meet the demands for transparency, efficiency, legitimacy and democratic participation in the context of the EU’s enlargement and the challenge of globalization.

³⁹ Better Regulation Guidelines is an official guideline document of the European Commission, issued to improve the quality of EU policy and law-making through the principles of soundness, transparency, responsiveness and efficiency.

legal conflicts between environmental goals and trade imperatives, while offering a flexible framework for resolving potential disputes in next-generation FTAs.

4 Harmonizing environmental and trade law in the implementation of the EVFTA and implications for Vietnam

4.1 Harmonizing environmental and trade policies within the framework of the EVFTA

In the context of international integration and increasing pressure from global environmental standards, Vietnam is confronted with substantial challenges in reconciling environmental protection with trade development. The implementation of FTAs and adherence to international commitments necessitate that Vietnam pursue sustainable economic growth while meeting rigorous environmental regulations. Drawing from the EU’s experiences can provide valuable legal frameworks that Vietnam can leverage to navigate environmental-trade conflicts, emphasizing the integration of national and international legal instruments to create a cohesive and adaptable regulatory environment.

The EU has established an adequate legal framework for aligning environmental protection with trade policies through mechanisms like the ETS and the CBAM. Although the EU has successfully executed these instruments and achieved significant policy coherence between its environmental and trade objectives, Vietnam currently struggles to harmonize its legal frameworks across these two critical areas. This presents an opportunity for Vietnam to analyze and adapt strategies that ensure compliance with environmental standards while facilitating trade growth. Existing regulations in Vietnam are not yet fully integrated, resulting in inconsistencies in implementing international commitments on environmental protection and free trade.⁴⁰

The EU endorses the principle of CBDR in implementing environmental standards for its partner countries, especially those in the developing world. Rather

⁴⁰ VAN ASSCHE, A.; SORSA, M. *European Union law and policy on trade and environment*. Oxford: Oxford University Press, 2018. p. 74.

than enforcing uniformly stringent standards from the outset, the EU employs a phased adjustment strategy. This strategy includes establishing transitional mechanisms and providing technical assistance programs aimed at bolstering the capacity of these nations to meet green compliance benchmarks. The objective is to facilitate the process of “domesticating international standards” methodically, which aligns with each country’s unique institutional, economic, and technical capabilities.

A notable example is the implementation of EVFTA support programs. These programs are designed not only to meet the requirements of CBAM and the sustainability commitments under the EVFTA, but also to strengthen the endogenous capacity of Vietnam’s private sector in the green transition and in deeper integration into global value chains. The strategic integration of adaptive policy frameworks and tailored technical support has allowed the EU to uphold the international legitimacy of its environmental regulatory instruments, such as the CBAM. This approach simultaneously fosters the acceptability and practical execution of environmental commitments within trade agreements, particularly for developing nations.⁴¹ The EVFTA enhances the synergy between the two parties in enforcing environmental standards alongside free trade obligations. It includes explicit provisions to bolster environmental protection measures and green standards, mandating Vietnam to elevate its environmental protection protocols. This is particularly critical in carbon emissions reduction, sustainable procurement practices, and eco-certification processes.

The EVFTA transcends a standard trade agreement, functioning as a strategic framework that empowers Vietnam to refine its legal policies in response to the interplay between trade and environmental sustainability. The environmental stipulations in the agreement mandate that Vietnam ensure its environmental regulations facilitate rather than obstruct trade activities while concurrently promoting sustainable production practices. Furthermore, the EVFTA incentivizes the establishment of a cohesive legal infrastructure whereby key governmental entities, including the Ministry of Agriculture and Environment, the Ministry of Industry and Trade, and the Ministry of Finance, collaborate to align environmental regulations with trade policies,

⁴¹ SMITH, A. *The EU and developing countries: environmental trade policy*. England: Routledge, 2017. p. 89.

thereby fostering a synergistic approach to regulatory governance.

This calls for institutional reform and the development of intersectoral coordination mechanisms, similar to the EU model, so that environmental and trade policies can be compatible and mutually supportive. In this process, Vietnam can draw lessons from the EU on applying regulatory tools such as CBAM and the EU ETS to control carbon emissions while adjusting trade policies to protect clean, environmentally friendly industries. However, Vietnam must adapt the implementation timeline for these standards to its domestic realities, particularly with regard to small and medium-sized enterprises and the constraints of a developing economy.

Both the EU and Vietnam face significant challenges in harmonizing environmental and trade policies, particularly as international environmental standards become increasingly stringent. However, through the EVFTA, Vietnam has the opportunity to develop a flexible legal environment that integrates both national and international legal instruments, such as green procurement regulations and carbon traceability requirements, to ensure that these policies do not hinder but rather promote trade development. This represents an opportunity for Vietnam not only to comply with its international commitments but also to establish a strong legal foundation aligned with its long-term sustainable development objectives.⁴² Navigating the intersection of environmental protection and trade development presents a significant challenge for Vietnam, particularly in the context of deepening international integration and the adoption of increasingly rigorous environmental standards. Vietnam can establish a streamlined legal infrastructure by employing adaptive legal strategies and drawing lessons from the European Union’s regulatory frameworks. This will mitigate potential conflicts and foster sustainable development while adhering to its international obligations regarding free trade and environmental stewardship.

The rise of global environmental standards, especially within the framework of FTAs, has intensified the scrutiny on Vietnam’s environmental-trade legal architecture and its institutional governance mechanisms. Addressing these pressures is crucial for aligning

⁴² SMITH, A. *The EU and developing countries: environmental trade policy*. England: Routledge, 2017. p. 89.

Vietnam's economic growth trajectory with sustainable environmental practices. Commitments on sustainable development in agreements such as the EVFTA, CP-TPP, and RCEP are no longer mere declarations but have been translated into binding legal obligations, making the need for public policy coordination extend well beyond the remit of individual sectors.

Vietnam's legal framework and institutional architecture exhibit several endogenous deficiencies that pose considerable obstacles to reconciling environmental standards with trade objectives. A key institutional challenge in embedding environmental priorities within trade policy is the absence of legal and procedural coherence, which undermines effective integration and management of these often conflicting priorities. For example, while the 2020 Law on Environmental Protection has begun to domesticate environmental obligations linked to economic activities, such as Extended Producer Responsibility (EPR) and obligations for environmental impact-related product traceability, these provisions have yet to be harmonized with the 2020 Law on Investment, the amended 2005 Law on Commerce, and the 2020 Law on Enterprises. The absence of cross-references and integrated environmental obligations across these laws has resulted in overlapping legal provisions and, in some cases, conflicting rules on compliance responsibilities for exporting enterprises.

Beyond legal constraints, Vietnam also lacks an official intersectoral coordination mechanism among the relevant ministries. While the Ministry of Natural Resources and Environment (MONRE) is responsible for environmental policy, the Ministry of Industry and Trade (MOIT) oversees import–export management, and the Ministry of Planning and Investment (MPI) manages public investment and enterprise development, there is currently no horizontal, binding coordination body with clearly allocated authority to address cross-cutting issues such as green trade standards, carbon traceability, or pressures arising from the EU's CBAM. This lack of institutional linkage not only hampers the development of coherent policies but also creates enforcement gaps, where environmental obligations and trade interests may be overlooked or come into conflict without an effective resolution mechanism.⁴³

⁴³ UNITED NATIONS DEVELOPMENT PROGRAMME. *Vietnam, policy brief: governance for green trade and carbon border adjustment mechanism (CBAM)*. Vietnam: UNDP, 2022. Available at: <https://www.undp.org/vietnam/publications> Access on: 15 July

The EU's official launch of the CBAM transitional phase in October 2023 for products with a high risk of carbon leakage, such as steel, cement, aluminum, and fertilizers, has placed Vietnam, a major exporter to this market, in a position where it must develop infrastructure for measuring and tracing product emissions across the supply chain. However, as of now, Vietnam has yet to establish a national system capable of collecting, verifying, and standardizing product-level emissions data, a prerequisite for enterprises to make accurate and compliant CBAM declarations that will be accepted by the EU.⁴⁴ This situation not only forces exporting enterprises to rely on foreign certification bodies, thereby increasing costs and reducing competitiveness but also undermines the country's autonomy in controlling emissions and advancing the development of a domestic carbon market, as required under the Law on Environmental Protection and the Government's plans related to the Net Zero 2050 commitment.⁴⁵

4.2 Prospect of integration into Vietnam's legal framework

Based on the foregoing analysis, this article outlines potential solutions that could be incorporated into Vietnam's legal framework for consideration as follows: First, harmonizing laws to coordinate conflicts between trade competition and environmental standards. Legal harmonization is a crucial step in improving Vietnam's legal framework, especially in the context of international integration. At present, Vietnam's legal provisions on the environment, investment, and trade remain fragmented and have not yet been fully integrated in a coherent manner.⁴⁶ The current situation has resulted in discrepancies in enforcing international environmental protection and free trade obligations. Vietnam must

2025.

⁴⁴ EUROPEAN COMMISSION. *CBAM: implementing regulation – transitional period [2023]* OJ L230/Annex IV.

⁴⁵ EURO CHAM VIETNAM. *Position paper on CBAM and Vietnam's readiness*. 2023. p. 5–7.

⁴⁶ The 2020 Law on Environmental Protection has made commitments on natural resource management, emission reduction, and biodiversity protection. However, these regulations are mainly aimed at domestic management and have not been fully integrated into economic and trade policies, especially when Vietnam participates in international agreements such as the EVFTA with the EU. See: UNITED NATIONS DEVELOPMENT PROGRAMME. *Vietnam and CIEM: report assessing the legal framework on trade–environment linkage in the context of EVFTA implementation*. Vietnam: UNDP Vietnam, 2023. p. 7–15.

create a comprehensive intersectoral legal review mechanism to mitigate these challenges. This mechanism should ensure the alignment of regulations governing environmental standards, investment protocols, and trade policies. Such a mechanism must ensure that environmental regulations do not conflict with international trade rules, while also avoiding the creation of unnecessary trade barriers. Relevant agencies, such as the Ministry of Agriculture and Environment, the Ministry of Industry and Trade, and the Ministry of Finance, should work closely together to develop harmonized regulations across these sectors.

In this regard, close and intersectoral coordination can be reflected through specific provisions so as to require State agencies to implement robust regulations in public procurement that enhance green procurement practices. These regulations should incentivize enterprises and public organizations to prioritize acquiring environmentally sustainable products and services within their procurement frameworks. When evaluating public procurement contracts, government entities must prioritize offerings that possess recognized environmental certifications, such as eco-labels or ISO 14001 accreditation. To facilitate this, it is necessary to establish clear and comprehensive green procurement standards, specifying criteria that include minimizing carbon emissions, utilizing recycled materials, and integrating clean production technologies into the procurement process.

Public investment projects must also apply green procurement standards when selecting contractors, ensuring that projects do not harm the environment and that products with minimal impact on nature are used. Enterprises supplying goods and services to government agencies must ensure transparency in reporting emissions levels and resource use in the production of their goods and services.⁴⁷

In addition to green procurement practices, introducing carbon traceability regulations is essential to enable enterprises and government agencies to easily track and report carbon emissions throughout the supply chain. This will help Vietnam meet international standards such as the EU's CBAM.⁴⁸ To take advantage of

Vietnam's export opportunities in key sectors in the EU market, the Ministry of Agriculture and Environment should create a clear carbon emissions reporting system for important industries like steel, cement, agribusiness, and textiles. This system would require companies to provide official emissions data for each product along the supply chain. A national carbon certification program should also be established to recognize products that meet specific low-carbon standards. This allows businesses to share certified carbon emissions data for their products when exporting to international markets, especially the EU. It is also essential for companies to ensure carbon traceability. This means providing clear information about the entire production process, from acquiring raw materials to manufacturing, showing the total carbon emissions linked to each product. To help businesses meet these goals, the government should offer strong technological and technical support to help them reduce emissions and comply with low-carbon standards.

Second, establishing a coordination mechanism for managing conflicts between trade and the environment is an equally essential task. To effectively implement legal strategies, it is crucial to undertake institutional reforms that enhance coordination among relevant entities. Government agencies and organizations engaged in environmental protection, investment, and trade must develop the capacity to collaborate and provide coherent intersectoral policy guidance. This approach will facilitate aligning environmental protection initiatives with trade development objectives. One viable solution to achieve this synergy is the establishment of a National Council on Green Trade Governance. This council would serve as an intersectoral coordination and policy advisory body, helping to design appropriate policies and measures to resolve conflicts between environmental and trade objectives. It would also play a role in developing a digital platform to support enterprises in complying with green standards and minimizing environmental impacts. In addition to creating such coordinating bodies, integrating digital platforms to assist businesses in meeting green standards is crucial.⁴⁹ Enterprise platforms can facilitate real-time compliance with evolving environmental regulations, enabling organizations to systematically implement measures that align with international standards. This proactive ap-

⁴⁷ VIETNAM. Ministry of Natural Resources and Environment. *National action plan on green public procurement for the period 2021–2025*. Decision n° 889/QĐ-BTNMT. 25 May 2021.

⁴⁸ LAFARGE, A. The impact of CBAM on international trade. *Journal of Environmental Law*, 2021. p. 121.

⁴⁹ EURO CHAM VIETNAM. *Position paper on CBAM and Vietnam's readiness*. 2023. p. 8–10.

proach ensures regulatory adherence and bolsters the global competitiveness of Vietnamese products in the international marketplace.⁵⁰

The third suggestion for Vietnam is to apply the principle of environmental integration through conditional adoption. Vietnam is currently in a transitional phase in the process of domesticating trade commitments alongside international environmental standards, particularly within the framework of next-generation FTAs such as the EVFTA and CPTPP. Implementing the principle of integrating environmental policy into other sectors - especially trade and investment - requires progress in both legislative development and institutional enforcement. From a comparative law perspective, the EU's horizontal integration model, established in Article 11 TFEU, exemplifies Environmental Policy Integration (EPI) by imposing a legal requirement to incorporate environmental considerations across all policy domains. While Vietnam has yet to adopt a counterpart to this framework within its legal architecture, the provisions outlined in Article 3 of the 2020 Law on Environmental Protection indicate a preliminary move towards EPI. This article articulates that "environmental protection is the right, obligation, and responsibility of all entities in socio-economic development," signifying a foundational step towards integrating environmental concerns into broader socio-economic policies in Vietnam. To operationalize this principle, Vietnam needs to shift from a voluntary, encouragement-based approach to a legislative approach to environmental standards, whereby trade and environmental policies are developed in parallel and in an integrated manner.⁵¹

Moreover, it is vital to establish intersectoral coordination institutions and domesticating green standards. Vietnam could establish a National Green Trade Policy Coordination Council, leveraging the EU's framework. This intersectoral body would provide expert advice, conduct policy reviews, and facilitate enhanced policy alignment among pertinent ministries. Its role would be crucial in promoting the cohesive development of green trade initiatives across sectors. This institution would be designed to ensure coherence between emission reduc-

tion objectives and the maintenance of trade competitiveness.⁵² At the same time, to enhance implementation effectiveness, Vietnam should gradually domesticate international-standard green technical criteria, such as: (i) regulations on product carbon traceability; (ii) criteria for green public procurement; and (iii) eco-label and green certification standards. These standards should be embedded in binding legal instruments - such as the 2024 Law on Public Investment and the 2023 Law on Procurement - thereby shifting from a recommendatory level to a mandatory legal framework. In addition, digital data platforms for emissions inventories and carbon traceability should be developed, serving as soft institutional infrastructure to support the future implementation of EVFTA-CBAM commitments.⁵³

5 Conclusion

The interplay between environmental regulations and competitive trade dynamics poses significant legal hurdles, especially in comprehensive FTA integrations. Vietnam can leverage insights from the EU model to craft a legal framework that effectively reconciles these conflicts, promoting a transition to greener practices while safeguarding national trade interests. Navigating the tension between environmental sustainability and economic growth presents a formidable challenge for Vietnam, particularly in the context of increasing international integration and evolving global environmental standards. Nonetheless, by adopting flexible legal mechanisms informed by EU experiences and the stipulations of the EVFTA, Vietnam can cultivate a cohesive legal landscape that mitigates conflicts and fosters sustainable development while adhering to its international obligations concerning free trade and environmental stewardship.

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⁵⁰ EUROPEAN COMMISSION. *Working better together: inter-service cooperation in trade and environment policies*. Brussels: European Commission, 2021. Available at: <https://ec.europa.eu/> Access on: 5 July 2025.

⁵¹ WATSON, A. *Legal transplants: an approach to comparative law*. 2. ed. Georgia: University of Georgia Press, 1993. p. 21-23.

⁵² YOUNG, O. R. The coordination of environmental and trade policies in the EU. *European Law Journal*, p. 76, 2020.

⁵³ SIANI, B.; MEHMETI, S. The importance of comparative law for the development of contemporary law. *Juridical Tribune*, v. 15, n. 1, p. 5-23, 2025.

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