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International Trade & Sustainability

EU trade policy options to tackle climate change

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Outline presentation

1. Introduction
2. EU trade agreements as leverage for change?
3. Multilateral trade rules and climate change
4. Unilateral trade preferences and sustainability
5. Conclusions

1. Introduction

Using trade policy to tackle climate change?

- EU trade policy seeks to liberalise: lower tariffs and market access
- Trade liberalisation can result in positive or negative climate impacts: *scale, composition and technique effects*
 - Your company?

2. EU trade agreements as leverage for change?

EU trade policy as leverage for change?

- EU trade agreements improve ease of doing business, spread EU norms and standards, and include **sustainable development provisions**: social, environmental and labour commitments
 - In theory, links between trade and climate could be expected to strengthen sustainability commitments, e.g. reinforce commitment to Paris Agreement
 - However, current form of trade agreements does not automatically improve compliance

Case study: EU-Mercosur Trade Agreement

- During the **Amazon rainforest fires** some EU leaders called for EU-Mercosur Agreement to be frozen or rejected to leverage stronger environmental action
 - Commission defended the deal: deforestation happening regardless, only 99.000 tonnes of beef to enter EU with 7.5% tariff, while Brazil produces 11 million tonnes of beef/yr and quota split between 4 countries
 - Includes TSD provisions such as *inter alia* requirements to abide by labour and environment standards, promote corporate social responsibility and sustainably trade in natural resources, but
 - › No quantifiable targets e.g. emission reduction targets
 - › Not under the general dispute settlement mechanism with possibility to reinstate tariffs, but separate procedures for disputes (consultations, panel of experts, recommendations)

3. Multilateral trade rules and climate change

Multilateral trade rules and climate change

- **WTO Preamble:** sustainable development a key objective and principle for international trade relations
- In the General Agreement on Tariffs and Trade (GATT), the **general exception** Article XX lays down conditions under which members may take trade-restrictive measures “necessary to protect human, animal or plant life or health”
 - Incorporated into **EU trade agreements**, including EU-Mercosur
 - Planned EU **carbon border adjustment mechanism** could potentially be justified under the general exception

4. Unilateral trade preferences and sustainability

Unilateral trade preferences and sustainability

- EU's Generalised Scheme of Preferences grants unilateral tariff cuts to developing countries as a means to support their development
- EU has the option to launch enhanced engagement with a beneficiary who disrespects key conditions (e.g. Cambodia 2020)
- Beneficiaries of GSP+ (Armenia, Bolivia, Cape Verde, Kyrgyzstan, Mongolia, Pakistan, Philippines, Sri Lanka) must sign up to all 27 international conventions including on environment and commit to effective implementation
 - However, other countries that are beneficiaries of GSP (low to lower middle income) and Everything But Arms (least developed countries) do not extend **multilateral environmental agreements** as grounds for temporary removal of preferences

5. Conclusions

Key take-aways

1. **Trade agreements** include binding sustainable development provisions but not reinstatement of tariffs in case of disputes – Netherlands and France have signalled aims to change
2. Sustainable development enshrined in the **preamble of WTO**, and there will be efforts to make EU carbon border adjustment compatible
3. EU cannot withdraw certain tariff preferences granted to **developing countries** on the basis of environmental agreement violations
4. Outside trade policy toolkit, consumer choices **and corporate social responsibility** can help foster climate action domestically and abroad, complementing government efforts

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Thank you!

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