EU Trade Policy,
Private Transnational Governance,
and Non-trade Objectives

Matteo Fiorini

European University Institute (Florence), DIE

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Plan of the talk

• Introduction: the RESPECT research agenda

• EU trade policy and non-trade policy objectives (NTPOs)

• Voluntary Sustainability Standards Systems (VSS) in the Trade policy - NTPOs equation
RESPECT EU trade policy and NTPOs

• Realising Europe’s Soft Power in External Cooperation and Trade

• Horizon 2020 work program topic “The strategic potential of EU external trade policy”

• Duration: 3 years (2018-2020)

• Coordinator: Bernard Hoekman (EUI)
Consortium
RESPECT research agenda in a diagram

Interdisciplinary (polisci, econ, law) assessment of

Source: Adapted from RESPECT Proposal (2018)
EU trade policy and non-trade policy objectives
EU trade policy and NTPOs

• NTPOs as reflection of international values recognized and adopted in Lisbon

• EU strategy: use trade policy as a tool to promote NTPOs
  - Malström’s trade for all strategy
  - GSP/GSP+
  - Depth in trade agreements
  - etc
EU trade policy and NTPOs

- NTPOs as reflection of international values recognized and adopted in Lisbon

- EU strategy: use trade policy as a tool to promote NTPOs
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  - etc

- Why?
  - Normative power Europe (Manners 2002; Meunier and Nicolaidis 2006; Garcia 2013; Young and Peterson 2014; Young 2015; Sicurelli 2015)
  - Respond to economic interests of key constituencies (Poletti and Sicurelli 2015; Lechner 2016)
NTPOs in EU trade agreements

Source: Lechner (2018). Based on text analysis of DESTA coded PTAs (including 90 EU PTAs) signed between 1945 and 2018
Research questions

• What are stakeholders’ preferences?

• Does the strategy deliver?

• How do ex ante evaluation, implementation and monitoring work?

• What is the optimal strategy (how do you optimally “load” trade policy?)
Research questions

• What are stakeholders’ preferences?

• Does the strategy deliver?

• How do ex ante evaluation, implementation and monitoring work?

• What is the optimal strategy (how do you optimally “load” trade policy?)

⇒ RESPECT survey instrument (+ e-book and interviews) to inform investigation
The RESPECT survey instrument

- Consultative approach

- Targeted population: informed/expert stakeholders

- Dissemination: contact list of practitioners and stakeholders (7 rounds of emails) + further dissemination through dedicated events + snowballing approach
  - no stratified sampling
  - cannot accurately keep track of response rate

- Data collected from July 5 2018 to February 15 2019 (≈7 months) - 479 respondents

- Geographic scope (nationality and operations): 84 countries / top 5 are Belgium, UK, China, US and Germany
Respondents by professional affiliation

Academia/think tank: 170
EU institution: 40
Other: 32
EUMS government official: 30
EU business association: 27
NGO/civil society organization: 24
Trade/investment promotion agency: 24
International organisation: 19
Large private company: 19
Non-EUMS government official: 15
Small private company: 15
National business association: 14
Medium private company: 7
Trade union: 5

Number of respondents (total non missing values 403)
Structure of the Survey

- **First part**: design and formation of EU trade and trade-related policy
- **Second part**: instruments and results
- **Third part**: evaluation and monitoring
The stakeholders’ preferences question
(Basedow, Yildirim, Fiorini & Hoekman in progress)

- Do stakeholders agree with the strategy of using trade policy to attain NTPOs?

- Some hypotheses on the table:
  2. Partner countries’ policy makers: distort comparative advantage (Poletti and Sicurelli 2015, 2018) VS facilitate reforms vis-à-vis domestic lobbies ⇒ theoretical ambiguity
  3. EU policy makers and officials: Normative power Europe VS policy specialization ⇒ theoretical ambiguity

- **Survey question:** The EU should make access to its markets by other countries conditional on non-trade outcomes (such as human rights, labor, environmental protection and anti-corruption)
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Few more survey questions on

- results and instruments
- monitoring
EU trade policy supports the realisation of EU non-trade objectives (such as human rights, labor, environmental protection and anti-corruption).
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EU trade policy supports the realisation of EU non-trade objectives (such as human rights, labor, environmental protection and anti-corruption).
Which of the following instruments do you believe are most effectively promoting trade between the EU and developing countries?
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## Instruments for trade, percentage share (%) by category

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Trade agreements</th>
<th>Technical assistance</th>
<th>Direct investment by European multinational firms</th>
<th>Development assistance for infrastructure improvement</th>
<th>Expert dialogues between EU and partner country stakeholders</th>
<th>Bilateral development assistance programs of EU member states</th>
<th>EU assistance funds (e.g., the ENP Instrument)</th>
<th>National export promotion activities</th>
<th>Targeted assistance for NGOs / unions / regulatory bodies</th>
<th>Study tours and student exchanges</th>
<th>Twinning of cities and similar partnership initiatives</th>
<th>Other instruments</th>
<th>Total number of respondents by professional category</th>
<th>Total number of responses by professional category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small firm</td>
<td>21</td>
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<td>19</td>
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<td><strong>Total respondents by instrument</strong></td>
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<td><strong>192</strong></td>
<td><strong>190</strong></td>
<td><strong>153</strong></td>
<td><strong>108</strong></td>
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<td><strong>14</strong></td>
<td><strong>226</strong></td>
<td><strong>142</strong></td>
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</table>

**Notes:** The central part of the table reports percentage shares of each instrument as chosen by a respondent category over the total choices made by that category (e.g., 21% of all choices made by respondents from small firms indicated trade agreements as one instrument most effectively promoting trade between the EU and developing countries). Instruments (columns) are sorted according to the total number of respondents selecting each instrument across professional categories. These numbers are reported in the bottom panel of the table. The right panel of the table (orange) reports the total number of respondents and responses per professional category. There are more responses than respondents as each respondent could select more than one instrument.
Please select the instruments that you believe are most effective in promoting non-trade objectives (such as human rights, labor, environmental protection and anti-corruption).
Please select the instruments that you believe are most effective in promoting non-trade objectives (such as human rights, labor, environmental protection and anti-corruption).
## Instruments for the realization of NTPOs, % by category

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Small firm</th>
<th>Medium firm</th>
<th>Large firm</th>
<th>EU business association</th>
<th>National business association</th>
<th>Trade/investment promotion agency</th>
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<th>Trade union</th>
<th>Academia/think tank</th>
<th>EU institution</th>
<th>EUMS government official</th>
<th>Non-EUMS government official</th>
<th>International organisation</th>
<th>Other</th>
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</thead>
<tbody>
<tr>
<td>Targeted assistance for NGOs / unions / regulatory bodies</td>
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<td>Expert dialogues between EU and partner country stakeholders</td>
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<td>0</td>
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<tr>
<td>EU assistance funds (e.g., the ENP Instrument)</td>
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<td>0</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>14</td>
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<tr>
<td>Bilateral development assistance programs of EU member states</td>
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<td>Study tours and student exchanges</td>
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<td>Twinning of cities and similar partnerships initiatives</td>
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</tbody>
</table>

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There is effective monitoring of how the implementation of trade agreements impacts on non-trade outcomes.
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An econometric approach
(Ferrari, Fiorini & Hoekman in progress)

• Assess causal effect of EU trade agreements/non-trade provisions on trade/NTPOs

• Synthetic control methodology (Abadie and Gardeazabal, 2003; Abadie, Diamond and Hainmueller, 2010; Hannan, 2016)
The role of Voluntary Sustainability Standards Systems in the trade policy - NTPOs equation
Voluntary Sustainability Standard Systems
A definition

- A document...

- that provides requirements (rules, guidelines or characteristics) for products/services or related processes and production/performance methods...

- defined to meet economic, social and environmental sustainability metrics...

- with which compliance is not mandatory (≠ technical regulations)...

- surrounded by a collective of organizations (NGOs /Corporation/Industry/Government body/International organization) responsible for the activities involved in the implementation of a standard, including standard-setting, capacity building, assurance, labelling, and monitoring and evaluation
Research questions

• **Q1**: Do VSS have the potential to contribute to NTPOs?
Research questions

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• **Q2**: Are VSS an effective tool to promote NTPOs?
Research questions

• **Q1:** Do VSS have the potential to contribute to NTPOs?

• **Q2:** Are VSS an effective tool to promote NTPOs?

• If yes (at least to Q1):

  - **Q3:** How can EU trade policy intervene to optimally realize this potential?
    ▶ Problem of private standards in the WTO
    ▶ The reference paper solution (Mavroidis & Wolfe, 2017)
    ▶ Can the EU take the lead in this?
Research questions

• **Q1**: Do VSS have the potential to contribute to NTPOs?

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    ▶ The reference paper solution (Mavroidis & Wolfe, 2017)
    ▶ Can the EU take the lead in this?

  - **Q4**: How can EU trade policy optimally interact with this form of (largely) private transnational governance?
    ▶ E.g. VSS in EU GSP scheme (Marx et al., 2018; Marx, 2019)
Some answers to Q1

- Use Sustainable Development Goals (SDGs) as a benchmark
- Rewrite Q1 as: What is the potential of VSS to contribute to SDGs?
- Pilot answer in third UNFSS Flagship (chapter by Fiorini et al., 2018)
- More rigorous and comprehensive assessment in progress (on going project by DIE, EUI, ITC ⊂ UNFSS)
The UNFSS Flagship answer

- Data from the ITC Standards Map Database

- > 250 VSS (> 80 sectors and 180 countries) mapped against > 800 requirements

- Detailed info on VSS institutional design, product and geographic scope

- Focus on 122 VSS (private, transnational, market-based, and discernible implementation system)
The UNFSS Flagship answer

- Mapping VSS requirements with SDGs

- Focus on 10 SDGs (those to which VSS and business actors are best positioned to directly contribute)

- Example: Requirement “Policies that prohibit the use of physical violence, intimidation etc.” → SDG 8 (Decent work and economic growth) / Target 8.8 (Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment)
The UNFSS Flagship answer

• We identify 294 sustainability requirements

• that directly relate to at least 1 SDG; and

• that are covered by at least one VSS.
The UNFSS Flagship answer

- We identify 294 sustainability requirements
- that directly relate to at least 1 SDG; and
- that are covered by at least one VSS.

⇒ Use VSS-level SGD potential to assess

1. which SDGs are best addressed in the VSS landscape; and
2. which aspects of these goals are best addressed.
Number of requirements per SDG

- **SDG 8**: decent work and economic growth
- **SDG 12**: Responsible production and consumption
- **SDG 15**: Life on land
- **SDG 13**: Climate action
- **SDG 6**: Clean water and sanitation
- **SDG 3**: Good health and well-being
- **SDG 5**: Gender equality
- **SDG 2**: Zero hunger
- **SDG 14**: Life below water
- **SDG 17**: Partnerships for the goals

<table>
<thead>
<tr>
<th>SDG</th>
<th># of SDG-relevant requirements</th>
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<tbody>
<tr>
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<tr>
<td>SDG 12</td>
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<td>SDG 15</td>
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<td>SDG 14</td>
<td>9</td>
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<tr>
<td>SDG 17</td>
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</tbody>
</table>
Number of VSS covering SDG 8 specific requirements (top 10)

- No discrimination at work (ILO 111) 89
- Criteria related to child labor and minimum age (ILO 138) 88
- Conditions of employment: general principle 86
- Workplace safety 81
- Working conditions overarching principles 81
- Voluntary employment – No forced labor (ILO 29 & 105) 81
- Training on health & safety issues 81
- Safety at work – legal compliance 81
- Freedom of association (ILO 87) 81
- Collective Bargaining (ILO 98) 80
Which aspects of SDG 8 are best covered?

- **Target 8.8**: Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
Number of VSS covering SDG 12 (responsible production and consumption) specific requirements (top 10)

- Waste management: general principle: 95
- Waste disposal (solid waste, non-solid waste): 86
- Chemicals / Natural organic inputs: general principle: 85
- Environment and Social Management Systems: general principles: 77
- Chemicals and related materials: general principle: 75
- Chemical substances storage/disposal/waste/labelling: 75
- Criteria for reducing / re-use / recycle solid waste: 73
- Chemicals use and application records: 66
- Staff training on sustainability issues (environment etc): 64
- Treatment of waste of chemical substances and related materials: 60

# of VSS
Which aspects of SDG 12 are best covered?

- **Target 12.4**: By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

- **Target 12.5**: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

- **Target 12.6**: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
Number of VSS covering SDG 15 (life on land) specific requirements (top 10)

- Overarching policy or set of principles on biodiversity
- Soil: general principle
- Habitat/eco−system restoration/ rehabilitation
- Wildlife – general principle
- Soil erosion
- Soil contamination
- Impact assessment policy for new production
- Soil quality
- Sustainable management and use of natural resources
- Forestry issues: general principle

# of VSS

- Overarching policy or set of principles on biodiversity: 81
- Soil: general principle: 64
- Habitat/eco−system restoration/ rehabilitation: 61
- Wildlife – general principle: 55
- Soil erosion: 55
- Soil contamination: 55
- Impact assessment policy for new production: 49
- Soil quality: 48
- Sustainable management and use of natural resources: 47
- Forestry issues: general principle: 45
Which aspects of SDG 15 are best covered?

- **Target 15.2**: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

- **Target 15.3**: By 2030, degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.

- **Target 15.5**: Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.

- **Target 15.7**: Take urgent action to end poaching and trafficking of protected species of flora and fauna and address both demand and supply of illegal wildlife products.
Much more to be done (in progress)

- More rigorous mapping required
- Expand exercise to all VSS and SDGs
- Cannot use ITC data to rank VSS (delicate trust relationship) but finer aggregation at **sector/product-country level** is possible
  - for each product-country pair (soy in Brazil): potential contribution of active VSS to SDGs specific targets
- Merge with info on **institutional design** (transparency practices, support to producers, cost sharing arrangements) and **fragmentation** (number of VSS active in the same product-country market)

⇒ good basis to address Q4...
Thank You.
/transparency

Number of VSS disclosing information on

- Standards and national adaptation documents: 112
- Governance structure: 93
- Certification/verification: 79
- Complaints dispute settlement resolution policies: 68
- Financial statement: 43

Source: UNFSS (2018)
Support to producers

Number of VSS providing support through

- Supporting documents: 111
- Technical assistance: requirements: 79
- Technical assistance: beyond requirements: 46
- Financial assistance: 16
- Equipment: 5

Source: UNFSS (2018)
Who pays certification costs?

Source: UNFSS (2018)
Who pays implementation costs?

Source: UNFSS (2018)
Most fragmented markets

Source: UNFSS (2018)