

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

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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



REPSECT

- 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

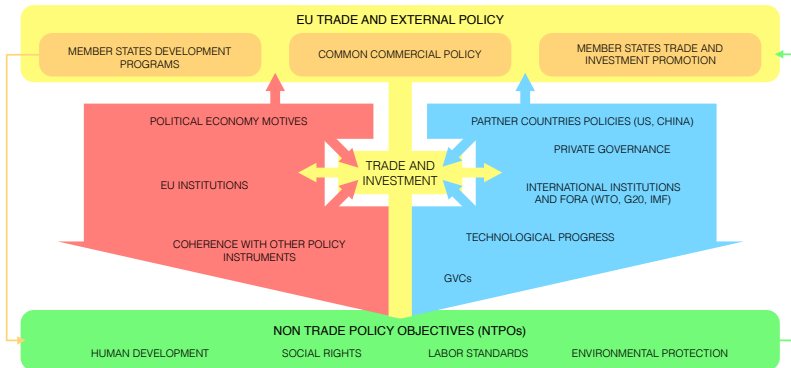


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RESPECT research agenda in a diagram

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

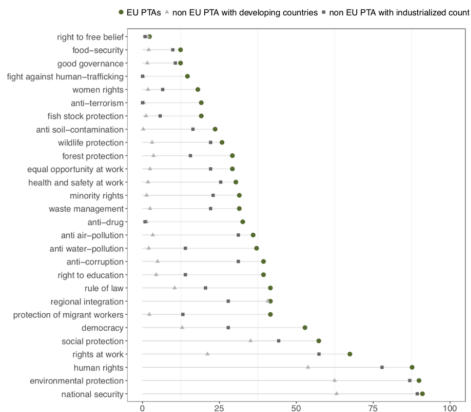


EU trade policy and NTPOs

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- EU strategy: use trade policy as a tool to promote NTPOs
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 - GSP/GSP+
 - Depth in trade agreements
 - 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

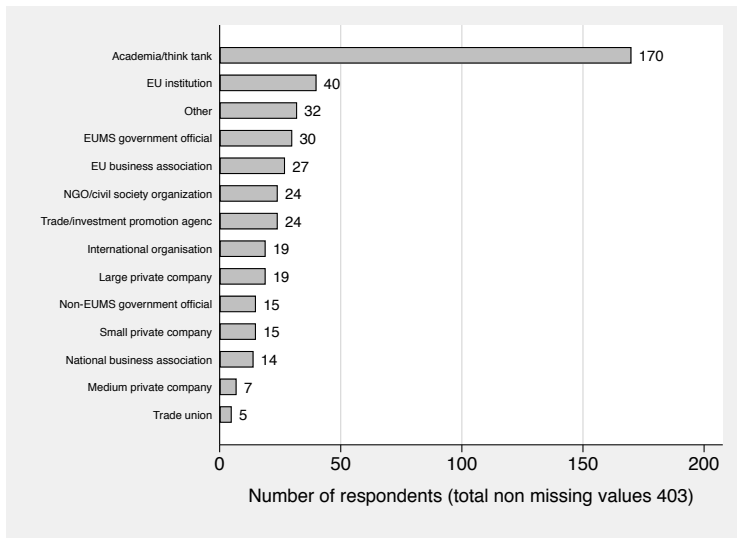


The RESPECT survey instrument

- 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 (\simeq 7 months) - 479 respondents
- Geographic scope (nationality and operations): 84 countries / top 5 are Belgium, UK, China, US and Germany



Respondents by professional affiliation



Structure of the Survey

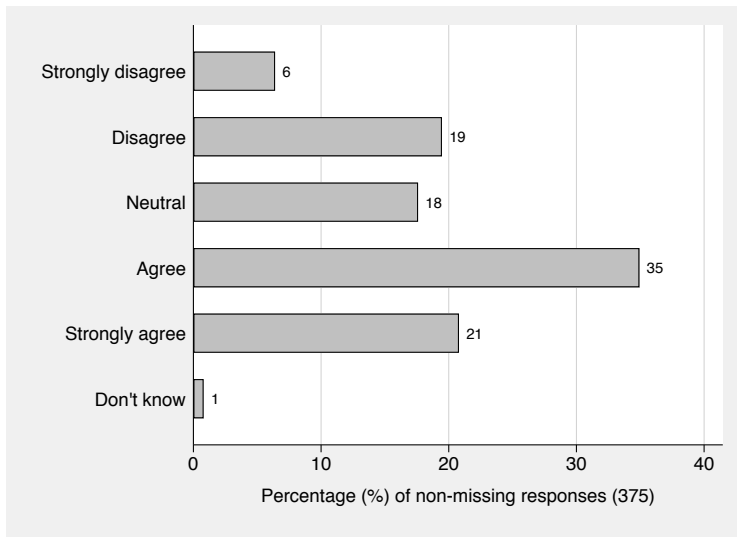
- **First part:** design and formation of EU trade and trade-related policy
- **Second part:** instruments and results
- **Third part:** evaluation and monitoring



The stakeholders' preferences question (Basedow, Yildirim, Fiorini & Hoekman in progress)

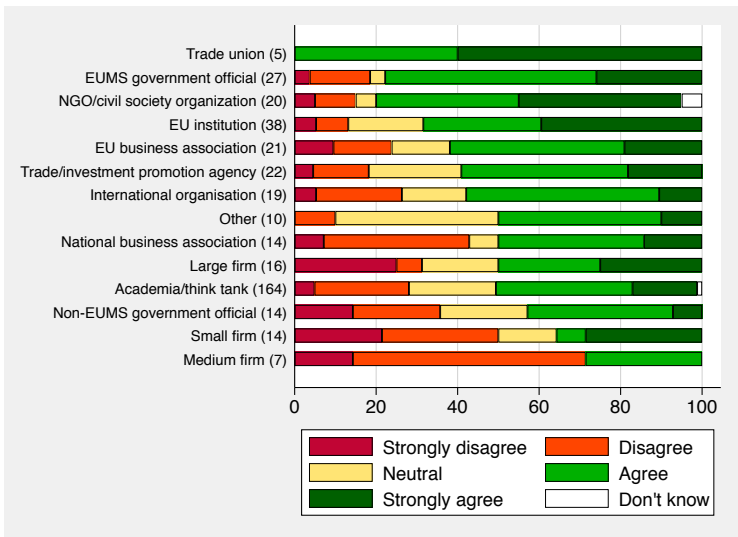
- Do stakeholders agree with the strategy of using trade policy to attain NTPOs?
- Some hypotheses on the table:
 - ① Business actors: import competition (Raess et al. 2016; DeSombre 2000; Vogel 1995) VS import dependency (Lechner 2016; Eckhardt 2013; Yildirim 2016) possibly mediated by distance to consumers ⇒ theoretical ambiguity
 - 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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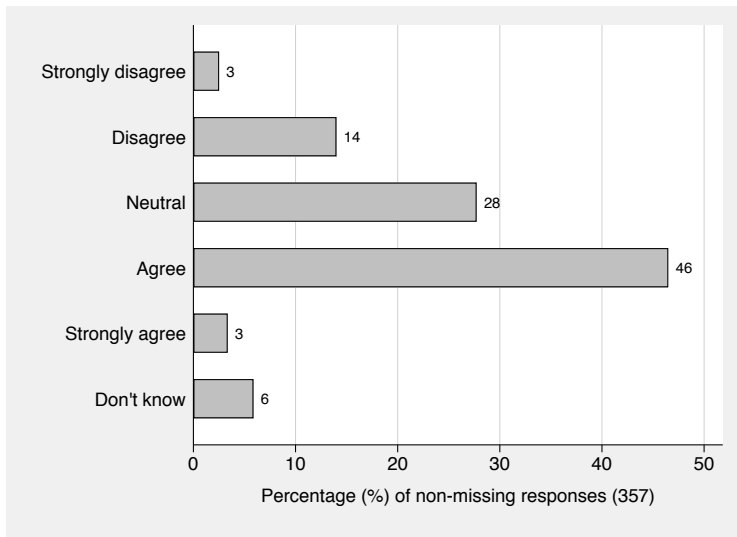
Few more survey questions on

- results and instruments
- monitoring



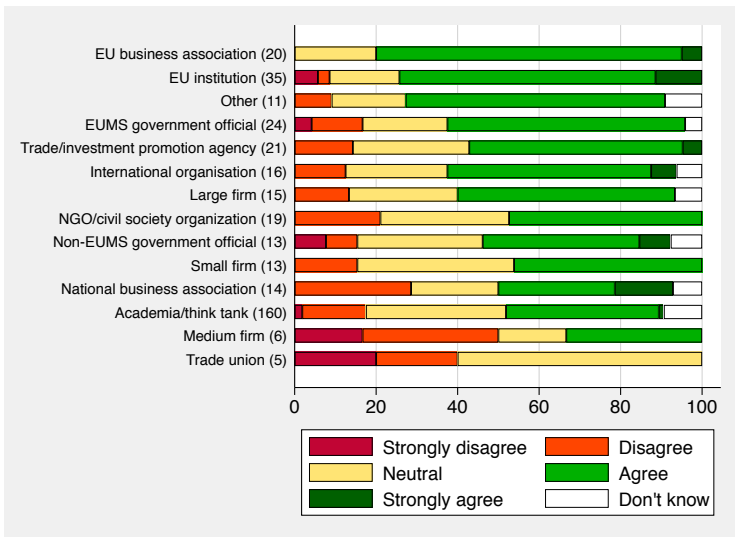
EU trade policy supports the realisation of EU non-trade objectives (such as human rights, labor, environmental protection and anti-corruption).





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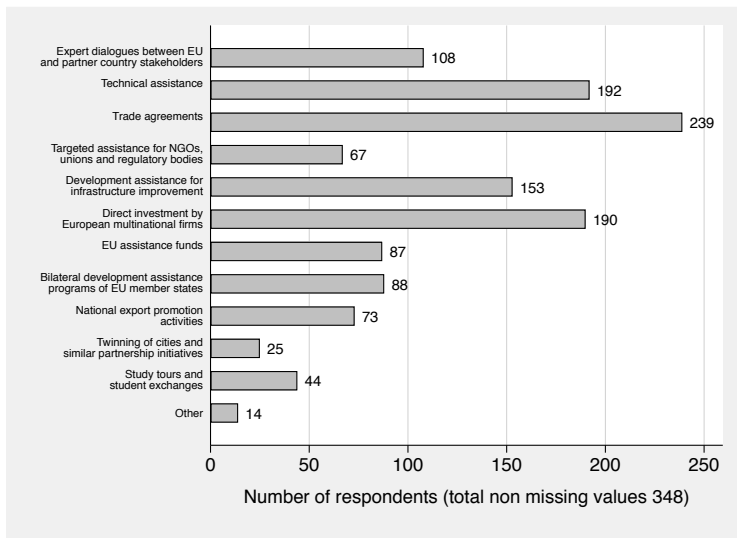


EU trade policy supports the realisation of EU non-trade objectives (such as human rights, labor, environmental protection and anti-corruption).



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

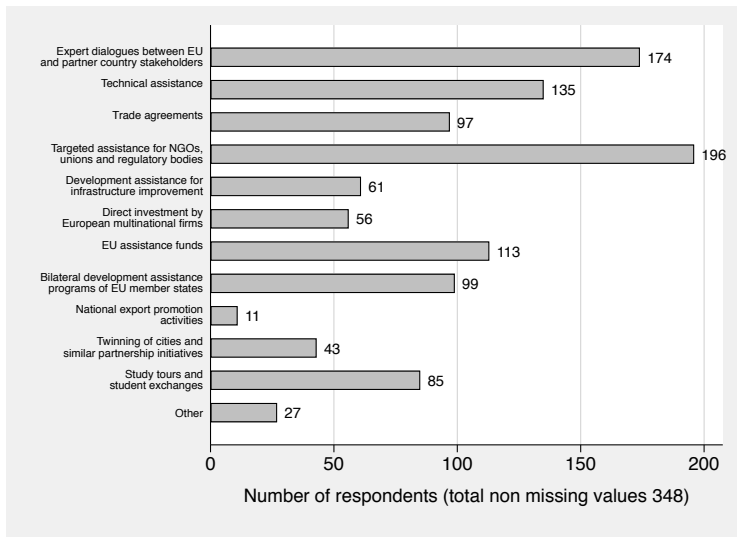
	Trade agreements	Technical assistance	Direct investment by European multinational firms	Development assistance for infrastructure improvement	Expert dialogues between EU and partner country stakeholders	Bilateral development assistance programs of EU member states	EU assistance funds (e.g. the ENP Instrument)	National export promotion activities	Targeted assistance for NGOs / unions / regulatory bodies	Study tours and student exchanges	Twinning of cities and similar partnership initiatives	Other instruments	Total number of respondents by professional category	Total number of responses by professional category
Small firm	21	15	19	11	13	4	4	4	4	2	2	0	13	47
Medium firm	38	15	15	8	0	8	8	8	0	0	0	0	6	13
Large firm	19	14	17	12	12	7	3	0	3	8	3	2	15	59
EU business association	19	14	16	10	13	6	9	5	1	1	3	1	20	77
National business association	21	11	17	13	9	11	6	9	0	4	0	0	14	47
Trade/investment promotion agency	21	12	14	9	6	8	5	13	5	5	2	0	21	85
NGO/civil society organization	17	10	8	13	9	9	8	3	10	2	6	2	19	86
Trade union	20	20	13	7	7	0	13	0	13	0	0	7	5	15
Academia/think tank	19	15	15	14	7	7	6	6	5	3	2	1	153	538
EU institution	22	17	14	8	8	4	9	4	8	3	2	0	33	119
EUMS government official	16	16	13	10	8	8	8	12	3	2	3	0	23	91
Non-EUMS government official	8	16	18	16	12	10	6	4	6	6	0	0	13	51
International organisation	16	16	16	16	8	7	8	1	3	4	0	3	17	73
Other	16	19	10	6	16	6	10	3	13	0	0	0	8	31
Total respondents by instrument	239	192	190	153	108	88	87	73	67	44	25	14		

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).





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Instruments for the realization of NTPOs, % by category

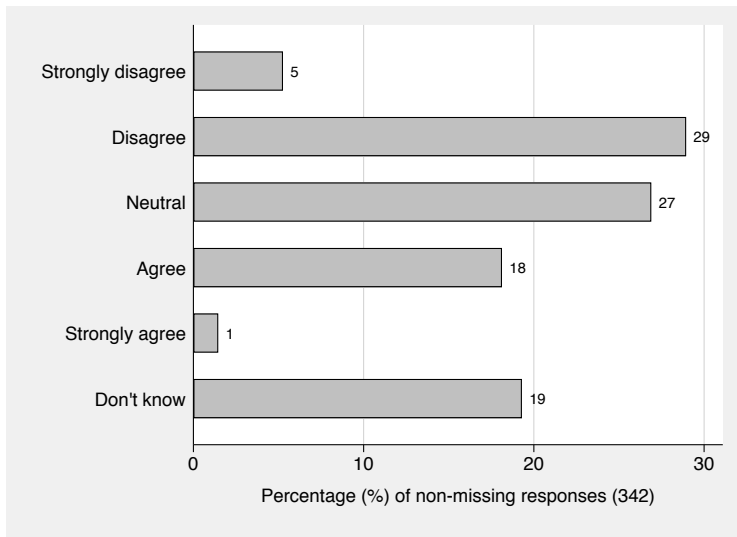
	Targeted assistance for NGOs / unions / regulatory bodies	Expert dialogues between EU and partner country stakeholders	Technical assistance	EU assistance funds (e.g. the ENP Instrument)	Bilateral development assistance programs of EU member states	Trade agreements	Study tours and student exchanges	Development assistance for infrastructure improvement	Direct investment by European multinational firms	Twinning of cities and similar partnership initiatives	Other instruments	National export promotion activities	Total number of respondents by professional category	Total number of responses by professional category
Small firm	19	19	14	14	3	8	5	3	8	3	3	3	13	37
Medium firm	27	27	9	0	0	9	9	0	18	0	0	0	5	11
Large firm	13	17	11	4	9	9	17	4	4	9	4	0	15	47
EU business association	17	23	12	9	5	9	9	3	5	5	3	0	20	65
National business association	16	12	19	5	14	7	5	5	7	7	5	0	13	43
Trade/investment promotion agency	19	14	14	9	14	6	10	2	1	9	0	4	21	81
NGO/civil society organization	21	13	9	12	7	8	11	4	7	3	3	4	19	76
Trade union	29	21	14	0	7	14	0	0	0	0	14	0	5	14
Academia/think tank	17	15	12	12	9	9	9	8	4	4	2	0	147	458
EU institution	20	20	11	15	5	16	2	4	5	0	2	0	33	96
EUMS government official	20	16	11	9	16	9	6	4	5	3	1	0	23	80
Non-EUMS government official	18	15	15	10	10	0	8	8	10	5	0	0	13	39
International organisation	13	14	14	9	13	9	5	5	9	4	4	2	17	56
Other	18	21	11	7	11	7	7	4	4	4	4	4	8	28
Total respondents by instrument	196	174	135	113	99	97	85	61	56	43	27	11		

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. 19% of all choices made by respondents from small firms indicated targeted assistance for NGOs/unions/regulatory bodies as one instrument most effectively promoting non-trade objectives). 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 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.



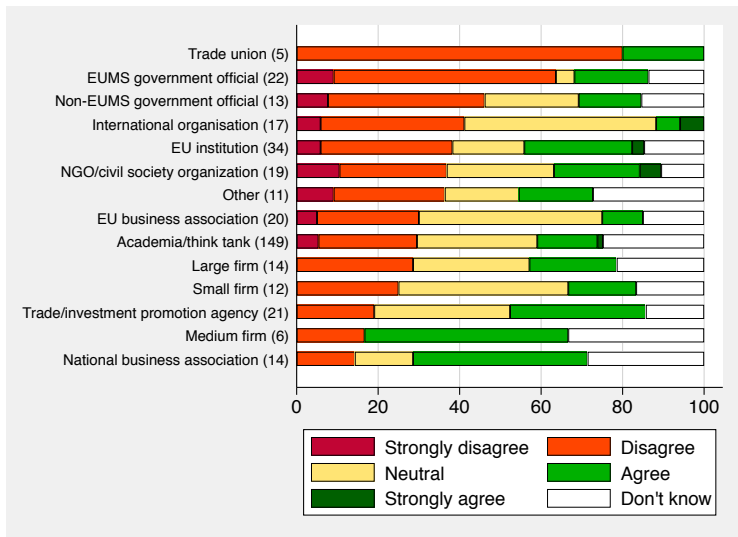
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An econometric approach (Ferrari, Fiorini & Hoekman in progress)

- 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



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 (\neq 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?



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- **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?



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 - ▶ Problem of private standards in the WTO
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 - ▶ 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 \subset 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.



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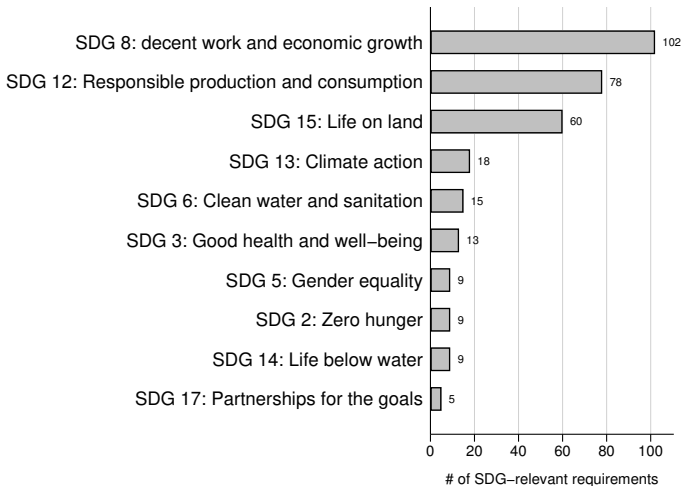
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⇒ Use VSS-level SGD potential to assess

- 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



Number of VSS covering SDG 8 specific requirements (top 10)

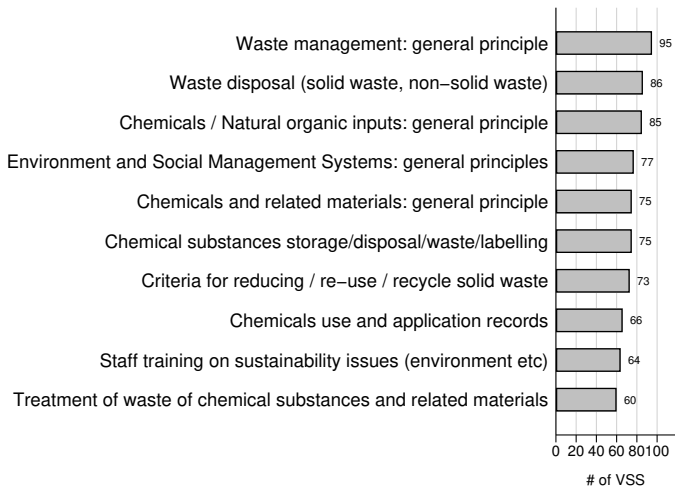


Which aspects of SDG 8 are best covered?

- **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)

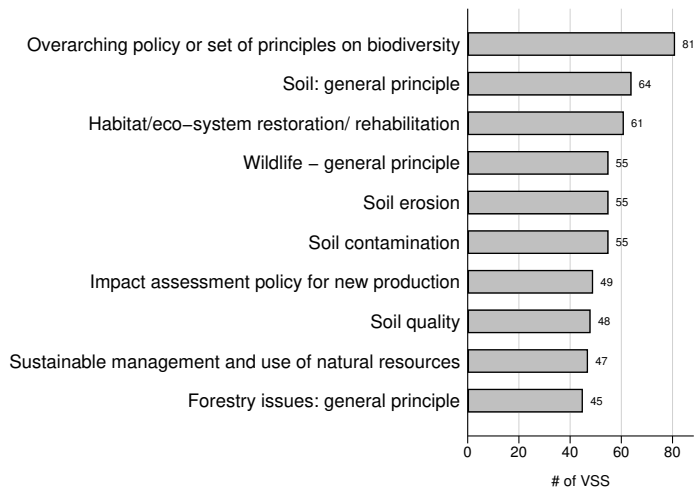


Which aspects of SDG 12 are best covered?

- **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)



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)

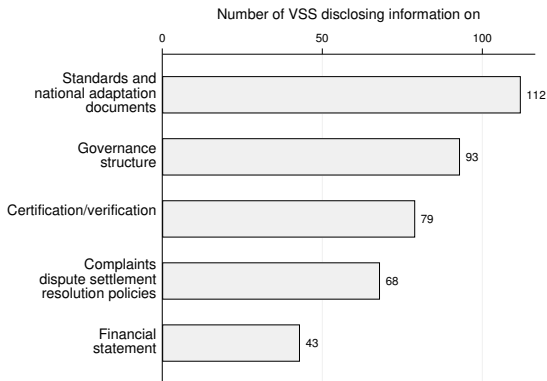
- More rigorous mapping required
 - Expand exercise to all VSS and SDGs
 - Cannot use ITC data to rank VSS (delicate trust relationship) but finer aggregation at **sector/product-country level** is possible
 - for each product-country pair (soy in Brazil): potential contribution of active VSS to SDGs 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



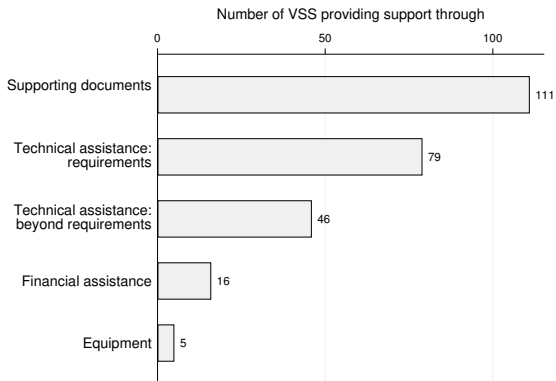
Source: UNFSS (2018)



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Support to producers



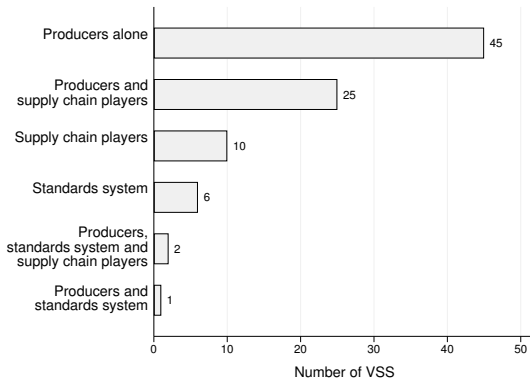
Source: UNFSS (2018)



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Who pays certification costs?



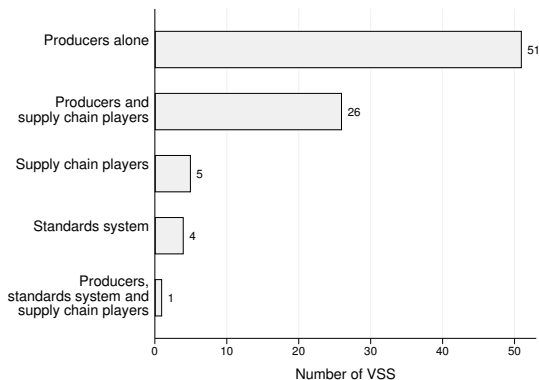
Source: UNFSS (2018)



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Who pays implementation costs?



Source: UNFSS (2018)



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Most fragmented markets



Source: UNFSS (2018)

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