

The Role of EU Trade Agreements in Light of the Sustainable Development Goals

Aleksandra Borowicz and Rasa Daugėliene

1 Introduction

Although the expansion of international trade over the past few decades has brought economic and societal benefits across the globe, it has also at times failed to address the accompanying adverse social, environmental, and even economic impacts (United Nations, 2021). In the post-WWII period world trade agreements were established mainly as free trade agreements and customs unions. In the wake of WWII the European Economic Community became the leading player on the global trade scene. Later, the advent and rapid spread of globalization brought about changes to the nature of trade agreements. It should be stressed that this resulted in much more complex agreements involving the opening of international borders. The nature of international trade has changed in the last decades. “Steadily declining costs of trade and information and telecommunications have permitted firms to geographically splinter their ‘production lines,’ designing international supply chains that allocate different parts of the production process to firms in different countries” (Hoekman, 2014). The EU, along with the WTO, has retained the dominant role in terms of shaping the global order. Trade agreements regulate not only the trade in goods and services, but also aspects of capital flow, labor law, and social or environmental (ecological) objectives. The latter are nowadays regarded as global public goods.

The chapter aims to analyze selected features of European Union (EU) trade policy in relation to the Sustainable Development Goals (SDGs), with a particular focus on trade relations with third countries. This has grown in significance since the H declared regional trade agreements (RTAs) and international organizations (IOs) to be the key fixtures in international trade relations. The study constitutes a new scientific approach to the global challenges as trade is considered a global public good.

The chapter will focus on the EU as a case study to verify what role the EU plays in terms of international trade and its response to global challenges. It is key to emphasize that the UN focuses on a specific tool, namely Voluntary

Sustainability Standards (vss), which comprise certification schemes, labeling programs, and private standards. It is stressed, in contrast to some WTO statements, that “vss aim to make global value chains, from producer to consumer, more sustainable by considering social and environmental requirements in the production process” (United Nations, 2021). In first section, “Trade as global public good in the context of the SDGs,” the chapter identifies linkages between the SDGs and EU trade policy through numerous indices. In order to demonstrate the specificity of the EU’s international trade, which is based on agreements with the WTO, we seek to systematize the existing tariff and non-tariff trade barriers in the second section, “The holistic approach to trade policy by the European Union.” We aim to show the complexity of international trade conditions in public goods which need to be revised to promote sustainability rather than hamper international trade. The last section, “The EU mechanism for the implementation of trade agreements in relation to the SDGs,” gives an overview and space for critical debate on the role of the EU as an international organization in the creation of a multilateral trade regime in the context of the SDGs through the trade channel.

2 Trade as a Global Public Good in the Context of the SDGs

Trade, which is considered one of the components of globalization, has contributed to the prosperity of nations. The benefits seen by states stem from the effective usage of comparative advantages in the area of goods and services production. Since WWII exports of merchandise grew almost 290-fold from 1948 (US\$59 billion) to 2020 (US\$17,070 billion) (WTO, 2021c). Globalization has given rise to new challenges in terms of global supply chain organization and consumption, as well as a revolution when it comes to environmental and social impacts (Wiedmann & Lenzen, 2018). The ongoing post-World War II liberalization, which resulted in a huge surge in trade and diversification of production, has led to the emergence of fragmented global value chains (GVCs) in the world economy. The goal of global players such as IOs is to ensure that GVCs contribute to sustainable development, as the negative consequences of trade can involve not only environmental but also social aspects, such as widening socioeconomic inequalities between developed and developing countries (Xu et al., 2020).¹

1 For more on globalization, the economy, and the environment, see Chapter 6.

The 2030 Agenda for Sustainable Development (further referred to as Agenda 2030) of the United Nations constitutes the most important and comprehensive global sustainable development agenda for the future. It is known for its far-reaching and ambitious vision with its 17 Sustainable Development Goals (SDGs) and 169 targets that are listed as part of the so-called “universal policy agenda.” The 17 SDGs within Agenda 2030 can be divided into five areas. These include people, planet, prosperity, peace, and partnership. The SDGs, in comparison with the Millennium Development Goals (MDGs), challenge the definition of the root cause of poverty and promote a universal global approach to development (Servaes, 2017). In order to counteract the WTO claim that the development of international trade contradicts the ideas of sustainability, this chapter supports the definition of Agenda 2030, namely that international trade is “an engine for inclusive economic growth and poverty reduction.” Carried out in accordance with the principles of humanity and justice, it definitely contributes to the promotion of sustainable development. In order to become a “sustainable engine,” one of the increasingly applied approaches is to internalize social, economic, and environmental concerns in international trade. This can be done by many different means and policy instruments and tools (United Nations, 2021).

International trade as a global public good means that benefits or costs are shared equally and nobody can be excluded from the trade effects. Globalization, which has also affected the process of liberalization of international trade, is the carrier of the effects of trade at the same time (Ocampo, 2016). According to the WTO, international trade can be deemed a global public good on the basis of the following features:

- *Non-rivalry*: the value of the system increases simultaneously to increased participation.
- *Non-excludability*: in the global world multilateral trading system affects all and is universal and potentially open to all. (Secretariat of the International Task Force on Global Public Goods, 2006)

International trade is considered to be a channel for the delivery of SDGs. The impact of trade on sustainable development has been extensively described in the literature. The international trade structure has demonstrated that the developed (and, consequently, more powerful) countries are better equipped to absorb the generated waste material. As a result, there exists unequal distribution of hazards and pollution connected with all stages of global production chains: starting from extraction, production, throughout the consumption to disposal (Givens et al., 2019; Jorgenson, 2016). This creates room for debate on the influence of the EU on the international trade regime and the liberalization of trade so strongly argued for in the WTO forum.

It should be noted that countries are the main partner for SDGs implementation; however, Agenda 2030 underlines the importance of regional organizations in terms of the fulfillment of the SDGs. Through their role as translators, supportive bodies, coordinators, and monitoring bodies, Agenda 2030 becomes more viable and increases the capabilities of nations to follow global goals. Some of the SDGs, such as 1. No poverty, 2. Zero hunger, 9. Industry, innovation and infrastructure, 11. Sustainable cities and communities, clearly prove the need for close and in-depth cooperation between individual nations. Furthermore, the global goals set up in Agenda 2030 need to be translated into actions on the national level, which requires adapting the goals into unique national contexts. To best meet the challenges, the cooperation and exchange of good practices and know-how is of paramount importance. Finally, IOs constitute significant players in the monitoring systems and can react to delays or deviations (Marx et al., 2021).

To link the SDGs with trade, the United Nations Statistical Commission (UNSC) has approved six indicators within the following SDGs (ITC et al., 2022).² Trade orientation among the SDGs concerns the following four: 2. Zero hunger; 8. Decent work and economic growth; 10. Reduced inequalities; 17. Partnerships for the goals. Trade policies must meet the challenges of SDGs and regional trade agreements are one of the leading tools available to global partners like the EU. In case of trading goods, with a special focus on agricultural goods, the costs are higher for emerging markets and developing economies (EMDEs) than in advanced economies (IMF et al., 2017).

The provisions of EU trade policy shall be analyzed in the context of the following targets set in Agenda 2030, as they correspond directly to particular aspects of trade:

- 2.b Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round.
- 8.a Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries.

2 The SDG Trade Monitor was created in order to evaluate the progress on the path to SDGs by global partners and to allow different groups of professionals (such as policymakers and researchers) to analyze the synergies between SDGs and trade.

- 10.a Implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements.
- 17.10 Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda.
- 17.11 Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020.
- 17.12 Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access. (ECOSOC, 2016)

The international trade regime is a sum of processes initiated in many countries within the WTO or the EU or any other IOs or regional trade agreements. European implementation of the trade policy impacts the European market and increases policymaking interdependence between countries in the long term. It seems that trade fulfilled by EU states is becoming a key component of sustainable development. The more holistic approach to trade presented by the EU will undoubtedly contribute to achieving the SDGs.

3 The Holistic Approach to Trade Policy by the European Union

One of the key documents that determines the EU's trade policy in the coming years is *Trade for All: Towards a More Responsible Trade and Investment Policy*, which charts a new course for the European trade and investment policy. The EU has taken up the challenge of becoming the largest foreign direct investor and the most important location for foreign direct investment (FDI). The idea is to foster an environment conducive to trade and investment for consumers, workers, and companies alike. It puts the spotlight on the effectiveness of policy to deliver opportunities to society and addresses challenges such as the value-chain economy or digitalization. Secondly, the process of trade negotiations must meet the challenge of transparency. Thirdly, EU trade policy needs to promote core values, such as sustainable development or human rights (European Commission, 2014). The document also proposes a strategy based

on sustainability pillars and refers to the obligations resulting from the Paris Agreement on climate change. The role of the new trade policy strategy is to translate the ambitious goals connected with sustainable development into trade agreements with third countries (WTO, 2021b, p. 178).

In 2019 the European Commission proposed six strategic goals, which essentially correspond to the challenges set in Agenda 2030, i.e.: the European Green Deal; an economy that works for people; a Europe fit for the digital age; Promoting our European way of life; Stronger Europe in the world; New push for European democracy. The agenda proposed by the EC for 2019–2024 by its president, Ursula von der Leyen, refers to Agenda 2030 and the SDGs (see Table 8.1).

There is nothing new about the strong focus of EU member states on reforming their economies towards sustainable development. The overall score proposed by the UN, representing total progress towards all 17 SDGs, shows that among the countries with the highest score, 9 out of 10 belong to the EU. The highest scorers include Finland (85.9%); Sweden (85.61%) and Denmark (84.86%) (Sachs et al., 2021). At the same time, the EU as a whole has an overall score of 71.4% (Sustainable Development Solutions Network & Institute for European Environmental Policy, 2021).

TABLE 8.1 Priorities of the EC and links with the SDGs

EC priorities 2019–2024	SDGs ^a																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
European Green Deal						(X)	X	X	X		(X)	(X)	X				X
An economy that works for people	X	X	X	(X)	X	(X)	(X)	X	X	X	(X)						X
Europe fit for the digital age								X	X							X	X
Promoting our European way of life					X					X							X
Stronger Europe in the world																X	X
New push for European democracy					X					X							X

Note: ^a Brackets indicate a possible positive impact on the SDGs through a given priority.

SOURCE: LATOSZEK AND BOROWICZ (2022)

The holistic approach of the EU to trade policy is influenced by the following facts:

1. The EU itself is a regional trade agreement, and the member states have treated trade (or, in broader terms, economic aspects) as a focal point of European integration since the inception of the European Community.
2. The EU, as an international organization and a global leader in the political, social and economic domain, views developing countries as partners to which it is open and accepts the existence of asymmetries in the trade liberalization process by proposing a conditional regime, the Generalised System of Preferences (GSP).
3. The EU is a key member of the WTO and upholds the rules as an ultimate value in the area of trade.
4. As a member of the UN, the EU is one of the 10 signatories to Agenda 2030, regarding EU cooperation and the EU's role in the area of global governance as its responsibility.

In 1970, the ratio of world trade to GDP stood at 26.01% while in 2020 it reached 51.57%. In comparison, the trade-to-GDP ratio in the European Union was 39.89% in 1970 and amounted to 85.58% in 2020 (down from 92.18% in 2019) (World Bank, 2022). In 2020, the European Union's share of global merchandise exports reached 31%, and of imports 28.8% (WTO, 2021c). In 2019, EU exports (internal and with non-EU countries) were responsible for more than 62 million jobs worldwide. In the EU alone, it generated employment of 38.1 million jobs. The last 10 years have seen an increase of 11 million jobs (Rueda-Cantuche et al., 2021).

EU trade policy that ensures social justice, respect for human rights, high labor standards, and high environmental standards is one of the tools to achieve the SDGs. The analysis of the priorities reveals that the priority "Stronger Europe in the World" emphasizes the EU's role as a champion in a rules-based global order, with a firm focus on activating the EU as a strong partner in the world. In its priorities, the EU wants to achieve global leadership status that ensures the highest standards of climate, environmental, and labor protection both internally and externally (European Commission, 2022). These two dimensions are intertwined and push the EU towards achieving the SDGs on trade.

EU trade policy is directed towards third countries and its economic dimension is described in the Treaty on European Union (TEU) in Article 21 as one of the facets of external relations. Consequently, EU trade policy is not simply about trade liberalization; it goes much further (European Commission, 2018; Leblond & Viju-Miljusevic, 2019). As mentioned above, EU trade policy falls under the exclusive competence of the EU and as such the European Commission plays a leading role in its development. The EU defines trade policy

as one of the channels for delivering sustainable development through trade agreements, special incentives for developing countries, and trade and development policies.

Contemporary agreements signed by the EU with third countries cover issues related to sustainable development. According to the data presented on the official websites of the European Commission, the agreements that include at present trade and sustainable development provisions are those concluded with Canada, Central America, Colombia, Peru and Ecuador, Georgia, Japan, Mercosur, Mexico, Moldova, Singapore, South Korea, Ukraine, and Vietnam.

The reformulated GSP scheme has been targeted at least developed countries (LDCs) since 2012.³ The objective of the asymmetry underlying the GSP is to enable developing countries to access the European market by reducing customs duties on their products. The GSP is based on an approach that creates opportunities for developing countries to gain access to the common market and its consumers. The system is based on conditionality and exerts pressure on third countries to propose and implement changes in the economic (adaptation to the requirements of European customers, compliance with European quality, safety or environmental standards) and social (implementation of changes in market work, protection of human rights or education) fields. In the political dimension, this requires the creation of a climate for negotiations, but also the implementation of good practices in the area of good governance or reducing the level of corruption. Trade policy is indirectly linked to the implementation of the EU's development policy, the objective of which is to support the countries most in need (Jaszkievicz & Latoszek, 2013).

In 2018, the European Commission published a mid-term evaluation of GSP which outlines its economic, social, and political effects. The GSP system based on the asymmetry of relations with developing and least developed countries has resulted in an increase in the dynamics of exports and imports in GSP countries between 2011 and 2016. In selected industry sectors such as footwear, clothing, machinery, and mechanical equipment, which constitute the largest group of products imported by EU member states from outside the EU, the growth reached a high level of 24.5%. This compares with an increase of only 6.5% between 2011 and 2013. Countries benefitting from the standard GSP scheme recorded the highest export diversification, while Everything but Arms (EBA) countries continue to have the least diversified export structure. The GSP scheme is seen as a catalyst for change in the economic, political, and social

3 The reform was introduced on the basis of Regulation (EU) no. 978/2012 of the European Parliament and of the Council on October 25, 2012, implementing the scheme of generalized tariff preferences and changing Council Regulation (EC) no. 732/2008, OJ L 303, October 31, 2012: 1.

spheres in member states, with cooperation under the scheme affecting the environment and quality of life, and as such contributing to progress towards the SDGs through its trade policies. According to the Commission's report, the GSP has a significant impact on non-economic spheres such as the protection of human rights, good governance, or the Social Progress Index (SPI). This illustrates the process of interdependence between EU trade policy and the fulfillment of Agenda 2030 commitments. At the same time, the impact generated by international trade reveals global spillovers from EU trade policy.

4 The EU Mechanism for the Implementation of Trade Agreements in Relation to the SDGs

The trade channel, which is covered by trade agreements between the EU and third countries, obliges both parties to adhere to the following principles in line with the SDGs (European Commission, 2020):

- Follow international labor and environment standards and agreements
- Effectively enforce their environmental and labor laws
- Not deviate from environmental or labor laws to encourage trade or investment, and thereby preventing a “race to the bottom”
- Sustainably trade natural resources, such as timber and fish
- Combat illegal trade in threatened and endangered species of fauna and flora
- Encourage trade that supports tackling climate change
- Promote practices such as corporate social responsibility
- Promote sustainable public procurement
- Remove barriers to trade and investment in renewable energy

The Lisbon Treaty extended the European Parliament's competence to negotiate trade agreements. Indeed, the European Parliament has in fact become a “veto player” as it has gained the competence to approve each and every agreement. The national level in the EU is informed about ongoing developments in the agreements through the Trade and Sustainable Development Expert Group. At the same time, the area of investment has come under the exclusive competence of the EC under EU trade policy, which stems from the Lisbon Treaty (Rudloff & Laurer, 2017).

The implementation of EU trade agreements also involves civil society representatives in the form of an advisory group who have the opportunity to discuss various aspects of the sustainable development agenda in trade agreements. The chapters related to sustainable trade and development are considered to become essential elements of the “new generation” trade agreements. In 2018, the EC proposed a 15-point action plan to review the effectiveness of

improving trade agreements. The proposed plan was reformulated into four principles: Working Together, Enabling Civil Society, Delivering, and Communicating and Transparency. The idea was to transform EU trade policy in terms of both processes and outcomes.

This action plan resulted in the publication of a *Comparative Analysis of TSD Provisions for Identification of Best Practices to Support the TSD Review* in September 2021 (LSE Consulting, 2021). The analysis included a selection of 11 trade agreements with OECD countries (Canada, Japan, South Korea, Singapore, and the UK); developing countries (Central America, Colombia/Peru/Ecuador, and Vietnam); and countries that are part of the EU Eastern Partnership and are implementing Deep and Comprehensive Free Trade Areas (DCFTAs) as part of their Association Agreements with the EU (Georgia, Moldova, and Ukraine). In most agreements, trade and sustainable development objectives such as labor, environment, and cross-cutting issues are attached as a single chapter. However, agreements such as the EU-Canada Comprehensive Economic and Trade Agreement (CETA) contain three chapters, and the EU-UK Trade and Cooperation Agreement (TCA) differs significantly from other structures due to the specificity of the existing relationship between the parties (LSE Consulting, 2021).

The analysis presented by LSE Consulting focuses on 11 agreements with various third countries. The detailed scope of the agreements is divided into the following areas (Velut et al., 2022):

- Specific environmental issues covered by EU free trade agreements (FTAs).

All the agreements covered by the survey contain a protocol and appendices focusing on environmental aspects. All agreements directly address the following issues: climate change, renewable energy, fisheries and forest protection. Biodiversity is covered in 10 agreements – only the EU-Singapore Free Trade Agreement does not contain any specific provisions in this regard. In the area of illegal trade in rare species and genetic resources, including traditional knowledge, nine agreements incorporate such provisions. In the case of air pollution (five agreements) and the ozone layer (five agreements), most provisions are based on cooperation between the parties involved.

- Explicit reference to multilateral environmental agreements (MEAs).⁴

4 Within this area MEAs taken into consideration: United Nations Framework Convention on Climate Change (UNFCCC); Kyoto Protocol to the United Nations Framework Convention on Climate Change (Kyoto Protocol); Paris Agreement; Montreal Protocol on Substances that Deplete the Ozone Layer (Montreal Protocol); Convention on Biological Diversity (CBD); Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity (Nagoya Protocol); Convention on International Trade in Endangered Species of Wild Fauna and

The UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol are referred to in 10 agreements (in addition to the EU–Canada Protocol). The Paris Agreements are included in four FTAs between the EU and Japan, Singapore, Vietnam, and the EU–UK agreement. The CBD can be found in nine agreements and a reference to the Montreal Protocol in three. The Nagoya Protocol is included in two agreements (with Vietnam and the UK). The Basel Convention is included in two agreements: a free trade agreement with Colombia, Peru, and Ecuador and another with Central America.

- Environmental regulatory sovereignty and exceptions.

All agreements leave it to the parties to define their own environmental provisions and to modernize their policies in this direction.

- Reference to international labor standards.

All 11 agreements contain chapters on the standards outlined in the ILO Convention. Of all agreements, three do not cover occupational health and safety (FTAs with South Korea, Japan, and Vietnam); two agreements cover minimum wage and labor inspection (CETA and EU–UK); four cover aspects related to migrant workers' rights (EU–Colombia/Ecuador/Peru, CETA, Vietnam, and EU–UK).

- Explicit reference to international labor instruments.
- Parties to all agreements agreed to add chapters on international labor instruments in the form of a commitment to the objectives of ILO conventions.
- Other social commitments.
- In the area of social commitments, gender and corporate social responsibility/responsible business conduct (CSR/RBC) promotion are included. CSR/RBC promotion is included in all agreements, while gender is included in nine – the agreements with Colombia/Ecuador/Peru and CETA do not address the following category.
- Labor regulatory sovereignty.
- The parties have retained the right in all agreements to adapt labor and social aspects to national law.
- Trade and sustainable development (TSD) provisions on implementation: intergovernmental mechanisms; role of international organizations; civil society participation.

An intergovernmental committee was set up to monitor the level of implementation of all FTAs. Regular cooperation and exchange of information on the progress of the TSD chapters are essential for success. In the case of Ukraine, Georgia and Moldova, there is a need to align national instruments

Flora (CITES); Waste management; Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (Basel Convention).

on employment, social and environmental policies with those of the EU. All agreements signed with the Eastern Partnership countries provide for close cooperation to build labor market capacity.

All agreements underline the need for assistance from international organizations such as the ILO or the MEA. The role of such involvement is to promote deeper co-operation and coherence, but also to consult and analyze different tasks. The new nature of the FTAs reveals an openness to the public. All 11 agreements include different aspects of civil society involvement in monitoring implementation at national and supranational levels. Depending on the agreement, this takes the form of a civil society forum or a subcommittee. The EU–UK agreement ensures representation of workers, employers and civil society organizations in cooperation on trade-related aspects of labor policy.

The context of WTO membership exerts a powerful influence on the shape of EU trade policy. The nature of EU trade policy measures depends on multilateral negotiations within the WTO system. The EU as an international organization is a member of the WTO, but at the same time each member state is a member of the WTO. The predominant objective of the WTO is to guarantee free trade, with some exceptional exemptions in cases of threats to food security or depletion of resources and people. The main principle of the WTO is non-discrimination or most favored nation (MFN). Within the WTO, the EU is committed to establishing the rules of the multilateral world trading system and negotiates its own bilateral trade agreements with third countries (as mentioned in the above section). WTO members can set tariffs, which cannot exceed national (local) taxes. Anti-dumping duties can be applied when goods are exported at a lower price than the price at which they are sold for domestic consumption in the exporting country (dumping). Despite the desire to develop free trade, WTO member states retain the right to protect themselves with export tariffs.

It is generally accepted that the objectives of the EU Common Market have been achieved by:

- Abolishing customs restrictions as well as import and export quantitative restrictions.
- Abolishing other measures that had an equivalent effect on trade between member states.
- Applying the same trade policy and common customs tariff to third countries.
- Removing obstacles to the free movement of services, capital and labor.
- Applying a common agricultural and transport policy.
- Pursuing a competition policy that seeks to protect the market from competitive distortions.

However, these measures are only applied in the EU internal market; that is to say, in trade with EU member states. Other measures (tariff barriers) are

applied in trade with third countries. Many of these tariffs are “frozen” by the WTO. It is assumed that the efficiency of international trade depends on many conditions and characteristics. One of the most important of these is the differentiation of trade barriers (tariff and non-tariff). Those countries that are more transparent in reporting their regulations appear to be more restrictive (Chen & Novy, 2012). Theory has shown that there are many ways to classify trade barriers (European Commission, 2021a; WTO, 2021a; Daugėlienė, 2016). The traditional classification of trade barriers includes tariff and non-tariff measures or barriers (Benz & Jaax, 2022). Figure 8.1 depicts possible tariff and non-tariff barriers introduced by developed countries to protect the domestic market from foreign competition.

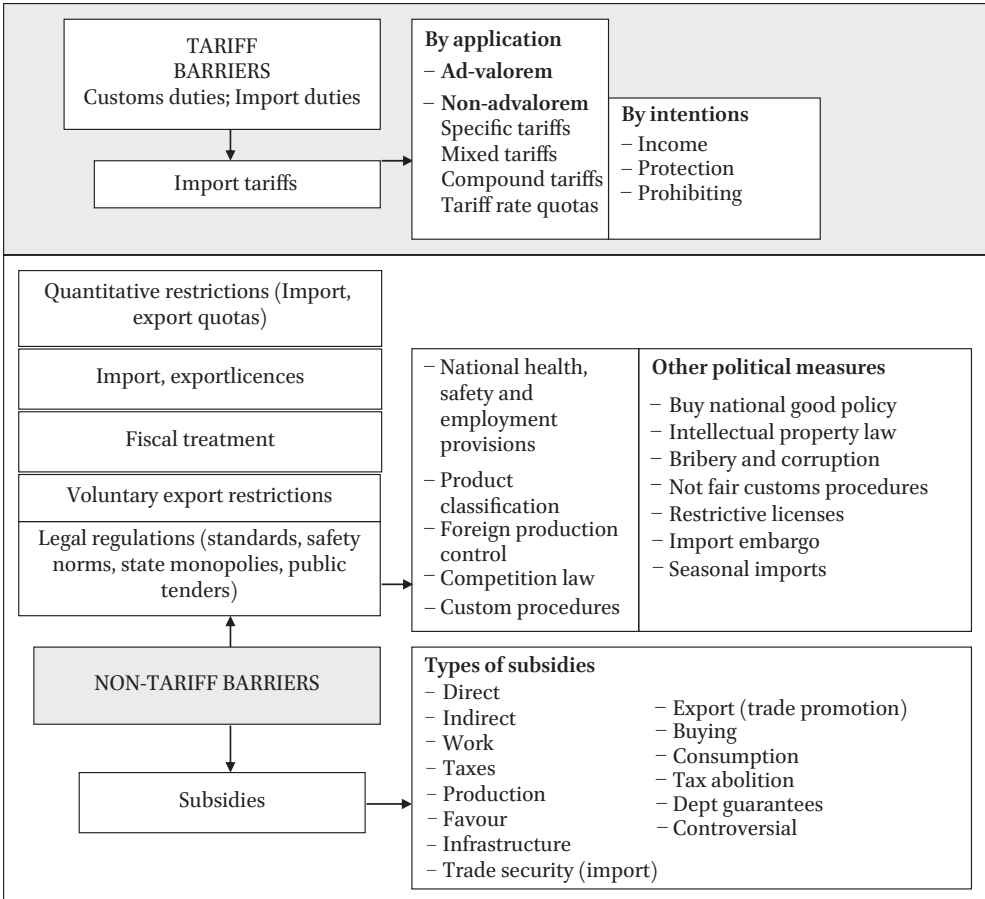


FIGURE 8.1 Structure of tariff and non-tariff trade barriers

SOURCE: AUTHOR’S CONSTRUCTION BASED ON DAUGELIENE, (2014); WTO (2021); EUROPEAN COMMISSION TARIC (2022)

The first group comprises tariff barriers (customs and import duties) – import or export tariffs, which are categorized according to their application (ad valorem; specific or mixed import tariffs) or their purpose (e.g., income, protective or prohibitive). Tariff barriers can be applied depending on the underlying purpose of their application. This means that governments may have different objectives when they impose import tariffs. One of them may be to increase revenues from international trade. Secondly, in order to protect domestic infant industries from foreign players, they apply various quotas as well as substantial tariffs on export goods. Prohibitive import tariffs are usually so high that no imports are economically viable.

The second category includes non-tariff barriers. Since most of the world's developed countries (members of the WTO and the European Union with its introduction of free movement of goods) radically reduced tariffs, more attention has been paid to non-tariff barriers. Due to their intrinsic heterogeneity, non-tariff barriers are categorized into several relatively more homogeneous subgroups (Li & Beghin, 2012). Health and safety measures and technical standards – including sanitary and phytosanitary measures, technical barriers to trade, competition rights, customs clearance procedures and other standards – are often singled out as policies among other non-tariff measures. They affect the scope of trade controversially. Technical standards and regulations have both trade-impeding effects by raising the costs incurred by exporters and comparable demand-enhancing effects by certifying quality and safety to consumers. Li and Begin (2012), after conducting their study, found that agriculture and the food industry tend to be more impeded or less enhanced by technical tariffs than other sectors.

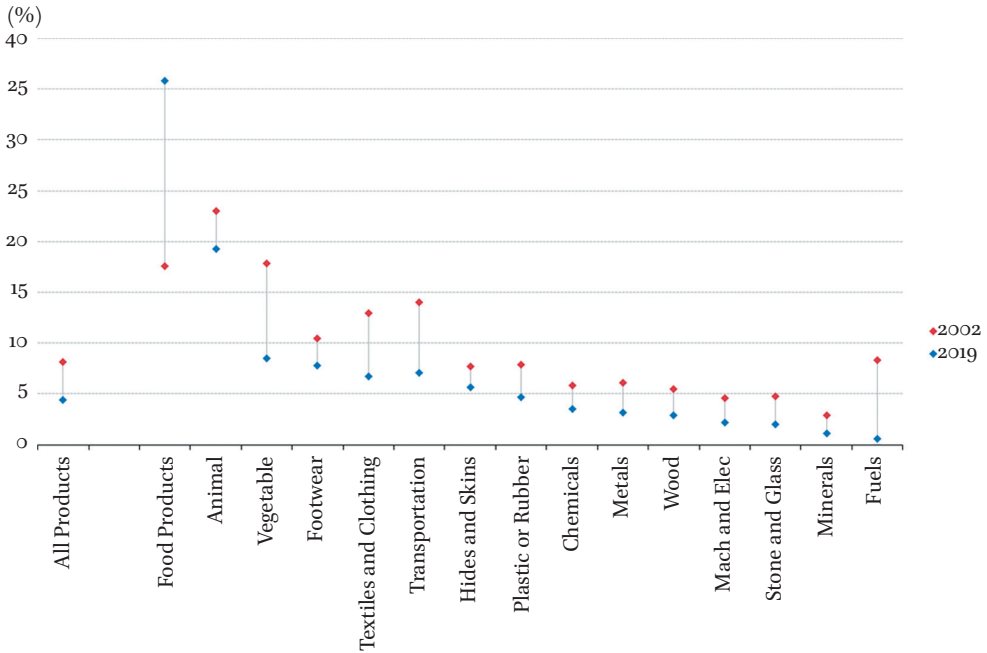
In conclusion, non-tariff barriers can be divided into seven large groups. These include, for example, quantitative restrictions (import and export quotas); import and export licenses; fiscal treatment; voluntary export restrictions; legal regulations (norms, safety standards, state monopolies, public tenders); subsidies; other policy measures (such as “buy national goods policy”; intellectual property rights; bribery and corruption; unfair customs procedures; restrictive licenses; import embargoes; seasonal imports) (Daugėlienė, 2016).

The EU maintains tariffs in most product groups at the same (or very close to) levels negotiated in the WTO. For agricultural and food products, the EU plays a key role in agricultural liberalization.⁵ The global trend is to reduce the level of tariffs, but at the same time an increase in tariffs on food products was observed between 2002 and 2019 (Figure 8.2).

In 2019, around 63% of imports into the EU market were zero-duty. The tariff structure applied by the EU remains stable. The simple average MFN tariff

5 For more on the liberalization of the agriculture trade, see Chapter 6.

Import tariffs by product group, world average, 2002 and 2019



Note: trade-weighted average for effectively applied tariffs.

Source: World Bank, WITS (World Integrated Trade Solution)

FIGURE 8.2 Import tariffs by product group, world average, 2002 and 2019 (%)

SOURCE: [HTTPS://EC.EUROPA.EU/EUROSTAT/STATISTICS-EXPLAINED/IMAGES/2/2A/IMPORT_TARIFFS_BY_PRODUCT_GROUP%2C_WORLD_AVERAGE%2C_2002_AND_2019.PNG](https://ec.europa.eu/eurostat/statistics-explained/images/2/2A/IMPORT_TARIFFS_BY_PRODUCT_GROUP%2C_WORLD_AVERAGE%2C_2002_AND_2019.PNG)

rate remains at 6.3%. The applied MFN rates are broadly identical or close to the WTO bound rates. In the agricultural sector, tariffs are well above WTO rates with an average of 14.2%. In sectors such as fish and fishery products and clothing, the highest protective rates remain at 11.8% and 11.6%. It is worth noting that the WTO underlines that the EU maintains an active role in terms of subsidies and state aid through the EU budget and member states' national budgets. At the same time, this is driven by the modernization objectives needed to protect the environment (World Trade Organization, 2019).

In 2021, the EU initiated a discussion on the reform of the WTO. One of the arguments against the current nature of the WTO is that trade is an opportunity because of its undeniable impact on economic development. At the same time, the EU emphasizes the leading role of the WTO in creating a balanced multilateral trading system. The WTO has done much for millions of people,

helping to lift them out of poverty and reduce inequality between nations. The EU suggests that the crisis in effective governance at the WTO stems from the ongoing conflict between the US and China, which is being settled outside the organization. The EU proposes a stronger engagement within the WTO to contribute to the achievement of the SDGs, and as such notes the lack of such joint engagement and the setting of common goals in the shape of a reform of the WTO rulebook, which should correspond to the challenges of the modern world, such as digitalization and climate challenges, by establishing new rules on digital trade, services, and investment. The WTO shall add to the new rules those that are applicable and help to reduce the degree of state intervention in trade. While reforming, the WTO should focus on modernizing the rules on competitive neutrality: subsidies, state-owned enterprises, forced technology transfers and domestic regulation. Notably in the area of fishery subsidies, there is an observed need to finalize negotiations so as to send a signal to all members that the WTO has the inherent strength to propose and effectively implement multilateral agreements. Moreover, fishery subsidies would signal that the WTO keeps the SDGs at the heart of its agenda. The EU emphasizes in its proposal the need to deepen cooperation on SDGs related to decent work and gender equality, so that trade liberalization contributes to meeting these goals. In the EU's trade policy, but also in its priorities for the coming years, this issue is present in both external and internal relations. What is very intriguing is that the EU, in its relations with developing countries, including the LDCs, suggests that trade should be seen as an opportunity for these countries to integrate into the global economy (inclusive impact of trade) and therefore the WTO is not doing enough to integrate these countries into the global economy. The proposed reform also addresses the problem of governance, monitoring and functioning of the WTO (European Commission, 2021b).

5 Conclusions

The European Union is undoubtedly a major player when it comes to influencing the global trading regime. The EU is one of the leaders in the export and import of goods and services. At the same time, it pursues an active trade and development policy towards third countries. The EU considers trade to be a fundamental element of global development and a tool for the integration of developing countries, including LDCs, into the world economy, proposing a trade regime based on the GSP. Still, the EU is deeply committed to achieving the SDGs, which have been incorporated into the EU priorities for 2019–2024 and provide a roadmap for the years ahead. EU member states support the

achievement of climate neutrality, but at the same time, in the EU, trade is perceived as providing leverage for greater business competitiveness and a better life for European citizens. The impact of trade on the internal market (EU firms, number of jobs generated inside and outside the EU) and on the integration of developing countries into the global economy plays a significant role.

The nexus between trade and the SDGs is evident in bilateral agreements between the EU and third countries. A review of trade policy has shown that most agreements have one section dedicated to the Sustainable Development Goals. In the case of GSP, positive impacts in LDCs have been observed in areas such as human rights, good governance, and environmental protection.

There are contentious issues between the EU and the WTO on trade liberalization in the context of tariffs in the agricultural sector, as the EU maintains much higher tariffs than those proposed by the WTO. The second issue involves state aid. The EU proposes a more comprehensive approach to public intervention in trade, while the WTO argues that the EU broadly supports a wide range of actors and sectors through the common budget. An approach in trade policy that includes the preparation of mid-term reviews reveals the EU's efforts in implementing the SDGs in bilateral agreements, on the one hand, and the efforts of third countries in reaching global goals, on the other. The EU appears to be an international organization that considers trade to be a global public good and treats it as one of the tools for building a resilient economy.

Tight cooperation between the WTO and the EU is a prerequisite for securing the multilateral trade regime as a global public good in relation to the SDGs. Equitable benefit sharing between countries in terms of social and economic impact is critical to protecting stable trade development in the context of the SDGs. Since 2019 in the wake of the COVID-19 pandemic, protectionism may seem like an enticing prospect, but all theories from classical theory onwards clearly indicate that free trade can result in the building and subsequent development of a comparative advantage. Despite the undeniable gains of trade, it is important to consider how the parties involved share and develop these gains (Mendoza & Bahadur, 2002). The aim should be to prevent market failure and its spillovers, as well as asymmetry in access to information or incomplete information (Rudloff & Laurer, 2017).

References

- Benz, S., & Jaax, A. (2022). The costs of regulatory barriers to trade in services: New estimates of ad valorem tariff equivalents. *Economics Letters*, 212 doi:10.1016/j.econlet.2021.110057

- Chen, N., & Novy, Y. (2012, February 12). On the measurement of trade costs: Direct vs. indirect approaches to quantifying standards and technical regulations. <http://www2.warwick.ac.uk/fac/soc/economics/staff/academic/novy/wtr.pdf>
- Daugėlienė, R. (2016). Nature of trade policy between Lithuania and Russia: A study on the application of trade barriers in the period of 2007–2014. *Journal of Economics and Management Research*, 4–5, 41–58. <https://www.lituanistika.lt/content/74927>
- ECOSOC. (2016, December 15). Report of the Inter-agency and Expert Group on Sustainable Development Goals. E/CN.3/2017/2*. United Nations Economic and Social Council. <https://unstats.un.org/unsd/statcom/48th-session/documents/2017-2-IAEG-SDGs-E.pdf>
- European Commission. (2014). *Trade for all: Towards a more responsible trade and investment policy*. Publications Office of the European Union.
- European Commission. (2018). President Jean Claude Juncker's State of the Union. https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_18_5808
- European Commission. (2020). Sustainable development. <https://ec.europa.eu/trade/policy/policy-making/sustainable-development/>
- European Commission. (2021a). Trade barriers. <https://trade.ec.europa.eu/access-to-markets/en/content/trade-barriers>
- European Commission. (2021b). Reforming the WTO. Towards a Sustainable and Effective Multilateral Trading System. https://knowledge4policy.ec.europa.eu/sites/default/files/NG0221300ENN.en_.pdf
- European Commission. (2022). A stronger Europe in the world. https://ec.europa.eu/info/strategy/priorities-2019-2024/stronger-europe-world_en#policy-areas
- Givens, J. E., Huang, X., & Jorgenson, A. K. (2019). Ecologically unequal exchange: A theory of global environmental in justice. *Sociology Compass*, 13(5), e12693. <https://doi.org/10.1111/soc4.12693>
- Hoekman, B. (2014). Supply chains, mega-regionals and multilateralism: A road map for the WTO. RSCAS Working Papers. European University Institute.
- IMF, WB, & WTO. (2017). *Making trade and engine of growth for all: The case for trade and for policies to facilitate adjustment*. International Monetary Fund, World Bank, and World Trade Organization. https://sdgtrademonitor.cdn.prismic.io/sdgtrademonitor/9cc023ad-6083-48bd-90df-029bec2249b5_041017joint-wto-wb-imf-trade-paper.pdf
- ITC, UNCTAD, & WTO. (2022). *SDG Trade Monitor*. International Monetary Fund, United Nations Conference on Trade and Development, and World Trade Organization. <https://sdgtrade.org/en/>
- Jaszkievicz, M., & Latoszek, E. (2013). Polityka rozwojowa Unii Europejskiej. Geniza, ewolucja, zasady funkcjonowania. In E. Latoszek & M. Proczek (Eds.), *Polityka rozwojowa. Rola organizacji międzynarodowych w zwalczaniu ubóstwa na świecie* (pp. 171–211). Oficyna Wydawnicza Szkoły Głównej Handlowej w Warszawie.

- Jorgenson, A. (2016). The sociology of ecologically unequal exchange, foreign investment dependence and environmental load displacement: Summary of the literature and implications for sustainability. *Journal of Political Ecology*, 23(1). <https://doi.org/10.2458/v23i1.20221>
- Latoszek, E., & Dugiel, W. (2018). The EU's common trade policy: Implementation of the concept of sustainable development and free trade in the era of de-globalization processes? *Studia Europejskie – Studies in European Affairs*, 4, 23–44.
- Latoszek, E., & Borowicz A. (2022). Wdrożenie celów zrównoważonego rozwoju a jednolity rynek cyfrowy w kontekście nauki, technologii i innowacji. In M. Gorynia, J. Kuczevska, & A. Z. Nowak (Eds.), *Polskie przedsiębiorstwo na jednolitym rynku europejskim. Wyzwania współczesności*. PWE.
- Leblond, P., & Viju-Miljusevic, C. (2019). EU trade policy in the twenty-first century: Change, continuity and challenges. *Journal of European Public Policy*, 26(12), 1836–1846. <https://doi.org/10.1080/13501763.2019.1678059>
- Li, Y., & Beghin, J. C. (2012). A meta-analysis of estimates of the impact of technical barriers to trade. *Journal of Policy Modeling*, 34(3), 497–511. <https://doi.org/10.1016/j.jpolmod.2011.11.001>
- LSE Consulting. (2021). *Comparative analysis of TSD provisions for identification of best practices to support the TSD review*. https://trade.ec.europa.eu/doclib/docs/2021/september/tradoc_159810.pdf
- Marx, A., Pertiwi, S. B., Depoorter, C., Hoornick, M., Mursitama, T. N., Otteburn, K., & Arnakim, L. Y. (2021). What role for regional organizations in goal-setting global governance? An analysis of the role of the European Union and ASEAN in the Sustainable Development Goals. *Global Public Policy and Governance*, 1(4), 421–445. <https://doi.org/10.1007/s43508-021-00027-6>
- Mendoza, R., & Bahadur, C. (2002). Toward free and fair trade: A global public good perspective. *Challenge*, 45(5), 21–62. doi:10.1080/05775132.2002.11034175
- Ocampo, J. A. (2016). *Global governance and development*. Oxford University Press.
- Rudloff, B., & Laurer, M. (2017, January 1). The EU as global trade and investment actor – The times they are changin'. Working Paper RD EU/Europe. Research Division EU/Europe Stiftung Wissenschaft und Politik, German Institute for International and Security Affairs. https://www.swp-berlin.org/publications/products/arbeitspapiere/IO_trade_EU.pdf
- Rueda-Cantuche, J. M., Piñero, P., & Kutlina-Dimitrova, Z. (2021). *EU exports to the world: Effects on employment*. EUR 30875 EN. Publications Office of the European Union. doi:10.2760/245264
- Sachs, J., Kroll, C., Lafortune, G., Fuller, G., & Woelm, F. (2021). *Sustainable Development Report 2021*. Cambridge University Press.
- Secretariat of the International Task Force on Global Public Goods. (2006). *Expert Paper Series Four: International Trade*.

- Servaes, J. (2017). *Sustainable development goals in the Asian context*. Springer. <https://doi.org/10.1007/978-981-10-2815-1>
- Sustainable Development Solutions Network & Institute for European Environmental Policy. (2021). *Europe sustainable development report 2021. Transforming the European Union to achieve the Sustainable Development Goals*. <https://s3.amazonaws.com/sustainabledevelopment.report/2021/Europe+Sustainable+Development+Report+2021.pdf>
- United Nations. (2021). *The Sustainable Development Goals Report 2021*. <https://unstats.un.org/sdgs/report/2021/The-Sustainable-Development-Goals-Report-2021.pdf>
- Velut, J., Baeza-Breinbauer, D., De Bruijne, M., Garnizova, E., Jones, M., Kolben, K., & Zamparutti, T. (2022). *Comparative analysis of trade and sustainable development provisions in free trade agreements*. LSE Consulting. https://trade.ec.europa.eu/doclib/docs/2022/february/tradoc_160043.pdf
- Wiedmann, T., & Lenzen, M. (2018). Environmental and social footprints of international trade. *Nature Geoscience*, 11(5), 314–321. <https://doi.org/10.1038/s41561-018-0113-9>
- World Bank. (2022). *Trade (% of GDP) – European Union*. <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=EU>
- WTO. (2019). *Trade policy review of the European Union*. World Trade Organization. https://www.wto.org/english/tratop_e/tpr_e/s395_e.pdf
- WTO. (2021a). *International trade and market access data*. World Trade Organization. http://www.wto.org/english/res_e/status_e/status_e.html
- WTO. (2021b). *World trade report 2021: Economic resilience and trade*. World Trade Organization. https://www.wto.org/english/res_e/booksp_e/wtr21_e/00_wtr21_e.pdf
- WTO. (2021c). *World trade statistical review 2021*. World Trade Organization. https://www.wto.org/english/res_e/status_e/wts2021_e/wts21_toc_e.htm
- Xu, Z., Li, Y., Chau, S. N., Dietz, T., Li, C., Wan, L., & Liu, J. (2020). Impacts of international trade on global sustainable development. *Nature Sustainability*, 3(11), 964–971. <https://doi.org/10.1038/s41893-020-0572-z>