

# **Tralac Annual Conference**

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**Update on the EU Trade Strategy**

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# Background

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## 1. An “open, sustainable, and assertive trade policy.”

- *18 February 2021-European Commission presented a new Trade Strategy*

3 medium-term objectives centred around:

- green and digital transformation
- shaping global rules for a more sustainable and fairer globalisation
- stricter enforcement of its own rights and interests.

# Background Cont'd

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## **The Trade Policy-six broad policy measures:**

- 1. Reform the World Trade Organization (WTO)*
- 2. Promote responsible and sustainable value chains*
- 3. Support the digital transition and trade in services*
- 4. Strengthen the EU's regulatory impact*
- 5. Strengthen the EU's partnership with its neighbourhood and Africa*
- 6. Focus on the implementation and enforcement of EU trade agreements*

# Trade and Sustainable Development

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- EU trade agreements have “Trade and Sustainable Development” (TSD) chapters but most lack an enforcement mechanism
- 22 June 2022, the EU presented a new approach (the new Trade and Sustainable Development (TSD) Action Plan)
- TSD chapters will have a separate dispute settlement mechanism
- Trade sanctions on trade partners that materially breached the Paris Climate Agreement or the ILO fundamental principles
- **A more important role for civil society- the EC has announced to** take a step toward by giving civil society organisations the possibility to lodge complaints against violations of sustainability commitments.

# Align trade with climate change and labour policies

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- Deliverables of the European Green Deal-New EU Regulations
  - i. The Carbon Border Adjustment Mechanism (CBAM);
  - ii. Deforestation Regulation; and
  - iii. The Directive on Corporate Sustainability Due Diligence (CSDD)

## CBAM

- Adopted by the European Commission on 14<sup>th</sup> July 2021
- Focus- high risk of carbon leakage namely cement, aluminium, iron and steel, fertilizers, and electricity. Coverage may be extended to organic chemicals, plastics, hydrogen, and ammonia.
- Key elements of the EU's 'Fit for 55' package

# Deforestation Regulation

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## Political commitments

- EU Green Deal
- Farm to Fork Strategy
- Biodiversity Strategy

## Product Coverage

cocoa, coffee, palm oil, soy, beef, and wood, and their derivative products

- High possibility to broaden the product scope
- The EU will implement a benchmarking system that will assign a risk rating (low, standard, or high) to each country

# Directive on Corporate Sustainability Due Diligence

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- Adopted by the EC on February 2022, the European Commission adopted
- Covers both EU and non-EU companies active in the EU
- Draft Directive yet to be presented to the EU Parliament and Council for approval
- The CSDD proposal is an important component of the European Green Deal. towards a sustainable future
- Targets a broad range of 'high-risk' sectors- agriculture and agro-processing, fisheries, and wholesale trade in agricultural goods; manufactured products such as textiles, clothing

- **Conclusion**

All three Regulations will add a burden of compliance.

Increase production and trade costs and reduce competitiveness in the EU market.

Erode preferences obtained under the EU free Trade Agreements as they are increasingly becoming more restrictive and more stringent

**THANK YOU FOR YOUR ATTENTION!!**

# References

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- [https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc\\_159438.pdf](https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc_159438.pdf)
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