

From Awareness to Advocacy and Negotiation

Unpacking the European Union's Green Policies

Green Initiatives – Opportunities and Challenges

In today's increasingly complex, fast-paced and highly-regulated world, the ability of countries, producers, traders and service providers to access markets and **take advantage of the competitive opportunities and of the tariff advantages** under preferential trade arrangements (e.g., PTAs, EPAs, CEPAs, EBA or GSP/GSP+ schemes) is premised on their ability to be aware of and understand the applicable rules and requirements, to adapt their products, services or regulatory regimes to those of the importing countries, and ultimately to comply with the evolving regulations.

In turn, these actions require transparency and **systematic awareness** of the developments for traders and policymakers alike. Such awareness constitutes the necessary basis for **early engagement** with respect to any regulatory development, and to discuss the trade impacts and alternatives at the WTO or in other relevant technical and trade *fora* with timely and structured **advocacy**, domestic initiatives to **define policy reforms**, specific measures to **enable regulatory alignment** with the new rules and requirements of the importing countries, and investments and capacity building to achieve **regulatory compliance** and ensure that the exported products or services comply with the new import or domestic requirements and preserve their **market access opportunities**.

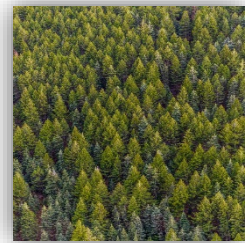
In the European Union (EU) alone, there is currently a multitude of regulatory developments in the increasingly important area of trade-related regulation

loosely referred to as **Trade and Sustainable Development**, which spans across

environmental, sustainability, social, human, and labour standards, soon also to encompass animal welfare and other important

societal values that are progressively regulated and look poised to affect trade. These regulatory actions are legitimate and indeed urgent to address global issues, such as climate change and biodiversity loss. In recent years, the EU has rolled out a number of comprehensive and overarching initiatives, such as the [European Green Deal](#), the [Farm to Fork Strategy](#), and the [Fit-for-55 Package](#) in the context of the EU's actions on the way to climate neutrality, which all entail various specific regulatory initiatives and will all inevitably result in trade impacts.

In a series of forward-looking webinars, the ITC focuses on the environmental and sustainability measures being pursued by the EU within said initiatives, in as much as they relate to trade and require traders' awareness, advocacy, compliance, as well as third countries' policy reforms and possible negotiations aimed at achieving trade facilitation. The first webinar provides the broader context and an overview of the various initiatives, as well as a methodology for governments and private sector operators in developing countries.



Relevance and Importance

- EU trading partners around the world must be aware of **legislative and regulatory developments** in the EU
- EU '*green initiatives*' often have a **direct impact on trade and traded goods** and services and may lead to specific market access requirements
- **Compliance** with such requirements would allow continued access to the EU market and, for the '*fast movers*', **comparative advantages** vis-à-vis their competitors on the EU market
- **Concerted actions** between developing countries' policy makers and private sector operators can contribute to achieve such comparative advantages
- '*Green initiatives*' can also lead to **new global standards** and other countries adopting similar rules and regulations

Methodology

Governments and private sector operators in developing countries should follow a systematic approach to manage legislative and regulatory initiatives:

- 1) The Initiatives under Consideration (Awareness)**
Identification of the most significant aspects of proposed or adopted EU legislation.
- 2) The Impact on Trade (Assessment)**
Determination of the positive/negative impacts and potential points of friction created by the initiatives.
- 3) Where the Initiative Stands (Monitoring)**
Is it a fledgling idea, a formal proposal, or a Bill that will imminently become law?
- 4) Engaging with the Authorities (Advocacy)**
For ongoing legislative/regulatory processes, the special development, financial and trade needs of developing countries need to be conveyed – to policy makers at the national level and EU level.
- 5) Preserving Market Access (Compliance)**
Economic operators and policy makers alike need to ensure that products and services meet the requirements of the EU and should align policy, regulatory and institutional frameworks accordingly.
- 6) Achieving Trade Facilitation (Negotiation)**
Trade facilitative mechanisms should be agreed between the EU and its trading partners in order to minimise negative impacts and to achieve comparative advantages vis-à-vis competitors.

The EU's Current Green Initiatives

In recent years, the EU has rolled out a number of broader initiatives comprising specific actions and leading to significant legislative and regulatory activity:

1) [The European Green Deal](#)

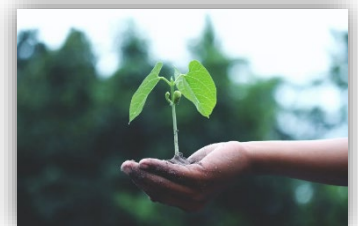
- A set of policy initiatives with the overarching aim of making the EU's economy sustainable and more circular and climate neutral by 2050
- Significant implications for businesses, leading to both changes in production and supply chain strategies
- Examples: [EU Directive on Single-Use Plastics](#) (prohibitions, rules on recycled content, labelling requirements); [EU strategy for sustainable textiles](#) (product requirements, labelling requirements)

2) [The Farm to Fork Strategy](#)

- Policy initiatives towards a fair, healthy and environmentally friendly food system
- Pursuing sustainable food production, sustainable food processing, and sustainable food consumption with trade impacts expected in the related business sectors
- Examples: [Legislative initiatives on animal welfare, food labelling, sustainable use of pesticides](#)

3) [The Fit for 55 Package](#)

- In the [European Climate Law](#), the EU has set itself a binding target of achieving climate neutrality by 2050
- As an intermediate step towards climate neutrality, the EU has raised its 2030 climate ambition, committing to reducing emissions by at least 55% by 2030 compared to 1990 levels
- Fit for 55 is a package consisting of "*inter-connected proposals*" on climate and energy that build on policies and legislation already in place
- Examples: [Revision of the EU Regulation on Land Use, Forestry and Agriculture \(LULUCF\)](#); [Revision of the EU Renewable Energy Directive](#); [Proposal for an EU Regulation establishing a carbon border adjustment mechanism \(CBAM\)](#)



Zooming in green initiatives affecting trade

For the first webinar, selected EU legislative initiatives have been reviewed in view of their future impact on trade:



1) [EU Proposal for a Sustainable Products Regulation \(Eco-design\)](#)

- The proposal foresees rules to make almost all physical goods on the EU market more friendly to the environment, circular, and energy efficient throughout their whole lifecycle from the design phase through to daily use, repurposing, and end-of-life
- All regulated products will have **Digital Product Passports**, which are intended to make it easier to repair or recycle products and facilitate tracking substances of concern along the supply chain
- The Regulation will allow the EU to set new **labelling requirements**, for instance on reparability
- Proposal published in March 2022, public consultation to be launched, legislative process ongoing

2) [EU legislative initiative on minimising the risk of deforestation and forest degradation associated with products placed on the EU market & EU legislative initiative for an EU Directive on Corporate Due Diligence and Corporate Accountability](#)

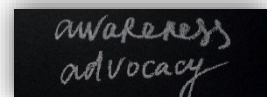
- Due diligence obligations for businesses
- Loss of comparative advantage / competitiveness for imported products, but also potential advantage for countries/sectors that already implement stringent rules
- Administrative and cost burdens for covered businesses
- Risk of inadvertent discrimination

- Proposals published in November 2021 and February 2022, respectively, public consultation for the initiative on Corporate Due Diligence is currently being held, legislative processes are ongoing

3) [Carbon Border Adjustment Mechanism \(CBAM\)](#)

- Aims at ensuring that “the price of imports reflects more accurately their carbon content”
- Would regulate GHG emissions embedded in certain third country products imported into the EU’s Customs Union in, initially, 5 sectors: cement, electricity, fertilisers, iron and steel, and aluminium
- EU importers will be required to buy carbon certificates corresponding to the carbon price that would have been paid, had the goods been produced under the EU’s carbon pricing rules. This will add additional costs to imports of covered products
- Legislative proposal published in July 2021, public consultation and feedback period on the proposal have been held, legislative process is ongoing but to be adopted soon

Taking Action



- The ability of developing countries to consult and coordinate with the EU in relation to these ‘green initiatives’ is critical also for purposes of enhancing their respective domestic business environments in a way that is conducive to sustainable economic development, gender and diversity inclusion, the effective participation in trade by MSMEs, attract investment, and support economic recovery after the *Covid-19* pandemic.
- The ability of developing countries’ policy makers and private sector operators alike to timely, effectively, and successfully engage in the relevant *fora* could be enhanced through dedicated capacity building and technical support by development partners.