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Economic exclusion: Should the EU refuse trade deals in the interest of climate change?

ABIGAIL JOHNSON

University of Canterbury, New Zealand
abby162a@gmail.com

Abstract

An analysis of European economic trade policy and its role in international diplomacy on climate change. This accounts for both the objective financial benefits and incentives of preferential trading agreements as well as the influence of these deals on wider foreign relations. The findings of this paper are that withholding trade agreements to encourage or coerce similar progressive causes such as demilitarisation are highly limited in their impact, and that many of the causes of this outcome apply equally to climate issues. A loose explanation of how trade agreements and the associated diplomatic relationships which accompany them could be utilised to promote better environmental practices is also provided, based on the economic conditions of countries and communities involved. Trade progression with a focus on achievable climate goals is found to be far more beneficial than an exclusionary approach by the EU.

Key words: European Union, international trade, climate change, free trade agreement, environmental policy, trade policy

Introduction

In the face of growing public demand for global action on climate change, the European Union has been challenged to refuse to sign free trade agreements with countries that are not demonstrating a commitment to solving the crisis. As an exercise in hard economic power, the question at hand is whether the EU can, or should, encourage better sustainability practices by gatekeeping the benefits of the world's largest trading bloc. Factors to consider in this matter include the effectiveness of similar attempts to improve human rights standards, driving causes of emissions-producing behaviour, and the influence of economic relationships on domestic policies. Answering this query will involve drawing on previous empirical cases and analysing their application to the contemporary situation.

The reasoning of those advocating for withholding trade agreements is as follows: by refusing to sign trade deals with environmentally problematic countries the EU can enforce a pre-emptive form of economic sanction against them, and therefore incentivize the offending nation to correct their behaviour (Griffen et al, 2019). Similar arguments have been put forward numerous times in the interests of human rights and democracy (Human Rights Watch, 2020; Gunia, 2020). There are further objections

by interest groups that subjecting domestic producers to environmental regulation while allowing market access to overseas goods which do not meet the same standards is counter-intuitive and unfair (Marshall, 2021), but the following analysis will not focus on this. The opposition to trade deals on the grounds of pre-emptive sanctions amongst the European public is apparent; according to YouGov (2021, p. 3), 75% of European citizens believe “*the EU-Mercosur trade pact should not be ratified if Jair Bolsonaro’s Brazil doesn’t end Amazon deforestation*”, while “*No Paris Agreement, no trade agreement*” was the sentiment that the French Minister for Foreign Affairs Jean-Baptiste Lemoyne expressed to the United States regarding the proposed Transatlantic Trade and Investment Partnership (Keating, 2018, para. 5). Furthermore, political parties in the European Parliament such as the Greens/EFA and The Left have voiced their opposition to various trade agreements on the grounds that the EU would be endorsing the poor environmental policies of these countries if they were to go ahead (Cavazzini & Jadot, 2021; Maurel, 2020). This view has been further reiterated by climate action groups including Greenpeace and the Munich Environmental Institute (Fischer, 2016). With a strong calling for forgoing arrangements until countries make better environmental decisions, an analysis is required to determine how successful this plan could be.

Empirical evidence in the case of human rights

The concept of withholding trade deals from countries in an attempt to coerce governments into taking action is not novel, nor is it constrained to environmental issues (Schomberg, 2021). One well-publicised example includes the EU consistently delaying negotiations with the Philippines in hopes that President Duterte will adopt currently unfulfilled UN conventions relating to human rights, particularly with regards to the execution of civilians caught possessing illicit substances (Development Solutions, 2019a). More recently, progress towards an agreement between the EU and China has been suspended in an extension of sanctions against Chinese officials initially implemented to counter the institutionalised abuse of the Uyghur minority in the Xinjiang region (Brzozowski, 2021). Given the existence of previous exertions of this economic power, some conclusions can be drawn as to their effectiveness in achieving the desired progressive outcomes. Calculating the persuasive impact of economic inaction taken by the Union is naturally complex and imperfect, but nevertheless some research does exist.

In the case of the Philippines, reluctance by the EU to progress a trade agreement - accompanied by various other forms of diplomatic advocacy- has failed to alleviate the authoritarian ‘war on drugs’ regime over the past five years (Watts, 2018; Canivel, 2019). Some commentators further argue that the economic distancing between the two parties has led to a lessening of engagement from Manila and thereby reduced the normative influence of the EU (Purugganan, 2020). Lewis (2014) claims that the trade policy of the EU has had a very limited impact on human rights outcomes in third countries, but explains that much of this relates to the most egregious offenders having little interest in negotiating trade deals in the first place. This is less likely to be a relevant factor in environmental issues where more developed countries have both higher emissions and exports (Ritchie, 2019). Attempts at a meta-analysis of the existing empirical evidence by Nielson & Simmons (2015), as well as Krajewski (2017) and Ahdansia & Rothman (2021), seemingly conclude that the withholding of trade benefits by developed states has an at best ambiguous impact on the adoption of UN conventions or ceasing of specific abusive behaviour by troublesome countries.

Potential explanations for this outcome include the complicated pathway and extended period of time between improving human rights standards and receiving the tangible benefits of trade (Nielson & Simmons, 2015). Meaningful action on these issues is the first step, but negotiating a trade agreement and having it ratified is a complex process that takes years to complete, which means governments, and the populations that elect them, may lose sight of the reason they are implementing these changes and therefore stagnate (Nielson & Simmons, 2015). Countries may also express a desire not to 'submit' to the wills of developed nations, or demonstrate disinterest in participating in global trade altogether (Nielson & Simmons, 2015; Sirico, 1998). None of these reasons mention the loss of potential development for the global south as a result of discarding agreements, including employment opportunities and income for vulnerable communities.

However, there are examples of successful long-term positive changes as a result of the EU withdrawing trading privileges as identified by Hafner-Burton (2005), namely involving Rwanda, Togo, and Fiji. In each of these situations the offending countries already had agreements in place with the EU when they were suspended for breaches of specific conditions; so the countries lost a benefit they already held, as opposed to missing out on an unrealised theoretical gain (Hafner-Burton, 2005). Moreover, the reinstatement of benefits was conditional upon a specific action that often involved a return to a previous state -such as the withdrawal of armed forces from refugee camps in the case of Rwanda in 1995- as opposed to the complete overhaul of an economic sector. These relative results from boycotted trade by the EU in the name of progressing human rights provides an insight into the framework for a similar model addressing climate action.

Motivating behaviour

Understanding the motivations and influencing factors for climate inaction and environmental destruction is the next critical step in determining the likely outcomes from withholding trade agreements. It is here where conditions may differ greatly from that of human rights issues. Financial incentives play a significant role in the neglect of sustainability, often increasingly so for those experiencing higher degrees of deprivation (Purvis et al, 2019).

The loss of the world's most important ecosystem provides a clear demonstration of this: Brazilian farmers are burning down the Amazon rainforest to make way for cattle farming because it is the only source of income they have (James, 2019; Fabal, 2019). For those at and below the poverty line -commonly the most marginalised communities by the state for a multitude of reasons- destroying the lungs of the Earth is a matter of "*trying to survive in a very hostile environment through often brutal, hard work*" (James, 2019, para. 6). Similar situations prevail around the world, the most isolated and low-income provinces of Indonesia are the most dependent on the coal industry for employment; while vulnerable farming populations are the biggest contributors to India's methane emissions (Timperley, 2019; Arinaldo, 2019; Mahapatra, 2017). Slight alterations in economic conditions could have significant impacts on the behaviour of those most in need of material improvements. The case put forward by Sirico (1998) in response to calls to halt further trade relations with China is dated, but the economic reasoning remains the same: when environmental destruction is committed for financial gain this can be mitigated through alleviating the acute poverty which is driving it. The theory could then follow that pursuing trade

agreements with the countries at fault, allowing them to experience economic growth with the corresponding increase in incomes and diversification of industry options, would actually encourage a cease in climate change inducing behaviour (Okenna & Adesanya, 2020).

These changes are certainly not as straightforward as signing agreements and then waiting for the ensuing rise in wealth to motivate greener behaviour, but there is potential to incentivize the transition into more sustainable practices (Sirico, 1998). In the case of Brazil, the EU could agree to a deal that maintains import barriers on beef and leather goods while drastically increasing access for other, less-damaging, goods such as coffee and soy (Winter et al, 2020; Garrett & Rausch, 2015). Thus immediately increasing the profitability and therefore attractiveness of production which doesn't involve forest fires. Trade advantages provide immediate tangible benefits for sustainable actions which facilitates change more feasibly than future rewards which can only be realised years later; it's a 'carrot' as opposed to a 'stick' to be colloquial. Similar patterns can be seen in related fields, such as the increased availability of environmental work stoked by trade liberalisation leading to reduced illegal poaching of wildlife in Nepal, India, and Mongolia (Downey, 2020; Mance, 2019; Poudyal & Knowler, 2005). This kind of economic manoeuvrability in the interest of mitigating environmental damage is only possible when trade deals are actually in place and not withheld in the first place out of principle. Any actions taken as a result of new trading agreements are entirely unlikely to be completely comprehensive, sufficient, or appropriately rapid in their impacts (Nielsen & Simmons, 2015), but as the continuation of climate change begins to have palpable effects on human lives today, taking any action can be considered be better than taking none at all.

Trade and diplomacy

The final consideration in the decision whether or not to forgo international trade arrangements lies in their potential to build stronger relationships between the EU and third countries, which can then be leveraged to create better environmental policy. Negotiations over trade have the potential to bring countries closer together in other areas; such as an agreement between the EU and Korea signed in 2010 that resulted in significant sharing of sustainable practices and technology (European Commission, 2021). Development Solutions (2019b) directly accredited the EU-Korea agreement with the adoption of an emissions trading system by Korea in 2015 with similar policy infrastructure to that of the EU, which has thus far reduced Korean carbon emissions in line with their national goal of net zero by 2050 (Jun et al, 2021). Shi et al (2019) further claim that the adoption of the ETS by Korea has influenced carbon-pricing policies in other Asian countries including Shenzhen in China, extending the impact of the EU's deal.

The association agreement in place between Israel and the EU is just another example that is acknowledged as fostering collaboration on environmental issues which was initially founded as an economic relationship (Plessix, 2011). While negotiations over action on sustainability can certainly occur in the absence of trade agreements, the process provides an opportunity to improve diplomatic influence and means that third countries have a bit of 'skin in the game' as an incentive (World Trade Organisation, 2018). As demonstrated in the case of human rights, exerting economic power tends to be most impactful when the nations are already engaged and benefiting from the trading arrangements.

Conclusion

From the limited effectiveness of similar tactics deployed previously, the role financial deprivation plays in driving behaviour, and the links between association and greater collaboration, it would appear that refusing to sign free trade agreements with environmentally destructive countries is not an effective method to achieve global action on climate change. The existing evidence and analysis thus far suggest that continuing to pursue trade deals that benefit more sustainable industries at the expense of destructive ones may yield more practical results. This should be accompanied by ongoing collaboration on better environmental practices, with the potential to implement hard consequences if certain issues do arise. An approach of exclusivity is simply not the key to an international solution to the biggest threat of a generation.

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