

IN-DEPTH ANALYSIS

Trade, Growth and Development: An Assessment

Author: Roberto BENDINI

ABSTRACT

The European Commission communication 'Trade, Growth and Development' was published in January 2012 as a direct spin-off of the more general communication 'Trade, Growth and World Affairs'.

It was also a response to the criticism levelled by many non-governmental organisations, governments of developing countries and other stakeholders at the Commission's trade policies (in particular economic partnership agreements) with traditional African, Caribbean and Pacific partners.

The communication secured greater clarity and coordination between development- and trade-oriented policies, but it does not appear to have produced revolutionary changes. A number of updates have addressed the progress made by developing countries in the era of globalisation, but the essential separation remains.

The communication did, however, have the unquestionable merit of promoting the modernisation of certain development-oriented trade instruments, such as the Generalised System of Preferences, and concentrating declining resources on fragile and least-developed countries.

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Editorial Assistant: Jakub PRZETACZNIK

Feedback of all kind is welcome. Please write to the author: roberto.bendini@europarl.europa.eu.

To obtain copies, please send a request to: poldep-expo@europarl.europa.eu

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1 Introduction

The Commission communication 'Trade, Growth and Development' was published in January 2012

The new EU trade strategy attached greater importance to development-related issues

TGD addressed two key issues: concentrating aid on poorer countries and modernising aspects of a development-related trade policy

The European Commission communication 'Trade, Growth and Development' (hereinafter 'TGD') was published in January 2012 as a direct spin-off of the more general communication 'Trade, Growth and World Affairs' (hereinafter 'TGWA').¹

Unlike the Commission's earlier communication 'Global Europe' (2006), TGWA attached great importance to development-related issues. Besides reforming the EU's Generalised System of Preferences (GSP) mechanism and negotiating economic partnership agreements (EPAs) with African, Caribbean and Pacific (ACP) countries, the Commission expressed its intention to adopt a communication specifically dedicated to trade and development. The communication replaces a previous coordinated strategy paper originally published in 2002.²

The communication was also a response to the criticism levelled by many non-governmental organisations (NGOs), governments of developing countries and other stakeholders at the Commission's trade policies (in particular EPAs) with traditional African, Caribbean and Pacific (ACP) partners and the absence of significant progress at the World Trade Organisation (WTO) (e.g. as regards the Doha Development Agenda (DDA), an attempt at a package for least-developed countries (LDCs), and the increase in protectionist measures).

TGD essentially addressed two key issues: (a) the need to take fuller account of '**differentiation among developing countries**', which has greatly increased during the two last decades, and to focus on the poorest, and (b) the question of how to handle the many topics which have been, or could be seen as, **components of a development-related trade policy**. While some aspects of international trade policy (e.g. trade facilitation, foreign direct investment (FDI) and services) are generally perceived as a potential catalyst for development, others (including social and environmental regulation, intellectual property rights (IPRs) and competition policy) have often been seen as an additional burden by developing countries and criticised on account of the potentially negative effects they can have on the fragile economies of those countries.

The rise of emerging countries sends a powerful signal that development is possible and that open markets in an increasingly integrated world economy play a major role in this process.

Like this study, the communication is divided into three main parts:

- (a) An analysis of developing countries' integration into the world

¹ European Commission communication, '[Trade, growth and development: Tailoring trade and investment policy for those countries most in need](#)' (COM(2012)0022, 27 January 2012).

² European Commission communication, '[Trade and development: Assisting developing countries to benefit from trade](#)' (COM(2002)0513, 18 September 2002).

trading system and the contribution of international trade to development, with particular regard to initiatives promoted by the EU;

- (b) A set of proposals aimed at modernising trade-related assistance to developing countries;
- (c) Conclusions and the way forward.

2 Analysis of developing countries' integration into the world trading system

The first part of TGD consists of an economic analysis of developing countries' integration into the world trading system

The three chapters of TGD provide a short analysis of the remarkable changes that have reshuffled the global economic order in the past decade. The Commission's analysis focuses on the rise of emerging economies, which have become the main drivers of global economic growth and have gradually become recognised as major economic and political players internationally. For the first time in recent history, developing countries as a whole account for more than half of world trade.³

The Commission stressed that 'while these changes have helped to lift hundreds of millions of people out of poverty, not all developing countries have enjoyed such gains', and that the gap between emerging economies and LDCs, which were unable to benefit from the globalisation process, was further widening. The concept of 'developing country' needed to be revised to reflect these changed circumstances. Likewise, most trade, investment and development policies had become outdated and also needed to be revised, in particular given the moderate impact of traditional development policies on their final beneficiaries in recent years.

The Commission presents a set of policies aimed at boosting the trade component in development policies and securing lasting and sustainable economic and social growth. As indicated in the title, the communication was also about 'tailoring trade and investment policy for those countries most in need' rather than dispersing the available assistance across multiple policies, some of them benefiting countries that had reached a level of revenue similar to, if not higher than, that of some Member States.

The second chapter discusses a number of considerations relating to trade policy. Most of these considerations, which are summarised below, are based on common sense:

- Openness to trade has been a key element of successful growth and development strategies;
- Trade is a necessary condition for development, but is not sufficient per se to secure lasting economic growth;

³ Op. cit., European Commission communication of 27 January 2012.

- Making trade work for development requires much more than lowering tariffs;
- The growing diversity of developing countries calls for more differentiation in the design and implementation of EU policies.

The third chapter consists of an evaluation of the 2002 communication on trade and development, in particular as regards the commitment to granting developing countries greater access to the single market. The main points can be summarised as follows:

- New autonomous trade schemes (Everything But Arms (EBA) and GSP Plus);
- Relaxed and easier-to-use rules of origin;
- Assistance for potential exporters in developing countries;
- Increase in funds available for Aid for Trade;
- Revision of the Cotonou Agreement;
- New EU trade strategy ('Global Europe', 2006);
- Fight against protectionism and support for WTO and DDA.

3 European 'package'

The Commission put forward an integrated package of development-oriented measures

The inspiration behind TGD may be summarised as follows: 'the EU must focus its efforts on the poorest and most vulnerable countries and make sure those efforts are tailored to their needs and constraints, while ensuring coherence and complementarity between trade, development and other policies'.

In other words, the Commission acknowledged the increased role that trade-related measures can play in assisting developing countries in finding their way to economic growth; it sought to draw a clear line between, on the one hand, LDCs and fragile countries, for which the preferential schemes and ad hoc mechanisms available were reinforced and streamlined, and, on the other, emerging economies, which were to be progressively included under the general heading of EU trade policy (e.g. through a gradual reduction in unilateral trade preferences, or pressure to enter into free trade agreements (FTAs)).

The first result of this significant shift in policy is represented by the reform of the GSP, which slightly predates the publication of TGD but is fully coherent with its rationale and objectives.⁴

⁴ European Parliament study, '[Reform of the Generalised System of Preferences](#)' (2011).

3.1 A new system of trade preferences (the GSP reform)

The GSP system has been radically revised and modernised

On 15 May 2011, the Commission published a set of proposals for reforming the EU's preferential import schemes for developing countries. The legislative text was finally adopted in October 2012 and entered into force on 1 January 2014.

The new GSP mechanism introduced a number of interesting changes to the previous regime: it significantly reduced the number of beneficiaries (from 176 to 80, i.e. those most in need), reinforced enforcement aspects and further promoted the core human rights and social rights principles enshrined in the GSP (see section on GSP Plus below).

The impact of the new regulation is likely to be significant for a limited number of countries, which will either lose preferential access to the EU or enjoy new benefits (as is the case for new GSP Plus beneficiaries). The new regulation is meant to grant a general advantage ('preference consolidation') to those countries that remain eligible – particularly poorer developing countries and LDCs.

Furthermore, the new system was designed in such a way as to enhance its predictability, transparency and stability. With the exception of EBA, which has no expiry date, the new system is set to last for 10 years, whereas the previous duration was three years. In addition, procedures have become even more transparent thanks to clearer, better-defined legal principles and objective criteria.

3.2 Aid for Trade

Aid for Trade remains a key component of any development-oriented trade policy

The communication considers international trade to be a key driver of growth for developing countries. A well-functioning Aid for Trade (AFT) system is a prerequisite for developing countries wishing to take greater advantage of the benefits of economic openness and enhanced trade efficiency.

The Commission sought to make AFT more efficient and result-oriented

The Commission proposed the revision of AFT initiatives:

(i) **Improved complementarity between trade and development policies**

The Commission pledged in this chapter to provide AFT assistance to ensure that developing countries can take full advantage of further trade liberalisation or enhanced market access (e.g. as a result of new GSP schemes and/or EPAs). AFT should no longer be country-based, but should address horizontal issues from a thematic perspective.

(ii) **Greater focus on LDCs**

(iii) **Focus on SMEs (small and medium-sized enterprises)**, ensuring that they are not excluded from AFT schemes.

(iv) **Enhanced economic partnerships, regulatory dialogues and**

business cooperation

The Commission makes reference to programmes and funding made available under the Partnership Instrument. The new financing instrument for development cooperation for 2014-2020 and the Partnership Instrument entered into force in 2014.⁵

- (v) **Revision of the EU's approach to supporting regional integration**, including new regional programmes aimed at fostering further economic and trade cooperation.
- (vi) **New training and support policies, in particular for SMEs**, to be included in the EU's revised development cooperation system. Trade and private-sector development were given more emphasis in the 2014 Development Cooperation Instrument (DCI) Regulation and its programming.⁶
- (vii) **Improved aid effectiveness** through, inter alia, better coordination among donors. This was in line with commitments made by the EU during the 4th Partnership for Effective Development Cooperation forum held in Busan (Republic of Korea) in 2011⁷ and the Global Partnership for Effective Development Cooperation⁸.

3.3 Instruments to boost foreign direct investment (FDI)

Foreign direct investment became a full competence of the EU following the entry into force of the Treaty of Lisbon

The Commission highlights the role that a sound regulatory environment can play in attracting foreign investment and anticipates the launch of a set of FDI-related instruments that the European executive body is empowered to propose following the entry into force of the Treaty of Lisbon. It is worth recalling that the Treaty of Lisbon made FDI the third 'pillar' (in addition to trade in goods and in services) of the common commercial policy, which is an exclusive competence of the EU.

In this chapter the Commission proposed the following initiatives:

- (i) **Including FDI provisions in newly negotiated FTAs** with a view to ensuring greater legal certainty and better market access for investors.
- (ii) **Negotiating EU-level bilateral investment treaties (BITs)** with developing countries to replace those agreed with Member States before the entry into force of the Treaty of Lisbon. The Commission asked the developing countries concerned to consider this option.

No developing country has so far asked the Commission to open talks

⁵ Regulation (EU) [No 233/2014](#) of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020.

⁶ Under the DCI Global Public Goods and Challenges Thematic Programme, the Commission has also proposed several flagship initiatives related to trade and development.

⁷ [Fourth High Level Forum on Aid Effectiveness](#) (Busan, 2011).

⁸ Global Partnership for Effective Development Cooperation ([internet site](#)).

on bilateral investment treaties

However, no individual investment negotiations have been concluded with developing countries so far.⁹ Rather, the newly proposed investment provisions (including those introducing an investor-state dispute settlement (ISDS) mechanism) have been harshly criticised for their potential negative impact on governments' ability freely to pass legislation addressing perfectly legitimate public concerns, such as health and environmental protection, labour rights and human rights. The opposition to the ISDS system is so strong that it may even jeopardise the entry into force of the FTA already concluded with Canada and harm negotiations for a full-fledged FTA with the United States (the Transatlantic Trade and Investment Partnership, or TTIP). As a result of this opposition, the Commission has been compelled to revise its earlier approach and put forward new proposals.

(iii) **New mixed system of loans and grants, and modernisation of financial support**

This was supposed to better address debt sustainability and support the financial viability of strategic investments. It was meant to be achieved via a revision of the financial instruments available under the multiannual financial framework for 2014-2020. The blending of grants and loans in EU development cooperation has indeed been boosted in the programming of the DCI for 2014-2020, in particular in regional programmes.

3.4 Economic partnership agreements

EPA negotiations have progressed slowly and are still far from being concluded

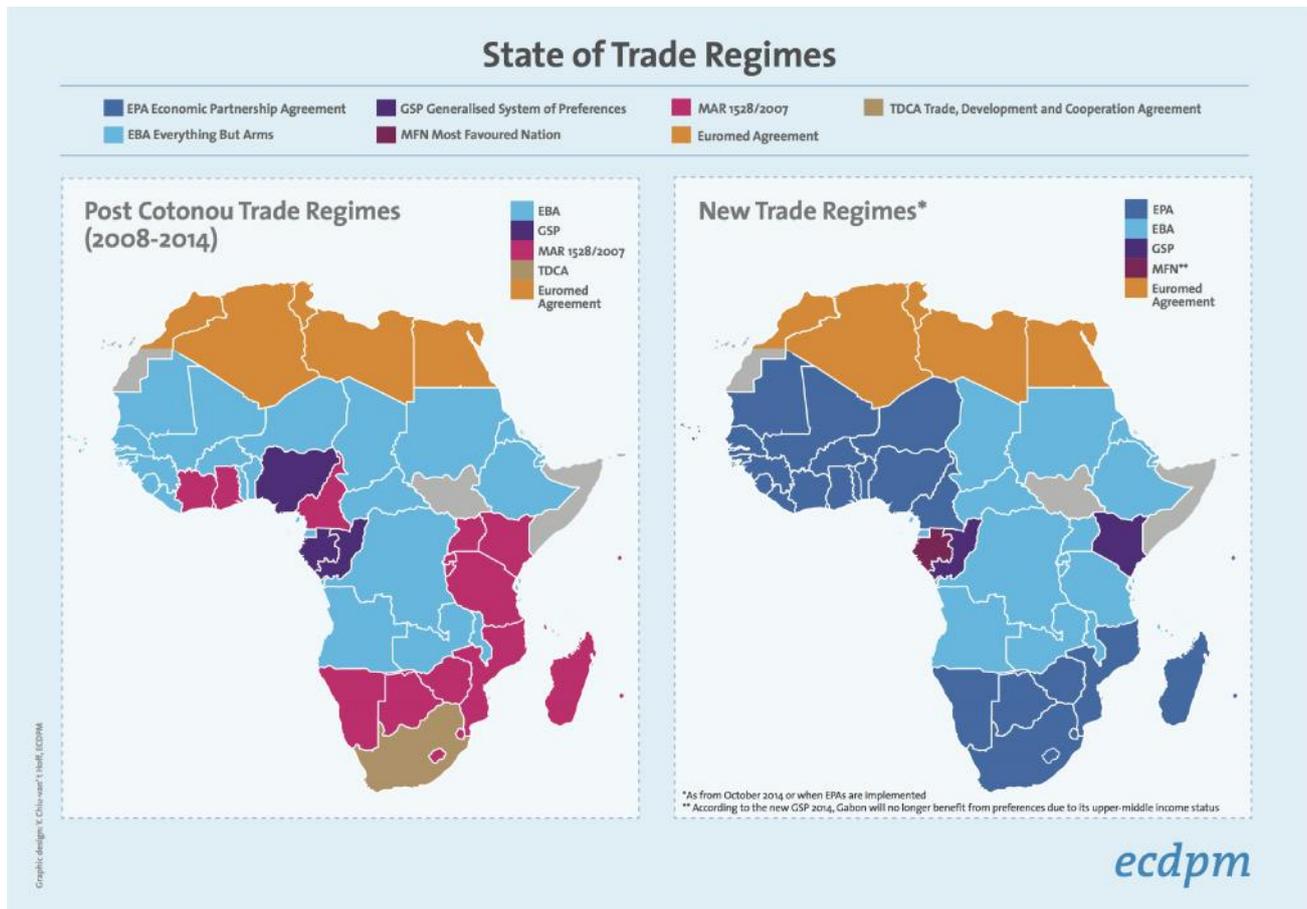
EPA negotiations with groups of ACP countries – essentially composed of former European colonies – have proved to be more difficult than originally expected. The EU's preferential trade regime for ACP countries adopted under the Lomé Conventions (and the subsequent Cotonou Agreement) was found to be in breach of the rules governing international trade, and the WTO requested that the regime be repealed and replaced with a WTO-compatible version. In recent years, the EU has also had to acknowledge that the extensive funding and preferential trade regime accorded to the ACP countries have produced mitigated results.

The EPA process was launched within the framework of the 2000 Cotonou Agreement, and an extension (waiver) of the old regime was granted by the WTO until 31 December 2007. This period was supposed to be sufficient to negotiate the new bilateral agreements that would replace the old trade regime. However, negotiations proved slower and thornier than expected. To cope with the deadline and to avoid disrupting trade when the preferential trade regime ended, the EU pushed for interim EPAs covering

⁹ The content of the investment clauses to be included in the FTA with Vietnam is still unclear. According to the Commission this chapter is still [under negotiation](#), despite a recent announcement that the negotiating parties had reached an agreement 'in principle'.

only trade in goods. The majority of ACP countries – which were not least-developed countries and therefore could not benefit from alternative forms of privileged market access to the EU, such as the Everything But Arms initiative – agreed to either initial or sign such interim agreements. Since 2007, EPA negotiations have progressed very slowly.

Figure 1:
State of Trade Regimes in Africa (end 2014)



Source: ECDPM

To persuade ACP countries to take the necessary steps to ratify EPAs or conclude comprehensive regional negotiations, the Commission proposed suspending preferential access to the EU market for those countries that had not signed or ratified their agreements

To persuade ACP countries to take the necessary steps to ratify EPAs or conclude comprehensive regional negotiations, the Commission proposed suspending preferential access to the EU market for those countries that had not signed or ratified their agreements.¹⁰ The new regulation entered into force on 1 October 2014 and did indeed push some ACP countries to conclude negotiations with the EU. However, as shown in the map above, several African states are currently exporting under the EBA initiative or even under the less favourable GSP and Most-Favoured-Nation regimes.

¹⁰ [Regulation](#) (EU) No 527/2013 of the European Parliament and of the Council of 21 May 2013 amending Council Regulation (EC) No 1528/2007 as regards the exclusion of a number of countries from the list of regions or states which have concluded negotiations.

Figure 2:
Economic partnership
agreement negotiations
(status as at May 2015)

Region	Current status	Remarks
Cariforum	Full EPA Entered into force in May 2009	
Eastern and Southern Africa	Mauritius, Seychelles, Zimbabwe and Madagascar (iEPA). Provisionally entered into force in May 2012	Negotiations suspended with the other countries
West Africa	Negotiations concluded in February 2014 Text initialled in July 2014	Signing process still ongoing
Central Africa	Only Cameroon (iEPA) Provisionally entered into force in August 2014	Negotiations suspended with the other countries
Eastern African Community	Negotiations concluded in October 2014	Legal 'scrubbing' under way – pending signing and ratification
Southern African Development Community (SADC)	Concluded in May 2014	Legal 'scrubbing' under way – pending signing and ratification
Pacific	Papua New Guinea and Fiji Signed in 2009	Talks continue on a regional full EPA

Source: European Commission

In TGD, the Commission also committed to launching a new 'partnership for democracy and shared prosperity' with the aim of ensuring better market access for south Mediterranean countries and promoting human rights, good governance and democratic reform. The Commission also planned to forge closer ties with the former Soviet Union republics of Moldova, Georgia and Armenia.¹¹

4 A revised trade agenda to promote sustainable development

In this chapter, the Commission proposed a set of measures designed to ensure that 'economic growth and development go hand in hand with social justice, including core labour standards, and sustainable environmental practices including through external policies'.

¹¹ This reference to negotiations with east European and Mediterranean countries has limited or no relevance to the general context of the TGD communication.

4.1 Reform of GSP Plus

Under the new GSP Plus scheme, eligible countries need to adopt and effectively implement a set of international conventions relating to human and social rights and environmental protection

The Commission's proposals for the reform of GSP Plus made access to the special incentive arrangement for sustainable development and good governance easier and more attractive for beneficiaries, but also **reinforced monitoring** and **withdrawal mechanisms**.

The new regulation (Regulation (EU) No 978/2012¹²), which entered into force in 2012, provides, inter alia, that privileged access to the single market may be withdrawn temporarily if the beneficiary country does not honour its binding undertakings¹³, or if it formulates a reservation which is prohibited by any of the relevant conventions or which is incompatible with their object and purpose. The burden of proof is on the GSP Plus beneficiary country as regards compliance with obligations resulting from its binding undertakings .

By 1 January 2016, and every two years thereafter, the Commission is required to present to Parliament and to the Council a report on the ratification status of the relevant conventions, the compliance of GSP Plus beneficiary countries with reporting obligations under those conventions and the status of the effective implementation thereof.

4.2 Inclusion of a trade and sustainability chapter in newly negotiated free trade agreements (FTAs)

A 'Trade and Sustainable Development' (TSD) chapter is included in all 'new-generation' FTAs negotiated by the EU

According to the Commission, the aim of this provision is to 'engage partner countries in a cooperative process involving civil society as well as to strengthen compliance with domestic and international labour and environmental standards'. New agreements should also include provisions allowing independent and impartial review.¹⁴

In line with its commitments, the Commission has included a 'Trade and Sustainable Development' (TSD) chapter in all the 'new-generation' FTAs concluded (with the Republic of Korea, Colombia and Peru, Central America, Singapore, Moldova, and Georgia). The content of the TSD chapters is not the same in all the FTAs concluded so far; the effective enforceability of these provisions has not been tested, and raises some legitimate doubts. As regards the EPAs, negotiations over the TSD clauses have been very controversial. In the case of the EPA with the Economic Community of West African States, no specific clauses could be agreed on, meaning that the relevant provisions of the Cotonou Agreement remain

¹² Regulation (EU) No [978/2012](#) of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008.

¹³ These undertakings essentially concern compliance with certain international conventions on labour rights, good governance, etc.

¹⁴ European Commission, '[Trade and Sustainable Development in EU Trade Agreements](#)' (PowerPoint presentation, June 2014).

the fallback solution. This is one of the critical issues that was highly controversial when discussed in Parliament. TSD chapters typically include the following provisions:

- (i) **Multilaterally agreed objectives and commitments:** international instruments, principles and norms as the basic set of rules

‘The Parties will make continued and sustained efforts towards ratifying the fundamental ILO Conventions’ (EU-Korea FTA); ‘The Parties reaffirm their commitment to effectively implement in their laws and practice the multilateral environmental agreements to which they are parties’ (EU-Central America Association Agreement (AA))

- (ii) **Domestic levels of protection:** preserving high levels of protection in the EU and avoiding ‘misuses’ of labour and environmental laws to distort trade and investment flows

‘The Parties recognise the right of each Party to determine its sustainable development policies and priorities, to establish its own levels of domestic environmental and labour protection’ (EU-Moldova Deep and Comprehensive Free Trade Area); ‘A Party shall not waive or otherwise derogate from, or offer to waive or otherwise derogate from/fail to effectively enforce its environmental and labour laws in a manner affecting trade or investment’ (EU-Central America AA)

- (iii) **Trade and investment as a means of supporting sustainable development objectives:** pursuing a comprehensive agenda that encompasses environmental goods and services (EGS), corporate social responsibility (CSR) and natural resources (forestry, fisheries, biodiversity)

‘The Parties, in accordance with their respective domestic laws, agree to develop, introduce and implement any measures aimed at protecting the environment and labour conditions that affect trade between the Parties in a transparent manner, with due notice and public consultation, and with appropriate and timely communication to and consultation of non-state actors’ (EU-Korea FTA); ‘The Parties commit to jointly reviewing, monitoring and assessing the contribution of Part IV of this Agreement ... to sustainable development’ (EU-Central America AA)

- (iv) **Creation of a dedicated institutional monitoring system combining governmental and civil society involvement**

The EU-Colombia/Peru agreement contains extensive TSD and human rights clauses and can be considered to be the most advanced deal of this kind so far negotiated by the EU. The agreement establishes enforceable human rights obligations (under Title I) and contains a trade and

sustainable development title which, despite its name, extends beyond trade (Title IX). These provisions are, for the most part, independent of the economic aspects of the agreement.¹⁵

Analysis of these provisions shows that they are not entirely satisfactory, however, as pointed out by both civil society representatives and trade experts. A study on the Colombia/Peru trade agreement comes to similar conclusions:

‘There is a substantial overlap between the human rights clause and the sustainable development title. Core labour rights and certain environmental rights, all fall under the human rights clause, and are enforceable by “appropriate measures” while at the same time falling under the sustainable development title. The result is that for these issues it is immaterial that the obligations set out in the sustainable development title are essentially unenforceable. On the other hand, the weakness of enforcement makes a difference in the case of social issues that do not rise to the level of human rights violations. These include general environmental issues, as well as certain non-core labour standards, and other social impacts. This would be important if increased output resulting from the Agreement were to result in a loss of biodiversity, due to deforestation.’¹⁶

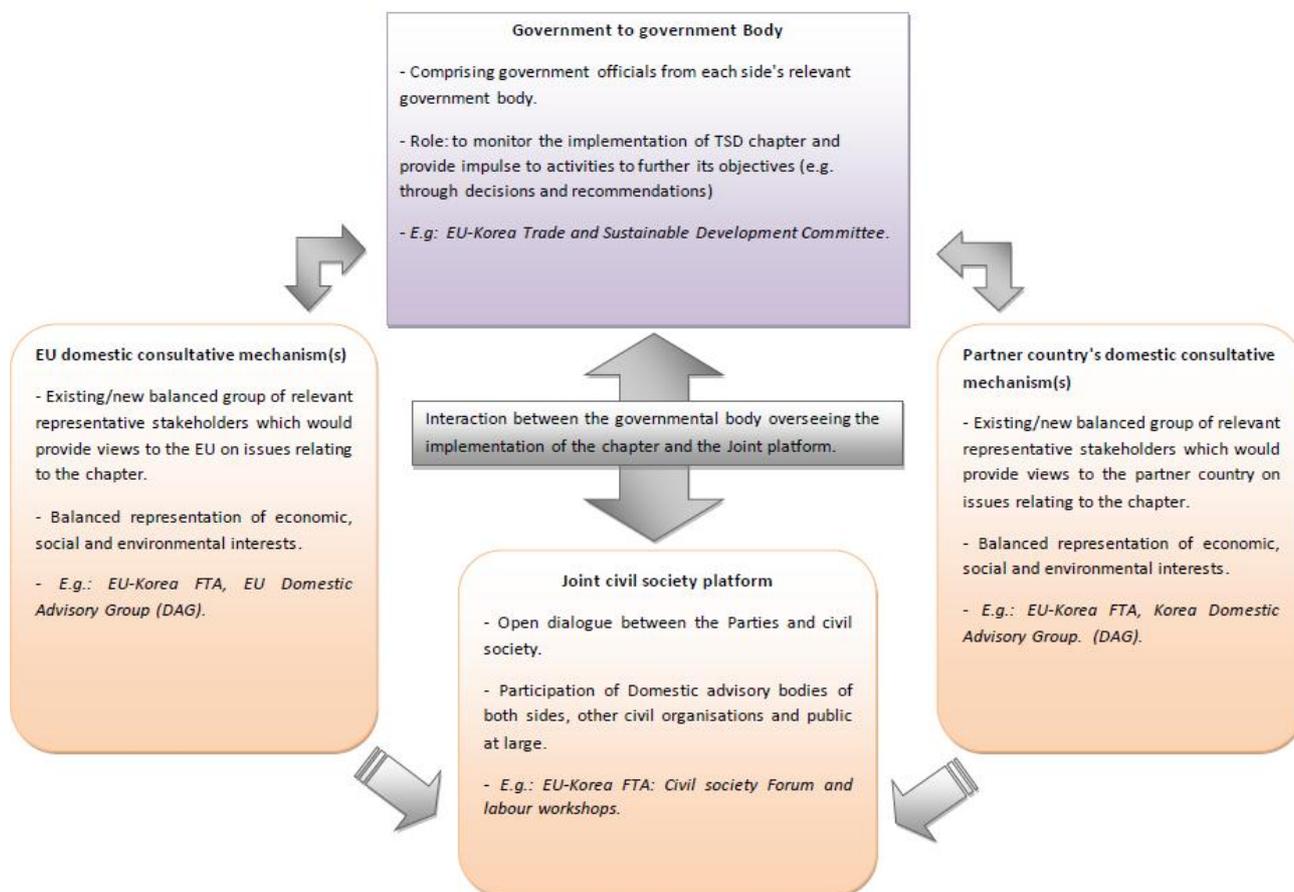
In the same vein, the FTA negotiations about to be concluded with the Republic of Vietnam also include a chapter on TSD and human rights provisions which, according to the Commission, is ‘robust and comprehensive’ and encompasses an extensive list of commitments.¹⁷

¹⁵ European Parliament study, [‘European Union: “Trade Agreement” with Colombia and Peru’](#) (March 2012).

¹⁶ *Ibid.*, p. 52.

¹⁷ European Commission memo, [‘EU and Vietnam reach agreement on free trade deal’](#) (4 August 2015). It should be noted that negotiations for an EU-Vietnam FTA are still ongoing (there is only an agreement ‘in principle’ between the two parties) and the text of the agreement will not be made available before mid-2016 at the earliest.

Figure 3:
Trade and sustainable development mechanisms in EU FTAs



Source: European Commission

4.3 Better assessment of EU trade initiatives

The Commission committed to enhancing ex-ante and ex-post evaluation of legislative proposals and trade agreements

In TGWA, the Commission reiterated its firm commitment to ensuring that civil society and key stakeholders are properly consulted when the Commission is drafting policy or considering action. This approach had been initiated by the Commission a few years earlier with the introduction of regular civil society dialogues on trade.¹⁸

The Commission also undertook to produce impact assessments and evaluations of trade policy. Sustainability impact assessments (SIAs) are normally prepared for each new FTA, and internal impact assessments for new internal legislative proposals (under the ordinary legislative procedure). The Commission proposed extending this approach to 'all new trade initiatives with potentially significant economic, social and environmental impact' for the EU and its partners.

It also committed to systematically producing ex-post evaluations. This commitment represents a real step forward for Commission trade policy;

¹⁸ Roberto Bendini, 'The European Union's trade policy, five years after the Lisbon Treaty' (March 2014).

ex-post evaluations may better shape EU trade policy, avoiding expensive and dangerous errors in negotiations with third parties.

In TGD, the Commission went further and undertook to 'address all significant economic, social, human rights and environmental impacts, and build upon a wide consultation of relevant stakeholders'. It also planned to use independent evaluations to better shape Aid for Trade measures.

The Commission has consistently implemented its own guidelines for ex-ante and sustainability impact assessments. Although the quality is not always homogeneous, SIAs and Commission impact assessments represent an advance in transparency and the definition of priorities. The Commission recently published its first ex-post impact assessments (on the Mexico and Chile FTAs). The Commission has also published the much-awaited new 'Guidelines on the analysis of human rights impacts in impact assessments', which may help to streamline the evaluation of non-economic factors in trade negotiations.¹⁹ Lastly, the Commission is updating its Handbook for Trade Sustainability Impact Assessment, published in March 2006.

4.4 EU measures promoting sustainable management of key natural resources

In TGD, the Commission pledged to assist developing partners in implementing schemes that improve their potential for sustainable growth

The Commission pledged to assist developing partners in implementing schemes that improve their potential for sustainable growth. It also committed to cooperating with other countries which are important markets for natural resources, with a view to promoting similar standards.

TGD essentially referred to two regulations, dealing with illegal logging (Regulation (EU) No 995/2010) and fishing (Regulation (EC) No 1005/2008) respectively; no significant changes were made to these regulations during the period of reference.²⁰

Regulation (EU) No 995/2010 provides that 'by 3 December 2015 and every six years thereafter, the Commission shall, on the basis of reporting on and experience with the application of this Regulation, review the functioning and effectiveness of this Regulation, including in preventing illegally harvested timber or timber products derived from such timber being placed on the market. It shall in particular consider the administrative consequences for small and medium-sized enterprises and product coverage. The reports may be accompanied, if necessary, by appropriate legislative proposals.'

¹⁹ European Commission, '[Guidelines on the analysis of human rights impacts in impact assessments](#)' (2 July 2015).

²⁰ Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market' (also known as the Timber Regulation); Council Regulation (EC) No 1005/2008 of 29 September 2008 establishing a Community system to prevent, deter and eliminate illegal, unreported and unregulated fishing.

4.5 Elimination of tariff and non-tariff barriers on goods and services having a positive impact on the environment

The Commission proposed removing tariffs on 'green' imported goods and services

The Commission pledged to support efforts to ensure improved access to green technology for developing countries.

The EU contributes substantially to the transfer of technology to developing countries, inter alia by financing climate action and development projects with a technology dimension, and through research collaboration. The EU and its Member States provide incentives to enterprises and institutions for the purpose of promoting and encouraging technology transfer to LDCs in order to enable them to create a sound and viable technological base.

A summary of actions taken is set out in an annual communication to the Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS).²¹

4.6 Enhanced support for producers involved in sustainable trade projects

The Commission preferred not to take an active role in regulating non-governmental sustainability assurance schemes, including those for social and environmental sustainability (such as fair trade labels), instead limiting its role to the provision of some financial support for fair trade initiatives through its development cooperation budget.²²

This does not satisfy Parliament, which has repeatedly called for the promotion of fair trade initiatives and a coherent policy on fair trade.²³

4.7 Corporate social responsibility

Corporate social responsibility remains a voluntary initiative on the part of stakeholders, with no direct involvement by the EU

The EU promotes voluntary stakeholder-led initiatives to foster sustainable production and trade practices, such as corporate social responsibility (CSR). The Commission defines CSR as the 'responsibility of enterprises for their impact on society'. CSR consists of company-led initiatives, with public authorities playing a supporting role through a smart mix of voluntary policy measures and, where necessary, complementary regulation.²⁴ In particular, companies are encouraged to integrate social, environmental, ethical, consumer and human rights issues into their business strategies

²¹ European Commission page on [Technology transfer](#).

²² European Commission communication, '[Contributing to Sustainable Development: The Role of Fair Trade and Non-governmental trade-related Sustainability Assurance Schemes](#)', (COM(2009)0215, 5 May 2009).

²³ For more details, see the EPRS papers '[Fair trade and consumers in the European Union](#)' (2014) and '[Fair trade in public procurement in the EU](#)' (2012).

²⁴ European Commission page on [Corporate Social Responsibility](#).

and operations.

The current set of measures envisaged by the Commission is detailed in a 2011 communication.²⁵ The Commission launched a public consultation in 2014 with a view to updating the strategy. Further initiatives in this area, outlined in the latest [Commission report on policy coherence for development, of August 2015](#), include human rights guidance for SMEs in different sectors, support for Member States in drawing up national action plans, and the inclusion of CSR in the Commission [strategy on involving the private sector in achieving sustainable and inclusive growth](#), presented in May 2014. Parliament's response to the communication on the private sector is currently being prepared by the Committee on Development (DEVE).

4.8 Supporting trade measures for vulnerable countries

In this chapter, the Commission proposed improving the resilience of 'vulnerable' countries and their ability successfully to overcome crises and natural disasters.

(a) Trade-related measures in the event of natural disasters

The Commission proposes applying trade-related measures in the event of natural disasters in order to enable a faster recovery

The Commission proposed introducing temporary trade measures (generally a unilateral reduction in customs duties or a suspension of rules of origin) to help countries hit by natural disasters which have a 'major disruptive impact on supply chains, trade and economic activity'. The only recorded case is that of Pakistan.

In 2010 Pakistan was severely hit by flooding. On 16 September 2010, the Council mandated the Commission to present a proposal to unilaterally suspend import duties levied on certain goods originating in Pakistan.²⁶ In its presentation to Parliament, the Commission described these autonomous trade preferences as exceptional measures in response to the flood. The measures entered into force after a long and difficult debate in late 2012. The Commission explained in TGWA that this line of action would be the rule rather than the exception in similar cases in the future. However, as mentioned above, no new 'emergency autonomous measures' have been proposed by the Commission since the publication of TGD.

(b) Control of natural resources in war-affected countries

Control of natural resources in war-affected countries and a transparent

The Commission promoted full disclosure of payments to governments for the extractive and forestry industries, both for companies listed on EU stock exchanges and for other large EU companies. This is a first step towards a

²⁵ European Commission communication, '[A renewed EU strategy 2011-14 for Corporate Social Responsibility](#)' (COM(2011)0681, 25 October 2011).

²⁶ Roberto Bendini, 'Emergency Autonomous Trade Preferences for Pakistan' (policy briefing, 2010).

investment environment
are key priorities for the EU

more transparent investment environment able to reduce the risks of corruption and tax avoidance.

The Commission also undertook to 'explore ways of improving transparency throughout the supply chain, including aspects of due diligence', inter alia by supporting the implementation of the Extractive Industries Transparency Initiative (EITI) and the Forest Law Enforcement, Governance and Trade (FLEGT) scheme. No remarkable changes are mentioned in the Commission strategy. Only one new FLEGT agreement has entered into force since the publication of TGD.²⁷

The Commission also considered offering enhanced support to developing country partners in the areas of sustainable mining, geological knowledge and good governance of natural resources, which is a key element for the success of these initiatives.

In 2013, the Commission proposed a comprehensive EU responsible mineral sourcing framework aimed at addressing the persisting plague of 'conflict minerals'. This followed the publication of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Due Diligence Guidance) and Section 1502 of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act.

The regulation currently under discussion lays down the supply chain due diligence obligations for EU importers which decide to be self-certified as responsible importers of selected minerals and metals.²⁸

4.9 Commodity price volatility

The Vulnerability Flex Mechanism (V-FLEX) was set up in 2009 to help mitigate the effects of global food and financial crises on ACP countries, and proved to be relatively efficient the only time it was used, in 2010.²⁹ No new concrete measures have been applied since the publication of TGD.

4.10 Multilateral agenda until 2020

Doha Development Agenda (DDA)

The Doha Development
Round is far from being

In TGD, the Commission had to acknowledge that, while the multilateral approach to trade issues remained a top priority for the EU, the DDA talks were in a stalemate, which was obviously having a negative impact on LDCs

²⁷ [EU/Indonesia Voluntary Partnership Agreement](#): forest law enforcement, governance and trade in timber products to the EU (2013).

²⁸ [Proposal](#) for a regulation of the European Parliament and of the Council setting up a Union system for supply chain due diligence self-certification of responsible importers of tin, tantalum and tungsten, their ores, and gold originating in conflict-affected and high-risk areas.

²⁹ International Centre for Trade and Sustainable Development, ['The Vulnerability-Flex Mechanism: A success story?'](#) (February 2010).

concluded, but the Bali Package brought some benefits for LDCs and other developing countries

and developing countries. Against this backdrop, the Commission pledged to continue to work on a sectoral agreement on trade facilitation and to 'keep pushing for concrete results that benefit LDCs'.

The Commission's activism produced some appreciable results. On 7 December 2013, after another difficult session of negotiations, World Trade Organisation (WTO) ministers reached an agreement known as the Bali Package; this was the first time a multilateral trade deal had been agreed by WTO members since the organisation was created nearly two decades ago.³⁰

The final agreement included a three-page declaration adopting decisions on three pillars: (i) trade facilitation, (ii) selected agricultural issues (some of them having a direct impact on developing countries), and (iii) other selected development-focused provisions. Despite the limited scope of the Bali Package, it was expected to boost international trade and contribute to a global economic recovery, increasing global GDP – according to some analysts – by USD 1 trillion. Built around a small number of 'deliverables' considered to be easier to achieve than the DDA, the Bali Package has so far failed to bring the DDA talks back on track and pave the way for the successful conclusion of the Round. The EU committed to financially supporting the implementation of the trade facilitation agreement. Part of the funding has been programmed under the DCI Thematic Programmes on Global Public Goods and Challenges.

The Commission also committed to facilitating the accession of LDCs to the WTO.

Sustainable Development Goals (SDGs)

Trade as a means of promoting inclusive and sustainable growth in developing countries has been promoted by the Commission in the context of the international discussions on the Sustainable Development Goals and their financing. In its [communication of June 2014 on the SDGs](#), the Commission proposed several trade-related issues for inclusion in the future development agenda, while the [communication presented prior to the Financing for Development Conference in Addis Ababa](#) describes trade as an important means of implementing the SDGs. Trade is recognised as an 'engine for development' in the final outcome document of the Addis Ababa conference and in the SDG agenda, as agreed by the UN member states on 2 August 2015. The SDGs include several trade-related targets across a number of policy areas, going well beyond the MDGs and including new issues such as rules of origin and the regulation of food commodity markets. One of the most concrete SDG targets is aimed at increasing exports from developing countries with a view to doubling LDCs' share of global exports by 2020.

³⁰ Roberto Bendini (Quick Policy Insight), '[WTO back on track after Bali](#)' (December 2013).

4.11 Future of the multilateral trading system

Despite its previous commitment, the Commission did not start a meaningful exercise aimed at modernising the WTO and supporting the multilateral approach in international trade

In TGWA and TGD, the Commission stated that it was the EU's 'absolute priority to preserve and strengthen the multilateral trading system' and acknowledged that the 'current impasse in the DDA reveals a fundamental weakness in the WTO setting, which has not evolved as quickly as economic realities'.

The Commission took the view that making a clear distinction between developing and emerging countries was 'in the interests of the multilateral system and for the benefit of development'.

Emerging countries should have been asked to 'show more leadership and assume more responsibility for opening their markets to LDCs through preferential schemes but also on a non-discriminatory basis towards the rest of the WTO membership, of which four-fifths are developing countries'. The Commission stressed, however, that this in no way meant achieving full reciprocity of commitments with developed countries, but rather ensuring greater proportionality between their contribution and the benefits they receive from the global trading system.

Unfortunately, these interesting ideas remained a dead letter and no real progress was made in the reform of the WTO and the modernisation of the global trading system. Moreover, in TGWA the Commission proposed launching a process of reflection on the reform of the WTO, but poor timing and unsuitable economic and political conditions have so far prevented this. This serves as a further demonstration that no new meaningful reform of the only international trade institution is within reach. The rush to conclude new bilateral and sectoral trade agreements (some of which are extremely ambitious, such as the Transatlantic Trade and Investment Partnership (TTIP) with the USA) is likely to continue in the coming years, further weakening the role of the WTO.

5 Assessment of Trade, Growth and Development

Assessment of TGD is only partly positive, but there is evidence that EU trade measures benefit LDCs and developing countries

No official assessment has been conducted of TGD as such. However, the Commission recently published an external study (carried out by independent contractors for DG Devco) aimed at assessing interactions between trade and development, refuting claims about its effectiveness and coherence and better explaining the benefits of the Commission's initiatives in the field of development policy.

The study finds that EU trade policy has had a positive impact overall in terms of policy coherence for development. Using advanced econometric techniques and large databases, the study suggests that trade preferences – such as the GSP – granted by the EU have significantly increased exports

from developing countries and their economic diversification, in particular in the case of LDCs.³¹

Another interesting finding of the study is that the full impact of export preferences has been felt within two years of the preferences being granted. Finally, the study also indicates that such exports have had a measurable positive effect on poverty reduction.

DG Trade has also published a 'Note on the key findings of the above study', which includes some interesting considerations based on the study's findings.³²

In March 2012, Parliament held a joint INTA-DEVE workshop on TGD. While highlighting the potential benefits of trade openness for development, experts warned about potential setbacks and put forward a number of considerations and recommendations, which remain valid.³³

Experts also highlighted the risk that, despite the EU's good intentions, its efforts to foster development in developing countries through trade may be self-limiting insofar as it:

- (a) creates a policy framework that discourages developing countries from benefiting fully from their own liberalisation;
- (b) hinders regional cooperation among developing countries through the conclusion of bilateral accords with individual developing countries; and
- (c) coexists with EU commercial practices that impede rather than facilitate developing countries' access to the European market.

In a workshop organised by Parliament, experts stressed that, despite the EU's good intentions, its approach to assisting developing countries through trade is self-limiting

6 Conclusions

International trade is a driver of growth, but it alone cannot guarantee lasting economic and social development

International trade can certainly help poorer countries to find their way to growth, but development and business objectives often diverge. The same can be said of EU development and trade policies. Yet, while it is important to ensure greater clarity and coordination between these two essential aspects of the EU's external action, TGD does not appear to have produced revolutionary changes. A number of updates have addressed the progress of developing countries in the era of globalisation, but the essential separation remains in place.

It would, however, be ungenerous to say that TGD has not produced any appreciable effect. As highlighted by the Commission study mentioned

³¹ Copenhagen Economics, '[Assessment of economic benefits generated by the EU trade regimes towards the developing countries](#)' (June 2015).

³² European Commission, '[Note](#) on the key findings of the "Study assessment of the economic benefits generated by the EU trade regimes towards the developing countries"' (June 2015).

³³ European Parliament study, '[Proceedings](#) of the Workshop on "Trade and Investment for Development"' (2012).

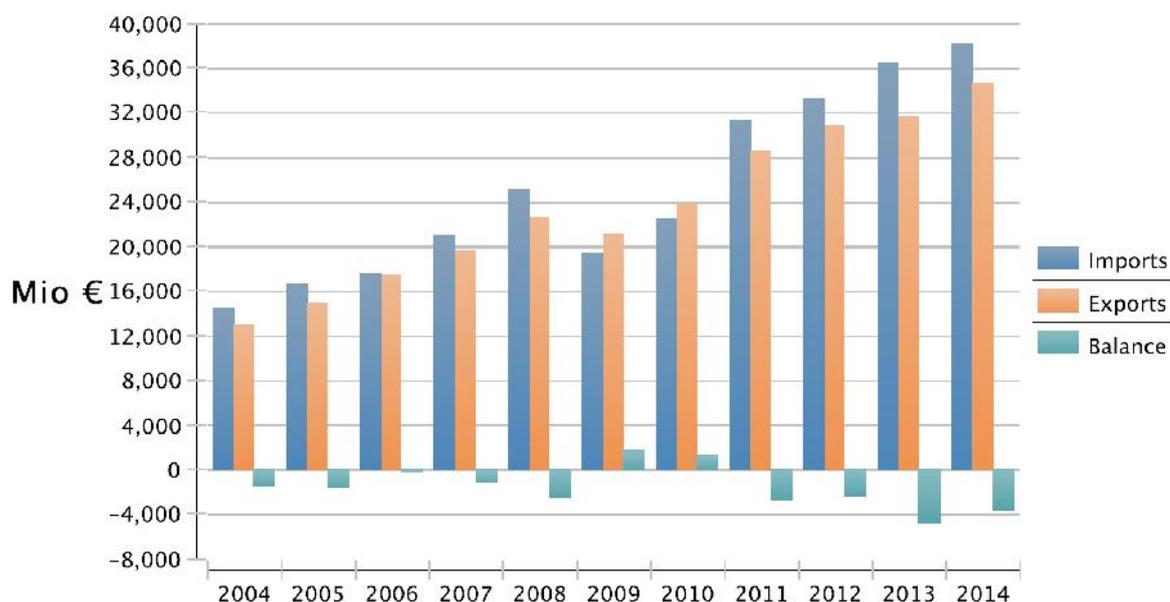
above, international trade is certainly a driver of growth, and trade openness is a precondition for securing further development. It is no coincidence that the countries most integrated into the world economy are also among the richest.

Economic partnership agreements are a never-ending story, with the last chapter yet to be written. Only the prospective entry into force of the Market Access Regulation seems to have persuaded some ACP countries to enter a deal with the EU. However, some of them have either not been in a position to, or have been unable to, conclude a modern trade deal with the EU, and the likelihood of this situation changing in the foreseeable future is limited. From this standpoint, the Commission's strategy has clearly missed its objective of enhancing regional integration and generating more integrated (and efficient) markets.

South-to-South trade is growing steadily, but most of these exchanges originate in emerging economies or occur between them and other developing countries. LDCs' share of global trade is marginal, but on the rise. Trade with the EU, boosted inter alia by the EBA initiatives, has more than doubled in 10 years but remains well below its potential and is dominated by raw materials and energy.

Figure 4:

Trade flows and balance between the EU and LDCs



Source: DG Trade

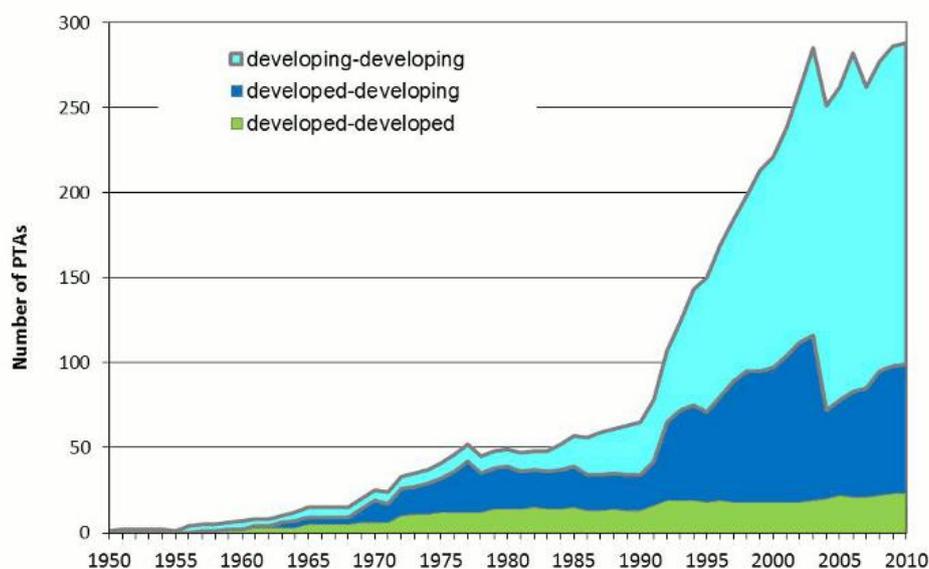
Considerable efforts have been made to make the GSP more modern and result-oriented. The GSP has sometimes been seen as an alternative to EPAs, since its recipients have largely outpaced ACP countries in terms of economic and human development. Furthermore, the income per capita of some of the countries still benefiting from the EU's system of preferences have reached or even exceeded that of certain EU Member States. The Commission therefore rightly acknowledged that privileged access to the

EU market via the GSP was, in many cases, no longer justified. The reform reduced the number of beneficiaries (focusing on those most in need and thus avoiding further preference erosion), and access to enhanced trade benefits under GSP Plus was made at once easier and tighter (eligible countries are required to adopt and effectively implement a set of international conventions relating to human and social rights and environmental protection).

The limited progress in the DDA talks in Bali is not likely to pave the way for the successful conclusion of the Round. Nevertheless, the deal concluded two years ago essentially benefits developing countries and LDCs. The Commission’s strenuous engagement to secure this limited but important breakthrough is commendable. Although the debate over the future of the WTO has gradually lost momentum, it may be time to rethink the only worldwide trade organisation with a view to making it more modern and efficient. In this context, the strong commitment to the deeper integration of LDCs and developing countries into the global trading system should be further streamlined.

Developing countries’ response to the progressive shift from a multilateral trading system to one dominated by bilateral agreements and regional blocs has been slow and prompted by external factors. The EU itself has had to adapt to changed circumstances and the protracted stalemate in the WTO, and to catch up with its competitors in the rush towards FTAs. As shown in the chart below, most new trade deals have been concluded among developing countries. Once again, however, this picture is misleading, given that most of them have been concluded by emerging economies or (essentially in the case of developing countries) are not being effectively implemented.

Figure 5:
Cumulative number of preferential (free) trade agreements in force



Source: VoxEu and WTO

As regards Aid for Trade, the measures proposed by the Commission have been relatively successful, but much remains to be done before developing

countries in general, and LDCs in particular, can take full advantage of their increased integration into the world economy. However, the Commission rightly notes that without serious efforts by the countries directly concerned and a significant improvement in governance, no lasting progress can be secured. In other words, trade can be a mighty driver of growth but cannot – in isolation – help countries to overcome development constraints.

Other elements of the communication are less convincing. The decision to grant autonomous preferences to Pakistan in 2010 was probably dictated by political rather than humanitarian motives, as demonstrated by the fact that there has been no real effort to make the granting of such benefits more transparent and objective. Temporary trade concessions may well alleviate disaster-affected countries and enable faster recovery, but they need to be better conceived and applied.

The Commission has gradually introduced a system of impact assessment for all new legislative proposals. International trade agreements are also evaluated by independent experts by means of extensive sustainability impact assessments. In addition, the Commission has started preparing ex-post impact assessments and evaluations, which may help in gauging the effectiveness of the measures implemented and, where necessary, making the requisite modifications. In this context, the impact of newly negotiated trade deals on the EU's preferential trading partners (including LDCs and developing countries) may need to be assessed more carefully.