The Trade-Climate Nexus: Assessing the European Union’s Institutionalist Approach

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About the Author

Simone Possenti recently graduated from the College of Europe, Bruges campus, with an MA in EU International Relations and Diplomacy Studies (2019). He previously obtained a BA in Geography from the University of Milan (2016) and an international Joint MSc in Sustainable Territorial Development from the University of Padua, the University of Leuven and the University of Paris 1 Panthéon-Sorbonne (2018). He has developed an expertise in sustainability and international development and worked in several African countries, such as Tanzania, Uganda and Togo. He was an intern at the Italian Agency for Development Cooperation (AICS) within the Embassy of Italy in Dar es Salaam, and he is currently working in Melbourne in the field of climate advocacy and solar energy. This paper is based on his thesis at the College of Europe (Manuel Marín Promotion).
Abstract

The European Union (EU) is considered a global leader both in trade and climate policies. Nonetheless, trade liberalisation has been widely criticised for its negative effects on the environment and for directly contributing to the rising levels of annual greenhouse gas emissions. This paper addresses the trade-climate nexus by assessing to what extent the EU is effectively integrating its environmental objectives within its trade policies. First, the legal spaces for the EU’s action in this policy nexus are identified. Second, the analysis looks into how effectively the EU is achieving its own set of objectives for trade and climate. The assessment draws on an innovative analytical matrix examining four Trade-Climate Agenda items: (i) international competitiveness, (ii) climate-friendly goods and services, (iii) international aviation and maritime shipping, and (iv) product labelling and standards. The paper then evaluates to what extent the externalisation mechanisms of Manners’ ‘Normative Power Europe’ and Damro’s ‘Market Power Europe’ are deployed in order to achieve the above objectives. The findings show that the EU’s performance in the effective management of the nexus is overall moderate to weak.
Introduction: The trade-climate nexus

“We Europeans are the world leaders on climate action. It was Europe that brokered the first-ever legally binding, global climate deal. It was Europe that built the coalition of ambition that made agreement in Paris possible. [...] it is about Europe’s global influence.”¹ This is what Commission President Jean-Claude Juncker declared in the aftermath of the Paris Agreement, when the European Union (EU) went through a new momentum of relative leadership in global climate governance. The Guardian’s journalist Fiona Harvey went as far as calling it “the world’s greatest diplomatic success”.²

The trade-climate nexus still has to be fully investigated, especially with regard to the EU as subject of reference. Indeed, both policies represent areas in which the EU portrays itself as a ‘global leader’. On the one hand, climate leadership is a self-declaration from the European side, which is relevant to define its identity. On the other hand, this leadership is also confirmed by factual data: the EU is the biggest investor worldwide in the fight against climate change – at least when compared to other governmental actors.³ In 2017 alone, € 20.4 billion were invested to support public climate finance in developing countries, particularly via the European Investment Bank.

The EU is also a major global player when it comes to its single market and Common Commercial Policy (CCP). The EU accounts for the second largest share of gross domestic product after China, is the largest trader of both goods and services and the largest foreign investor (both as provider and destination). Moreover, the euro is the second most important currency for international transactions after the US dollar.⁴ In other words, the EU’s trade leadership cannot be as easily questioned as the environmental one.

In simple terms, a nexus is a connection, a correlation. When it comes to the trade-climate nexus, the basic idea is that by increasing the domestic and international levels of greenhouse gas (GHG) emissions, trade has historically been one of the greatest sources

of climate destabilisation. Indeed, scientific research has shown a positive correlation between reinforced trade relations and growing carbon emissions, except when they occur among the most developed nations. According to the International Transport Forum (ITF), “maritime transport emitted 938 Mt of CO₂ in 2012. This represented 2.6% of total global carbon emissions”; these numbers are expected to grow drastically by 2050, when carbon emissions due to seaborne trade flows may increase from 50% up to 250% if a business-as-usual model is adopted.

Although trade has strongly undermined global climate stability, it recently started to be seen as a vehicle for establishing a normative framework to implement global decarbonisation, environmental protection and, eventually, to help mitigate climate change. The EU has been described as “perfectly placed to exploit this nexus within the realm of its external relations”. This is the particularly case for the so-called new generation of Free Trade Agreements (FTAs), which began with the ratification of the EU-South Korea FTA in late 2015. The EU-Japan FTA, which entered into force in February 2019, was the first one with a clause on the implementation of the Paris Agreement.

In the EU we witness a growing consciousness that “when trade policy is used as a foreign policy means, it requires a coherent pursuit of trade and non-trade objectives [...] introducing energy and climate components in trade and investment agreements can promote the transfer of low-carbon technologies, and exchange best practices in terms of governance and regulatory regimes”. Therefore, this paper aims to address the following research question: To what extent is the EU effectively managing the trade-climate nexus by using trade to support climate action in its external relations? Based on the answers to this question, the paper then

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discusses how the EU could manage the trade-climate nexus more effectively in the future. Ultimately, the aim is to provide an assessment of the EU’s effectiveness, that is, how successfully it applies the trade tools at its disposal to reach its own climate-related objectives. The paper argues that the EU’s effectiveness is overall moderate to weak, mostly due to a lack of clear prioritisation and a weak use of market power instruments.

Framework of analysis

The tools that the EU has at its disposal in its external action are derived from the mechanisms of Manners’ ‘Normative Power Europe’ (NPE) and Damro’s ‘Market Power Europe’ (MPE). NPE captures the idea that the EU can shape, via its own normative framework, the perception of ‘what is normal’ for both internal and external actors. It is a source of identity, based on the rejection of nationalism, imperialism and war, on its unique character as ‘hybrid polity’, and on the long-term development of values in the Treaties and in practice. The EU externalises these norms by applying a variety of diffusion mechanisms.\(^{10}\)

MPE, instead, stems from the idea that the power of the EU essentially emanates from the size of the single market, its regulatory capacity and its function as an arena of interest contestation. It is not only about the EU as a pro-market, neoliberal actor, but also about setting market regulations. Damro considers how the EU exercises its power by externalising its own standards and rules, both intentionally and unintentionally, and via either persuasive or coercive tools.\(^{11}\)

For the purpose of this analysis, all elements will be combined into a total of 12 tools, which are not mutually exclusive but offer the most comprehensive overview of what the EU can do to manage the trade-climate nexus. Table 1 provides the complete list of the 12 tools, accompanied by a brief definition and an illustrative example.

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Table 1: Tools employable in the trade-climate nexus for EU external action

<table>
<thead>
<tr>
<th>Tools</th>
<th>Definition</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contagion</td>
<td>- unintentional diffusion of ideas from the EU to other political actors</td>
<td>- influence of the EU on African Union developments</td>
</tr>
</tbody>
</table>
| Informational diffusion| - strategic communication from the main EU institutions                      | - EU Global Strategy 2016: climate change identified as a security threat and call for more integrated policies12  
|                        |                                                                             | - Juncker’s State of EU speech 2016: affirming EU leadership against climate change13 |
| Procedural diffusion    | - institutionalisation of a relationship; specific monitoring and dispute settlement mechanisms  
|                        | - Institutionalised dialogues: regulatory dialogues and high-level strategic dialogues | - Trade and sustainable development committee (TSDC)  
|                        |                                                                             | - Domestic Advisory Group (DAG)  
|                        |                                                                             | - Civil society forum (CSF)  
|                        |                                                                             | - Summits of Ministers  
|                        |                                                                             | - Committee of Ambassadors  
|                        |                                                                             | - Joint Parliamentary Assembly |
| Transference           | - EU trade, aid or technical assistance to third parties                    | - environmental integration in external assistance (development cooperation)  
|                        |                                                                             | - facilitating transfer of green technologies, renewables, high-level education  
|                        |                                                                             | - e.g. Maritime Technology Cooperation Centres (Joint Commission-IMO) |
| Overt diffusion         | - physical presence of EU  
|                        | - growing relevance and presence of EU: ‘leader’                           | - activities of EU Delegations  
|                        |                                                                             | - EU role at COP21 Paris negotiations and similar multilateral settings (e.g. WTO Environmental Goods Agreement) |
| Cultural filter         | - interplay between the construction of knowledge and the creation of social and political identity  
|                        | - trade-climate nexus in EU public diplomacy  
|                        | - may affect effectiveness in terms of learning, adapting or rejecting from third parties | - present for environmental-climate negotiations in general, but weak trade linkage  
|                        |                                                                             | - e.g. are climate norms seen differently in China/US than in the EU? |
| Persuasion             | - intentional diffusion of ideas from the EU to other politico-economic actors | - ‘leading by example’  
|                        |                                                                             | - Large internal acquis (over 400 pieces of environmental legislation) |
| Coercion               | - imposition of EU regulation on third parties                              | - unilateral choices (GSP+ requirements)                                  |
| Conditionality         | - unilateral instrument, positive or negative                               | - special incentive arrangements under the Generalised System of Preferences (GSP); also new ex ante conditionality for FTAs, e.g. EU-Japan including the Paris Agreement  
|                        |                                                                             | - withdrawals from GSP, GSP+                                            |
| Legal approximation    | - convergence of national laws towards EU laws                              | - Eastern Partnership, Euro-Med Partnership (ENP countries)               |
| Partial adoption of acquis | - requiring a third party to partially adopt some of the EU-internal legislation | - European Economic Area (EEA)  
|                        |                                                                             | - enlargement  
|                        |                                                                             | - Stabilisation and Association Agreements                                 |
| Regulatory standards   | - defining a set of environmental standards for cooperation and/or integration across all policy areas. Environmental integration and cooperation clauses | - general and/or specific exception clauses  
|                        |                                                                             | - extended trade-climate issue linkage                                   |
|                        |                                                                             | - Sustainability Impact Assessment (SIA)                                    |

Source: Compiled by the author, based on concepts from Normative Power Europe (Manners, 2002) and Market Power Europe (Damro, 2015).

The paper links these 12 tools to a set of EU objectives. The evaluation of the use of each tool will be based on a literature review of both primary and secondary sources. Henceforth, the next section presents the legal basis in the Treaties for the EU to build up a nexus among the climate and trade policy areas: on this basis, it will be possible to identify what the EU’s objectives in this nexus are.

**A glance at the Treaties: A weak acknowledgement of the nexus**

In order to understand the EU’s objectives, it is necessary to look at how the legal provisions in the Treaties allow the EU to be a relevant actor regarding this policy nexus. The Lisbon Treaty foresees one major difference between what the EU can do in trade and in climate: the CCP is an exclusive competence (Art. 3 (1) TFEU) but the environment, energy and transports are all competences shared with the member states (Art. 4 (2) TFEU). This is reflected in different structures of decision-making also during international negotiations. Art. 11 TFEU reads that “[e]nvironmental protection requirements must be integrated into the definition and implementation of the Union’s policies and activities, in particular with a view to promoting sustainable development” [emphasis added]; this is quite relevant regarding the management of policy nexi.

Nonetheless, Art. 21(2)(f) TEU specifically states: “The Union shall define and pursue common policies and actions, and shall work for a high degree of cooperation in all fields of international relations, in order to: […] (f) help develop international measures to preserve and improve the quality of the environment and the sustainable management of global natural resources, in order to ensure sustainable development (emphasis added).

On this basis, there seems to be the potential to tackle the trade-climate nexus with third parties and in multilateral fora. Nevertheless, a clear prioritisation is lacking: what is meant by ‘high degree of cooperation’? How is sustainable development defined? Is combating climate change an essential part of it? Would certain trade barriers be necessary in order to keep temperatures below 2°C?

In international relations, when not defined otherwise, the common definition of sustainability is still the one given in the Brundtland Report of 1987: “development that meets the needs of the present without compromising the ability of future generations to
meet their own needs”.14 This definition has been widely criticised for its enormous ambiguity when it comes to the definition of ‘needs’ and because of the difficulty to predict how the planet will look like in an undefined ‘future’. The EU has never clearly expressed whether it is taking a position of ‘strong’ or ‘weak’ sustainability, but it largely seems to adopt the ‘People, Planet, Profit’ (PPPs) approach, where the environment is seen as a component of sustainable development on an equal footing with the social and economic dimensions. This creates a misunderstanding of prerogatives for the sustainable support of life on the planet and deep obstacles to prioritisation.15

This approach constitutes a contradiction in terms for many scholars and environmental activists.16 The Stockholm Resilience Centre outlined that a more scientific and evidence-based perspective entails another representation of the sustainability dimensions, giving priority to the natural ecosystems.17 Trade, as a key element of modern economy, should therefore be functional to people and to the environment.18 It is difficult to say that this is what globalised trade is doing in today’s world, when there is evidence that the related GHG emissions have almost doubled from 1990 to 2008,19 while the supposed social benefits of global trade still remain largely disputable for a large part of the world’s population.20

Although Europeans have managed to reach a general agreement on the necessity to combat climate change, a common position about what this entails when linked to other policy areas, such as trade, is still quite dim. Everyone cares for trade and climate as two separate issues, but the trade-climate nexus is yet to be built.

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The EU’s objectives: an institutionalist viewpoint

Title XX of the Lisbon Treaty, with three articles (Art. 191, 192, 193 TFEU) specifically on the environment, needs to be compared with Title II on the CCP in order to depict the EU objectives in the trade-climate nexus and not only in one of the two policies. Art. 191(1) TFEU states the four objectives of the Union policy on the environment. Although combating climate change as a ‘constitutional’ matter is undoubtedly a big step forward (Art. 191(1)(d) TFEU), the language remains vague and it is not clear how these objectives will be turned into practical policies: which order of priorities should be envisaged vis-à-vis other EU objectives?

Regarding the CCP, Art. 206 TFEU defines the objective of the EU customs union: “the Union shall contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and on foreign direct investment, and the lowering of customs and other barriers”. And here comes the critical question: is this really compatible with the environmental protection needed to combat climate change? Should we not rather have some targeted restrictions on international trade (thus less liberalisation), if we really want to ensure attaining some of the objectives stated in Art. 191(1) TFEU?

The scientific literature has already shown that global trade is a major cause of environmental damage and increasing GHG emissions. Art. 191(3) TFEU states that “[i]n preparing its policy on the environment, the Union shall take account of available scientific and technical data”, which supposedly means that the EU shall be a science- and evidence-based actor. Nevertheless, both trade and environmental policies shall be subject to the principles and objectives of the Union’s external action (Art. 207(1) TFEU). There are at least three general objectives that are hereby relevant (Art. 21(2) TEU):
- foster sustainable economic, social and environmental development of developing countries, with the primary aim of eradicating poverty;
- encourage the integration of all countries into the world economy, including through the progressive abolition of restrictions on international trade;

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help develop international measures to preserve and improve the quality of the environment and the sustainable management of global natural resources, in order to ensure sustainable development.22

Once again, there are no clear prioritisations or univocal definitions, and it almost seems to be taken for granted that there is a trade-climate nexus, but Europe did not manage to find an agreement on how the two policy areas should actually work to serve each other. Furthermore, global trade is presented in a very positive language, almost as an altruist action, while there are many controversies about this topic, and many scholars would say that globalisation has proven to be negative for many developing countries23 as well as for many industrialised European economies which are facing massive unemployment.24 This

"conceptual marriage of ‘environment’ and ‘development’ [... is] unwilling to reconsider the logic of competitive productivism which is at the root of the Planet’s ecological plight, it reduces ecology to a set of managerial strategies aiming at resource efficiency and risk management. It treats as a technical problem what in fact amounts to no less than a civilizational impasse – namely, that the level of productive performance already achieved turns out to be not viable in the North, let alone for the rest of the globe"25.

Trade seems to be automatically compatible with ‘sustainable development’, a concept which has been widely criticised for the easiness by which it can be used to justify almost anything.26

In light of these legal limitations, it is important to acknowledge what kind of actor the EU is when interpreted from a theoretical perspective of the trade-climate nexus. Clapp and Dauvergne identified four main schools, summarised in Table 2: the EU is mainly an

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institutionalist actor, exposed to the lobbying of both market liberals and social greens. Indeed, it was born as a proponent of trade liberalisation, thus it intrinsically sees trade as a positive element, but at the same time the EU constantly plays the role of trade regulator both in its internal and external market relations.

**Table 2 Trade-climate nexus: four main theoretical schools**

<table>
<thead>
<tr>
<th>Market liberals</th>
<th>Institutionalists</th>
<th>Social greens</th>
<th>Bio-environmentalists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade must be free to deliver the best results</td>
<td>Trade must be regulated to be good</td>
<td>Socio-environmental issues take priority over trade</td>
<td>Trade is intrinsically bad for people and planet</td>
</tr>
<tr>
<td>✓ via comparative advantage, trade is an engine for development</td>
<td>✓ trade creates prosperity and efficiencies</td>
<td>✓ advocacy for social and climate justice</td>
<td>✓ short-sighted exploitation of nature as root cause of environmental crisis</td>
</tr>
<tr>
<td>✓ trade provides efficient allocation of resources</td>
<td>✓ there are undesirable implications of trade on the environment, which call for regulations</td>
<td>✓ trade can be good only if we all have the same high standards of labour rights and environmental protection</td>
<td>✓ need for very strong regulations, to buy only local and certified sustainable goods</td>
</tr>
<tr>
<td>✓ trade creates and redistributes wealth in society</td>
<td>✓ institutions can deliver rules to adjust the global economic system, accounting for externalities</td>
<td>✓ criticism of neo-colonialism</td>
<td>✓ trade is exploitation of developing countries</td>
</tr>
<tr>
<td>✓ belief in the Invisible Hand</td>
<td>✓ need for clauses in FTAs, multilateralism would be the best solution</td>
<td>✓ need to refuse trade (strong discrimination)</td>
<td>✓ WTO principles are wrong</td>
</tr>
<tr>
<td>✓ environmental degradation is an externality</td>
<td></td>
<td></td>
<td>✓ criticism of anthropocentric views</td>
</tr>
</tbody>
</table>

Source: author’s own compilation based on Clapp & Dauvergne, op.cit., 2011.

Bearing in mind this ‘institutionalist’ perspective will allow a better understanding of the EU objectives on the trade-climate nexus and, subsequently, how they are translated into a European policy agenda for external action.

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Translating EU objectives into a policy agenda

Several years ago, a comparative study conducted by Brewer looked at different international actors, such as the World Trade Organisation, the United Nations, the World Bank and the EU, and identified the items on the joint trade-climate agenda.\(^\text{28}\) Inspired by this study, I derived a list of 10 Trade-Climate Agenda (TCA) items\(^\text{29}\). For the purpose of this paper, only the following four, selected for their relevance within EU policies, will be analysed:

i. Addressing international competitiveness
The creation of high EU environmental standards for its internal market could damage its own industries if imported products do not respect the same high standards. On the European market, competition policy needs to ensure that companies always offer ‘the best possible range of goods’ at ‘the best possible prices’ in a fair way,\(^\text{30}\) otherwise non-compliance with environmental regulations will increase delocalisation of polluting industries and job losses, from those who respect the rules to those who do not.

ii. Climate-friendly goods and services
The WTO Committee on Trade and Environment in Special Session received the mandate to clarify the definition of environmental goods. It encountered considerable difficulties: notably, China wanted to include ‘bicycles’, which was a red-line for the EU.\(^\text{31}\) In general, solar panels or wind turbines are considered as the most common climate-friendly goods, while climate-friendly services could be loans and banking services for climate finance, for instance.

\(^{29}\) See Table 3 for the full list, and for further information refer to: S. Possenti, “The trade-climate nexus in the EU’s external relations. Assessing the European institutionalist approach”, Master thesis presented at the College of Europe, Department of EU International Relations and Diplomacy Studies, May 2019.
iii. International aviation and maritime shipping

Transportation is an essential, albeit very polluting part of trade. Environmental and labour standards in shipbuilding companies are different around the world, and issues of energy sources and waste management are yet to be addressed coherently. If EU companies, ports and airports had heavy environmental requirements that non-EU companies would not have, this could undermine competitiveness.

iv. Product labelling and standards

The International Standards Organisation (ISO), which issues the famous ISO certifications, divides environmental standards in three categories: (i) life-cycle labels or eco-labels are the result of an analysis of all the impacts that a product has on the environment throughout its life, from production to consumption; (ii) voluntary single issue labels and certification schemes describe a specific attribute in the life cycle of a product, e.g. a can of tuna labelled ‘dolphin safe’; and finally (iii) the mandatory single issue labels as a requirement that usually regards the exact content of the product – a relevant topic, for instance, for genetically modified organisms (GMOs) in the agri-food business –, the recyclability, emissions and energy consumption. EU eco-labelling, for instance, has been considered by developing countries as a trade barrier. Moreover, “eco-labelling schemes depend for their effectiveness on market mechanisms. They can produce results generally consistent with those achieved by internationalization and the polluter-pays principle. Lastly, labelling schemes can effectuate the precautionary principle and the theory of optimum policy intervention”.

Having identified a list of 12 externalisation tools available to the EU, and 4 selected TCA items whose best achievement can be interpreted as the most viable way for the EU to address the trade-climate nexus coherently with all the requirements in the Treaties, it is now necessary to link the two in order to analyse the EU’s effectiveness in the management of this policy nexus.

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34 Appleton, 1997, op. cit., p. 15.
Assessment of EU effectiveness in the external trade-climate nexus

The EU is an effective actor in managing the trade-climate nexus if it is successful in adopting and promoting the TCA items at the international level. Henceforth, it is important to remember that this paper is not assessing whether achieving all these TCA items would be enough to combat climate change. Instead, it is gauging the extent to which the EU is effective in reaching its own goals, according to its own (institutionalist) vision of the trade-climate nexus. In this sense, it is fair to say that the list of the TCA items depends on the theoretical understanding that the EU has of the problem, and it would probably be different if the EU was entirely market liberal or environmentalist.

The analysis below should be read making constant reference to Table 3: all the 10 TCA items have been analysed therein, but for the purpose of this paper only a selection of them will be presented in detail.\(^{35}\) I will proceed by assessing the deployment of the 12 tools already presented in the analytical framework. For each of them I will assign a numerical value as follows: 0 if that tool is not applicable or not available; 1 if it is rather weak; 2 when medium/moderate; and 3 when it is strong. The last column on the right sums up the degree of effectiveness for each TCA item: the range 0-12 will be considered as weak, 13-24 as moderate and 25-36 as strong. Meanwhile, the last row on the bottom will show how effectively one specific tool is used: 0-10 will be weak, 11-20 moderate and 21-30 strong.

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\(^{35}\) For further details refer to: S. Possenti, Master thesis, op. cit.
### Table 3: Degree of Effectiveness of the use of tools per TCA item

<table>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>International competitiveness</td>
<td>M 2</td>
<td>W 1</td>
<td>S 3</td>
<td>N/A</td>
<td>M 2</td>
<td>N/A</td>
<td>N/A</td>
<td>S 1</td>
<td>W 2</td>
<td>M 1</td>
<td>W 2</td>
<td>M 1</td>
<td>M 17</td>
</tr>
<tr>
<td>Climate-friendly goods &amp; services</td>
<td>N/A</td>
<td>N/A</td>
<td>S 3</td>
<td>M 2</td>
<td>M 2</td>
<td>N/A</td>
<td>N/A</td>
<td>M 2</td>
<td>N/A</td>
<td>W 1</td>
<td>W 2</td>
<td>W 1</td>
<td>W 12</td>
</tr>
<tr>
<td>Aviation and maritime shipping</td>
<td>W 1</td>
<td>M 2</td>
<td>M 2</td>
<td>W 1</td>
<td>N/A</td>
<td>W 1</td>
<td>M 2</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>W 1</td>
<td>N/A</td>
<td>W 12</td>
</tr>
<tr>
<td>Export and FDI (emerging economies)</td>
<td>N/A</td>
<td>W 1</td>
<td>M 2</td>
<td>N/A</td>
<td>W 1</td>
<td>N/A</td>
<td>W 1</td>
<td>N/A</td>
<td>N/A</td>
<td>W 1</td>
<td>N/A</td>
<td>W 1</td>
<td>W 7</td>
</tr>
<tr>
<td>Innovation, R&amp;D cooperation</td>
<td>M 2</td>
<td>W 1</td>
<td>M 2</td>
<td>M 1</td>
<td>W 1</td>
<td>M 1</td>
<td>N/A</td>
<td>N/A</td>
<td>W 1</td>
<td>N/A</td>
<td>N/A</td>
<td>M 2</td>
<td>M 13</td>
</tr>
<tr>
<td>National emissions standards</td>
<td>N/A</td>
<td>S 3</td>
<td>M 2</td>
<td>N/A</td>
<td>M 2</td>
<td>N/A</td>
<td>N/A</td>
<td>W 1</td>
<td>N/A</td>
<td>N/A</td>
<td>W 1</td>
<td>N/A</td>
<td>M 13</td>
</tr>
<tr>
<td>Subsidies for renewable energy &amp; energy-efficiency</td>
<td>M 2</td>
<td>M 2</td>
<td>S 3</td>
<td>M 2</td>
<td>S 3</td>
<td>N/A</td>
<td>N/A</td>
<td>S 1</td>
<td>W 1</td>
<td>N/A</td>
<td>M 2</td>
<td>S 0</td>
<td>M 16</td>
</tr>
<tr>
<td>Labels &amp; standards</td>
<td>M 2</td>
<td>M 2</td>
<td>S 3</td>
<td>N/A</td>
<td>M 2</td>
<td>M 2</td>
<td>M 2</td>
<td>M 1</td>
<td>W 1</td>
<td>M 2</td>
<td>W 1</td>
<td>S 3</td>
<td>S 25</td>
</tr>
<tr>
<td>Government procurement</td>
<td>N/A</td>
<td>N/A</td>
<td>M 2</td>
<td>N/A</td>
<td>M 2</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>W 1</td>
<td>W 1</td>
<td>W 1</td>
<td>W 7</td>
</tr>
<tr>
<td>Technology transfers (developing countries)</td>
<td>N/A</td>
<td>M 2</td>
<td>M 2</td>
<td>S 3</td>
<td>M 2</td>
<td>M 2</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>M 2</td>
<td>M 2</td>
<td>M 15</td>
</tr>
<tr>
<td>Total Tools</td>
<td>W 9</td>
<td>M 14</td>
<td>S 23</td>
<td>M 11</td>
<td>M 20</td>
<td>W 7</td>
<td>W 10</td>
<td>W 10</td>
<td>W 4</td>
<td>W 9</td>
<td>W 7</td>
<td>M 13</td>
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Source: author’s own compilation.

**N/A:** Not applicable or not available, 0 points; **W:** Weak, 1 point; **M:** Moderate, 2 points; **S:** Strong, 3 points
International competitiveness

International competitiveness is one of the main concerns for the EU, and that is also why it results as the second highest ranking item on the agenda. Competition policy is an exclusive legal competence (Art. 3(1)(b) TFEU), “perhaps the most supranational of all EU policies”.\textsuperscript{36} Although competition was originally agreed as one of the so-called Singapore issues, after the collapse of the WTO Ministerial Conference in Cancún in 2003, it is no longer linked to the international WTO agenda but it is either addressed in bilateral (or unilateral) ways, or discussed in less binding fora, such as the Organisation for Economic Cooperation and Development (OECD) or the International Competition Network (ICN).\textsuperscript{37} This is perhaps explained by the fact that “in the last few decades, interest in competition policy has exploded: over a hundred countries now have competition laws compared to around twenty in the 1980s”.\textsuperscript{38}

Even if contagion is not easy to evaluate, because of its unintentional nature, the influence of the EU on other regional (e.g. Common Market for Eastern and Southern Africa COMESA, Southern Common Market, Caribbean Community) or national (e.g. Western Balkans) policy actors is undeniable. For instance, the way in which Bosnia and Herzegovina deals with merger control and antitrust enforcement is largely derived from the EU model.\textsuperscript{39} The same goes for the 2016 reform of the COMESA Competition Commission, and in November of the same year the East African Community (EAC) Competition Authority appointed its first ever commissioners mirroring the EU. Moreover, the competition articles 88 to 90 in the WAEMU Treaty (Economic Community of West African States) are clearly built on the EU expertise.\textsuperscript{40}

Contagion remains moderate, nonetheless, because so far it seems to be limited to areas with a weaker bargaining power vis-à-vis the EU, while specific reference to climate in competitiveness is often difficult to prove.

Informational diffusion is quite weak since the activities and communications of the Competitiveness Council (COMPET)\textsuperscript{41} and of DG Competition\textsuperscript{42} are very much oriented towards the internal market, largely neglecting to make reference to their external implications.

Conversely, procedural diffusion is strong, as the EU has strong bi- and multilateral institutionalised dialogues with third countries and other regional markets regarding competition, while its overt diffusion, especially through the EU Delegations, is also very relevant. Nonetheless, the latter remains moderate as long as the EU does not have a status comparable to state actors in certain fora such as the UN or the International Energy Agency (IEA). Overall, the presence of the EU in both trade and environmental fora worldwide has been growing and has become more formalised with the Lisbon Treaty.\textsuperscript{43}

“The EU has regularly exercised coercion on non-EU firms in individual competition cases”:\textsuperscript{44} coercion is particularly strong when it comes to the regulation of abuses of dominant positions, state aid and merger policy. Even if the relevance for the trade-climate nexus is not easy to detect, the potential for strong unilateral actions is there: this is one of the few areas where the EU has been facing head-on other powers such as the US or China.

Conditionality is weakly applied in competition policy, partially because it is mainly used towards countries which do not yet represent a ‘danger’ for EU companies, that is, mainly African, Caribbean and Pacific (ACP) countries via GSP and GSP+ systems.

\textsuperscript{43} Delreux, 2013, op. cit., pp. 287-306.
\textsuperscript{44} Damro & Ibáñez, 2018, op. cit.
In a similar way, the legal approximation has exerted influence in geographical areas that have a weaker bargaining power vis-à-vis the EU, but that are intrinsically linked to the European market, such as the neighbourhood, some ACP countries and the EU membership candidates. The partial adoption of the acquis is even more restricted, thus weak, to countries such as members of the European Free Trade Association (EFTA), especially in the EEA.\textsuperscript{45}

When it comes to regulatory standards in competition, they can be considered as of medium effectiveness, because they vary across different environmental integration and cooperation negotiation strategies and clauses in agreements. The more powerful the EU is vis-à-vis the third party – in terms of market size, wealth and political power –, the more it seems able to enforce its own rules.\textsuperscript{46}

In general, the EU’s effectiveness in international competitiveness related to climate action is moderately high.

Climate-friendly goods and services

The trade of climate-friendly goods and services has been under discussion both in multilateral and bilateral fora. This is the reason why procedural diffusion is strong: there is a high degree of institutionalised dialogue in this realm, and the EU is the direct interface representing also all the member states at the WTO. Nonetheless, when it comes to action, overt diffusion is moderate although the EU played a key role in launching the Environmental Goods Agreement negotiations in the WTO, the trade-climate nexus was soon abandoned in favour of a ‘trade only’ approach.\textsuperscript{47} The EU is physically strongly present, but its leading role in managing the nexus is quite weak.

Transference is equally moderate because what is missing is the nexus itself: “The EU, its Member States and the European Investment Bank are together the biggest contributor of public climate finance to developing countries, giving € 20.4 billion in 2017 alone.”\textsuperscript{48}


\textsuperscript{46} Leal-Arcas & Alvarez Armas, 2018, op. cit.

\textsuperscript{47} Musch & De Ville, 2019, op. cit.

\textsuperscript{48} European Commission, “International climate finance”, op.cit.
Nobody can neglect the relevance of EU investments for climate mitigation and adaptation in developing countries, but often, as it is the case for the flagship initiative Global Climate Change Alliance Plus (GCCA+), the transference foreseen in these programmes lacks a trade dimension, thus risking to involuntarily support the South-to-North dependency.\footnote{GCCA+, “Our programmes”, retrieved 6 April 2019, http://www.gcca.eu/programmes}

The EU has, to a certain extent, also used coercion in order to protect its own system of technology patents and environmental goods producers. This was sometimes done via the WTO, as for the infamous case against Ontario’s Green Energy and Green Economy Act, which turned out in a Japan- and EU-led disruption of the Canadian local solar panel transition.\footnote{N. Klein, This Changes Everything: Capitalism vs. the Climate, London, Penguin Books, 2014, pp. 64-69.} The GSP+ requires to ratify 8 Multilateral Environmental Agreements, none of which deals directly with environmental goods and services; indeed, they are not part of the list of products whose trade is facilitated by this system.\footnote{Regulation (EU) No 978/2012 of the European Parliament and of the Council, 25 October 2012 applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008, Official Journal of the European Union, L 303, 31.10.2012, Annex V and VIII.}

Regarding the legal approximation and partial adoption of the acquis, the EU is a rather weak player because its influence is very limited to the neighbourhood and enlargement countries, but there has not been a real push regarding climate-friendly goods and services yet.\footnote{G.M. Durán & E. Morgera, Environmental Integration in the EU’s External Relations, Oxford, Hart Publishing, 2012, pp. 72-73.} Regulatory standards are more considerable because they set some internal targets for energy efficiency and for the share of renewable energy that entails a collateral impact on trade, but there is no specific standard though for the trade-climate nexus.

International transport

International transport has dramatically increased during the last decades with a direct correlation to the growth of globalised trade. Aviation and maritime shipping are mainly addressed in two different multilateral fora: the International Civil Aviation Organisation (ICAO) based in Montréal and the International Maritime Organisation (IMO) based in London. In neither of them the EU is recognised as a full member, the overt diffusion thus
being quite weak. There is an EU Office for the ICAO that works closely with the EU Delegation to Canada: the EU is an ad-hoc observer in many ICAO bodies, but it has no status in the ICAO Council. “The Office’s main task is the strengthening of the relationship between the EU and ICAO, focusing on aviation safety, security, environment, air traffic management and air transportation.”

At the IMO the EU is an observer with a permanent representative, and the real work rather concerns agreements of cooperation for the implementation of common projects. The EU is a contracting party to some relevant maritime conventions, such as the United Nations Convention on the Law of the Sea (UNCLOS), whose provisions are directly enforceable in the EU: thus, the Commission has to coordinate the positions of the member states in coherence with EU law. Overall, the procedural diffusion is moderate, because the institutionalisation of this policy area is still not fully open to the EU, and even at the bilateral level it still remains quite marginal.

Transference has been increasing in the last years. An example is the Capacity Building for Climate Mitigation in the Maritime Shipping Industry, a flagship initiative commonly known as Global MTCC Network (GMN). This is a project that aims at increasing the collaboration between Maritime Technology Cooperation Centres (MTCCs) in specific target areas more in need of technology transfer. The project is designed and funded by the EU and operated via the IMO.

Contagion and persuasion appear to be rather weak. This is partly because the main EU strategy has been to push for the introduction of a market-based measure for shipping within the IMO, based on the principle of a cap-and-trade system: so far this brought only few (in)voluntary reactions.

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56 GMN, retrieved 8 April 2019, https://gmn.imo.org
Informational diffusion is medium, although many studies and statements on the topic are freely accessible, it seems that there are some discrepancies across different institutional communications (notably the ENVI Committee and DG CLIMA show positions rather opposed to those of DG TRADE and the Trade Policy Committee). The EU has been exercising strong coercion in the aviation sector with the imposition of the EU emissions trading system (EU ETS), including non-European airlines operating in Europe since 2012.\textsuperscript{58} Nonetheless, a similar strong move did not come for seaborn trade, since, according to estimates, such a unilateral move could damage the competitiveness of European ports, while causing carbon leakage and increasing the price of products and raw materials.\textsuperscript{59} Regarding regulatory standards, the EU action remains weak, while in general the legal approximation and pushing towards the EU legislation is not implemented in this field: on the contrary, it is the international law that is directly transposed into EU law.\textsuperscript{60}

Seaborn trade accounts for about 90\% of global trade, therefore it is vital to the functioning of the global economy.\textsuperscript{61} In order to effectively achieve its trade objectives of continuous growth and trade expansion, the EU is bound to support maritime trade flows. Meanwhile, “in the baseline scenario international transport would be responsible for almost 40\% of the available global CO\textsubscript{2} emissions in 2050. If all technological and operational improvements deliver the expected impact, the sectors would still be responsible for 25\% of global permissible CO\textsubscript{2} emissions of a 2\degree C path”.\textsuperscript{62} Although aviation is not among the main drivers of climate change today, the estimates of its growth suggest it may constitute a major issue over the coming decades, with predicted emissions growth of 300-700\% by 2050 - much of which is now happening in Asia and Latin America.\textsuperscript{63} The ICAO Resolution of October 2016, which approved the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) as a market-based

\textsuperscript{59} Franc & Sutto, 2012, op. cit., p. 15.
\textsuperscript{60} IP/A/ENVI/2016-13, op. cit.
\textsuperscript{61} International Chamber of Shipping, “Shipping, World Trade and the Reduction of CO\textsubscript{2} emissions”, UNFCCC COP20 Lima, 2014.
mechanism with the aim of stabilising CO\textsubscript{2} emissions at 2020 levels, was seen as a victory by the EU, which immediately committed all member states to join the scheme by 2021.\textsuperscript{64}

Supporting the international transport industry seems to be coherent with the EU trade objectives but contradictory to the environmental goals. This situation calls for the application of Art. 21(3) TEU, in order to clarify and ensure consistency. The Treaties do not provide more details on how this should be achieved. Overall, the EU’s effectiveness in international transports remains rather weak.

**Labels and standards**

Ecolabels and standards, for which ISO definitions have been provided above, influence decisions of both manufacturers and consumer representatives and, in different markets around the world, they often entail different requirements. As demonstrated in Table 3, labels and standards is the only category which ranks as strong. Indeed, here the EU is employing all the tools at its disposal. This is not surprising if one considers that labels and standards are essential for trade and competition, and therefore it is easier for the EU to be coherent and consistent. As an example, here I will be looking at environmental labelling.

Labels and standards are usually agreed in multilateral fora such as the WTO, while they also constitute a core part of each FTA: in both cases they are adopted from standard-setting organisations. Hence, both overt diffusion and procedural diffusion are strong. The failed Transatlantic Trade and Investment Partnership (TTIP) is maybe the best example of how labelling can contribute to the failure of trade negotiations, as different institutions on the two sides the Atlantic refer to different sustainability criteria and legal requirements.\textsuperscript{65} Both institutionalised dialogues and the physical presence of the EU have been considerably growing and becoming much more horizontally and vertically


coherent after the Lisbon Treaty, and this policy field is one where some of the most effective results have been found.\textsuperscript{66}

Information diffusion, and the interlinked cultural filter, both appear relatively moderate. The EU has been promoting the idea that eco-labels are a useful tool for market governance based on a multi-stakeholder approach, since the process of setting the criteria, monitoring and evaluation, and of the final acceptance in the market involves a variety of actors, from government and private companies, to consumers and environmental non-governmental organisations (NGOs). Yet, the qualities of a comprehensive participatory framework are not appreciated everywhere in the same way, thus delivering different results.\textsuperscript{67}

Both contagion and persuasion can be qualified as moderate. As an example of the former, there is a rise in voluntary labels by businesses all over the world through corporate social responsibility (CSR), often following European standards, which entail a reduction of information asymmetries vis-à-vis the consumers.\textsuperscript{68} An example of the latter is the development of eco-labels in South Africa both for commercial requirements and consumers’ protection, which, as showed by a recent study, have been closely linked to the growing influence of EU labels and presence.\textsuperscript{69}

When it comes to coercion and conditionality, these are moderate because unilateral decisions have been limited, and this policy area is more often the result of international negotiations or of a participatory approach which involves businesses and civil society. Nonetheless, the criticism from developing countries (but not only) put forward against the EU with regard to its labels and standards as a market distortion or even discrimination


has always been considerable; notably questions such as the imposition of the precautionary principle to enter the EU market or the criteria for GMOs.\textsuperscript{70}

Both legal approximation and the partial adoption of the acquis, with specific reference to environmental labelling, are moderate, once again with a stronger geographical relevance in ENP, EFTA and enlargement countries. For instance, they are included in all the Association Agreements with the Eastern ENP countries.\textsuperscript{71} To the contrary, regulatory standards are stronger because there is a clear EU influence that expands almost all over the globe, from ACP countries to developed nations such as Canada, Japan and South Korea, as duly regulated by the respective FTAs currently in place. In most cases, during the trade negotiations, the EU standards and labels are the ones to prevail showing strong effectiveness.\textsuperscript{72}

In conclusion, this is the field in which the EU has proven the strongest effectiveness in managing the trade-climate nexus.

**Interpretation of the findings**

Looking at Table 3, the first impression is that overall the degree of EU effectiveness in managing the trade-climate nexus is quite moderate, if not weak. This result seems to collide with the self-declared ‘climate leadership’ – the EU does not live up to the expectations. Indeed, ‘labels and standards’ is the only TCA item with strong effectiveness, where all the tools are being deployed. It is followed by ‘international competitiveness’, probably as a result of the fact that there is no prioritisation among the TCA items, but the environment is de facto subject to trade and economic growth, while the other way around seems more of an exception. It is not surprising that the EU is more effective where it is has stronger competences, that is, on competition policy and unilateral standards for the internal market. For weak effectiveness, two main reasons can be identified: first, there are still many difficulties in dealing with demandeurs that have a similar bargaining power to that of the EU, and second, these policy areas are often seen as sensitive matters of domestic politics.

\textsuperscript{71} Krämer, 2011, op. cit., pp. 239-244.
\textsuperscript{72} Leal-Arcas & Alvarez Armas, 2018, op. cit.
The tool most deployed is procedural diffusion and the one least deployed is conditionality. This reflects the fact that EU influence at the global level seems to follow a geographical distribution: the Western Balkans and enlargement countries are the area where the EU is more influential, followed by the EFTA countries by force of market integration and lastly by the ENP countries, where the EU appears to exert more influence in the East compared to the South.

In the context of the current crisis of multilateralism, the EU’s role in classical settings such as the WTO or the UNFCCC conferences is often reduced and most of the European successes of the last years have to be read together with the lowering of ambitions. In different sectors the EU can be more or less influential vis-à-vis the ACP, the emerging economies (BRICS) or the other developed nations. The findings do not seem to show a clear or coherent path of externalisation, but rather appears quite disaggregated and often incoherent. In this sense, in the absence of a more strategic approach, the EU’s influence is dangerously exposed to any change of government in the partner country. This was evident for transatlantic relations in the shift from the Obama to the Trump Administration. Thus, it is legitimate to wonder, for instance, whether EU-Canada relations would be so fruitful and cooperative if there was not a somewhat like-minded leader such as Justin Trudeau. Indeed, the EU did not react effectively when Canada withdrew from the Kyoto Protocol in 2012.

Overall, tools from NPE are used at 46.6% of their possibilities, while tools from MPE only at 29.4%. This is not very surprising, given the definition of the EU as an institutionalist actor in this specific nexus. Indeed,

the concept of normative power is an attempt to refocus analysis away from the empirical emphasis on the EU’s institutions or policies, and towards including cognitive processes, with both substantive and symbolic components [...] the notion of a normative power Europe is located in a discussion of the ‘power over opinion’, idée force, or ‘ideological power’, and the desire to move beyond the debate over state-like features through an understanding of the EU’s international identity.74

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73 Musch & De Ville, 2019, op. cit.
74 Manners, op. cit., p. 239.
This extract from Manners’ seminal article is helpful to understand that regulatory choices and their subsequent externalisation are the result of identity and ideology. On the one hand, the EU is mostly a science-driven actor (especially when compared to other partners, such as the US). On the other hand, there is an increasing public pressure on the matter, with numerous manifestations and ‘marches for the climate’ all over Europe: as a product of democracy, a growing public demand for environmental action results in a change of behaviour in the institutions too, making the EU more willing to engage in the trade-climate nexus. It is a normative choice to set priorities in trade-climate and to push for a different direction than where the system of globalised capitalism is otherwise going.

Overall, the combination of NPE and MPE is covering only 38.05% of its potential, thus leaving a gap of 61.95% of possibilities. The EU has large space to become a stronger actor in the trade-climate nexus if it was willing to deploy more effectively the mechanisms at its disposal. In this regard, the following policy recommendations aim to provide a starting point to think about this improvement in effectiveness.

**Policy recommendations**

“The Paris Agreement contains no cross-references to trade rules. [...] After 2020, the Paris Agreement will leave it at the discretion of the parties whether they want to include their trade policy agendas in the design of their NDCs”

The assessment in this paper is based on the categorisation of the EU as an institutionalist actor in the trade-climate nexus. The study revealed that NPE tools seem to be generally more applied than MPE tools, which is not astonishing if we consider that environmental regulations are rooted in a primarily normative perspective. Thus, one may suggest that the deployment of MPE tools has to be strengthened, while bearing in mind that external action has to be tailored and realistically feasible. For instance, it is in the nature of the legal approximation to and partial adoption of the acquis to be functional only in a

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77 Dröge & Schenuit, 2018, op. cit., p. 3.
specific area (i.e. the geographic proximity to the EU), and it would not be realistic to suggest an increase of these tools elsewhere. Basically, the idea is not to reach the maximum points of 36 for a TCA item, which would imply using all the tools in a strong way. What should be studied is rather a strategy to understand which tool is more efficient where, in which context and towards what kind of partner.

The fact that conditionality is the weakest tool does not necessarily mean that it should be strengthened: in this policy nexus it may not be the most suitable way to achieve the objectives. Instead, two tools that the EU should deploy more from MPE are definitely persuasion and coercion. Today, a strategic combination of persuasion and cultural filter is strongly needed at different layers, especially with the so-called ‘like-minded partners’, in order to stabilise a series of partnerships and secure them from any sudden political change. Coercion is what the EU could and should increase in order to see more concrete progress, imposing unilateral restraints on import and export based on environmental criteria. Notably, Young argues that when the EU first tried to address the aviation emissions at the multilateral level, it was not successful until the EU ETS was unilaterally imposed and, as a result, the topic immediately went high on the ICAO agenda.78 Certainly, the risk of worsening the ‘trade war’ situation is high and it would be against the EU trade objectives, that is why coercion needs to be carefully managed and justified. The question itself brings us back to the original lack of prioritisation in EU trade and climate objectives, and the blurry legal language examined above.

According to Art. 21(3) TEU, it should be up to the Council and the Commission, assisted by the HR/VP, to ensure the consistency among these policy areas in the external relations. Yet today the EU still misses a clear strategy from these institutions to manage the nexus and to set priorities. Ultimately, it is still up to the member states to decide on this prioritisation. Clearer definitions of dim concepts such as ‘sustainable development’ and stronger reference to science in trade and climate are urgently needed.

Furthermore, when looking at the different decision-making and negotiation settings, trade and climate appear to be dealt with like “two solitudes”, to quote Naomi Klein.79 It seems, for instance, that establishing DG CLIMA was full of political symbolism but void

79 Klein, 2014, op. cit.
from an effectiveness viewpoint: climate, indeed, can never be addressed without a strong issue-linkage. Instead, it would be more efficient to have a specific directorate for climate action within the main DGs that are involved. This would not only entail a drastic change in bilateral negotiations of FTAs, but also in permanent EU Delegations to multilateral organisations, with a more efficient mainstreaming of climate. Climate change is an interdisciplinary and transboundary challenge, and as such, it should be treated also in the politico-administrative structures that are aiming to regulate it.

The assessment of the EU’s effectiveness as weak to medium in the trade-climate nexus could open debates about the theoretical background of the EU’s actions. An institutionalist approach that sometimes falls into market liberalism, as Musch and De Ville showed for the Environmental Goods Agreement at the WTO, is not the best option to manage this nexus. To change this, the EU could review the system of accessibility and stakeholders’ consultations during trade negotiations, ensuring that civil society and environmental NGOs are heard no less than big multinational companies, insurances and banks. Indeed, social green (not to mention bio-environmentalist) perspectives have more difficulties in influencing the EU decision-making and negotiation processes, leaving more space for the lobbying of market liberals. This is an issue that the EU, as an institution which affirms democracy as a core guiding value in its external action (Art. 21(1) TEU), must address. The issue of democracy is also relevant concerning the (weak) role of the European Parliament both in trade and environmental negotiations.

During 2018, a stronger quest for the integration of the Paris Agreement into every new trade agreement came particularly from France, and with the support of the Trade Commissioner Malmström who tweeted that, after Japan, also the FTAs with Mexico and Mercosur will entail specific clauses on the Paris Agreement. This seems to be a fair starting point for the establishment of the trade-climate policy nexus at higher level. This approach would open space for debates about operationalising the concept of ‘conditional liberalisation upon carbon footprint’, which basically means making trade relations conditional to concrete actions for emissions reduction.

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80 Musch & De Ville, 2019, op. cit.
Another recommendation regards the process of learning. Analysing externalisation tools, it seems to be always the EU persuading someone else, but what about the EU learning from the best practices of other countries or international organisations such as the strong Australian labelling for local products or the Canadian Environmental Impact Assessment? Most of the procedural diffusion or even the cultural filter seems to be one-way only, without spaces for mutual learning.

Finally, it seems that the TCA lack other essential items which could constitute a real revolutionary approach, such as the local content requirements (LCRs). As shown in the WTO solar panels cases of the EU and Japan against Ontario, or of China against the EU, the core issue is that LCRs can easily be accused of not respecting the WTO core principle of non-discrimination. At the same time, they play a key role in that part of the ‘green revolution’ and ‘energy transition’ narrative that aims to relaunch the economy, create new jobs and counter industrial delocalisation. In a way, the LCRs question is connecting environmental protection with the rights of workers and, as such, needs to be reconsidered by the EU.

Conclusions

“When you invest in development, when you invest in the fight against climate change, you also invest in your own security”82
Federica Mogherini, HR/VP of the EU, 2017

“No Paris Agreement, no trade agreement”83
Jean-Baptiste Lemoyne, Minister of Foreign Affairs of France, 2018

This paper addressed the question of to what extent the EU is effectively managing the trade-climate nexus by using trade to support climate action in its external relations. It showed that, overall, the EU is moderately to weakly effective in using trade to support climate action. The discrepancies between TCA items is significant. Also, in the deployment of tools, there is a clear prevalence of NPE that should be further explored.

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83 Forbes, 2018, op. cit.
Previous research has highlighted that international trade can be an elusive mechanism, which gives the impression that ecological sustainability is conserved at local level thanks to bio-mass imports and sink capacity from elsewhere. In this way, it can hide the responsibility for the ecological effects of production and consumption.\(^84\) The reduction of GHGs and many other pollutants in Europe has to be understood not only as a result of the growing internal legislation, but also as complementary to the offsetting of Europe’s carbon footprint in other countries. Global trade geographically relocates the polluting emissions.\(^85\) Europe has a stake in growing emissions in developing countries.

Trade is probably the most powerful instrument for the EU, nonetheless its influence can vary greatly according to geographical proximity and relative power relations. Indeed, “the utility of the EU’s regulatory power resources is context specific”.\(^86\) For this reason, also the trade-climate nexus should not aim at finding one standardised approach, but rather adapt to the context and the third parties involved. This may entail great varieties in the application of MPE/NPE tools. In other words, with regard to Table 3, it is not important that each tool is used in a strong way, but it is more relevant to have a strong assessment of the TCA item at the end of the row, thus over 25 points. Externalisation tools should be deployed maximising their utility, with a comprehensive overview of all of them, for instance bearing in mind how persuasion and regulatory standards have to proceed supporting each other and so forth with the other tools. Moreover, the framework applied for this research also has the potential to be generalised to the analysis of other policy nexi, e.g. trade and labour rights.

There are some problems in prioritisation, in the definition of key concepts and in the ‘weak vs. strong sustainability’ approaches that constitute ground for misunderstanding and mismanagement of the trade-climate nexus. Promoting economic globalisation increases the magnitude of trade flows which, as long as connected to fossil fuels, results in the worsening of climate change.\(^87\) As an encouraging example, the Sustainability Impact Assessment for the new EU-Japan FTA reported that “it is possible to conclude that there is no negative impact on greenhouse gases and CO\(_2\) emissions from the FTA.

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\(^84\) Andersson & Lindroth, 2001, op. cit. pp. 113-122.
\(^86\) Young, 2015, op. cit., p. 1247.
In fact, the FTA favours relatively less energy and emission intensive sectors, leading to a reallocation towards these cleaner sectors instead”. There is space for the EU to be a strong actor in building and managing the trade-climate nexus at the international level, but only if the EU is prepared to seriously questioning itself.

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