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**A policy framework for trade and non-trade
objectives: Interviews with practitioners and
stakeholders on RESPECT research findings**

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**Non-trade objectives and EU external policy:
Survey responses on RESPECT research findings**

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Abstract

This report summarizes the results of consultations with practitioners and stakeholders on the findings of a Horizon 2020-supported research project “Realizing European Soft Power in External Cooperation and Trade” (RESPECT). Consultations were structured in a three-tier process: an online expert survey, thematic roundtables, and individual interviews. One of the objectives of the interviews was gathering stakeholders’ reflections on policy implications for trade and non-trade policy objectives going forward. The interviews allow to picture a transparent, differentiated, and comprehensive policy framework combining trade and non-trade objectives. They suggest that this would help prioritizing policy objectives, assembling the appropriate “toolbox” to promote NTPOs in partner countries, and engage relevant stakeholders.

Keywords

Interviews, trade policy, stakeholders’ consultations, non-trade policy objectives.

Introduction*

The EU has increasingly linked the promotion of its values to its external action, including trade policy. The RESPECT project (Realizing Europe's Soft Power in External Cooperation and Trade) encompasses a broad range of multidisciplinary research analyzing different dimensions of the effectiveness of this strategy. Hoekman (2021) summarizes the main findings in the project's final report.¹ This is the starting point for the present report, which presents the results of consultations with stakeholders and practitioners on the project's findings.

Consultations were structured in a three-tier process: an online expert survey, thematic roundtables, and individual interviews. Each element of the consultations serves a different purpose and complements the others. Building on the positive experience of the first RESPECT survey (Fiorini et al., 2019; Yildirim et al., 2021), the survey was designed to collect feedback from a large pool of stakeholders. The interviews complement the survey results by exploring the reasons underlying observed patterns of responses. The roundtables played a similar role, with the additional dimension of facilitating group-level discussions among participants representing different groups of stakeholders.

The combination of the three instruments aimed at validating research findings and identifying directions for further research. Results of the expert survey are presented in a complementary report by Bondi and Hoekman (2022). The present report focuses on the interviews. It is organized as follows. Section 1 describes the implementation of the interviews and the sample of interviewees. Section 2 discusses the methodology. Sections 3 to 7 summarize the feedback obtained. Section 8 concludes. The Annex provides the template of the interview questionnaire, a categorization of the interviewees and a summary of different tools that can be used to pursue trade and non-trade objectives.

1. Interviews' implementation and empirical population

Thirty-two individual interviews were conducted through online platforms (i.e., Zoom and Microsoft Teams) from 26 May 2021 to 3 August 2021. As these aimed to complement the survey, the questions were designed to further investigate the main themes of the survey questionnaire.² The interviews were semi-structured.³ A template questionnaire was generated through cooperation with the members of the RESPECT Consortium (see Annex A). This included main questions as well as follow-ups. The order and number of questions asked varied among interviews. The average interview lasted approximately 38 minutes.

Potential interviewees were selected from respondents to either the first or second RESPECT survey who indicated their willingness to be contacted for an interview. This sample was augmented with additional invitations sent to practitioners and stakeholders with a view

* The project leading to this report received funding from the European Union's Horizon 2020 research and innovation program under grant agreement No 770680 (RESPECT). The interviews were conducted on behalf of the RESPECT Consortium. The Consortium is grateful to all survey respondents, interviewees, and participants in the group discussions for their time and feedback provided, as well as for the assistance of the partner organizations who helped in co-organizing consultation webinars and roundtables. The author is most thankful for the valuable suggestions and support provided by Bernard Hoekman and Matteo Fiorini.

1 Additional output and synthesis of findings can be found on the project's website: <http://respect.eui.eu/>.

2 Survey questions are presented in a separate report by Bondi and Hoekman (2022).

3 This reports employs the definition of semi-structured interview provided by the SAGE Encyclopedia for Social Sciences (2011).

to increase diversification within the sample. Those who accepted to take part in an interview received an information sheet describing the project and the aim of the interview. They were also requested to sign a consent form concerning the management of their personal data.⁴ They agreed to participate in anonymous interviews. For this reason, the responses are presented in an aggregated form.

Figure 1 shows the breakdown of the interviewees by professional category.⁵ A larger share of interviewees works in the private sector and international organizations as compared to survey respondents (i.e., 20% and 6% respectively). This reflects a conscious attempt to balance the extensive share of academics among the survey respondents. Of the 14 interviewees affiliated with academia, seven work in think-tanks and focus more closely on policymaking, and two have extensive operational experience working in non-EU countries.

Figure 1. Share of interviewees by professional categories



Note: Percentage of interviewees belonging to each professional category. As some interviewees could match with different professional affiliations, an expanded version of the dataset counts each respondent as many times as the number of applicable professional affiliations identified. The figure is based on the expanded dataset, which includes 36 respondents.

⁴ The consent form foresaw the possibility of recording the interview based on the interviewees' preferences. Twenty-nine of the thirty-two interviews were recorded.

⁵ To ensure consistency within consultations on the project's findings, professional categories match those used to classify respondents to the survey undertaken by Bondi and Hoekman (2022).

Interviewees are classified either as “EU-28” or “non-EU-28”. This categorization is based on the same criteria used to classify survey respondents (Bondi and Hoekman, 2022). “EU-28” respondents work for an EU institution, the government of an EU Member State (EUMS), an EU-level business association, or an entity based in the EU and do not have a special focus on a non-EU region. “Non-EU-28” comprises all other respondents. The share of interviewees with a non-EU focus is 84%. The regional focus of most respondent is East Asia, followed by North America, South-East Asia and South Asia, Central Asia and Central America as well as Least Developing Countries and European Neighborhood countries. Other reported regions of focus include: Western Asia; South America; Caribbean, African Caribbean and Pacific (ACP) countries; and other African regions.

The thematic roundtables were organized in the summer of 2021. Each roundtable was structured around a presentation of selected projects’ findings, followed by a discussion aimed at gathering participants’ feedback. The roundtables were treated as collective interviews. Before each roundtable, the participants were informed about the project and asked to consent to either the publication of the event recording or the use of their comments in anonymous form. The roundtables were organized in cooperation with external partners and covered three topics. The first focused on the effect of including non-trade provisions in FTAs on non-trade outcomes in partner countries. This topic was chosen because it might be considered as a controversial result of the RESPECT project. The second roundtable focused on analysis undertaken by scholars from the EU and China on WTO reform and potential areas for joint action to revive the multilateral trading system. The relevance of the topic stems from the broad output generated by RESPECT on multilateral cooperation and the emphasis placed by the EU Trade Policy Review Communication (European Commission, 2021) on WTO reforms and engagement. The third roundtable focused on RESPECT research on ex-ante assessments and ex-post evaluation of trade policy. In this report, we do not explicitly reference the roundtable discussions, but we complement interviewees’ responses with the insights collected during these discussions.⁶

2. Analytical methodology

The analysis of the interviews was structured in three steps. The first entailed transcribing all recorded material. The transcription process aimed at providing an accurate representation of the content, without indicating how it was conveyed (e.g., filler words, pauses, emphasis are excluded). For the three interviews that were not recorded, notes were revised and expanded immediately after the end of the interview. They were then treated as the rest of the transcribed material.

Second, the content of the transcripts was re-organized. Takeaways were derived for each interview. This constituted an important pre-coding step as it allowed to identify recurring and peculiar concepts. These takeaways are reported at the beginning of each transcript, as a separate list of bullet points. Then, the takeaways were gathered in a single file, which was organized by topic. The main topics of interest reflected those included in the template interview questionnaire (see Annex A). Each bullet point was associated to the number of the interview to maintain traceability of the contributions. For each topic, summary bullet points were listed by professional affiliation. This allowed to observe variations among professional categories.

⁶ Further information on the roundtables and video recordings are available on the RESPECT website: <http://respect.eui.eu/events/>

Finally, the file was coded. The coding process consisted of reading the material several times, assigning labels, and re-organizing them in categories or sub-categories.⁷ This process is both deductive and inductive. On the one hand, the interviews' takeaways were already assembled in categories that corresponded to the main topics of the interview questions. This stems from the fact that interviews were aimed at collecting feedback on the project's findings. Thus, the topics of interest were already known before the interviews took place. However, the process entailed finding sub-categories, restructuring categories, and aggregating them into a broader framework.

This coding procedure serves our analytical purposes in two ways. The first objective of the interviews was providing insights on the patterns of responses observed in the survey. Coding allowed to identify why stakeholders expressed agreement or disagreement with the project's findings. We used the interviews' contributions to complement the discussion of the survey results in Bondi and Hoekman (2022). The second objective of the interviews was gathering stakeholders' reflections on policy implications for trade and non-trade policy objectives going forward. The coding procedure helps structuring these suggestions in a broader policy framework. A description of the proposed framework is presented in the next five sections.

The views presented in what follows are those of the interviewees. The author is solely responsible for any inaccuracies. Contributions are referenced by reporting the interview number. Readers can make use of the table included in Annex B to associate statements with professional and geographical affiliations.

3. Strategy: assessing the linkages between trade and NTPOs

This is the first section presenting the results of the interviews. One of the main takeaways of the interviews is the need of defining a policy framework, including trade and non-trade objectives, to structurally address questions that relate to the pursuit of values in the EU trade policy. This framework is laid out in *Figure 2*. The results of the interviews are presented following the four-parts structure of the framework. This section focuses on the formulation of the EU strategy towards trade and non-trade objectives. Strategy formulation requires both tacking stock of how the EU has linked trade and non-trade policy objectives so far and identifying what principles could guide the strategy in the future.

i. Linking trade and non-trade: “unavoidable” or “sanctimonious”?

The strategy of linking trade and non-trade policy objectives evolved over time. Interviewees belonging to different professional categories describe this trend along three main dimensions. First, it involved an *increasing number of countries*. Using trade to promote non-trade objectives is not a sole prerogative of the EU. Both the EU and the US have been advancing values through their Free Trade Agreements (FTAs) (Interviews 9 and 19). In fact, the EU *Trade for All* strategy⁸ was released one year after the speech *A value-driven trade policy*⁹ by U.S. Trade Representative Froman, thus indicating a “Washington effect” (Interview 9). The EU and the US have then raised non-trade issues at the multilateral level (i.e., with China, at the time of accession to the WTO) as well as in bilateral negotiations (Interview 24). The number of like-

⁷ For a description of the coding procedures that we followed, see Boeije (2009) and Rubin and Rubin (2012).

⁸ See: https://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf

⁹ See: https://ustr.gov/about-us/policy-offices/press-office/press-releases/2014/February/A-Values-Driven-Trade-Policy_Remarks-by-USTR-Froman-at-Center-for-American-P x

mindful countries adopting this strategy will increase, although a fragmented approach might be expected (Interviewee 19).

Second, *non-trade objectives expanded their coverage* in trade policy. Even when “only” aimed at opening commercial opportunities, trade agreements consciously attempt to export values in economic policy (Interview 9). Based on the idea that governments should facilitate trade, FTAs’ provisions implicitly strengthen principles of the rule of law. Similarly, the Generalized System of Preferences (GSP) is a value-based trade policy, as it consciously opens the market to developing countries to promote growth and improve peoples’ lives. Overtime, trade strategies included additional NTPOs, such as labor standards, environmental protection, human rights, and others (Interviews 19, 14 and 20). Specific objectives have also become more encompassing. Environmental protection, once concerning environmental goods, now more broadly relates to carbon-intensity (Interview 19). NTPOs have expanded across different sectors, such as the services industry (Interview 20). The interviews suggest that three issue-areas will increasingly be promoted as NTPOs: regulations connected to digital trade; gender dimension of production processes; and the trade-refugee-migration dimension¹⁰ (Interviews 1, 12 and 19).

Third, the *motives* behind linking trade and non-trade objectives reflect an *increased public attention to the domestic effects of trade liberalization*. Public opinion perceives that negative welfare effects of trade openness have not been properly addressed within the EU (Interview 15). Further, differences in levels of labor standards and environmental protection are subject to increased attention as they foster beliefs that trade relations are unfair and conducted on unequal bases (Interview 9). If not addressed, these concerns can translate into anti-establishment feelings (Interview 15). Traditional trade discussions would regard welfare issues as purely domestic in nature, under the assumption that gains from trade outweigh losses and can be redistributed (Interviews 18 and 32). The interviewees suggest the need to surpass efficiency as the center of trade policy and provide more attention to inequalities within countries (Interviews 1, 18, 23, 24 and 32). In this context, including non-trade issues in trade policy allows to acknowledge that trade touches different aspects of social and economic lives (Interview 23). It responds to the idea that trade policy should directly contribute to the wellbeing of targeted groups, rather than providing indirect transfers (Interview 24).

Increased public awareness of non-trade issues in trade impacts policymaking. Negotiators need to consider non-trade issues when reporting to the national and European parliaments on trade negotiations, or when designing proposals that needs to be approved by the European parliament and the Council (Interviews 20 and 32). This was seen in the mid-2010s, when USTR Froman and Commissioner Malmström were formulating trade strategies amidst citizens’ skepticism about the effects of trade liberalization (Interview 9). More recently, the Comprehensive Agreement on Investment (CAI) between the EU and China raised the question of whether agreements can be concluded as pure business transactions (Interview 9). Long-standing negotiations came to life in a context of increased sensitivity around non-trade issues, in which the agreement was judged lacking (Interview 19). For some, this shows the risk of excessive politicization in trade, as a mutually beneficial agreement was not signed due to political considerations (Interview 21).

This brings us to present days, when non-trade issues are regarded as topical in trade policy. It can be seen in new types of agreements signed by the EU with its trading partners but is part of a broader picture that involves the distinction between trade and *good* trade within

¹⁰ Following the Arab Springs and the Syrian refugee crisis, the use of conditionality in EU Association Agreements in the MENA region intensified, by making trade policy even closer to the EU external dimensions of migration and asylum policy.

the international community, and how businesses incorporate non-trade concerns in their daily operations (Interviews 14, 20, 25 and 27). In light of the long-term trend underpinned by the political economy dynamics that were just described, eight interviewees consider that linking trade and non-trade objectives is *unavoidable* (Interviews 6, 16, 18, 20, 23, 24, 26 and 32). This is shared by respondents from academia, private sector, international organizations, EU governments and other affiliations. This begs the question of whether the strategy has worked so far and how it could be improved going forward.¹¹

The interviewees identify five reasons to positively assess the strategy. Linking trade and non-trade objectives:

1. Advances the EU's *geopolitical aspirations*. If the EU seeks to be a global leader and driving force in international trade, it should take a holistic approach that entails integrating values in the pursuit of its external relations (Interviews 3, 6, 17, and 25).
2. *Leverages* one of the EU's *most powerful tools* to promote ideas towards third countries (Interview 4). This stems from the size and attractiveness of its market, the economic interests being at stakes and the availability of "sticks" (Interviews 11, 19, 25, and 32).
3. Fosters *win-win cooperation* and serves as a *stepping-stone* towards *multilateral solutions* (Interviews 2 and 16). FTAs can work as templates of how to incorporate non-trade issues in trade agreements. Then, this model can be agreed on at the WTO. A similar process occurred for trade facilitation. Before an agreement was reached at the WTO level, FTAs included a trade facilitation chapter for many years. This enhanced countries' perception that trade facilitation is useful to liberalize trade.
4. Supports *market access objectives* (Interview 10). For instance, including labor standards in a trade agreement might improve market access for those which are willing to operate in a foreign market but are discouraged by the level of labor protection.
5. Fosters *public discussion and policy experiments* to concretely address non-trade issues (Interviews 12 and 31).

However, the interviews also point to four weakness that open the EU strategy to criticism:

1. *Lack of coherence and consistency*. Incoherence stems from expecting partners at different levels of development to meet standards that are not perfectly abided by within the EU (Interviews 21, 25, and 26). An example is found in continuing non-green production practices, such as greenhouses' cultivations in Northern Europe, which entail higher carbon footprints than importing the same goods from neighboring or other EU countries (Interview 25). Another example are European subsidies to non-green activities (Interview 21).¹² An example of inconsistency pertains the rules on tax governance, that exclude political partners from being blacklisted or sanctioned (Interview 16).
2. *A shield to promote the EU's self-interest*. Upholding social and environmental protection might be seen as an attempt to export the production costs built in the EU system to partner countries (Interview 9). This decreases the legitimacy of European claims, thus

¹¹ Please note that more detailed considerations on the effectiveness of the strategy will be presented in the next sections, when evaluating different policy instruments that can be used in the pursuit of non-trade objectives.

¹² This is reported by European companies in some trade remedy cases, when they underscore that the subsidies received in foreign markets are lower than those received within the EU

making the EU look *sanctimonious* towards trading partners. The GSP withdrawal in the cases of Sri Lanka and Cambodia would also suggest that the instrument is used for political purposes, rather than to improve the conditions of third-countries' nationals (Interview 5). Even the inclusion of labor standards within the GSP+ is considered as a *façade* to show that the EU is acting on the issue, while implementation is weak (Interview 15).

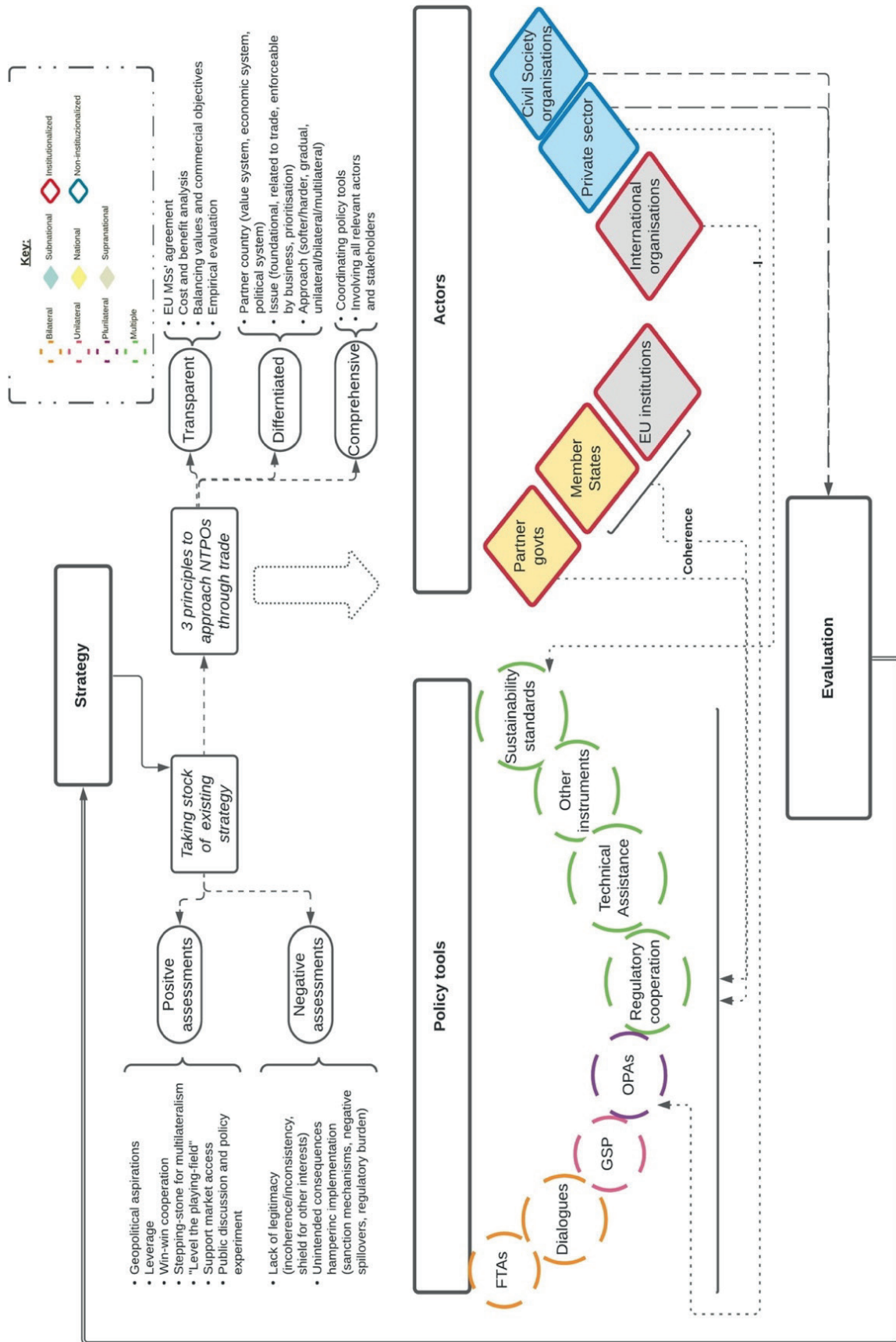
3. *Unintended consequences*. Increased poverty and unemployment as a result of sanctions might lead more children to join the labor force, thus countering the objective of eliminating child labor and promoting development (Interviews 5 and 7). Further, sanctions can entail negative geopolitical spillovers as targeted countries can rely on other international actors promoting different NTPOs or disregarding them (Interviews 7 and 20). Promoting non-trade issues also entails increased regulatory burden for companies (Interview 21). This might affect firms differently and particularly impact small and medium enterprises, due to their limited resources.
4. Trade as a *second-best policy*. If the inclusion of non-trade issues in trade is partly a result of societal requests for fairness and better equality, discussions on openness should also be tied to evaluations of which domestic policies (e.g., investment, labor market reforms, social security etc.) are needed to benefit from it and address the resulting transition costs (Interviews 9 and 32). While these are legitimate concerns, using trade to address them might not yield the expected results.

To sum up, contextualizing the EU strategy in terms of longer-term trends and political economy dynamics suggests that linking trade and NTPOs is driven by different types of concerns. These relate to values and sustainability but also to domestic effects of trade liberalization on welfare. Thus, trade policy might be promoting multiple, and perhaps too many, objectives. Distinguishing what drives policy action might facilitate the identification of the policy problem and the relevant tools to address it. Else, what is considered as an “unavoidable” trend might be as “sanctimonious” by partner countries and result ineffective. Thus, the interviewees suggest identifying a structure to systematically address questions on linking trade and non-trade objectives (i.e., the motives behind policy choices, the objectives to be pursued, and the appropriate policy tools. Their contributions are summarized in a policy framework integrating EU trade and non-trade objectives, represented in *Figure 2*. While not claiming it should, or could, be applied to EU trade policymaking, it might help to identify useful questions in formulating and implementing the strategy and reveal bottlenecks.

ii. A transparent, differentiated, and comprehensive approach to NTPOs in EU trade policy

This section summarizes interviewees' contributions on how the EU could strategize the promotion of NTPOs through its trade policy. In the proposed framework (*Figure 2*), these converge in three guiding principles to integrate trade and non-trade objectives: (i) *transparency*, to ensure an explicit balance between commercial and value-related objectives of EU trade policy; (ii) *differentiation*, to allow for flexibility based on partner countries, issues at stake, and policy instruments; and (iii) *comprehensiveness*, thus combining different tools and including all relevant stakeholders in EU trade policymaking.

Figure 2. Policy framework for trade and non-trade objectives



1. Transparency. The EU could be more transparent when incorporating non-trade objectives in trade policy. This requires a broader and more strategic approach (Interviews 1, 3, 18, 20, and 26). A first step in this direction would be finding *compromise among the EU member states* on which values to pursue through trade policy. In absence of such agreement, the definition of “EU values” appears blurred. This might hamper prioritization, lead to convergence on the lowest common denominator and reduce the visibility of EU efforts (Interviews 3, 11 and 15). Further, the interviews suggest performing a *cost-benefit analysis* to assess how far to promote the agreed non-trade objectives through trade (Interviews 14 and 20). This would contribute to more *explicitly balancing the pursuit of* different, and potentially conflicting, *objectives* (i.e., *commercial and values-oriented*) (Interview 26). The strategy should then be adjusted over time, based on a *progressive and empirical evaluation* of what is has attained (Interviews 5 and 14).

2. Differentiation. Linking trade and non-trade policy objectives should not follow a one-size-fits-all approach. The interviews suggest possible variations along three dimensions. First, the *characteristics of the partner country* inform which non-trade issues can be promoted and through which policy instruments. Three features to consider are:

- The value-system. Different cultural systems might hamper both the feasibility and the legitimacy of the EU strategy in promoting its values (Interviews 2, 7, and 8). This was observed in the context of the FTA with Singapore, in which the EU’s promotion of human rights was unsuccessful. Convergence between the counterparts can ease the pursuit of NTPOs, otherwise non-trade issues can be better promoted through different policy tools and should be given lower priority in trade (Interview 2, Interview 8).
- The economic context. This might require accompanying measures to account for the level of development and domestic capacity (Interviews 7, 22, and 28). As child labor is often a consequence of extreme poverty, it can be fought by focusing on the affected sectors (e.g., labor intensive manufacturing) and finance kids’ education in developing countries (Interview 7). Other important components of the economic environment are the openness to trade and the relative importance of the EU in the partner’s economic relations (Interview 4). Which products and sectors make up trade flows should also be considered (Interviews 1 and 7).
- The political environment. This determines the presence of political buy-in, which, in turns favors the promotion of NTPOs through different instruments (Interviews 4 and 17).

Second, the EU can vary its approach deciding *which non-trade issue it seeks to pursue*. The interviews suggest prioritizing NTPOs considered *mutually agreeable* by the partner country. These might be *foundational issues* (e.g., eliminating child labor), rather than specific objectives that might counter the local culture (e.g., the production of vegan milk in India, where small depend on milk’s production) (Interview 7). Another suggestion is building on *shared interests*. Environmental sustainability is a low-hanging fruit, as it represents a priority for different countries (Interviews 2, 3, 17, 18, 20, 22 23, 27, and 28). Scientific evidence, increasing experiences of climate disasters and presence of specialized agencies in developing countries increased the awareness about the climate crisis as an existential one (Interviews 3, 18 and 23).

For other NTPOs, such as labor standards, we observe different understandings and lower agreement among the interviewees. From an EU perspective, there is the ambition of leveling the playing field (Interview 15). Whereas developing countries perceive that these issues

are not currently abided by the EU and request complementary measures as well as longer timeframes for implementation (Interviews 15 and 22). Interviewees also differ in what they intend as labor standards. Some refer to updating domestic regulations in partner countries, some to ILO conventions, others find the latter are too general (Interviews 9, 22, and 28). Some interviewees stress the importance of corresponding higher wages to improve people's lives and foster skills development (Interviews 4 and 29).¹³ Others underscore wages are a source of comparative advantage for partner countries (Interview 22). Further, interviewees affiliated with governments and international organizations stress the importance of cooperating with the private sector to enforce these objectives and correspond fair prices along supply chains (Interviews 4, 24, and 32). Instead, the private sector considers that individual companies cannot influence foreign governments' decision of keeping wages low to attract FDI (Interview 29). That is why government-to-government cooperation and support for multi-stakeholder initiatives is deemed important.

A second criterion to decide which NTPOs to promote is focusing on those *related to trade or to competences of businesses operating in partner countries* (Interviews 14, 27, and 32). Issues such as freedom of religion might be considered less connected to trade (Interview 32). Similarly, some concerns are more relevant for businesses (e.g., environmental protection and, partly, labor standards), whereas other aspects of human rights (e.g., death penalty) cannot be enforced through their operations (Interview 27). Differences among firms can be expected, based on size and sector. Concerns of large American multinational companies on trade compliance are often broad, including human rights, child labor, products to use for capital punishment, conflict minerals, money laundering and environmental concern (Interview 14). Whereas a company operating in textile supply chains, might focus on improving sustainability of raw materials supplies (Interview 29).

Having identified which NTPOs the EU seeks to pursue towards a given partner, a third dimension of differentiation consists of *how trade and trade-related instruments are used to pursue NTPOs*.¹⁴ Approaches to promote NTPOs towards partner countries can be:

- Harsher or softer. Some support tough and rigorous approaches to the inclusion of NTPOs in trade instruments and their implementation (Interview 15). Others consider that this could backfire, leading to a non-starter for trade negotiations, and notice that positive inducement should be preferred to sanctions (Interviews 7 and 8). For instance, it might be easier to cooperate on gender issues at the regulatory level rather than conditioning trade on half personnel being female (Interview 20). Similarly, it is difficult to imagine that the EU would trade only with countries that have been granted adequacy decisions on data protection, considering a former member state (i.e., UK) has not received it (Interview 20).
- Gradual or immediate. In the case of environmental protection, waste disposal can be considered as a non-negotiable objective while the reduction of emissions could only be met progressively, as it implies a reduction in the use of coal power plants, increased energy efficiency and use of renewable energies (Interview 29).
- Unilateral, bilateral, multilateral, and/or plurilateral. In some cases, bilateral regulatory

¹³ Skills development goes together with increasing local wages (Interview 29). Low prices generate a vicious cycle. Low-paid jobs do not allow to develop skills such as entrepreneurship and, thus, hamper the process of further improving living conditions.

¹⁴ Success in promoting NTPOs will depend on the extent to which these are pursued. For instance, a Carbon Border Adjustment mechanism might be opposed by FTA partners even though they share the EU's environmental goals (Interview 20).

cooperation is considered more effective. However, bilateral solutions might hamper the regional integration of partner countries in other cases (Interviews 22, 23, and 26). In some cases, multilateral cooperation would be beneficial for regulatory cooperation (Interviews 20 and 30). As multilateral solutions might be preferable but not available, opportunities for plurilateral cooperation should be considered (Interviews 6 and 16).

3. Comprehensiveness. Interviews suggest that the EU approach to non-trade issues in trade policy should be broad and comprehensive (Interviews 1 and 9). This entails *combining trade and trade-related policy instruments* that are better suited to pursue NTPOs towards partner countries (Interviews 9 and 28). Different interviews suggest complementing trade agreements and preferential schemes with accompanying measures crucial for the realization of NTPOs. A comprehensive approach *involves all stakeholders* that contribute to the attainment of NTPOs in relations with one or more partner countries. A detailed analysis of policy tools and engagement with relevant stakeholders is presented in the next sections.

The three principles might help systematically structuring questions concerning non-trade policy objectives and trade policy. Which NTPOs can be pursued in a specific negotiation, and through which approach? Which policy tools can be combined? And which actors should be included? These questions should be answered by transparently evaluating the balance between promoting EU values and EU interests. Structuring these decisions around recurring questions might help consistency.

However, following these three principles does not come without challenges. First, a holistic but at the same time country-specific approach requires reconciling goals pursued towards different partners (Interview 22). Trade policy towards developing countries should aim at satisfying of basic needs (e.g., good education, good health, good food and good shelter) (Interviews 7 and 22). Whereas transatlantic relations can deal with different issues, such as a carbon tax, disciplines of foreign subsidized investment, as well as the defense of democracy against foreign interference (Interviews 9, 18, and 19).

Second, differentiated approach risks entailing legal challenges on issues such as equal treatment of partner countries and rules on process production methods (PPM) (Interviews 1 and 12). An example is provided by the EU-Jordan compact, a temporary modification to the Association Agreement which facilitates market access for products made with Syrian refugees' labor (Interview 12).¹⁵ The agreement underscores the relevance of the trade-and-refugee-labor nexus, but it also raises legal questions on the distinction between refugees coming from different countries and whether goods produced under refugee-labor can be considered unlike other products (Interview 12).

Third, the feasibility of applying the three principles depends on political dynamics. Parliamentary discussions determine the freedom of maneuver for governments in trade negotiations, and these are often politically driven rather than content oriented (Interview 32). An interviewee affiliated with EU institutions further underscores that prioritizing certain NTPOs requires budget allocation, which, in turn requires both a programmatic inclination and a political vision (Interview 15). These might represent institutional constraints in the pursuit of the approach.

¹⁵ See: https://eeas.europa.eu/headquarters/headquarters-homepage/1357/jordan-and-eu_en.

4. Assembling the “toolbox”: which instruments to achieve NTPOs?

Building on the three principles identified in the previous part, this section focuses on the second part of the proposed policy framework (*Figure 2*) and analyzes how to assemble different policy tools to promote non-trade objectives in combination with trade policy. The interviewees were inquired on both trade policy tools (i.e., Free Trade Agreements and the Generalized System of Preferences) and complementary measures, such as technical assistance, development aid, regulatory cooperation, and expert dialogues. We also report instruments spontaneously suggested by the interviewees. When possible, we divide the interviewees’ contributions on each tool in three parts, reflecting the stages of policy design, implementation, and enforcement. We start or conclude each sub-section with considerations on the effectiveness of using that tool to pursue NTPOs. Annex C provides a summary table.

i. Free Trade Agreements (FTAs)

The interviews provide insights on whether and how FTAs can be used to promote non-trade objectives. Only three interviewees considered that FTAs should not be used to promote NTPOs, with one stressing they are inadequate to pursue NTPOs towards developing countries (Interviews 5, 8, and 21). Others consider FTAs might serve some of the roles previously described (e.g., as a stepping-stone towards multilateral solutions), but subject to qualifications.

Design. A first element of the policy design lies in *problem identification*. Trade agreements might not be well suited to address domestic dislocation (Interview 9). If the goal is improving labor and environmental conditions in third countries, then FTAs can be considered as one lever, part of a suite of different tools. In this case, the design of provisions concerning NTPOs should be *flexible* and targeted to specific negotiations (Interviews 9 and 12). To this aim, four questions can guide the design of the relevant provisions:

1. *Which issues can be promoted with different partners?* Overloading FTAs with non-trade issues risks halting negotiations, thus hampering both the EU’s commercial and value-related objectives that are enhanced via trade liberalization (Interviews 8, 9, and 32). *Provisions* on NTPOs can vary among trade agreements and be *tailored* to partners. Provisions should also be specific, going beyond signing international conventions, and be identified through a *bottom-up approach*, thus reflecting partners’ priorities. (Interviews 9, 12 and 17). An example is found in the field of migration. While agreements between Western and North-Africa and France followed the same template and were then discontinued, Switzerland successfully co-decided with partners which issues to include and for how long (Interview 12). These agreements also entail *scaling of commitments* over time and *graduation mechanisms* when negotiating with developing countries. Considering partners’ countries priorities also means *facilitating* regional integration processes. While preferential market access has been important for developing countries, the presence of many EU-Africa bilateral agreements might undermine intra-regional trade and the AfCFTA (Interviews 22, 23, and 26). A similar point is made for negotiations with individual members of ASEAN (Interview 21).

2. *What sectors do they apply to?* Different approaches would be required based on the sectors companies operate in. For instance, promoting environmental standards in Brazil might require focusing on companies, due to government inaction (Interview 17). While firms selling commodities internationally are endowed with the necessary technology to apply standards, others exporting wood might operate in more informal markets. An interviewee notices that

non-trade clauses are not that applicable to the *services* and *energy* sectors (Interviews 2 and 8).¹⁶ This might reduce the usefulness of linking trade and non-trade objectives.

3. *What areas of law do they concern?* Less emphasis could be given to non-trade issues in technical areas, such as rules on anti-dumping (AD) and counter-vailing duties (CVD). For instance, the EU should avoid emphasizing non-trade issues when evaluating the “community interest” in the context of a lesser duty rule, to maintain a less politicized and more self-restraint attitude (Interview 6).

4. *To what extent should they be enforced?* While the Trade and Sustainable Development (TSD) chapter in the EU-South Korea FTA is well designed, similar provisions might be too advanced to be implemented in agreements with developing countries and should not foresee the same level of enforcement (Interview 7). Some interviewees suggest the relevance of including soft-language provisions on non-trade issues. For instance, in the field of consumers’ protection non-binding provisions might be useful to generate positive cooperation on the topic among the signatories (Interview 30).

Another design element is whether to *negotiate* an agreement as *mixed*. One interviewee underscores that mixity provides a robust framework across different pillars, as in the case of the EU-Central America Association Agreement (Interview 10). Other interviewees notice that it might be difficult to disentangle exclusive and non-exclusive competences for shared competences such as energy, for which EU precedence might be considered discriminatory, and migration, due to member states’ competences on labor migration quotas and some aspects of humanitarian aid (Interviews 2 and 12). Still, the EU seems to be moving away from negotiating mixed FTAs (Interview 16 and 30). This is understandable given the complex and long ratification processes, which is difficult to justify with partner countries (Interviews 26 and 30).

Implementation. To improve implementation of FTAs, the interviewees suggest *keeping the momentum* gained during negotiations by engaging partners during the implementation phase. Otherwise, the achievements of the agreement could also be hampered. Follow-up is needed in the case of the EU-Central America Association Agreement, so that all countries comply with what was agreed (Interview 26). For instance, if one country fails to put in place competition law, other partner countries can do little to help economic operators from the EU. This also hampers regional integration in Central America, which is one of the EU objectives.

However, more pressure on partners to liberalize should be accompanied by *offering solutions to take advantage of liberalization*, based on domestic needs (Interview 27). For instance, manufacturing sectors within partner countries might fear liberalization because they expect not to benefit from trade. A partner government might resist reducing tariffs because concerned of losses in revenues. These issues can be tackled by providing technical assistance at the state and company levels. Thus, implementation of trade agreements, especially with developing countries, can benefit from coordination with complementary measures.

Enforcement. Strengthening enforcement of commitments on non-trade issues, when binding, would be important since this is one of the major weaknesses of FTAs as compared to the WTO system (Interviews 16 and 21). As previously noticed, an exception would concern technical issues such as trade remedies (Interview 6). However, the interviewees identify two challenges (Interviews 16, 20, and 21). One relates to the *imposing extraterritoriality* of EU values (Interview 20). It is often claimed it should be possible to sanction countries that are not

¹⁶ The energy sector is vertically integrated, thus including both goods and services.

respecting TSD chapters' obligations in the same way of a country that is not respecting other provisions (e.g., tariff reductions). However, if this can be done without proving the relationship between the breach and the trade impact, partner countries would find it difficult to accept. Second, even if rigorous provisions on dispute settlement mechanisms were agreed, the lack of proper structures to support them would pose *realistic limitations to its functioning* (Interview 16). The WTO dispute settlement mechanism has worked well thanks to the secretariat while FTAs rely on panelists operating similarly to commercial arbitrators. The EU-South Korea FTA represents an exception. Other agreements do not have such advanced enforcement mechanisms.

Interviewees belonging to EU member state governments, EU institutions, international organizations, and the services industry suggest that alignment with the *private sector* can support the implementation and enforcement of EU non-trade objectives through trade (Interview 4, 20, 24, 25, and 31). To promote EU standards, importers can be asked to include in contracts with the seller such provisions, thus conditioning doing business on respect of these norms. If this happens, it is easier to promote NTPOs through regional or multilateral trade agreements. Still, private sector representatives stress that companies do not have the instruments to influence certain government decisions in third countries (Interview 29). Thus, government-to-government cooperation and support for multi-stakeholders initiatives remain important.

Effectiveness. FTAs might have positive effects on non-trade objectives. They provide incentives to implement core ILO conventions, foster workers and human rights, etc., which helps improving social conditions in the supply chains (Interview 31). Further, it has already been stressed that trade agreements on their own can promote values, such as the importance of the rule of law, and contribute to development objectives (Interview 9). However, RESPECT research does not find evidence for a causal relationship between non-trade provisions in trade agreements and non-trade outcomes in partner countries. The interviews suggest four reasons for these results:

1. It is *too early to evaluate* the strategy (Interviews 13, 14, 23, and 31). The EU's determination in promoting NTPOs via FTAs is recent, in part due to the increased pressure from civil society, (Interview 31). From the experience of researching the effects of sanctions, one interviewee suggests that this type of analysis requires long time-series (Interview 13). It might also take time for the effects to be disentangled by other intervening factors (Interview 14). Thus, it might be worth to consistently pursue this policy for a number of years to verify whether it yields the expected outcomes.
2. Presence of *measurement constraints* (Interviews 16, 24, and 31). One is that it is difficult to find a counterfactual, to test *what would have happened* without including these provisions in trade agreements. Non-trade objectives are also *difficult to capture* in econometric models (Interviews 16 and 24). Partly because they are tied to development processes. As people become richer, there will be bottom-up processes through which they will request more rights to be respected and new standards will tend to become norms (Interview 24). Partly due to the difficulty in measuring *how the policy is conducted*. Informal interactions between the Commission and one of the interviewees reveal that the pressure on partner countries is particularly effective when supported by the private sector through business organizations (Interview 31).
3. *Differences among the type of products considered and the importance of relations with the EU* for the partner countries. Conditionality mechanisms might be more effective in sectors that face higher duties (e.g., clothing) (Interview 31).

4. *Engaging with the official government* through instruments such as an FTA might be the *wrong approach* (Interview 11). One interviewee makes the example of China, saying that the EU should focus on facilitating changes in the civil society, the behavior of the private sector and local institutions. Then, the changes in government and policies would follow.

The interviewees point at investment as an important indirect channel to realize NTPOs (Interviews 9, 14, and 31). This begs the question of how non-trade provisions might affect investment flows. The interviews suggest that investment would be affected but differ on how and to what extent. From experience working with multinational companies, an interviewee considers that non-trade provisions would affect both greenfield FDI and acquisitions (Interview 14). However, the effects would be small (Interview 13). *Negative effects* could be due to *high compliance costs*. Regulations and associated penalties affect investors' cost-benefit analysis (Interview 14). For instance, labor standards might increase *operation costs* and, if too onerous, might reduce investments flows redirecting them to countries that are not part of the agreement. This would counter the purpose of the agreement itself (Interview 8). On the other hand, the effect might be *positive* due to reduced *reputational risk* (Interview 13). Different provisions might among have different effects on investment. In particular, the presence of *political rights would correlate with the rule of law*, signaling stability and making investors feel safer (Interview 13 and 14).

ii. The Generalized System of Preferences

Design. The interviewees advance three suggestions for the design of the GSP. To improve market access for LDCs, the GSP review could expand the EBA duty-free access to the EU market to a broader context, covering not only end-products but also *value-added* for products produced elsewhere (Interview 25). A further suggestion would be revising the scheme's provision to account for the increasing *trade in services* with developing countries. This would entail going beyond tariff reductions (Interview 25). To improve the promotion of NTPOs, the policy review might consider extending market access at the enterprise level rather than at a country level (Interview 25). Seeing that better performance on NTPOs matches better market access might encourage companies to increase their performance.

Views differ on whether deepening of trade preferences should be linked to non-trade objectives. Those against argue that the inclusion of NTPOs in the GSP was guided by political reasons rather than the desire to improve conditions in partner countries and question its implementation up to date (Interview 5). Others consider that promoting development while improving environmental, human and social conditions is a key feature of the GSP that should be expanded (e.g., by further linking the scheme to implementation of international conventions) (Interview 31). Further linkages between trade preferences and NTPOs should still consider differences among countries to avoid imposing excessive burden on partners (Interviews 6 and 8). This suggests combining preferences with complementary measures, such as technical assistance, aid for trade or technology transfers (Interview 6).

Implementation. From the side of the EU, implementation of non-trade provisions in the GSP has been *inconsistent* (Interview 5). The EU has either been reluctant to withdraw the schemes (e.g., Myanmar) or withdrawn it for political purposes (e.g. in Sri Lanka and Cambodia). Further, it exercised pressure is exercised only in sectors that the EU buys from. As for developing partners, linking trade preferences with non-trade issues might entail significant difficulties at the stage implementation (Interview 8). Due to limited capacity, governments face *trade-offs* when implementing different policies. Implementing these standards and the necessary

enforcement mechanisms might fall well behind other priorities (Interview 8). To improve implementation, the GSP should prioritize *cooperative approaches* on non-trade issues, instead of confrontational approaches and sanctions (Interview 7). A step in this direction would be establishing mechanisms for engagement between consumers' organizations in Europe and producers' organizations in developing countries. Similarly, the scheme would benefit from more *periodical reviews* with partners to assess the domestic situation (Interview 7).

Effectiveness. Despite some flaws in the history of instruments (e.g., the high duties for garment in an initial phase, to protect the European industry), the GSP is considered useful to promote development, as it offers partner countries the opportunity to prosper via export-led growth (Interviews 5, 25, 28, and 31). This is, in turn, important to promote NTPOs (Interview 24). Interviewees consider that changes were observed when both the Commission and businesses aligned to pressure partners on preferences withdrawal (Interview 31). However, others consider that the effectiveness of the instruments has been reduced by the outlined difficulties in implementation. Further, using the instrument as a stick would hit workers more than the targeted governments, thus countering the promotion of NTPOs (Interview 5).

iii. Complementary measures

All interviewees acknowledge the importance of complementary measures to operationalize non-trade commitments. They define them as “desirable”, “crucial”, “essential” or stress their relevance in other terms (Interviews 1, 6, 9, 16, 18, 19, and 26). Further, instruments such as regulatory cooperation, private sector dialogues, and trade-related technical assistance are *core* to harnessing trade in its development dimension (Interview 26). Once market access is granted, benefiting from liberalization requires the right regulatory framework and, in turn, capacity building. However, the EU has fallen short in using complementary measures to support trade in the pursuit of NTPOs.

First, interviews point to the lack of *lack of coherence between trade and other policies*. Partly, these obstacles result from *institutional arrangements* (Interviews 6 and 19). Addressing non-trade issues imply cutting across the Commission's Directorates General and coordinate with the EEAS, thus empowering EU representatives in partner countries. However, this does not happen since different departments have different interests and priorities (Interview 9). Partly, problems stem from the *lack of proper funding* for tangible mechanisms to integrate trade and complementary measures (Interview 19). This also happens for EU partners, such as Japan and the US (Interviews 6, 9 and 19).¹⁷

Second, the interviewees consider that the EU is *leveraging the wrong channels*. In relations with China, the EU approach should surpass government-to-government cooperation and focus on different stakeholders. (Interview 11). While the government can engage in formal commitments, the resulting policy changes are few or non-existent. Funding projects to support human rights and sustainability in supply chains is deemed important. However, more work would be needed to engage directly with business and civil-society organizations in China.¹⁸

The design of complementary measures should follow the three principles identified in *Figure 2*. Complementary measures support the attainment of NTPOs in a specific context.

¹⁷ For instance, there is not systematic alignment between trade and non-trade issues in USAID's development funding to digital development (Interview 19). In Japan, an interviewee notices that bureaucracy is becoming more vulnerable to political influences (Interviews 6).

¹⁸ One interviewee advanced a third reason, saying that complementing trade with other measures lead to *continued inaction* because these do not provide as much leverage as trade (Interview 18).

Thus, *flexibility* entails choosing the right measures in light of the *structures of the supply-chains* and the *products* involved. For instance, promoting labor standards in the coffee supply chain requires looking at pricing and how it differs across stages of production (e.g., lower for farmers than for downstream industries) (Interview 23). Further, similar levels of unemployment in different sectors imply different social impacts (Interview 16). Assessing partners' level of development is also important in a *differentiated* approach to allow for *gradualism*. Complementary measures require long gestation periods (Interview 8). Long-term approaches are more challenging to manage, as they need proper follow-ups. Complementary measures should be considered *comprehensively* as part of the same "toolbox" (Interviews 1, 6, and 9). Countries might be discouraged from signing trade agreements because they fear punishment in case of non-compliance (Interview 26). This can be overcome by providing aid for trade and technical assistance, which can be seen as a "transaction cost" to encourage developing countries to liberalize (Interviews 22, 25 and 26). A good model is found in the trade facilitation agreement (TFA), which entails a three-groups approach based on the characteristics of different countries (Interviews 22, 25, and 26).

Overall, applying this approach requires *creative solutions*. An example is found in the carbon adjustment tax that the EU is designing, which would prioritize certain sectors at the initial stages (Interview 23). Further, an interviewee suggests combining action at three levels to promote labor standards (Interview 15). At the macro level, the EU could work more closely with the ILO to strengthen its operational capacity in assessing the implementation of core labor conventions. At the micro level, programmatic work can be done to redirect foreign aid (e.g., more extensively include labor rights in the instrument for democracy and human rights). At the meso-level, labor rights can be addressed by including representatives of European workers in trade negotiations.

The next subsections present the interviewees' assessment of different complementary measures that can be integrated with trade policy, and with one another, to promote NTPOs. The distinction we propose among policy tools is artificial, as different instruments are often used together (e.g., aid for trade and technical assistance). However, we isolate them for analytical purposes, to identify strengths and weaknesses of specific tools. This might be relevant for policymakers, as it is often acknowledged that competences concerning the design and implementation of these policy tools lie in different institutional actors (e.g., different Commission's DGs).

a. Policy dialogues

The interviews present a mixed assessment of the effectiveness of the EU-China policy dialogues. Although the size of the sample is limited, there seems to be a difference between EU and non-EU interviewees. EU-China dialogues are positively assessed by a non-European interviewee as a resource to exchange best practices among academics and practitioners on different areas of sustainable development (Interview 11).

However, interviewees based in Europe suggest that they have not been efficient to achieve expected outcomes (e.g., improved human rights protection). Even if changes in non-trade outcomes were observed, they would more likely stem from domestic dynamics (Interviews 3 and 19). Thus, dialogues would be relatively less efficient as compared to other tools because they take a long time and are not enforceable. Partners might not follow-up on what is discussed or change their behavior if the government alters its direction (Interview 3).

Two suggestions are advanced to improve dialogues and their evaluation. Civil society stakeholders should be included more extensively in policy dialogues to promote labor standards (Interview 15). Dialogues can be of different kinds. One interviewee suggests evaluating what type of stakeholders are involved (e.g., high-level officials, academics etc.), at what level they take place, what kind of infrastructure supports them and how this would contribute to their effectiveness (Interview 16).

b. Regulatory cooperation

Effectiveness. The interviewees underscore the regulatory cooperation is important to support trade in several ways. Regulatory cooperation on standards helps addressing *non-tariff measures* (NTMs) (Interview 1). This is *essential for digital, trade*, which is more clearly related to regulatory issues as compared to traditional trade, as well as for the *services sector*, in which regulatory cooperation is crucial to facilitate trade (Interviews 19, 20 and 24). It is also particularly important to *realize trade and non-trade objectives in developing countries* (Interviews 7, 8, and 26).

On the other hand, they identify some challenges in pursuing regulatory cooperation. First, this type of cooperation touches upon legitimate domestic objectives (Interview 19). Second, it requires the right architecture (Interview 19). Part of the challenge rests in involving the right stakeholders between the right countries (Interview 19). Third, it requires leadership which encourages and support pragmatic steps to develop linkages and information sharing (Interview 19).

Results are mixed. The interviewees advance two criticisms to the EU's approach to regulatory cooperation. First, the EU is *absent from certain regulatory spaces* (Interview 24). Countries in different regions, such as Asia, are seeking guidance on how to deal with these regulatory issues. But some tech companies have more influence on governments than the EU. Second, the EU *rushes to regulate*. This generates frustration among partners, which are expected to accept what has already been designed unilaterally. In the field of privacy, this approach is counterproductive as new regulations are effective only if shared by a broad enough range of like-minded countries (Interview 19). The approach taken by countries negotiating Digital Economy Partnership Agreements (DEPAs) can be beneficial in the long run, because it allows for information sharing, mutual learning, and joint enforcing mechanisms (Interview 19).

Design. Interviews suggest regulatory cooperation should be considered part of a *comprehensive* framework including different tools such as technical assistance. In the past, the EU tended to design regulations without considering whether partners could meet these standards (Interview 22). Technical assistance allows to build the capacity of stakeholders in partner countries to design, monitor and comply with regulations (Interviews 7 and 27). Further, the approach towards regulatory cooperation with developing countries should be *soft and gradual* (Interview 8). One interviewee suggests *prioritizing digital trade facilitation* (e.g., electronic standards for payments) and *gender* (Interview 1).

The interviewees were asked whether regulatory cooperation should be pursued within or outside FTAs. Some consider that FTAs offer two types of opportunities. First, they provide a *stepping-stone towards multilateralization* (Interview 16). Second, they allow to support changes in regulation while *establishing parallel channels* for them to materialize on a voluntary basis (Interviews 20 and 30). For example, the EU-Canada trade agreement referenced cooperation among European and Canadian authorities without defining it in detail (Interview 30). This was followed by the authorities signing an administrative agreement to share data and carry out

joint investigations. Further, including regulatory cooperation in an agreement gives *companies time to adapt* (Interview 20).

Other interviewees counter this vision. While FTAs can be useful to achieve specific objectives, they are numerous and, possibly, contradictory (Interview 1). There is risk of tensions in WTO and attempts to bypass multilateral rules. Thus, *international regulatory cooperation should be pursued in multilateral fora* such as the WTO, the OECD, and the UN (Interviews 1 and 21). The benefit of using internationally developed standards is that they grant access to larger markets and allow to *lower unit-costs*. Further, FTAs, especially with smaller entities, entail *unequal negotiating* positions and might induce resentment in partner countries if they feel to obliged to accept the EU agreement (Interview 21). Within the WTO, small countries organize and promote solutions that are shared more broadly (Interview 21).

Other interviewees suggest that whether to include regulatory cooperation in an agreement will depend on two factors. The first concerns the *type of regulatory cooperation* at stake (Interview 9). Cooperation on specific issues by different government bodies can be included in FTAs. Another level of cooperation entails two sides mutually recognizing their level of regulatory protection. The experience of the TTIP shows that the latter should not be included in an agreement, as it conveys the idea that an outsider is trying to overcome the authority of domestic regulators. From the perspective of the EU domestic audience, the TTIP was also difficult to accept due to fears of “regulatory chilling” (Interview 30). This refers to the idea that the EU regulatory ambition could be tamed (Interview 30). The second factor to consider are the *characteristics of the partner government*. Pursuing regulatory cooperation outside FTAs might be easier when the partner government is favorable.

If included in FTAs, cooperation could be improved by providing for *regulatory mechanisms for services sector* (Interview 20). So far, FTAs include mechanisms for trade agencies to exchange views on norms and standards on goods. But the regulatory bodies relevant for the services sector are other ministries such as finance, telecommunications, and tourism.

c. Technical Assistance

Effectiveness. Technical assistance is considered an important tool to promote non-trade objectives in developing countries. It can help developing countries *improve capacity* to benefit from FTAs, implement them and realize NTPOs (Interviews 22, 25, 26, and 27). For instance, the *transfer of newer technologies* can contribute to achieve environmental efficiency (Interview 29). Further, it favors less experienced partners *learning* from more experienced partners (Interview 10). This supports the establishment of minimum international standards. The interviews also suggest the benefits *stemming from cooperating with neighbors*. While EU countries are considered important providers of technical assistance to India, in *designing technical assistance developing countries can benefit from cooperation with neighboring countries* that understand difficulties on the ground (Interview 7).

Design. The interviewees suggest a *comprehensive approach* that would pair technical assistance with other instruments to effectively support changes in non-trade issues. For instance, technical assistance should be considered together with regulatory cooperation. New regulations require competent authorities and laboratories to certify products in partner countries. Further, they could exclude companies from certain markets if they cannot meet the required standards (Interview 27).

Different types of technical assistance can be paired with regulatory cooperation. It can be provided at the level of a company, group of companies or government agencies. One-to-

one trainings with companies are considered the most effective form of technical assistance (Interview 27). Since these are quite expensive, trainings are also delivered to groups. Some programs start by targeting the government, as strong agencies can contribute to train companies. However, an interviewee working with European businesses in the Caribbean considers that technical assistance is too often provided at the highest level (Interview 27).

Technical assistance in partner countries should *target all the relevant stakeholders*. In the case of labor standards, it should include a “tripod” composed by regulatory bodies, companies, and labor organizations (Interview 28). Each of the three partners needs to be at the proper pace to move forward. Further, assistance should not only aim to promote legislative reforms but also strengthen stakeholders’ consultations and the capacity of actors participating in these processes. Otherwise, their expectations are not going to be met and this will generate tensions.

An interviewee from the private sector operating in third markets suggest that the *EU should also assess “its own capacity”* and ability to put forward a program in the context of interest (Interview 28). Since technical assistance is often handed over to specialized agencies or offices of international organizations in partner countries, it is crucial to coordinate with them. For instance, the EU and the ILO both try to advance labor standards but are separate organizations with different mandates. If their projects are not aligned, it can take a long time before these are implemented. This is detrimental because it brings down momentum (Interview 28).

d. Development aid

Effectiveness. The interviewees provide a mixed assessment on the use of development aid, including aid for trade. An interviewee working with the private sector suggests that aid is not useful to promote development, as it is more for givers than for receivers (Interview 5). On the other hand, interviewees affiliated with international organizations suggest that aid, together with technical assistance and regulatory cooperation are important tools to develop capacity to create exportable products in developing countries and adopt standards on non-trade issues (Interviews 15, 22, and 25). An interesting example is provided by the framework of the Trade Facilitation Agreement, as previously described.

Design. The interviewees suggest that the *priority of aid should be determined by partner countries*, which should identify what they need (Interviews 22). One way of supporting partners’ priorities in Africa consists in facilitating the process of *regional integration* under the AfCFTA (Interview 23). This is not done sufficiently by the EU, whose efforts in signing bilateral Economic Partnership Agreements are in fact undermining the process of regional integration (Interview 22).

Implementation: linking aid to EPAs. Based on responses indicating that aid should be coordinated with other trade and development tools, interviewees commented on how aid for trade can support the implementation of Economic Partnership Agreements (EPAs). An example of how to structure aid for trade programming comes from the experience of the EU-CARIFORUM EPA negotiations (Interview 26), which established a *parallel structure* to develop support measures. Still, interviewees suggested improvements could be made by adopting a more a *comprehensive approach* to the EPAs’ implementation. Partner countries have come to adopt a passive approach, that is based on legalistic view and a “ticking-the-box” exercise. But this is not sufficient.

European business representatives suggested implementation would also benefit from more explicitly *tying any activities related to the implementation of the EPA to the agreement itself*. In cases where there is a comprehensive trade agreement in place, it should be referenced in every regional and bilateral project that would contribute to its implementation (Interview 27). For instance, if the EU supports projects concerning renewable energy in a CARIFORUM country, this should refer to the implementation of the EU-CARIFORUM EPA and its environmental objectives. This should *not happen only at the regional level but also in the relationship between EU and individual countries that are part of the agreement*. Further, management of aid for trade and technical assistance granted in the framework of an EPA need to be monitored at the national level to *address country specific challenges* (Interview 27). For instance, a country might be missing the infrastructure (e.g., competent authorities, accredited labs for certification) and, thus, might not be able to take advantage of export promotion. Even more, it requires engaging all relevant stakeholders to develop *sectorial strategies* and engage with all the right actors (Interview 26).

e. Private sector standards

Pressure from public opinions and consumers fueled a long-term and bottom-up trend, leading companies to undertake voluntary actions to distinguish themselves. Firms integrated sustainability concerns in their business operations by creating new departments to deal with these topics, adopting voluntary sustainability standards and creating organizations to address problems collectively (Interviews 4, 5, 14, 20, 27, and 29). Clean supply chains improve their reputation of businesses in front of domestic stakeholders (Interview 27 and 29). This improves their position in the marketplace, ease raising capital and facilitate supply chains operations (Interview 14).

Private sectors standards might help promote NTPOs since they are designed by technical experts, pragmatically focused on a specific outcome, and widely accessible¹⁹ (Interview 19). They are useful for both companies and policy makers. If recognized by national regulators, large central vendors might adopt the standards, require their partners to respect them and verify them in processes of due diligence.²⁰ Questions arise on whether companies should be allowed to adopt voluntary standards for their behavior, or whether the EU could impose standards for private sector operations as a tool to promote non-trade objectives (Interviews 5 and 20). In the next paragraphs, we discuss voluntary sustainability standards, mandatory systems of due diligence and a possible integrated framework.

Voluntary Sustainability Standards. As part of the trend that was just described, companies develop and apply voluntary guidelines, although some authorities in OECD countries also monitor these obligations (Interviews 3, 20, and 27). Some interviewees positively assess this approach (Interviews 18, 20, 21, 24, and 27). By claiming that they need to respect obligations imposed by consumers' preferences and EU governments, buyers can "export" values by *encouraging their suppliers* to respect non-trade objectives (Interviews 18, 20 and 27). This dynamic contributes to viewing businesses as a key element of the enforcement of trade strategies (Interview 24).

Another advantage of promoting sustainability in supply chains is that it can be *applied to different partners*. Since China is deeply involved in the international business community,

¹⁹ Especially if different jurisdictions agree to recognize a common ISO standard.

²⁰ A practical example in the field of privacy is provided by APEC standards (Interview 19). See: <https://www.apec.org/about-us/about-apec/fact-sheets/what-is-the-cross-border-privacy-rules-system>.

European and Chinese companies as well as business associations frequently interact (Interview 11). Thus, EU can promote social dialogues and engage with Chinese actors through the supply chains to cooperate on desired business practices. There would be the incentives for businesses to comply in order to access the EU market. Further, this approach allows to go beyond cooperation with the official government *empower local stakeholders* (Interview 11).

However, other interviewees underscore the challenges of voluntary standards. The first concern is whether they can be *implemented over time*, especially in moments of crisis (Interviews 24 and 18). The second deals with conflict of interest. For example, there are cases in which entities doing the audit are the same acting as consultants for buyers (Interview 25). This creates *instances of greenwashing*. Third, the multiplicity of standards is both confusing and counterproductive.

Mandatory system of due diligence. An EU mandatory system of due diligence on non-trade issues would find some consensus among the interviewees, even among respondents from the private sector (Interviews 11, 18, 28 and 31). For instance, it could help mitigate reputational risks coming from dealing with authoritarian regimes (Interview 13). Further, it would be supported despite the potential losses in economic efficiency (Interview 18). However, they interviewees also identify several challenges concerning feasibility and the effectiveness.

Feasibility will be influenced by both *ideological* and *economic* considerations. It will depend on societal perceptions about the role of the government in the economy. For instance, this would be unacceptable for many exponents of the private sector and the electorate in the US (Interview 18). It would also require consensus among like-minded countries on best practices (Interview 19). If creating excessive burden for economic operators, a mandatory system of due diligence would also be unfeasible (Interviews 4, 5, 13, 14, 21). It might be too difficult to ensure that contracting companies conduct due diligence processes in countries that are, themselves *not transparent* (Interview 5). Further, capabilities of implementation will depend on the *size of the company*. Smaller firms would face sizeable costs (Interview 13). Feasibility might vary depending on the *sector* or even the *product* (Interviews 4 and 21). For instance, the production of garment and coffee will present completely different challenges. While garment companies largely rely on sub-contractors and partly on FDI, coffee collection happens in small family farms where children might be involved. Some products present complicated *supply chains*, with components coming from all over the world (Interview 21). Carrying out due diligence for small components, accounting for little percentages of the whole product's composition, would increase prices.

A mandatory system of due diligence might be *ineffective* and, in fact, counterproductive (Interviews 5 and 20). When confronting mandatory requirements, businesses evaluate what consequences might stem from non-compliance, and whom would be responsible for it (Interview 20). Depending on the presence of penal obligations, decisions might shift from companies' Corporate Social Responsibility (CSR) to legal departments, the board, or the CEO. Either mandatory obligations clearly define liabilities, or risk assessments might lead companies to *leave markets that are considered too risky*. This might be less relevant for the services sector, but is already emerging in manufacturing, agriculture, and raw material industries (Interview 20). While an interviewee considers this in line with the Commission's objectives, another one suggests that *the result counters the pursuit of NTPOs* (Interviews 3 and 20). The channel improving supply chains through buyer-supplier cooperation would be lost, and companies in partner countries might engage with other contractors that are less regarding of these issues. Further, enforcement might be controversial if these tools are perceived as *protectionists* (Interview 23).

An integrated framework. A large share of interviewees indicates that a *framework including both private sector standards and a public policy framework would be more effective* (Interviews 4, 18, 25, 28, 29, 31). EU legislation could foresee obligations for EU companies to carry out due diligence and provide guidelines, while companies could use their voluntary systems to implement the guidelines (Interview 31). An interviewee affiliated with an EU business organization suggests that this is the direction the Commission is going towards. EU guidelines on due diligence are expected to include the same core elements provided by voluntary code of conducts, as seen in the guidelines issues for forced labor (Interview 31).²¹ The Forest Law Enforcement, Governance and Trade (FLEGT) initiative for timber imports is considered as a prototype for such integrated framework (Interview 4). It provides a regulatory part (i.e., the EU timber regulation) and gives the option to the importer to either go through an institutional system to certify compliance of supply chain (i.e., from the tree in the forest down to the furniture or the plants that come into Europe), or be responsible for the due diligence. This framework might help show that is more economically convenient to work with a set system rather than having to pay for the system yourself (Interview 4).

The interviewees suggest the design of an integrated framework should pursue 11 objectives:

1. *Lift the supply base.* To improve the supply side, producers need feasible and profitable opportunities to export to the EU. Setting standards that are too high to be met by suppliers would generate trade barriers and trade diversion. Some companies agree on a path of a few years to elevate the current standards to the desired level (Interview 25). This practice could be generalized.
2. *Make lead firms responsible.* This goes beyond how firms behave in developing countries, but rather concerns improving how lead firms behave towards their suppliers (Interview 25). It aims to avoid that all risk is transferred to producers in managing the supply chains. This happened during the Covid-19 pandemic, with the abrupt interruption of already produced orders.
3. *Consolidate standards.* Harmonization of private standards in fewer and more robust standards would be desirable (Interview 25). Instances are found in pre-competitive collaborations among companies which decide to recognize each other's audit despite continuing to adopt their own standards.²²
4. *Take stock of effective experiences.* It is necessary to evaluate which standards worked in different experiences and decide which to maintain (Interview 25). As there might be contexts in which certain requirements cannot be attained, an ex-ante assessment of the limits of due diligence checklists should be done country by country or region by region (Interview 28). For instance, issues concerning military property of commercial airports, land ownership, and communication services are not easy to assess and will be highly context specific (e.g., at the level of specific economic zones) (Interview 28).
5. *Clearly define responsibility and penalties.* Companies will evaluate whether to continue operating in foreign markets based on their risk assessments. Thus, liabilities for non-compliance and potential penalties should be clearly defined. A concern raised by the private sector is that enforcement will be left to companies, and that CEOs will risk penal sanctions without being supported by EU delegations in partner countries.

21 See: https://trade.ec.europa.eu/doclib/docs/2021/july/tradoc_159709.pdf

22 An example is the ITC Sustainable Agricultural Initiative platform. See: <https://saipatform.org/>

6. *Facilitate global or plurilateral solutions.* Alignment with like-minded countries to find global or multilateral arrangements is more desirable than unilateralism (Interviews 1, 14, and 21).
7. *Find right burden-sharing arrangement* between private and public actors. Companies indicate the need for incentives for acting sustainably (e.g., tax benefits or lower duties) to ensure profits while not sacrificing social compliance and to distinguish themselves in the market (Interview 29). An interviewee associated with EU institutions underscores that the cost should not be completely public (Interview 4). In the example of FLEGT, importers can initially receive incentives through development cooperation. However, this should not turn into unfair competition towards companies which have their supply chain in Europe.
8. *Ensure monitoring.* Preference should be given to monitoring options that are the least burdensome, provide mutual recognition and make use of credible information that has already been collected (Interview 24). To make sure that corporations respect their commitments, an interviewee suggests that other stakeholders should be involved in monitoring (Interview 18). An example is found in Scandinavian countries, where unions are involved in monitoring government funds to corporations. This would be more difficult for international issues. Unions have few incentives to be vocal since they need to tackle domestic issues (Interview 18).
9. *Adopt a phased approach.* The EU should design a gradual approach aimed to improve operations across supply chains rather than delivering perfect results (Interview 4).
10. *Maintain good standards governance.* Not to be restrictive, standards should be neutral and truly international. Neutrality means that they provide broad acceptance across regulatory regimes on a given issue. To this aim, transparency matters. They should be designed by experts who are not unduly influenced by a specific country or region. This can be best achieved in standards organizations that are not based on governments' membership (Interview 19).
11. *Build capacity of civil society and local stakeholders in partner countries.* Taking the example of China, an interviewee suggests that due diligence along supply chain has emerged but has yielded limited results (Interview 11). This is because it is based on orders coming from buyers, but it should rather build on the support of suppliers and civil society actors operating along the supply chains. As civil society organizations are constrained, they need to be supported.

Prioritizing standards. Given that standards are many and overlapping, interviewees were asked which should be prioritized by a mandatory system of due diligence or an integrated framework. Standards consolidation is deemed important, and decisions on which standards to include in European guidelines should be based on the assessment of successful past experiences in different countries and sectors (Interview 25). Other interviewees suggest that such decisions will be the result of a compromise negotiated among the states establishing up this system (Interviews 1, 13 and 21). Some countries might want due diligence to focus on transports, while others might be more important to look into child labor. One interviewee noted that protection of human lives and human well-being should come first (Interview 1). Others support environmental protection as a priority. As outlined in previous sections, it would be easier for different countries to agree on environmental standards. Developing countries' concerns over climate disasters could be reconciled with interests of countries like the US, where there is growing push at both the state and federal level for environmental regulation

(Interviews 14 and 23). These are also important for developing countries as they are among the main recipients of climate disasters (Interview 23). Cooperation on labor standards could be narrower in scope.

iv. Open Plurilateral Agreements (OPAs)

OPAs represent an additional tool through which the EU could engage with partners on non-trade issues. Later sections will review the relevance of OPAs for the WTO system. The following paragraphs present interviewees' assessment of OPAs as a tool to promote NTPOs. We also report their suggestions on how to design plurilaterals that can be most successful in promoting non-trade objectives.

Effectiveness. On the one hand, interviewees suggest that OPAs can serve as *templates for multilateralization* of commitments on NTPOs and *harmonization of standards*, starting from like-minded countries (Interviews 12 and 16). Issues like global warming would require this, as they will not be solved without getting big players on board. On the other hand, there might be some challenges for OPAs to act as steppingstones on these issues. Interviewees consider plurilateral negotiations on NTPOs at the WTO unlikely for two reasons. The first is that countries have limited negotiating capacities that are already being employed for Joint Statement Initiatives (JSIs) on services, investment, and e-commerce (Interview 8). The second is that it would have a limited take-up from developing countries (Interview 7).²³

Design. Interviews suggest that gathering a large enough group of countries to work around a tangible agenda. To this aim, issues should *cut the north-south divide*. The agreements should still provide *support measures* for developing countries. Negotiations should also *focus on general disciplines*. OPAs can indicate an approach to non-discriminatory regulations, but they should not deal with the specifics of imported and exported products (Interview 9). These can be defined in international standard-setting bodies.

OPAs should also be *meaningful from a value perspective while providing opportunity for meaningful progress* in terms of market access. This is what the WTO is supposed to do and what it should be used for, knowing that implicitly it helps with other objectives (Interview 9). Benefits should be easily accessible to both firms and governments (Interview 19). As for tariffs, an example would be renewing the Environmental Goods Agreement (EGA) (Interview 19). A non-tariff-related exercise would be negotiating a transparency mechanism or a reporting mechanism on human rights in supply chain (Interview 19). It could provide for standards or certifications that regulators would accept and through which firms would get fast channels for compliance.

The *priority areas* gathering more consensus among the interviewees are climate change (Interviews 2, 16, 20, 21, 25) and digital trade (Interviews 16 and 20). Plurilateral agreements on these topics would showcase the relevance of the WTO in dealing with the most pressing challenges for global trading system (Interview 16). Other issues could be opposed since partner countries are at different level of development and some conditions give them comparative advantages (Interviews 21 and 22). For the environment, a relevant action could be relaunching the EGA but including services (Interview 20). This would allow companies to fight climate change more efficiently through tools that help reducing waste, cleaning waters etc.

²³ Except for investment plurilateral group, for which membership increased, trade and services and e-commerce membership of JSI has not increased significantly. Thus, a limited membership might be expected for discussions on labor and environment which have been open for many years without agreement (Interview 8)

For a given issue-area, interviews suggest *performing risk assessments* to determine to what extent NTPOs should be pursued (Interview 20). For instance, data protection can be promoted in the context of the JSI on e-commerce. The EU considers data protection as a fundamental right. This approach falls between two different models adopted by partners. While the US and Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) countries prioritize businesses; China, Russia, Indonesia, and African countries prioritize the government. If the EU could cooperate with the CPTPP, the UK and other close countries in the WTO by adopting a business-oriented approach (i.e., having companies voluntarily adopt the GDPR voluntarily). Bringing it further to include localization requirements, as suggested by India, would imply losing the US and CTPPP countries. That is why the EU should evaluate how far to push its values, and how important they are as compared to other objectives in specific negotiations.

Further suggestions on the process include *ensuring openness* for newcomers (Interviews 1, 26 and 32). OPAs should build on *bottom-up experiences in other international organizations*. For instance, to be realistic the pursuit of environmental objectives within the WTO could be based on pre-existing and bottom-up cooperation at the level of other international organizations, such as the UN (Interview 2). An example would be informal workshops aiming at linking trade emissions reduction. These efforts would help designing OPAs that members are willing to join.

v. Other instruments mentioned by the interviewees

In addition to the policy tools included in the question sheet, the interviewees mentioned other instruments that can be leveraged to promote NTPOs:

- *Public procurement.* Public procurement could have a humanitarian clause. For instance, companies bidding in certain countries could be considered if they commit to employ refugees and migrants once they receive the procurement possibility (Interview 12).
- *Rules of Origin.* The EU-Jordan compact shows how the EU protocol on the rules of origin can be temporarily modified to pursue NTPOs (Interview 12). The domestic content of goods produced with refugee labor was reduced, so that goods would still be declared of Jordanian origin despite including less Jordanian content. However, this is a time-limited exception and might be seen as watering down pan-European standards (Interview 12).
- *Other internal policy tools and regulations.* EU internal policy tools that can prevent companies from doing trade without respecting values include: FDI screening mechanisms; the foreign subsidy instrument; intellectual property and public procurement instruments; or regulations, such as REACH, which is important to reduce chemicals in products (Interviews 5 and 20).

5. Engaging the right actors at the subnational, national, and supranational level

The previous section highlights that different policy tools should be combined with trade policy to better achieve NTPOs. Assembling the appropriate “toolbox” requires coordination among actors operating at different levels (i.e., subnational, national, and supranational) and through different mechanisms (i.e., institutionalized vs. non-institutionalized). This represents the third core part of the framework laid out in *Figure 2*. This section starts with interviewees’

assessment on policy coherence among national and European institutions. We then turn to evaluate the EU action in international fora, with particular attention to the WTO. We conclude by assessing the importance of engagement at the subnational level, with private and civil-society stakeholders, within and outside the EU.

i. Coherence among European actors

While no entity is perfectly consistent in replicating its values, promoting NTPOs through trade policy will require the EU to clearly speak with *one voice externally* (Interviews 2 and 19). This can be more difficult if trade and non-trade policy tools need to be combined. Several interviews suggest that policy coherence is lacking. Steps towards unified actions could be taken by supporting NTPOs through proper *funding* and improving *communication* on ongoing strategies and past achievements (Interviews 3 and 19). However, a more fundamental problem lies in the presence of *distrust* among: the member states; the directorates within the Commission; and the EEAS, both in the headquarters and in partner countries (Interview 9). The interviewees assess these dynamics in different policy areas.

Trade and ENP (Interview 22). In line with RESPECT findings, an interviewee agrees that the promotion of labor standards through the European Neighborhood Policy is lacking. Thanks to the membership incentive, domestic regulatory processes domestically have become more similar to the EU. However, these topics are politically sensitive, and challenges are many. This is also true for some of the EU member states, where non-compliance is observed.

Trade and energy (Interview 2). EU FTAs display incoherence with sustainable development objectives since provisions on energy vary depending on the partner country. The EU promotes sustainable development through the TSD Chapters. However, it is dependent from imports of fossil fuels. Agreements with major fossil fuels trading partners include market access for fossil fuels.²⁴ Whereas other agreements (e.g., with Singapore) are more focused on renewables. To improve coherence, the EU could *introduce more provisions concerning renewables in future negotiations*. A *thematic approach*, bringing these issues together, might help reduce the overlap between the work of the EEAS and DGs.

Trade and development. The interviewees identify different factors hampering coherence between trade and development. From the perspective of horizontal coherence (i.e., among policy areas), *agricultural policy* continues to be the cause of significant difficulties for the export interests of developing countries, especially in Africa (Interview 22). Further, *trade and climate* objectives could be better combined by providing *support* for developing countries (Interview 22). More generally, technical assistance should be better ensured through *budget commitments*.

Finally, coherence can be fostered by *explicitly recognizing the objectives* pursued towards developing partners and *harmonizing* different policy tools (Interviews 22 and 26). For instance, the EU pursues conflicting objectives towards African countries. On the one hand, it supports the AfCFTA implementation. This favors development, as regional integration allows to develop intra-industry trade. On the other hand, the EU negotiates bilateral EPAs, which entail *knock-on effects* (Interviews 22 and 23). They slow negotiations and undermine the commitment of African policymakers to regional integration, thus hampering intra-African trade. Further, the lack of employment opportunities in Africa leads the youth to migrate towards the EU. Overall, this damages the credibility of the EU as a development partner (Interview 23).

24 The examples provided by the interviewee are the TTIP and Chapter 11 of the DCFTA with Ukraine.

Looking at vertical coherence, RESPECT research suggests that coherence does not entail all member states acting in the same way. Coherence between trade and development could be achieved by leveraging MSs' relationship with developing countries, while maintaining a coordinated approach. This could be effective, since *member states might have a stronger connection with the needs of specific partners* (Interview 32). For instance, companies and academic institutions in the Netherlands have developed expertise on water or agricultural development. On the other hand, there are political and security *interests* in connecting with a particular country which complicate coordination at the EU level.

Trade and investment promotion. *Dichotomies* between trade as an exclusive competence and trade promotion as a shared competence arise when interests of European actors are particularly strong (Interview 4). *Coordination* in trade and investment promotion at EU level is beneficial for both EU and partners. This can be seen in relations with developing countries. An example is the field of *local content requirements* (Interview 32). Choosing the right strategy, in close consultation with foreign investors, can be beneficial for EU partners to attract investment which, in turn, can support development. Cooperation with development banks is also important to mitigate risks. An interviewee affiliated with an export promotion agency considers that EU engagement in export promotion activities is desirable but should respect different national approaches (Interview 17). European activities should create values for EU companies instead of creating prohibitive rules for member states organizations. An interviewee notices that trade promotion will always be membership driven, as there is nationalistic approach to it (Interview 32).

On *export credit*, transparent *evaluations on state aid and consequences of credit on social and environmental dimension* would be beneficial (Interview 32). They would allow to share lessons learnt on how to incorporate social and environmental concerns in credit decisions when operating in difficult environments. The reasons why this might be opposed is two-fold. First, credit insurance schemes might be perceived close to *national competences*. Second, not everyone might favor transparency if export credit is seen as a *competition instrument*, to improve national position vis-à-vis other countries. In this case, little can be done since member states remain sovereign (Interview 13). The only option is *applying peer pressures* and define common practices in gathering data and monitoring the activities.

A **European Economic Diplomacy** could facilitate coordination among European actors (Interview 4). Still, it would require answering two questions. The first concerns which objectives should be pursued. A stricter reflection is needed to define the EU *economic interest*. Promoting the interest of one company because European does not necessarily mean promoting European interests. Further, a European Economic Diplomacy would to be *comprehensive*, thus promoting EU economic interests alongside values and standards. The second question relates to whom should be involved. The concept requires a thorough consideration of *which actors* should be considered European. Having offices in Europe or a European board member might not qualify a company as European. The *actors involved in EU delegations* play an important role for EU actions in partner countries. Business representatives seem to perceive that EU Ambassadors with a business background will be better able to deliver on the implementation of relevant agreements (Interview 27).

ii. Multilateral action

Multilateral fora can play an important role for NTPOs. Holistic strategies on non-trade objectives can be planned across different organizations, depending on their scope.²⁵ Cooperation between the EU and international organizations (IOs) to realize NTPOs faces some challenges (Interviews 15, 28, 32). For instance, it is still in progress in the African context (Interview 23). Further, alignment with other international organizations is not considered to support NTPOs in China (Interview 11). Working with international organizations reduces the EU visibility and hampers implementation of its objectives as external agencies will value advancing their mandate. More broadly, multilateral organizations might not be best-suited to pursue regulatory cooperation on certain non-trade issues. Especially if these are not part of their operating procedures and strategic objectives (Interview 19).

This sub-section focuses on the EU action at the WTO. We set the context by looking at WTO reforms. This is important to understand interviewees' perception on both how viable the organization is for the EU to articulate its strategy and how the EU is expected to interact with major partners. We then evaluate cooperation on different topics, including NTPOs.

a. WTO reforms

Interviewees differ in assessing the feasibility of WTO reforms. The attitude of the Director General and the Covid-19 pandemic might serve as a driving force (Interview 6). More negative views question whether the system is fixable (Interviews 5 and 18). Developing countries might refuse further negotiations given the experiences of the past ministerial, in which they felt that they did not benefit from what agreed (e.g., gradual reduction of quotas) (Interview 5). Plenty of issues deserve attention, including the dispute settlement mechanism, the approach towards China, and long-standing issues such as fishery subsidies. However, from experience with both American and European officials, one interviewee questions whether there is enough patience to wait much longer (Interview 18).

When asked about cooperation with China to advance WTO reforms, the interviewees recognize that it would be necessary to make meaningful progress (Interview 16). They suggest different strategies. One is identifying best practices among like-minded countries and then negotiating with China from a position of strength (Interview 14). An alternative approach is including China in the reform process from the very beginning, as it would make it easier to reach an agreement (Interview 21). At the same time, they doubt whether it would be possible to reach an agreement that would satisfy the EU and the US, which complain about the functioning of the system, while having buy-in from China, which benefits the most from the current system (Interview 16). This might be wishful thinking (Interview 18). Further, another interviewee considers that official commitments to multilateralism are not operationalized by the Chinese government (Interview 11).

b. Multilateral and plurilateral negotiations

While multilateral negotiations have long stalled, the EU should still focus on negotiations within the WTO (Interview 16). One option is negotiating critical mass agreements. These might allow to reach limited deals more easily, especially in rapidly evolving issues that require to set regional or quasi-global standards in short periods of time (e.g., economic development in Arctic regions) (Interview 6). However, these agreements cannot address all the important

²⁵ For instance, the UN can be used for high-level discussions.

issues. An alternative is represented by Open Plurilateral Agreements (OPAs). This instrument was discussed in previous sections as one of the tools that can be leveraged by the EU to promote NTPOs. In this part of the report, we outline their relevance for the international trading system.

Some interviewees consider OPAs important for different reasons. They allow to negotiate *regulatory matters* in international trade, which are increasingly more important, and *current relevant issues* (e.g., digital economy, environment, and positions of large companies in the market) (Interviews 9, 20, 24, 26 and 32). Further, they can act as *template for multilateralization* of commitments and *harmonization of standards* (Interviews 12 and 16). Given the level of diversity within the WTO, OPAs can maintain the organization's *future relevance* (Interview 21). It is also easier to pursue agreement with like-minded countries on low-hanging fruits than pursuing multilateral agreement (Interview 6). An example in the field of the digital policies is the DEPA between Chile, New Zealand and Singapore (Interview 24). Another example is the OECD plurilateral agreement on minimum taxation (Interview 25).

However, interviews highlight the challenges of negotiating OPAs. Plurilateral agreements might unintentionally increase tensions between those like-minded countries and the rest of the world. Even if plurilaterals are open, countries might want to benefit their associates and end up being more restrictive to other parties (Interview 6). While OPAs could be important in the long term, their *feasibility* might be hampered by the presence of *more pressing issues* to be addressed multilaterally (Interview 22).²⁶ Another issue with feasibility is the *limited take-up* and the *costs* generated for developing countries. Due to high costs associated with regulatory cooperation, they would not join unless granted some benefits (Interviews 8 and 12). Features of the *partner government* also influence whether the plurilateral will work (Interview 17). For instance, Bolsonaro's government seems to prefer bilateral solutions. A different government could provide a better window of opportunity for a plurilateral.

Having examined the opportunities for multilateral and plurilateral negotiations within the WTO, interviewees evaluated the feasibility of cooperation in different fields:

3. **NTPOs.** Some interviewees do not consider that NTPOs can be promoted in negotiations at the WTO. First, promoting NTPOs would require agreement among big players. This is unlikely, as European values are not perceived as universal (Interview 3). Second, with ongoing negotiations on more systemic issues, *including non-trade issues would risk spending negotiating capacity* without reaching any results, as they do not represent a priority (Interview 8). Rather, countries might choose a different forum to negotiate NTPOs, such as the OECD (Interviews 5 and 18). Even if the WTO was considered the right setting for these negotiations, a third potential problem might arise as this action would need to be complemented with close cooperation with specialized organizations (e.g., WIPO, ILO and UNCTAD) (Interview 10). One limitation identified by an interviewee is that the WTO presents "rocky relationships" with other standard-setting organizations (Interview 12). For instance, the International Labor Organization and International Organization for Migration do not have a formal status in the WTO. As a result, the landscape of standards setting conventions and treaties on non-trade issues appears very fragmented.
4. **Regulatory cooperation.** Promoting regulatory cooperation at the multilateral level would be preferable than bilaterally because it would allow it fosters cooperation among authorities and promotes a broader, cross-sectoral, vision on regulatory cooperation. The

²⁶ Examples include: the functioning of the dispute settlement mechanisms; relations with China and discipline on subsidies; increased protectionism and export constraints.

value of doing this is seen at the EU level in the cooperation among energy and data protection authorities on smart grids (Interview 30). However, the difficulties of doing so can be seen in the ongoing plurilateral negotiations on e-commerce. Further, the WTO might not be the preferred forum to pursue international regulatory cooperation, as it is a body with sanctions power (Interview 1). Fora with equal footing and where consensus is the primary decision-making body might be more conducive of fully fledged cooperation. Even including a reference to cooperation among authorities proves difficult at the WTO because developing countries fear consequences of non-compliance. They seem to be receptive to proposals of including technical assistance and emphasizing the voluntary nature of cooperation. Finally, one interviewee considers that regulatory cooperation in the services sector can only be efficient when bilateral with two independent regulators which exchange views and not impose anything to one another (Interview 20).

5. **Subsidy rules.** The interviewees stress the importance of updating international rules on subsidies. Markets have changed, and so have the types of subsidies (Interview 10). The EU has been increasingly sensitive about state subsidies (Interview 14). New multilateral rules would avoid distortions and a race to the bottom (Interview 21). However, the benefits accrue if all the major players are present at the table (Interview 13). There are numerous ways in which China subsidizes its companies. It would be difficult to tackle all of them, but even small progresses would be beneficial (Interview 13). Since countries like the EU, US and Japan have subsidies too, involving China from the beginning might be preferable as it would generate less tensions. Still, it seems unfeasible that the parties will find an agreement, perhaps more could be done in the OECD (Interview 21).

iii. Stakeholder engagement

Engaging with stakeholders within and outside Europe is crucial for EU trade policymaking. To ensure the effectiveness of this process, the interviewees advance some suggestions. The first is *empowering stakeholders in partner countries*, thus surpassing a government-centered approach to development cooperation (Interviews 11, 25, 26). For instance, in its relations with China the EU approach would be too centered on funding the government or international organizations working with ministries (Interview 11). This might be justified by diplomatic considerations as well as the working relations developed in third countries. Instead, the EU needs more flexible initiatives to empower local stakeholders as development partners (Interview 11). These include business and civil society associations as well as local governments.²⁷

Involving all relevant stakeholders is challenging, and not only for the EU (Interview 16). Thus, interviewees suggest carrying out a comprehensive *mapping exercise* to identify the key actors in each context (Interviews 7, 16, 26 and 28). These include stakeholders that are not institutionalized. In some countries, private sector organizations might not exist or only represent interests that are defensive towards economic reforms (Interview 26). If engagement is limited to institutionalized groupings, it risks excluding more progressive sectors. Despite the importance of this mapping exercise, the interviewees suggest that it is also important to *select local partners*. The Covid-19 pandemic has shown that the primary objectives of Civil Society Organizations (CSOs) in third countries has been seeking profit, rather than development (Interview 7).

²⁷ Local governments might be willing to be involved in projects that the central government is reluctant to undertake, as they do not entail a direct transfer of money (Interview 11).

Which *stakeholders to engage with will depend on the context*. The choice should not be based on the type of stakeholders but on whether they *buy-in* the EU *agenda* and are *influential* enough in partner countries (Interview 25). For instance, engaging with chambers of commerce should not be considered important *a priori*. They might help in certain contexts and be defending the members' interest in others (Interview 25). Influence will depend on the institutional setup of stakeholders' engagement. They might be more influential in presence of strong institutions and regular consultations meetings, and weaker in immediate post-conflict scenarios (Interviews 4). Influence also depends on effective communication. To leverage this, the EU participates in social media discussions (e.g., through collaboration with influencers in partner countries) (Interview 25 and 28). Further, communication on values is more effective when the EU speaks as a block choosing distinguished speakers (Interview 25).

a. The private sector

As outlined in previous sections, private sector activities offer channels to promote NTPOs. Examples are investment in third countries as well as product and production standards concerning circularity, environmental sustainability and other non-trade objectives (Interviews 1, 2 and 12). Experience shows that alignment between EU institutions and private sector ease the promotion of NTPOs towards partner countries (Interview 31). This can be seen at three levels. First, consultations with the private sector are crucial in providing *feedback* to inform EU policymaking. Further, synergies between public and private actors benefit *implementation*. Interviewees from international organizations suggest that while institutions deal with rulemaking, implementation of non-trade provisions is in the hands of the private sector (Interviews 4, 24 and 25). This is one of the rationales behind strengthening the link between the regulatory framework and the CSR dimension at the firm level (Interviews 4 and 24). Finally, private sector complaints on FTAs' violations are an important component of *enforcement*, as they expand the Commission's monitoring capacity (Interviews 21 and 31).

The mechanism to submit market access complaints is positively assessed by interviewee working with the private sector (Interview 31). The latest revision of the Single Entry Point (SEP) system allow civil society stakeholders to file violations of TSD chapters in trade agreements and GSP schemes. This is also positively assessed by one interviewee, as it involves civil society organizations which might have direct access to the Commission (e.g., through advisory boards) (Interview 31). The interviews suggests that companies are active in reporting non-trade barriers because they are clear to identify, as long as firms do not fear retaliation (Interviews 21 and 31). The mechanism might be less useful to monitor the implementation of non-trade issues. Importers would benefit from weak enforcement and exporters might not have incentive to report violations (Interview 21). Instead, labor organizations might be more active.

Private sector stakeholders extensively feed into EU trade policy. An example is the aforementioned SEP. Further, European business organizations report to the Commission on supply chains and difficulties with trade agreements implementation (Interview 31). However, more *structured* and *frequent* engagement would be needed according to private sector interviewees (Interviews 5, 28 and 29). They also suggest *aligning* with *similar activities* carried out by partners (Interview 27). A business representative operating in the Caribbean underscores that European firms are involved in initiatives organized by the EU on the EPA implementation but are often excluded from those organized by other signatories. Private-public partnerships could be *paid* to encourage participation, but there needs to be *open and transparent rules* on how this work can be done (Interview 1).

The interviews provide ideas on which venues and structures can benefit public-private engagement. While most of the organizations are at the country level (i.e., horizontal), supply chains cut different countries vertically. Thus, it would be important to form *supply chains councils* including representatives of different countries participating in the value chain (Interview 25). These would be important, as the structure of value chains can influence policy outcomes, but are difficult to set up (Interviews 4 and 25). Alternative solutions should still involve diverse groups of stakeholders. Individual retailers have limited impact on the countries they source from. Thus, *multi-stakeholder initiatives* that involve other companies as well as different actors (e.g., in tripartite processes) increase the chances of realizing non-trade objectives in partner countries (Interview 29).

Approaches to stakeholder engagement should also be *context-specific*, aimed at a finding local partners that buy into the agenda and can support it (Interview 25). Cooperating with *business associations* rather than individual companies help triggering peer-pressure mechanisms (Interview 25).

The European Business Organization Worldwide Network (EBO WWN) includes organizations representing European businesses in third countries, such as European chambers of commerce (EuroCham) (Interview 27).²⁸ These can play a useful role in stakeholders' engagement, but their scope of action will depend on contextual factors such as the staff and the presence of binational chambers of commerce dealing with trade facilitation (Interview 21). Further, it should be kept in mind that they might be defending members' interests (Interview 25). EU delegations' *trade desks* also provide a valuable source of information (Interview 28). However, their capacity might sometimes be limited by the fact that one desk covers multiple countries.

When it comes to NTPOs, concrete examples of private sector engagement are found in *pre-competitive collaboration platforms*, through which firms recognize each other's audits while continuing to adopt their own standards (Interview 25). Partnering with the ITC could be the important, to expand on initiatives that they currently manage (e.g., Sustainable Agricultural Initiative platform). *Workshops* are valuable to engage with lead firms on the functioning of due diligence systems. Last, an interviewee suggests introducing *value-based value chains*. This consists in identifying development partners at each "step" of the supply chain. These structures are not difficult to incentivize. Big buyers are interested in having a stable, predictable, good quality supply base to minimize transaction costs and risk. Current trends in consolidation of supply chains (i.e., making them shorter, by increasing direct sourcing, and reduce supply base) can help these processes, since they work better in presence of direct sourcing rather than with middle-traders.²⁹

b. Civil society and Domestic Advisory Groups

Effective engagement of civil society actors is also an important element to realize non-trade objectives (Interview 4). European and non-European actors need to be included, as operations of supply chains affect social and environmental conditions both in the EU and in partner countries. Such dialogues are easier in presence of a strong legal framework (Interview 4). For instance, the EU-Central America Association Agreement explicitly provides

28 In some cases, EuroCham offices might offer an umbrella for trade facilitation. Where the presence of national chambers is more limited, they focus on advocacy actions aimed at easing market access and improving the investment climate. If a preferential trade agreement or an Economic Partnership Agreement is in place, they can advocate for the implementation (Interview 27).

29 For instance, buyers in the apparel sector operating in the MENA region request fewer suppliers and prefer those with green credentials (Interview 25).

for a Civil Society Forum. The interviewees provide a mixed assessment of their participation in Domestic Advisory Groups (DAGs). One reports positive and fruitful interactions with the Commission (Interview 31). Another respondent underscores that it did not seem to achieve concrete results and bring value added for its NGO (Interview 30).

The following criticisms were put forward (Interview 30). The DAG mandate is limited to TSD chapters. These are focused on climate and labor rights, but not on sustainable production and consumption. Thus, organizations dealing with consumers or businesses might have little to bring to the table. A first suggestion would be to extend the DAG's mandate. This seems to be the direction that the Commission is going towards. Further, DAGs might be burdensome for stakeholders with limited resources. The interviewee reports long meetings focused on administrative issues as well as interactions with junior officials who did not provide complete overviews of the agreement.

Actors included in DAGs and similar bodies also need to be provided with the background knowledge that is needed for their participation (Interview 4). To increase the capacity of the stakeholders taking part in the groups, support should be differentiated by sector. If manufacturing is prominent, then it would be important to train labor unions, since labor standards are crucial to offer development opportunities by trade. Environmental standards are also important, and local interest groups and NGOs should be involved. For other sectors such as timber and minerals, there would be a stronger focus on natural resources.

6. Policy evaluation

This section focuses on the last part of the policy framework laid out in *Figure 2*. It reflects on how to evaluate linkages between trade and non-trade policy objectives to provide feedback in the formulation of the strategy. An interviewee affiliated with an international organization praises the work done by the EU in policy evaluation but suggests adopting a broader approach (Interview 1). This is intended as going beyond the evaluation of processes within the EU and allowing comparisons with what happens in the rest of the world. The remainder of the section tackles feedback on the ex-ante and ex-post evaluation approaches.

Ex ante. The interviewees were asked whether the EU should adopt a more encompassing or targeted approach to the inclusion of NTPOs in Sustainability Impact Assessments (SIAs). One interviewee working on consumers' protection supports the broader approach of including different issues in SIAs (Interview 30). Although SIAs have become more informative for consumers' organizations, the interviewee would welcome an analysis of the effects on specific sectors, on prices and quality of products, but also on the potential effect on the regulatory ambition of the EU (interview 30). The respondent acknowledges that the latter is difficult to assess. Two interviewees consider that a more targeted approach would be useful to identify priorities and be more realistic in the pursuit of NTPOs (Interviews 2 and 10). For instance, elements that should be prioritized for sustainable development are fossil fuel subsidies, production and process standards, and ETS linkages (Interview 2).

Ex post. Different interviews underscore the importance of ex-post analysis to direct policy (Interviews 3, 14, 23, and 25). They welcome empirical assessments of trade strategies, despite recognizing the limitations of econometric methods. Further, they suggest increased use of cost-benefit analysis at the stages of both policy design and evaluation. Regardless of the analytical method, interviewees suggest that the approach to ex-post assessment should be:

- *Transparent and innovative.* While the methodology can always be improved, adopting innovative approaches allows to produce and use as much evidence as possible (Interview 23).
- *Cooperative.* Cooperation with other international organizations operating in partner countries can help data collection (Interview 23). For instance, UNECA developed the African regional integration index and the African Country Business Index.³⁰
- *Constructive* (Interview 26). Underscoring failures to attain commitments might be daunting and counterproductive, especially for developing partners. Rather, it would be useful to design roadmaps highlighting bottlenecks as well as support measures that would help fulfill the obligation. This would create positive inducements by reminding partners that they can benefit from a given agreement.
- *Independent* (Interview 26). Monitoring of trade policies might benefit from more independent evaluations. For instance, past WTO reports did not track that industrialized economies were adopting measures that hurt LDCs' exports, despite being committed to development. Thus, members could benefit from discussing independent reports of trade measures and their impacts.

The interviewees were asked whether ex-post analysis should make use of international, national, or subnational indicators. They consider that it depends on the topic and purpose of each evaluation (Interviews 3, 7, 10, 23). For instance, CO₂ emissions might be evaluated at the national level. Whereas minimum wages, social standards and pollution of the environment and soil, could be analyzed at the subnational level, especially in large countries (Interview 3). In some cases, sectoral or product-level analysis might be interesting because measures are often narrowly defined (Interviews 3 and 13). Two principles are also important in choosing the indicators: i) even if developed by international organizations, indicators should have *local value-added*, which comes from engaging with national and subnational authorities in compiling the indicators; ii) indicators *capturing the local context* should be designed to complement others.

7. The future of EU trade policy

The interviewees were asked to reflect on the issues that would deserve more focus for EU trade policy going forward. When familiar with the document, they were asked to comment directly on the communication on the Trade Policy Review (TPR) (European Commission, 2021). We divide their comments between evaluations of the TPR and important topics for the future of EU trade policy.

i. Ideas on the Trade Policy Review

The interviewees acknowledge that the Commission's communication on the Trade Policy Review is a strategy document which aims to satisfy different stakeholders. However, they consider it bureaucratic and *lacking ambition* (Interviews 4, 9, 17 and 24). From the perspective of external policies, leadership requires a more pragmatic and comprehensive approach to trade as a tool for development (Interview 24). Further, one interviewee underscores that it is unclear how the EU will retain regulatory ambition despite pressures from trading partners. For instance, initiatives that relate to sustainability and consumers' rights (e.g., Right to Repair,

³⁰ See: <https://arii.uneca.org/>.

and the food labelling Nutri-Score scheme) are contested in the WTO as they are perceived as barriers to trade (Interview 30). From a domestic perspective, the TPR could focus more on the supporting policies needed to deal with the domestic disruption caused by trade (Interview 9).

Further, interviews consider that the communication lacks *transparency* and *clarity* on some concepts and policy objectives. The concept of *Open Strategic Autonomy* will require clarification (Interview 16). It conveys a protectionist stance, countering the EU past endeavors of negotiating FTAs (Interviews 14, 16, 23 and 26). One interviewee suggests that this could be a reaction to the US strategy, which aims at addressing supply chains risks as well as restructuring production rather than at signing FTAs (Interview 16). *Transparency* needs to be ensured on a number of matters. One concerns the TPR's reference to more regulatory cooperation outside of trade agreements. Also, processes concerning the US-EU Trade and Technology Council were perceived as unclear (Interview 30).

Transparency also means defining what the EU economic interests is and which objectives the EU is pursuing towards trading partners (Interviews 4 and 26). This relates to the need of enhancing *policy coherence*. For instance, the EU approach *towards Africa* appears contradictory as it includes both ambition for a bi-continental free trade area and attempts to foster bilateral agreements with African countries (Interview 26). The proposal on *special and differential treatment* could also be framed better. First, it could make specific reference to the trade facilitation agreement which foresees support measures for different groups of countries. Second, it should not reference only China. Multiple countries are concerned about special and differential treatment. A similar reasoning applies for the concept of "competitive neutrality" and how to deal with treatment of State-Owned Enterprises (SOEs).

The overall approach presented in the TPR comes across as too *self-centered* (Interviews 6 and 25). The EU might want to show more positive attitudes towards diverse values, such as the communal concept of human rights in Asia (Interview 6). This will help partners to see EU policies as more balanced or appropriate. Further, the document could benefit from a broader approach to the practices of countries such as China, the BRICS or the so-called "African tigers" in Sub-Saharan Africa (Interview 1). These countries might change the balance of trade debates in the future. At the same time, the EU should also be *more critical about domestic production practices* (Interview 25). For instance, importing certain products from developing countries might have a lower footprint than producing them in Europe (e.g., sugar canes as compared sugar beets; or productions in greenhouses). Further, reflection should be given to European subsidies towards non-green practices.

ii. Topics for the future

The interviews suggest that the following topics will need to be further addressed by the EU trade and external strategy in the future:

- *Services and e-commerce*. The EU should focus more extensively on understanding trade in services (Interview 20). This requires more funding and measurement tools. As for NTPOs, the Trade Policy Review does not focus on greening services trade and e-commerce (Interview 25). For instance, storing data on clouds has substantial impact on electricity consumption. Further, shipping related to online shopping generates emissions. On digital trade, the EU should also reconcile the gap existing between its approach and its global significance (Interview 8). On the one hand, there are issues in which EU is very protective (e.g., privacy). On the other hand, most of the newest technology comes from US or China. EU policy will need to reflect these dynamics.

- *Investment.* More focus on sustainable investment from and to the EU would also be needed (Interview 25). More broadly, trade should not be looked at in isolation from investment and connectivity (Interview 7). Trade is the outcome of connectivity and investment. In relations between the EU and India, this calls for a good chapter on investment as part of the revived trade negotiations.
- *Due diligence.* As noted in the previous sections, attention to sustainability in supply chains will be essential to promote NTPOs (Interview 25). This should focus on convergence between regulatory and private sector frameworks, as well as improving capacity of civil society actors (Interviews 11 and 25).
- *Rules of Origin* (Interview 5). Rules of origin are often manipulated and reduce the ability to take advantage of trade agreements or trade preferences under the GSP (Interview 5). An instance cited by the interviewee are the differences between rules of origin in the EU-South Korea FTA and the EU-Japan EPA. These make trade so complicated that in some cases it is easier for importers to pay the duties. To overcome these problems, duties should be brought close to zero and more work should be done on rules of origins.
- *Innovation.* The relationship between globalization and innovation deserves attention (Interview 32). On the one hand, openness and specialization helps innovation since competition is beneficial to innovation and productivity. On the other hand, Chinese competition law seems to hurt R&D expenditures. Thus, there might be different impacts of globalization on innovation.
- *Diversity of the global trading system.* A further point concerns how to address increasing openness and regulations in a global system where countries show different economic systems (Interview 32). When dealing with SOEs, it is necessary to identify the spillovers in the global market and how to address them. A similar point concern how to deal with different level of development (Interview 32). Discussions on preferential treatment should be less emotional to address existing differences.
- *Social implications of trade within the EU.* Discussions on globalization needs to be linked to how to deal with inequality emerged within countries as a result of openness. Inequality cannot be tackled only with trade and investment policies (Interview 32). It requires orchestrated domestic policies (e.g., policies related to the labor market, social security etc.) (Interviews 9 and 32). This is necessary to address the eroding support for globalization (Interview 32). Among the interviewees, one affiliated with EU institutions thinks leveling the playing field constitutes an important priority. Similarly, another interviewee considers that the spirit of the Trade for All strategy, which was designed to show that trade can benefit society as a whole, was partly lost (Interview 30). The interviewee points at the lack of reference to consumers' benefits (e.g., reduction in roaming fees) in trade agreements as an example.

Conclusion

This report summarized thirty-two individual interviews conducted as part of the consultations on the research findings of the RESPECT project. One of the objectives of the interviews was gathering stakeholders' reflections on policy implications for EU trade and non-trade policy objectives (NTPOs) going forward. To do so, it is important to contextualize the EU strategy in long-term trends and political economy dynamics. The expanding coverage of NTPOs in trade

policy across different countries, and its political salience, make linkages between trade and NTPOs appear “unavoidable”. However, these linkages are driven by different motives, such as concerns on the welfare effects of trade liberalization as well as geopolitical objectives. This might make European claims appear “sanctimonious” in the eyes of partner countries. One implication is the need to systematically conceive the promotion of NTPOs in trade policy through a comprehensive, differentiated, and transparent policy framework.

Comprehensiveness entails assembling different policy tools. It is necessary not to ask trade to do too much and combine it with complementary tools that can support the pursuit of NTPOs. Technical assistance and regulatory cooperation are considered as important complements to FTAs, especially in relations with developing countries. Alignment with the private sector is also considered crucial for the implementation and enforcement of provisions in trade agreements and regulations on NTPOs. Engaging with all relevant stakeholders is an important feature of a comprehensive policy framework. This should take place at the national and sub-national levels, both in the EU and partner countries, as well as through supra-national engagement in multilateral fora. Structured and regular stakeholders’ engagement can greatly contribute to implementation of non-trade objectives through trade, more than an excessive focus on enforcement.

Differentiation allows for flexibility based on partner countries’ characteristics, issues at stake, and policy approach. This implies selecting the tools that might be more effective in the context of interest. Further, agreements and complementary measures should be designed in cooperation with partner countries through bottom-up approaches and focus on shared interests. Climate change constitutes a low-hanging fruit that can be prioritized in relations with multiple countries. Adapting commitments to different sectors is also important. For instance, services might require including different provisions in FTAs and engaging with more varied counterparts in the context of regulatory cooperation. Flexibility is important when choosing which stakeholders to engage with. This is context specific and requires identifying institutionalized and non-institutionalized actors that might buy-in the EU strategy and be influential in upholding it. This suggests the importance of a comprehensive mapping exercise.

Coherence represents one of the main challenges to the realization of a holistic but country- and-sector specific approach. Lack of coherence takes the form of inconsistent funding allocations, weak communication but also fundamental “distrust” among different institutions. This underscores the importance of *transparency*, intended as seeking an explicit balance between commercial and value-related objectives of EU trade policy. Transparency requires identifying which objectives are being pursued and how they are weighted in different circumstances. Efforts to design a European Economic Diplomacy might help identifying the interests and objectives at stake. Still, limitations are expected in presence of security concerns or nationalistic policies, such as export promotion and export credit. Transparency will also entail evaluating policies, ex ante and ex post, and adjust the strategy accordingly. Self-assessment of the EU practices is deemed important to improve policymaking and avoid perceptions of double standards.

Annex A: Interview template used for interviews

Interviews were based on a common questionnaire. Not all questions were posed in all interviewees. Individual question sheets comprised an average of seven questions, selected from the common template based on the professional affiliation of the interviewees. Questions were adapted to match their expertise or regional focus (e.g., applying them to a specific trade agreement or EU relations with one or more partner countries).

Interview template

Interview #:

Interviewee:

Affiliation:

Date of interview:

Duration:

Consent form: Yes/No

Recording: Yes/No

Takeaways:

Icebreaking – Presentation of the project and consent form

Question 1 – General question on issue linkage:

The EU has increasingly linked the promotion of its values (or NTPOs) to trade policy. Is that a good idea?

Follow up:

- Why? (Did it help promoting EU values? What consequences did it have for EU trade policy?)
- The EU focus on values might seem hypocritical to many, as it does not apply in the same way to bigger trading partners. How could the EU clarify how it balances interests and values?
-

Question 2 - FTAs

Our research suggest that the EU might be moving away from negotiating mixed trade agreements. Is that a problem or should mixity not be given up?

Question 3 – FTAs implementation

Should more or less emphasis be given to non-trade issues in FTAs implementation and enforcement?

Question 4 – GSP (market access credibility)

RESPECT research finds that the removal of the country-section graduation mechanism in the GSP+ increased the predictability of trade preferences. Would it be feasible to completely abolish this mechanism, i.e. also for Standard GSP members?

Follow up: What other steps could be taken to make GSP preferences more predictable?

Question 5 – GSP (deepening trade preferences)

Should deepening of GSP trade preferences be linked to non-trade objectives?

Follow up:

- Why?
- The EU pursues many different values towards partner countries (environmental protection, CSR, labor standards etc.). Should it prioritize some values over others? Which ones?

Question 6 – Non-trade instruments

Does it make sense to rely on non-trade instruments to promote non-trade objectives?

Follow up:

- Why? Which ones do you think are best suited for the purpose?
- How should they be related to trade policy instruments?

Question 6 – Non-trade instruments - Expert dialogues

One of the non-trade policy instruments used by the EU invested to promote NTPOs are expert dialogues. The EU-China expert dialogues on sustainable development are an example. Are you familiar with this instrument? If so, do you think it is effective? Why?

Question 7 – Non-trade instruments - IRC

Does the EU sufficiently engage in regulatory cooperation? Or is the EU inclined to see it through the lenses of negotiating FTAs?

Follow up: Is this the right approach? Why?

Question 8 – ENP

We found no evidence of the EU linking the use of material incentives to labour standard performance through the ENP. What reforms are or could be done to change this in the future?

Question 9 – Technical Assistance

Could technical assistance play a role in promoting NTPOs?

Follow up:

- If so, what type of assistance should be prioritized? Why?
- How should it interact with trade policy instruments?

Question 10 – Voluntary Sustainability Standards

The latest Commission's Trade Policy Review suggests a shift towards mandatory due diligence for European firms. Is that necessary? Or is it enough for firms to adopt internationally recognized voluntary sustainability standards?

Follow up:

- Why?
- Standards adopted by European firms are many and, sometimes, overlapping. If the Commission was to adopt mandatory due diligence requirements, which standards should be prioritized?

Question 11 - DAGs

What is the priority reform needed to make the domestic advisory groups in EU FTAs more effective?

Question 12 – Consultations and impact assessment

When it comes to the coverage of non-trade issues in ex-ante sustainability impact assessments (SIAs), is it better to be selective or include a broad range of NTPOs?

Follow up: Which NTPOs should be prioritized?

Question 13 – Implementation

How should we measure implementation of NTPOs? Should we use international indicators made available by international organizations?

Follow up: Is relying on international indicators enough or would it be better to get to the national/subnational level?

Question 14 – Coherence trade and development policies

Should aid for trade be tied to FTAs implementation, including implementation of NTPOs?

Follow up:

- How could this be best achieved?

Question 15 – Coherence trade and climate

The Commission agenda focuses extensively on the Green Deal, which is also referenced in the Trade Policy Review. Should green objectives be prioritized when it comes to the promotion of non-trade objectives?

Follow up:

- Why? And how?

Question 16 – Coherence export credit agencies

If there is nothing improper to hide -and given the Commission's competence over common commercial policy and Regulation 1233/2011 on evaluating EU MS export financing activities - why does not the European Commission make a transparent publicly available "evaluation" of the Member States' medium to long term export credit support in terms of: a) State aid: b) environmental, social and human rights and sustainable lending?

Question 17 – Economic Diplomacy

Should we use European level economic diplomacy to increase the institutional coordination between trade & investment promotion instruments and development cooperation at the EU and member states levels?

Question 18 – EU, US, China in WTO

Should there be concerted efforts by the US and the EU to include China in the process of WTO reforms and move bilateral discussions to the multilateral level?

Follow up:

- What steps should be taken in this direction?

Question 19 – Future of EU trade policy

The Trade Policy Review identifies the short- and medium-term priorities for EU trade policy in the following years. If you needed to identify one major gap, weakness or missing information in the Review, what would it be?

Additional question

Is there a tension between the cost pressure arising from liberalization and the EU insistence on the fact that labor standards should be protected in partner countries?

Follow up:

- Is the EU doing enough to deal with the adjustment costs coming from liberalization?

Annex B: Categorization of interviewees

To facilitate the reading of the results section, this table associates to the number of the interview the assigned professional category and the label “EU/Non-EU”. Additional information is not included to respect the confidentiality of the interviews.

Interview Number	Professional category	EU/Non-EU
1	International organisation	Non-EU28
2	Academia/Think tank	EU28
3	Academia/Think tank	EU28
4	EU institutions	Non-EU28
5	Private Sector	Non-EU28
6	Academia/Think tank	Non-EU28
7	Academia/Think tank	Non-EU28
8	Academia/Think tank	Non-EU28
9	Academia/Think tank	Non-EU28
10	Government	Non-EU28
11	Civil Society/NGO	Non-EU28
12	Academia/Think tank	Non-EU28
13	Academia/Think tank	Non-EU28
14	Private Sector	Non-EU28
15	EU institutions	Non-EU28
16	Academia/Think tank	Non-EU28
17	Trade promotion agency	Non-EU28
18	Academia/Think tank	Non-EU28
19	Academia/Think tank	Non-EU28
20	Private Sector	EU28
21	Academia/Think tank	Non-EU28
22	Academia/Think tank	Non-EU28
23	International organisation	Non-EU28
24	International organisation	Non-EU28
25	International organisation	Non-EU28
26	Other	Non-EU28
27	Private Sector	Non-EU28
28	Private Sector	Non-EU28
29	Private Sector	Non-EU28
30	Civil Society/NGO	EU28
31	Government	Non-EU28
32	Private Sector	EU28

Annex C: Summary of tools for a comprehensive policy framework

This Annex summarizes the interviewees assessment of different policy tools that can be combined in a comprehensive framework incorporating trade and non-trade policy objectives. Their assessment is presented along four dimensions: effectiveness, design, implementation, and enforcement. The column “future” summarizes suggestions for the evolution each tool.

	Effectiveness		Future	Design	Implementation	Enforcement
	Yes	No				
FTA	<ul style="list-style-type: none"> • FTAs themselves promote rule of law • Provide incentives to comply with NTPOs • Stepping-stone towards multilateralization <p><i>On FDIs?</i> Reputational risks, provisions on rule of law</p>	<ul style="list-style-type: none"> • Cannot address domestic welfare redistribution • Not right instrument relations with developing countries • Government is not right counterpart <p><i>BUT</i></p> <ul style="list-style-type: none"> • Measurement constraints should be acknowledged <p><i>On FDIs?</i> compliance costs</p>	<ul style="list-style-type: none"> • Repeat quantitative analysis with longer time series • Evaluate sectoral differences 	<ul style="list-style-type: none"> • Better problem identification • Flexibility → 4 questions: <ol style="list-style-type: none"> 1. Which issues? Bottom-up approach 2. Which sectors? 3. Legal area? 4. Enforcement? 	<ul style="list-style-type: none"> • Keeping momentum via more frequent follow-ups • Offering solutions to take advantage from liberalization (i.e., complementary measures) 	<ul style="list-style-type: none"> • Evaluation of partners' capabilities • Extraterritoriality risk • Structural limitations (i.e., bureaucratic support)

	Effectiveness			Design	Implementation	Enforcement
	Yes	No	Future			
GSP	<ul style="list-style-type: none"> • Development via export-led growth • Positive spillovers on NTPOs 	<ul style="list-style-type: none"> • Used too inconsistently (political rather than development concerns) 		<ul style="list-style-type: none"> • Expand market access for value-added • Trade in services • Market-access at enterprise level for NTPOs performance • Consider partners' capacity 	<ul style="list-style-type: none"> • Improve consistency • Recognize partners' trade-offs→ complementary measures • More periodical reviews • Cooperative approaches rather than sanctions 	
Policy Dialogues	<ul style="list-style-type: none"> • Exchange of best practices among different stakeholders 	<ul style="list-style-type: none"> • Time-consuming • Not enforceable • More subject to government changes 	<ul style="list-style-type: none"> • Further inclusion of civil society stakeholders • Assessment of key stakeholders involved and infrastructural support 			

	Effectiveness			Design	Implementation	Enforcement
	Yes	No	Future			
Regulatory cooperation	<ul style="list-style-type: none"> • Relevant for modern trade (digital and services) • Address non-trade measures • Supports NTPOs developing countries 	<ul style="list-style-type: none"> • Absence from some regulatory spaces • Rush to regulate unilaterally 	<ul style="list-style-type: none"> • Work on architecture supporting international regulatory cooperation • Leadership 	<p>Comprehensive:</p> <ul style="list-style-type: none"> • Useful combination with technical assistance • Inclusion in FTAs depends on type of cooperation <p>Soft and gradual</p>		
Technical Assistance	<ul style="list-style-type: none"> • Improve capacity to realize NTPOs 			<ul style="list-style-type: none"> • Comprehensive → useful combination with regulatory cooperation • Flexible: different types • All relevant stakeholders • Assess EU own capacity 		
Development aid	<ul style="list-style-type: none"> • Improve capacity 	<ul style="list-style-type: none"> • Responds to political dynamics more than necessity 		<ul style="list-style-type: none"> • Co-determine priority with partner country 	<p>Comprehensive, if linked with EPA:</p> <ul style="list-style-type: none"> • Explicit connection • Active approach 	

	Effectiveness			Design	Implementation	Enforcement
	Yes	No	Future			
Open Plurilateral Agreements	<ul style="list-style-type: none"> • Multilateralization of commitments • Harmonization of standards 	<ul style="list-style-type: none"> • Limited negotiating capacities • Limited uptake 		<ul style="list-style-type: none"> • Based on risk assessment • Cut north-south divide • Focus on general disciplines • Opportunity for market access progress • Openness for newcomers • Build on experience of other international organizations 		

		Effectiveness		Design	Implementation	Enforcement
		Yes	No			
Private sector standards	VSS	<ul style="list-style-type: none"> Buyer-supplier dynamics Apply to diverse partners Empower stakeholders 	<ul style="list-style-type: none"> Sustainability over time Greenwashing Overlapping standards 	<p><i>Integrated framework to:</i></p> <ul style="list-style-type: none"> Lift supply base while making lead firms responsible Consolidate standards Clearly define penalties Facilitate plurilateral solutions Maintain good standard governance 	<p><i>Integrated framework:</i></p> <ul style="list-style-type: none"> Phased out approach Build capacity civil society and local stakeholders in partner countries 	<p><i>Integrated framework:</i></p> <ul style="list-style-type: none"> Find right burden-sharing arrangement Ensure monitoring
	<i>Mandatory due diligence</i>	<ul style="list-style-type: none"> Mitigate reputational risk 	<ul style="list-style-type: none"> Negative effect on risk assessment leading companies to leave markets → undesired effect on NTPOs Perceptions of protectionism hamper enforcement Feasibility depends on: ideological resistance, economic burden, transparency, size company, sector/product. 	<ul style="list-style-type: none"> Taking stock of existing experiences to design integrated framework 		

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