

EU trade policy implications on third countries' domestic policies



Authors:

Caroline FITZSIMONS and Pierre HAUSEMER (EY Belgium)

European Parliament Coordinator:

Policy Department for External Relations
Directorate General for External Policies of the Union
PE 754.454 – October 2024

IN-DEPTH ANALYSIS

EU trade policy implications on third countries' domestic policies

ABSTRACT

The European Union's policies influence third country trading partners' domestic policy in different ways. Unilateral legislation in the green and digital fields, for example, contribute to setting global standards as traders must comply with EU requirements to access the Single market. The digital transition cooperation between Africa and the EU could lead to further regulatory convergence in the digital field. The EU's human-centric approach to digital policy, fostering consumer protection and trust *inter alia* through the General Data Protection Regulation, influences the African Continental Free Trade Area. Ensuring market access between Africa and the EU including in the field of e-commerce is strategically desirable for both blocks. Green legislation will impact foreign producers including smallholder and could potentially result in changes in trade flows. The liberalisation of trade through FTAs fosters economic growth and guarantees access to critical resources such as Chilean lithium for the EU's digital transition. However, it can also exert environmental and social pressures on trading partners. Lastly, the rules based international trading system established by the WTO can be eroded by government subsidies with significant negative spillover effects on international trade. Global dialogue between trade partners is desirable to avoid a subsidy race.

AUTHOR(S)

- Caroline FITZSIMONS, Senior Consultant, EY, Belgium.
- Pierre HAUSEMER, Partner, EY, Belgium.

This paper was requested by the European Parliament's Committee on International Trade.

The content of this document is the sole responsibility of the authors, and any opinions expressed herein do not necessarily represent the official position of the European Parliament.

CONTACTS IN THE EUROPEAN PARLIAMENT

Coordination: Wolfgang IGLER, Policy Department for External Relations

Editorial assistant: Balázs REISS

Feedback is welcome. Please write to poldep-expo@europarl.europa.eu

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

VERSION

English-language manuscript completed in August 2024.

COPYRIGHT

Brussels © European Union, 2024

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

© Image on cover page used under licence from Adobe Stock.

This paper will be published on the European Parliament's online database, ['Think Tank'](#).

Table of Contents

1	Introduction	4
2	Impact of EU policies on green and digital transitions on the EU's trading partners	5
2.1	Example 1: Impact of deforestation legislation on trading partners	5
2.2	Example 2: Digital transition cooperation with Africa	12
3	Impact of trade measures on industrialisation policies in third countries	18
3.1	Case study: Chile	18
3.2	Case study: Vietnam	22
4	Government subsidies and ensuring a level-playing field	24
4.1	Case study: US	25
4.2	Case study: Japan	30
5	Conclusions and recommendations	31
6	Bibliography	34
	Articles, books, and papers	34
	Legislation	41

1 Introduction

The EU's trade policy strategy is evolving to meet contemporary challenges including environmental degradation linked to climate change, digitalisation, and growing recourse to unilateral measures in third countries with increasing government subsidies. Based on case studies, desk research and scoping interviews with experts from the Commission, this in-depth analysis explores the impact of the EU's trade, environmental and digital policies on third countries domestic policies and economic actors.

Ensuring the green transition and promoting sustainability across global supply chains is embedded in the EU's external trade policy and the EU Green Deal. Trade and Sustainable development chapters are included in the EU's FTAs as seen for example in the EU-Chile FTA. The EU is also ensuring that it contributes to tackling global environmental challenges. For example, the EU recently adopted the European Union Deforestation Regulation (EUDR)¹ requiring that products placed on the EU market and exported from it are deforestation-free. As such, once this autonomous EU measure enters into application, it will directly impact third country traders and operators creating new conditions for accessing the EU market.

The EU's trade policy is also heavily influenced by its own digital policy and its desire to promote the digital transition including e-commerce with its partners. The EU and Africa are cooperating for the digital transition through initiatives such as funding infrastructures needed for connectivity (Global Gateway) and creating platforms between stakeholders for cooperation (i.e., Digital Economy Task Force). By setting domestic standards for access to its market (i.e., the General Data Protection Regulation), the EU is influencing data governance in Africa where many countries have adopted similar rules. In these ways, the EU is contributing to the development of global digital trade, promoting a human-centric digital policy.

Through bilateral trade measures, as seen for example in its trade relation with Chile and Vietnam, the EU is influencing third country industrialisation policies. FTAs are essential instruments to guarantee free trade between economies, which supports employment and growth. The inclusion of chapters on trade and sustainable development addressing aspects such as human rights, public property, and intellectual property can affect Parties' domestic policies. As trade liberalisation can exert environmental and social pressures, FTAs should include appropriate safeguards, which can also impact domestic policies and economic actors.

Lastly, the increasing adoption of certain domestic measures in different sectors by third countries arguably eroded the WTO's international trade rule-based system. While national subsidies are a common policy tool to achieve domestic goals, they have a spillover effect on international trade and can distort competition. To address this, the EU's trade policy has focussed on ensuring application and enforcement of international trade rules through the EU Trade Enforcement Regulation, for example. While the EU continues to subsidise *inter alia* its energy and agricultural sectors, it aims to safeguard the international rule-based trading system and avoid substantially distorting competition.

¹ Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010 (Text with EEA relevance). Available at: <https://eur-lex.europa.eu/eli/reg/2023/1115>.

2 Impact of EU policies on green and digital transitions on the EU's trading partners

2.1 Example 1: Impact of deforestation legislation on trading partners

Deforestation is the second largest cause of greenhouse emissions of an anthropogenic nature² as forests are essential to maintain the balance of carbon in the atmosphere³. Agricultural expansion to produce commodities such as palm oil, soya and beef generates 80 % of global tropical deforestation⁴. Between 1990 and 2020, the UN Food and Agriculture Organization (FAO) estimated that an area of forest larger than the EU⁵ was converted into land for agricultural usage. International trade in certain commodities increases the volume of deforestation-related emissions⁶. According to the FAO, EU demand for goods and services accounted for 10 % of global deforestation because of agricultural usage⁷.

To address deforestation, countries around the world have adopted specific policies⁸ that impact trade. For example, the US introduced the Lacey Act prohibiting imports of illegally harvested timber⁹. Similarly, the EU Green Deal fosters sustainability practices *inter alia* with the EU Forest Strategy for 2030 and the EU Biodiversity strategy for 2030. In this vein, the European Union Deforestation Regulation (EUDR) entered into force in June 2023 and aims to cease and reverse deforestation.

The EUDR deploys a regulatory framework for the placing and making available on the Union market (as well as the export) of products that contain, are derived from, or have been fed using certain commodities associated with a risk of deforestation. The new rules are planned to enter into application on the 30 December 2024. The commodities covered are cattle, cocoa, coffee, oil palm, rubber, soya, and wood; the commodities through which the EU has a bigger impact on the world's forests in terms of deforestation. The EUDR establishes mandatory due diligence obligations on traders and operators wishing to place commodities or certain derived products on the EU markets. This entails providing evidence that the products were not produced on land subject to deforestation after the 31st of December 2020 (the cut-off date). Traders and operators must also collect information on their products including geolocation (coordinates of at least 6 digits) to prove they are deforestation free and produced in accordance with the national laws of the country of production.

In other words, traders and operators will have to trace commodities they place on the EU market back to the plot of land where they were produced. Based on this information, traders and operators will have to assess the risk of non-compliance with the EUDR considering *inter alia*, the presence and

²Pendrill, F., Persson, U. M., Godar, J., Kastner, T., Moran, D., Schmidt, S., and Wood, R., 2019, *Agricultural and forestry trade drives large share of tropical deforestation emissions*, Global environmental change, 56, 1-10. Available at: <https://www.sciencedirect.com/science/article/pii/S0959378018314365>.

³Robalino, J. and Herrera L., D., 2010, *Trade and Deforestation: What have we found?*, WTO Publications. Available at: https://www.wto.org/english/res_e/publications_e/wtr10_robolino_herrera_e.htm.

⁴Council of the European Union, 2019, Conclusions of the Council and of the Governments of the Member States sitting in the Council on the Communication on Stepping Up EU Action to Protect and Restore the World's Forests: Outcome of proceedings. Available at <https://www.consilium.europa.eu/media/41860/st15151-en19.pdf>

⁵FAO, 2020, *Agroecological practices and principles for sustainable agriculture: Synthesis report*, Food and Agriculture Organization of the United Nations, Rome. Available at: <https://www.fao.org/3/ca9825en/ca9825en.pdf>

⁶Pendrill, F., Persson, U. M., Godar, J., Kastner, T., Moran, D., Schmidt, S., and Wood, R., 2019, *Agricultural and forestry trade drives large share of tropical deforestation emissions*, Global environmental change, 56, 1-10. Available at: <https://www.sciencedirect.com/science/article/pii/S0959378018314365>.

⁷Ibid.

⁸Brack, D., 2019, *Tackling deforestation and the trade in forest risk commodities: consumer country measures and the WTO*, Forest Trends, Publication policy trade and finance initiative. Available at: <https://www.forest-trends.org/wp-content/uploads/2019/08/WTO-Concerns-Brief-2019.pdf>.

⁹Ibid.

consultation in good faith with indigenous people in the country¹⁰. Lastly, and unless the assessment reveals that no or only negligible risk exists, operators must adopt risk mitigation measures (such as collecting additional data and carrying out independent surveys or audits).

The new legal framework will enhance corporate accountability across global supply chains of forest-risk commodities,¹¹ impacting many actors in the EU and third countries. This could create opportunities to assert a stronger competitive position for small and medium suppliers and producers in the supply chain, but also possible compliance costs and operational hurdles, especially for small and medium suppliers and producers¹². For example, if economically powerful buyers use their bargaining power unfairly to shift the responsibility for compliance upstream on smallholders this could reduce the latter's competitiveness potentially removing them from the supply chain¹³. The new rules will have a significant impact on key trading partners of the EU for commodities covered by the EUDR. In particular, Brazil and Indonesia are important exporters to the EU of commodities in the scope of the EUDR; we have therefore conducted two case studies to assess possible impacts in these countries.

2.1.1 The case of Brazil

In 2017, 18.3 % of Brazil's total trade was with the EU, making the latter its second largest trading partner¹⁴ and Brazil the EU's 11th trading partner¹⁵. Brazilian exports of commodities covered by the EUDR are estimated at USD 17.5 billion in 2022 (or 34 % of total exports to the EU)¹⁶. Moreover, Brazil is the first source of agri-food imports in the EU representing 11 % of the total in 2023¹⁷.

Over the period 2015-2019, Brazil exported the highest value of commodities covered by the EUDR to the EU, with a total yearly average of EUR 9983.81 million¹⁸. Soya accounts for 44.3 % of the total value, followed by timber 26.5 %, coffee 21.1 % and beef 7.7 %. A detailed breakdown for each type of affected export is provided in the below table¹⁹. As one of the top trading partners with the EU of forest-risk

¹⁰See Article 10(2) of Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010 (Text with EEA relevance). Available at: <https://eur-lex.europa.eu/eli/reg/2023/1115>.

¹¹Berning, L., and Sotirov, M., 2023, *Hardening corporate accountability in commodity supply chains under the European Union Deforestation Regulation*, Regulation & Governance, 17(4), 870-890. Available at: <https://onlinelibrary.wiley.com/doi/full/10.1111/rego.12540>

¹²Chun, J., 2023, *Sharing Responsibility for Sustainable Supply Chains under the European Union Deforestation-free Regulation*. Available to download at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4523519

¹³ Ibid.

¹⁴European Commission, 2024, *EU trade relations with Brazil*. Trade. Available at: [EU trade relations with Brazil \(europa.eu\)](https://europa.eu/european-commission/en/eu-trade-relations-with-brazil)

¹⁵EEAS, 2021, *The European Union and Brazil - Trade Relations*, European External Action Service, Press and information team of the Delegation to BRAZIL. Available at: https://www.eeas.europa.eu/brazil/european-union-and-brazil-trade-relations_en?s=191

¹⁶Confederação Nacional da Indústria (CNI), 2023, *Regulamento da União Europeia condiciona importação de determinadas commodities agrícolas e seus derivados a due diligence de desmatamento*, Análise de Política Comercial, Ano 2 - Número 10. Available to download at: [Análise de Política Comercial 10: Regulamento da União Europeia condiciona importação de determinados commodities agrícolas e seus derivados a due diligence de desmatamento - Portal da Indústria - CNI \(portaldaindustria.com.br\)](https://portaldaindustria.com.br/analise-de-politica-comercial-10-regulamento-da-uniao-europeia-condiciona-importacao-de-determinadas-commodities-agricolas-e-seus-derivados-a-due-diligence-de-desmatamento).

¹⁷European Commission, 2023, *EU agri-food trade achieved a record surplus in 2023*. Available at: [EU agri-food trade achieved a record surplus in 2023 - European Commission \(europa.eu\)](https://europa.eu/european-commission/en/eu-agri-food-trade-achieved-a-record-surplus-in-2023)

¹⁸COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT minimising the risk of deforestation and forest degradation associated with products placed on the EU market Accompanying the document Proposal for a REGULATION OF THE EUROPEAN AND PRODUCTS ASSOCIATED WITH DEFORESTATION AND FOREST DEGRADATION AND REPEALING REGULATION (EU) No 995/2010. Available at: [SWD 2021 326 1 EN impact assessment part1 v4.pdf \(europa.eu\)](https://ec.europa.eu/economic-affairs/swd2021_326_1_en_impact_assessment_part1_v4.pdf).

¹⁹Confederação Nacional da Indústria (CNI), 2023, *Regulamento da União Europeia condiciona importação de determinadas commodities agrícolas e seus derivados a due diligence de desmatamento*, Análise de Política Comercial, Ano 2 - Número 10. Available to download at: [Análise de Política Comercial 10: Regulamento da União Europeia condiciona importação de determinados commodities agrícolas e seus derivados a due diligence de desmatamento - Portal da Indústria - CNI \(portaldaindustria.com.br\)](https://portaldaindustria.com.br/analise-de-politica-comercial-10-regulamento-da-uniao-europeia-condiciona-importacao-de-determinadas-commodities-agricolas-e-seus-derivados-a-due-diligence-de-desmatamento).

commodities, Brazilian domestic policies and economic traders and operators including small suppliers/exporters in different sectors will be impacted.

	Coffee	Wood and pulp	Palm oil	Soya bean	Cattle	Cocoa	Rubber
% of total Brazilian production exported to the EU in 2022	51 %	19 %	15 %	14 %	6 %	5 %	4 %
Value in USD	4.3 billion	3.3 billion	44 million	8.8 billion	920 million	17.2 million	73.5 million

Source: Portal da Indústria, 2024, *Análise de Política Comercial 10: Regulamento Da União Europeia Condiciona Importação de Determinados Commodities Agrícolas e Seus Derivados a Due Diligence de Desmatamento*. CNI.

2.1.2 Soya

Soya is a key driver for economic growth in Brazil²⁰ (68 % of all its soya production is exported²¹) and full traceability of soya production across supply chains is already part of sectoral agreements²². The Amazon Soy Moratorium is considered to 'lay the groundwork' for compliance with the EUDR by prohibiting the purchase or financing of soya grown in deforested areas of the Amazon after 2008 and establishing a monitoring system. The Moratorium has been highly effective in preventing soya production from driving further deforestation in Brazil, reducing from 30 % to 1 % the amount of soya planted in the Amazon directly replacing forests²³. However, challenges remain including coverage of indirect supply and ensuring traceability across biomes that are not currently covered by agreements such as the Cerrado²⁴.

Regarding economic operators in the Brazilian soya supply chain, the share of smallholder output in the global soya chain in Brazil is estimated below 0.1 %²⁵ with 90 % of Brazilian soya being produced by large businesses. Compliance costs and the administrative hurdles are likely to be less impactful for these larger players compared with smallholders as they have more technical and economic resources²⁶. Existing traceability mechanisms in the soya supply chains and the low number of smallholders could reduce the EUDR's impact on Brazilian soya exports.

²⁰IDH and IUCN NL, 2019, *European Soy Monitor – Insights on the European supply chain and the use of responsible and deforestation-free soy in 2017*. Available at: <https://www.idhsustainabletrade.com/uploaded/2019/04/European-Soy-Monitor.pdf>.

²¹Cesar De Oliveira, S. E. M., Nakagawa, L., Russo Lopes, G., Visentin, J. C., Couto, M., Silva, D. E., d'Albertas F., Pavani, F. B., Loyola, R., and West, C., 2024, *The European Union and United Kingdom's deforestation-free supply chains regulations: Implications for Brazil*. *Ecological Economics*, 217, 108053. Available at: <https://www.sciencedirect.com/science/article/pii/S0921800923003166>.

²²Raleira, R., Rijk G. and Piotrowski M., 2022, *EU Deforestation Law: Traceability Viable in Brazilian Cattle and Soy Supply Chains* Available at: <https://chainreactionresearch.com/report/eu-deforestation-law-traceability-viable-in-brazilian-cattle-and-soy-supply-chains/>

²³Gibbs, H., 2019, *FACTSHEET: Amazon Soy Moratorium Delivering Win-Win Outcomes for Forests and Agribusiness*, Available at: https://www.gibbs-lab.wisc.edu/assets/ASM_Factsheet_December_2019.pdf

²⁴The Cerrado is a vast tropical savanna ecoregion of Brazil, known for its biodiversity and unique vegetation. It is the second-largest biome in South America, covering an area of approximately 2 million square kilometres, which is about 22 % of the country. The Cerrado spans across several Brazilian states, including Goiás, Mato Grosso do Sul, Mato Grosso, Tocantins, Minas Gerais, Bahia, Maranhão, Piauí, Rondônia, Paraná, São Paulo, and the Federal District, where the country's capital, Brasília, is located; see Raleira R., Rijk G., and Piotrowski M., 2022, *EU Deforestation Law: Traceability Viable in Brazilian Cattle and Soy Supply Chains* Available at: <https://chainreactionresearch.com/report/eu-deforestation-law-traceability-viable-in-brazilian-cattle-and-soy-supply-chains/>.

²⁵Buainain, A. M., and Garcia, J. R., 2018, *Roles and challenges of Brazilian small holding agriculture*. *Revista agroalimentaria*, 24(46), 71-87. Available at: <https://dialnet.unirioja.es/servlet/articulo?codigo=6820115>.

²⁶Weerdenburg, F., 2023, *From Bean to Green: EU Deforestation Regulation and the Soy Supply Chain*. Available at: [642972 \(wur.nl\)](https://www.wur.nl/en/642972)

2.1.3 Coffee

The second largest coffee producer in the world, Brazil exports 64 % of its production, half of which to the EU²⁷. Importantly, 33 % of the total area where coffee is harvested in Brazil is covered by voluntary sustainability standards such as Rainforest alliance and Fairtrade sustainability programs²⁸. Yet, challenges remain for the adoption of certification schemes or sustainability standards in certain production areas, especially remote ones.

Smallholders are estimated to represent a significant 35 % of Brazilian coffee production²⁹ which serves as a primary source of income for 38 000 households³⁰. Additionally, coffee is associated with a low level of deforestation with the ratio between the deforested area embodied in coffee production and its total cultivated area in the period from 2005 to 2018 being only 0.1 %³¹. Small coffee producers may be negatively impacted in Brazil with the risk that they do not have the funds to invest in the required traceability systems³², which would reduce exports to the EU.

This risk may be partly mitigated by the existence of sectoral agreements though these do not cover all remote areas. Sectoral agreements include voluntary standards that promote sustainability and traceability such as the 4C code of conduct³³. In addition, the Brazilian Exporters Coffee Council CECAFE launched the Cafes do Brazil traceability platform where participants (including cooperatives, national and international companies) accounted for approximately 90 % of shipments to the EU in 2022. The platform gathers data from multiple sources and includes satellite-derived geolocation information to ensure transparency and traceability across the entire coffee production process³⁴.

2.1.4 Cattle farming

In 2022, Brazil exported 6 % of the cattle it produced to the EU, accounting for a total of USD 920 million. Regarding beef, Brazil shipped out 25.5 % of its production, and the EU was the second largest importer with 8.26 % of the total behind China (44 %) in 2021³⁵. Therefore, there may be a risk of trade diversification towards countries with less stringent sustainability requirements, such as China.

Despite this risk, it must be noted that there are systems to ensure the traceability in the Brazilian supply chain³⁶. For example, the Terms of Adjustment of Conduct (TAC) is a public-private sectoral agreement whereby the main slaughterhouses commit not to purchase cattle from illegally deforested

²⁷Cesar De Oliveira, S. E. M., Nakagawa, L., Russo Lopes, G., Visentin, J. C., Couto, M., Silva, D. E., d'Albertas F., Pavani, F. B., Loyola, R., and West, C., 2024, *The European Union and United Kingdom's deforestation-free supply chains regulations: Implications for Brazil*, Ecological Economics, 217. Available at: <https://www.sciencedirect.com/science/article/pii/S0921800923003166>.

²⁸Ibid.

²⁹International Coffee Partners, *Brazil*. Available at: <https://www.coffee-partners.org/our-projects/brazil>.

³⁰Hiller, N., and Blot, E., 2022, *Securing the position of smallholders in zero-deforestation supply chains*, IEEP. Available at: <https://ieep.eu/publications/securing-the-position-of-smallholders-in-zero-deforestation-supply-chains/>.

³¹Ibid.

³²Figueiredo, P., 2023, *The EU's deforestation law was cheered here. Brazilian experts and farmers are skeptical*, Euronews. Available at: <https://www.euronews.com/my-europe/2023/08/31/the-eus-deforestation-law-was-cheered-here-brazilian-experts-and-farmers-are-skeptical>

³³For instance, the 4C code of conduct sets baseline sustainability standards for the entire coffee sector and promotes improvements in the social, environmental, and economic conditions of coffee production and processing. More information is available at: [4C Code of Conduct \(4c-services.org\)](https://www.4c-services.org)

³⁴Noticias Agrícolas, 2023. Available at: [Plataforma de Rastreabilidade Cafés do Brasil fortalece sustentabilidade do Brasil fortalece sustentabilidade do produto ao mercado global. - Notícias Agrícolas \(noticiasagricolas.com.br\)](https://www.noticiasagricolas.com.br/plataforma-de-rastreabilidade-cafes-do-brasil-fortalece-sustentabilidade-do-brasil-fortalece-sustentabilidade-do-producto-ao-mercado-global.-noticias-agricolas)

³⁵ABIEC, *Beef Report*, 2022. Available at: <https://www.abiec.com.br/publicacoes/beef-report-2022/>

³⁶Raleira, R., Rijk G., and Piotrowski, M., 2022, *EU Deforestation Law: Traceability Viable in Brazilian Cattle and Soy Supply Chains*. Chain Reaction Research. Available at: <https://chainreactionresearch.com/report/eu-deforestation-law-traceability-viable-in-brazilian-cattle-and-soy-supply-chains/>.

areas in the Amazon though it does not cover indirect cattle suppliers and legal deforestation³⁷. Other systems include Visipec³⁸ and Selo Verde³⁹, SISBOV⁴⁰ (Brazilian System for Individual Identification of Bovines and Buffalos), CAR⁴¹ (Rural Environmental Registry) and lastly GTA⁴² (Animal Transit Guide).

Some operators and traders across Brazil are working towards expanding traceability by relying on these existing systems, yet some gaps remain⁴³. The EUDR requires full traceability to all plots of land of production which is currently not the case in the Brazilian supply chain (most existing agreements comprise gaps) and there are challenges for indirect segments of the chain⁴⁴.

Cattle farming is practiced by smallholders in the north region of Brazil with a trend of converting forest and cropland to pastureland⁴⁵. Small scale producers have little direct access to the international market. Around two thirds sell their cattle to large scale slaughterhouses⁴⁶. In Brazil, cattle are produced by 2.5 million farmers⁴⁷, from small-scale ranchers to large-scale company farms⁴⁸, yet only three main meatpackers handle around two thirds of all Brazilian beef exports⁴⁹.

³⁷Inakake De Souza, L., Piatto, M., and Garcia-Drigo, I., 2020, *Cattle-ranching in the Amazon: the fine line between legal and illegal*, Available at: [Beef-on-Track-Info-N1.pdf \(beefontrack.org\)](#).

³⁸Visipec is a traceability add-on tool which has been introduced to operate in conjunction with the current monitoring systems used by Brazilian meatpackers. This tool aims to improve supply chain transparency and deforestation surveillance within the cattle industry. By incorporating data from public databases, it enhances the existing systems, mitigating deforestation-related risks that often arise at the initial phases of the supply chain. For more information see: [VISIPEC – This website provides information on Visipec, a new tool to enhance traceability and strengthen deforestation monitoring in the Brazilian cattle sector](#).

³⁹Selo Verde is a platform developed by the government of Para in Brazil which allows for the public traceability of the livestock production chain. For more information see: [Selo Verde \(Green Seal\) Platform - PlenaMata](#)

⁴⁰SISBOV, which stands for "Sistema de Identificação e Certificação de Bovinos e Bubalinos" is a national database developed and maintained by the Brazilian Ministry of Agriculture, Livestock, and Supply (MAPA). It is designed to ensure the quality and safety of Brazilian beef and beef products through the tracking of cattle from birth to slaughter. The system records and verifies information about each animal, including its origin, movement, and health status, which helps in preventing the spread of diseases and in verifying the animals' life history. For more information see: [SISBOV - Sistema Brasileiro de Rastreabilidade da Cadeia Produtiva de Bovinos e Bubalinos — Ministério da Agricultura e Pecuária \(www.gov.br\)](#)

⁴¹The "Cadastro Ambiental Rural" (CAR), or Rural Environmental Registry, is a public database established under the Brazilian Forest Code that serves as an instrument for environmental regulation, monitoring, and control in Brazil. The CAR is mandatory for all rural properties and aims to integrate environmental information regarding the preservation, conservation, and sustainable use of native vegetation, as well as the recovery of degraded areas.

⁴²The "Guia de Trânsito Animal" (GTA), or Animal Transit Guide, is a mandatory official document in Brazil that regulates the transportation of animals within the country. The GTA serves as the official certification for the movement of animals within Brazil, encompassing traceability details such as the source, destination, intent of transport, species involved, vaccination records, and more. More information is available at: [GOV.BR \(www.gov.br\)](#)

⁴³Raleira R., Rijk, G., and Piotrowski, M., 2022, *EU Deforestation Law: Traceability Viable in Brazilian Cattle and Soy Supply Chains* Available at: <https://chainreactionresearch.com/report/eu-deforestation-law-traceability-viable-in-brazilian-cattle-and-soy-supply-chains/>

⁴⁴Ibid.

⁴⁵Hiller, N., and Blot, E., 2022, *Securing the position of smallholders in zero-deforestation supply chains*, IEEP. Available at: <https://ieep.eu/publications/securing-the-position-of-smallholders-in-zero-deforestation-supply-chains/>.

⁴⁶Raleira R., Rijk G., and Piotrowski M., 2022, *EU Deforestation Law: Traceability Viable in Brazilian Cattle and Soy Supply Chains*. Available at: <https://chainreactionresearch.com/report/eu-deforestation-law-traceability-viable-in-brazilian-cattle-and-soy-supply-chains/>.

⁴⁷Erasmus K. H. J. zu Ermgassen, Ayre, B., Godar, J., Lima, M. G. B., Bauch, S., Garrett, R., Green, J., Lathuillière, M. J., Löfgren, P., MacFarquhar, C., Meyfroidt, P., Suavet, C., West, C., and Gardner, T., 2020, *Using supply chain data to monitor zero deforestation commitments: an assessment of progress in the Brazilian soy sector*. Environmental Research Letters, 15(3). Available at: [Using supply chain data to monitor zero deforestation commitments: an assessment of progress in the Brazilian soy sector - IOPscience](#).

⁴⁸Kuepper, B., Steinweg, T., and Piotrowski, M., 2020, *Brazilian beef supply chain under pressure amid worsening ESG impacts*, Chain Reaction Research. Available at: <https://chainreactionresearch.com/wp-content/uploads/2020/08/Brazilian-Beef-Supply-Chain-Under-Pressure-7.pdf>.

⁴⁹COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT minimising the risk of deforestation and forest degradation associated with products placed on the EU market Accompanying the document Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010. Available at: [SWD_2021_326_1_EN_impact_assessment_part1_v4.pdf \(europa.eu\)](#).

These three main meatpackers do not monitor their indirect suppliers which represents the bulk of the supply chain⁵⁰. In addition, actors in the meat and leather value chains claim the EUDR traceability requirements are challenging and will take long time to be applied in a large territory such as Brazil⁵¹. Although existing systems and tools could be expanded to trace cattle beyond slaughterhouses and direct suppliers, the EUDR still creates challenges for the Brazilian cattle supply chain⁵² thereby potentially impacting exports to the EU. These challenges relate mainly to ensuring full traceability as the Brazilian cattle supply chains is currently fragmented making tracing cattle beyond slaughterhouses and direct suppliers difficult.

2.1.5 Synergies with existing Brazilian legislation

Brazilian legislation presents synergies with the EUDR and opportunities for its implementation⁵³. The Forest code protects Permanent Preservation Areas (APPs) against deforestation. It establishes the Rural Environmental Registry, a public data base containing the geospatial data of lands such as Legal Forest Reserves and areas with agricultural activities. This can be used to meet the due diligence requirements (on geolocation) under the EUDR. In addition to the CAR, the National Rural Environmental Registry System (Sistema Nacional do Cadastro Ambiental Rural) contains information on environmental monitoring liabilities in APPs and Legal Forest reserves. Together CAR/SICAR support compliance of rural properties and production to Forest Code norms and the EUDR due diligence process. Operators who are covered under existing Brazilian green legislation, could save on compliance costs because of synergies between the EUDR and domestic rules.

2.1.6 The case of Indonesia

Indonesia is the country with the 6th highest value of exports to the EU of commodities covered by the EUDR. These exports to the EU generated EUR 3.18291 billion on average per year between 2015 and 2019⁵⁴. Palm oil accounts for the highest export value to the EU with USD 2.49 billion worth in 2022.

As a key exporter of palm oil and its derivatives to the EU, Indonesian supply chains, employment and exports will be affected by the EUDR, and this has fostered opposition to the new EU rules. Indonesia deemed the EUDR discriminatory against Indonesian exporters and contrary to WTO rules⁵⁵. According to the coordinating Indonesian minister for Economic Affairs, the implementation costs for

⁵⁰Raleira R., Rijk G. and Piotrowski M., 2022, *EU Deforestation Law: Traceability Viable in Brazilian Cattle and Soy Supply Chains* Available at: <https://chainreactionresearch.com/report/eu-deforestation-law-traceability-viable-in-brazilian-cattle-and-soy-supply-chains/>.

⁵¹Al-Invest Verde, 2022, DIALOGUE ON SUSTAINABILITY AND TRACEABILITY OF THE BEEF AND LEATHER CHAIN, First Technical Dialogue: The Role of Due Diligence in the Regularization of the Meat and Leather Value Chain in Brazil. Available at: [I-Executive-summary-ENG.pdf \(alinvest-verde.eu\)](https://alinvest-verde.eu/wp-content/uploads/2022/07/1-Executive-summary-ENG.pdf).

⁵²Raleira R., Rijk G., and Piotrowski M., 2022, *EU Deforestation Law: Traceability Viable in Brazilian Cattle and Soy Supply Chains*. Available at: <https://chainreactionresearch.com/report/eu-deforestation-law-traceability-viable-in-brazilian-cattle-and-soy-supply-chains/>.

⁵³Climate Policy Initiative, 2023, *Brazilian Environmental Policies and the New European Union Regulation for Deforestation-Free Products: Opportunities and Challenges*, Policy Brief for Climate Policy Initiative. Available at: [Brazilian-Environmental-Policies-and-the-New-European-Union-Regulation-for-Deforestation-Free-Products.pdf \(climatepolicyinitiative.org\)](https://climatepolicyinitiative.org/publication/brazilian-environmental-policies-and-the-new-european-union-regulation-for-deforestation-free-products/).

⁵⁴COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT minimising the risk of deforestation and forest degradation associated with products placed on the EU market Accompanying the document Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010. Available at: [SWD_2021_326_1_EN_impact_assessment_part1_v4.pdf \(europa.eu\)](https://ec.europa.eu/economy_finance/wp-content/uploads/SWD_2021_326_1_EN_impact_assessment_part1_v4.pdf).

⁵⁵Awaliyah, N., Iranto, D., and Mukhtar S., 2024, *Policy Analysis of European Union Deforestation Regulation (EUDR) on Indonesian Palm Oil Exports*. In International Student Conference on Business, Education, Economics, Accounting, and Management (ISC-BEAM) (Vol. 1, No. 1, pp. 501-510). Available at: <https://journal.unj.ac.id/unj/index.php/isc-beam/article/view/42747>.

Indonesia could reach USD 7 billion, restrict trade for the targeted commodities, and impact the logistics sector⁵⁶.

The supply chain of palm oil is characterized by a high number of small holders who account for around 42 % of the total palm oil planted areas in Indonesia⁵⁷. Small-scale farmers often rely on family labour to cultivate their land and grow palm oil as their main source of revenue⁵⁸. A survey to assess the impact of the EUDR on independent small holders in Indonesia found that the traceability requirements are challenging. Almost all respondents (98 %) relied on informal networks of intermediaries and overall transactions were found to be rarely documented and mostly based on trust between actors⁵⁹. Sub agents collect smallholder crops without segregating them, thereby making it impossible for the main agent/ oil mills to identify and trace the exact source of the commodity⁶⁰. The lack of transactional documentation and the plurality of actors in the chain (middlemen and small holders) will make compliance challenging⁶¹.

There is a risk that smallholders are excluded from the supply chains to Europe as a result⁶². This risk is exacerbated by the possibility that the compliance costs could be higher than the market value generated through compliance⁶³. Reflecting this, the Union Position of Oil palm Smallholders deplored the lack of support by trading companies and called for specific technical guidelines applicable to smallholder farmers⁶⁴.

Against this background, a Joint Task Force (JTF) has been set up working to build a common understanding on the implementation of the EUDR⁶⁵. In June 2023, Indonesia, Malaysia and the EU agreed to launch the Ad Hoc JTF to promote mutual understanding and address concerns on the implementation of the EUDR. The JTF includes officials of from Indonesia, the EU and Malaysia. Consequently, the EU will support Indonesia in the development of its STDB⁶⁶ smallholder registration of scheme⁶⁷ for all relevant commodities to mitigate the impact of the EUDR on smallholders⁶⁸. To overcome hurdles of traceability requirements and related compliance costs, the JTF is currently exploring the possibility to build on the existing Indonesian Sustainable Palm Oil certification scheme by identifying gaps

⁵⁶Gaveau, D. L., Locatelli, B., Salim, M. A., Husnayaen, Manurung, T., Descals, A., and Sheil, D., 2022, *Slowing deforestation in Indonesia follows declining oil palm expansion and lower oil prices*, Available at: [Slowing deforestation in Indonesia follows declining oil palm expansion and lower oil prices | PLOS ONE](#).

⁵⁷COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT (Part 2) minimising the risk of deforestation and forest degradation associated with products placed on the EU market Accompanying the document Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010, p169. Available at: [SWD_2021_326_1_EN_impact_assessment_part1_v4.pdf\(europa.eu\)](#).

⁵⁸Ibid.

⁵⁹The recent survey was conducted by researchers from the Indonesian environmental NGO Madani on the impact of the new EU regulatory framework on independent smallholders in four palm oil-producing districts in the country. More information is available at: [FINAL Draft Briefing paper on EUDR and smallholder 3 April.docx \(solidaridadnetwork.org\)](#).

⁶⁰Solidaridad, CPOPC and MVO., 2023, *Briefing Paper: Implications of the EU Deforestation Regulation (EUDR) for oil palm smallholders*, Available at: [FINAL Draft Briefing paper on EUDR and smallholder 3 April.docx \(solidaridadnetwork.org\)](#).

⁶¹Ibid.

⁶²Ibid.

⁶³Ibid.

⁶⁴Position of the Union of Palm Oil Smallholders (SPKS), 2024, Submission to the European Commission on the proposal for the regulation regarding commodities associated with deforestation and forest degradation, Available at: [SPKS](#).

⁶⁵EEAS, 2024, *Joint Press Release: The 2nd Meeting of the Ad Hoc Joint Task Force on the EUDR*. Available at: [Joint Press Release: The 2nd Meeting of the Ad Hoc Joint Task Force on the EUDR | EEAS \(europa.eu\)](#).

⁶⁶STDB stands for 'Surat Tanda Daftar Budidaya', in English: Cultivation Registration Certificate.

⁶⁷The STDB (Surat Tanda Daftar Budidaya) policy constitutes a comprehensive approach, not only addressing immediate smallholder challenges but also fostering a framework for sustainable smallholder oil palm plantation development. European Forest Institute, 2024, *Smallholder registration (STD-B) – challenges and strategies for acceleration*. Available at: [Brief STDB Acceleration EN 20231128.pdf\(efi.int\)](#).

⁶⁸EEAS, 2024, *Joint Press Release: The 2nd Meeting of the Ad Hoc Joint Task Force on the EUDR*. Available at: [Joint Press Release: The 2nd Meeting of the Ad Hoc Joint Task Force on the EUDR | EEAS \(europa.eu\)](#).

compared with the EUDR.⁶⁹ Further, the EU will support the expansion of Indonesia's timber legality assurance system (SVLK) to meet traceability and geolocation requirements. For all commodities, Indonesia's National Dashboard for Commodities will allow for the tracking of commodities (including rubber, palm oil and cacao) by aggregating data from different stakeholders to support compliance with the EUDR and enhance transparency.

Since 2020, deforestation of primary forests in Indonesia has been reduced by 64 %. Concerns were raised that the EUDR does not take account of the Indonesian government efforts with its environmental policies⁷⁰. That said, Indonesia remains the country with the 5th highest primary forest loss per hectares in 2022⁷¹.

Paradoxically, some critics claim the EUDR could lead to further deforestation by removing incentives for non-compliant producers to engage in sustainability practices because of high compliance costs⁷². Such producers could turn to other markets with a less stringent regulatory framework⁷³. Given the crucial role of the palm oil industry in supporting Indonesian small holders, some literature suggests that the EUDR could potentially jeopardize the progress made so far to reduce poverty and meet Sustainable Development Goals⁷⁴. This would occur if stakeholders responded to the EUDR requirements by deciding to export to other countries with lower environmental regulations and import laws instead of complying with the EUDR framework. That said, it will ultimately depend on the way the EUDR is implemented in Indonesia and producers' response.

2.2 Example 2: Digital transition cooperation with Africa

To examine the impact of EU policies on digital transitions of EU trading partners, the case of Africa is particularly relevant. Africa's rapid digitalization, illustrated by significant growth in internet connectivity and mobile usage, provides opportunities for cooperation with the EU on digital policies and infrastructure development. Moreover, considering the current development of regulatory frameworks and infrastructure addressing digitalization in Africa, the EU is faced with opportunities for cooperation potentially drawing on its own experience with the EU Digital Single Market.

Digitalisation is changing the way domestic and international trade operates. As a result, trade is becoming more innovation-driven, with growing importance of services and intellectual property protection⁷⁵. Financial institutions rely on international data transfers, traders increasingly use e-signatures to conclude international purchases and many everyday items combine high data sets and internet-enabled applications⁷⁶.

Digitalisation reduces the costs of trading at an international level and facilitates the operation of global value chains fostering growth for businesses and allowing more citizens to be connected. To

⁶⁹Ibid.

⁷⁰The report highlighted that Indonesia has reduced its primary forest loss by 64 % since 2020, leading the world in terms of reducing deforestation., Available at: <https://research.wri.org/gfr/latest-analysis-deforestation-trends>.

⁷¹S&P Global, 2023, Global impact of the EU's anti-deforestation law. Available at: <https://www.spglobal.com/esg/insights/featured/special-editorial/global-impact-of-the-eu-s-anti-deforestation-law>.

⁷²Access Partnership for the Tropical Forest Alliance, 2023, *Indonesia Regional Policy Briefing #6: Navigating EUDR and Rounding Up Recent Updates*. Available at: [EUDR Indonesia July-2023.pdf \(tropicalforestalliance.org\)](https://www.tropicalforestalliance.org/publications/eudr-indonesia-july-2023).

⁷³Ibid.

⁷⁴Access Partnership for the Tropical Forest Alliance, 2023, *Indonesia Regional Policy Briefing #6: Navigating EUDR and Rounding Up Recent Updates*. Available at: [EUDR Indonesia July-2023.pdf \(tropicalforestalliance.org\)](https://www.tropicalforestalliance.org/publications/eudr-indonesia-july-2023).

⁷⁵COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Trade Policy Review - *An Open, Sustainable and Assertive Trade Policy*. Available at: [resource.html \(europa.eu\)](https://ec.europa.eu/commission/presscorner/detail/en/ip18_111)

⁷⁶European Commission, 2024, *Digital Trade*. Available at: [Digital trade - European Commission \(europa.eu\)](https://ec.europa.eu/commission/presscorner/detail/en/ip24_111)

benefit from digitalisation, international cooperation to ensure interoperability of regulatory regimes and technologies is essential⁷⁷.

At international level, measures to addressing digital trade can be traced to decades ago. In 1998, WTO members adopted the Geneva Ministerial Declaration on Global Electronic Commerce⁷⁸ establishing a 'comprehensive work program to examine all issues relating to global electronic commerce'. Under this work programme, WTO members reiterated in 2024 their agreement to maintain current practices of not imposing custom duties on electronic transmissions. They also agreed to continue their work on electronic commerce (e-commerce) focusing on meeting the needs of least-developed country Members⁷⁹.

As countries transition digitally, efforts to influence third countries domestic digital policies create both geopolitical tensions and opportunities for cooperation⁸⁰. The US and China have been competing for global technological leadership⁸¹ risking to leave the EU behind as a digital industrial actor⁸².

Although the EU is the largest investor in Africa, China remains the most significant investor in the digital sector and infrastructure, accounting for 70 % of the continent's 4G networks⁸³. Under China's Belt and Road initiative (BRI), major infrastructure projects to increase connectivity across Africa have been undertaken, notably in Egypt⁸⁴. In response to the BRI, US President Biden announced in 2021 the 'Build Back Better World' initiative to mobilise private-sector capital in key areas including digital technology and infrastructure financing *inter alia* in Africa⁸⁵.

Importantly, China, the US and Europe have different approaches to digital policy. Embedded in the EU's approach is the promotion of a *'human-centric vision for the digital economy and society across the globe'*⁸⁶, placing citizens and individual liberties at the centre of digital policy. At the same time, the US follows a liberal stance to internet regulation supporting strong rights for non-state actors, emphasising private and corporate interests. In contrast, China's approach is characterized by the central role of the state and the eviction of non-government stakeholders from the decision-making process.

Against this background and acknowledging the intimate link between internal and external digital policies, the EU outlined that to *'truly influence the way in which digital solutions are developed and used on a global scale, the EU needs to be a strong, independent and purposeful digital player in its own right'*⁸⁷.

⁷⁷Ibid.

⁷⁸World Trade Organization, 1998, *The Geneva Ministerial Declaration on Global Electronic Commerce*. Available at: [WTO | Trade Topics - Electronic commerce - Declaration](#).

⁷⁹World Trade Organization, 2024, *Work Programme on Electronic Commerce*. Available at: [directdoc.aspx \(wto.org\)](#).

⁸⁰Daniels, C., Erforth, B., and Teevan, C., 2022, *Digitalisation for Transformation: New Frontiers for Africa–Europe Cooperation*, In *Africa–Europe Cooperation and Digital Transformation*, pp. 1-16. Routledge. Available to download at: [\[PDF\] DIGITALISATION FOR TRANSFORMATION New Frontiers for Africa–Europe Cooperation | Semantic Scholar](#).

⁸¹UNCTAD, 2019, *Digital Economy Report, Value Creation and Capture: Implications for Developing Countries*, New York. Available to download at: [Home \(unctad.org\)](#).

⁸²Teevan C., 2021, *Building strategic European digital cooperation with Africa*, Briefing Note No.134, ECDPM. Available at: [Building strategic European digital cooperation with Africa – ECDPM Briefing Note 134](#).

⁸³Ibid.

⁸⁴Githaiga, N. M., Burimaso, A., Wang, B., and Ahmed, S. M., 2019, *The belt and road initiative: Opportunities and risks for Africa's connectivity*, *China Quarterly of International Strategic Studies*, 5(01), 117-141.

⁸⁵The White House, 2021, *FACT SHEET: President Biden and G7 Leaders Launch Build Back Better World (B3W) Partnership*. Available at: [FACT SHEET: President Biden and G7 Leaders Launch Build Back Better World \(B3W\) Partnership | The White House](#)

⁸⁶European Commission, *Responsible digitalisation, International Partnerships*. Available at: [Responsible digitalisation - European Commission \(europa.eu\)](#).

⁸⁷Daniels, C., Erforth, B., and Teevan, C., 2022, *Digitalisation for Transformation: New Frontiers for Africa–Europe Cooperation*, In *Africa–Europe Cooperation and Digital Transformation*, pp. 1-16. Routledge. Available to download at: [\[PDF\] DIGITALISATION FOR TRANSFORMATION New Frontiers for Africa–Europe Cooperation | Semantic Scholar](#).

The digital transformation has been central in shaping both EU internal and external trade policies⁸⁸. The EU's trade policy communication 'An Open Sustainable and Assertive Trade Policy' published in 2021 states that *'trade policy will play a vital role in attaining the EU's objectives linked to the digital transition. European businesses rely on digital services, and this will only increase⁸⁹'*.

Putting this statement into practice, self-standing chapters addressing digital trade and e-commerce have been included in the EU's FTAs with third countries such as the UK, Chile, New Zealand, and Japan reflecting the adjustment of trade relationships to account for digitalization⁹⁰. Binding provisions on digital trade in bilateral agreements include *inter alia* promoting electronic contracts, ensuring online consumer protection, prohibiting unjustified barriers to data flows, and facilitating regulatory cooperation. These FTA clauses support an enabling environment for economic operators to upscale their value chain and reap the benefits of new technologies. These digital trade rules have a threefold objective: to facilitate digital trade, to foster online trust and to remove barriers to digital trade while ensuring sufficient regulatory space for our current and future normative framework.

Over the years, the EU legislators have built a normative framework for the digital single market including the Digital Markets Act and the Digital Services Act which ensure the safety of users online and protects fundamental rights while supporting fair and open online platform environments⁹¹. Some noteworthy rules include the GDPR, which was adopted to foster trust and protect citizens' personal information, allowing the digital economy to develop safely across the internal market⁹² as well as the Digital Markets Act and the Digital Services Act.

Africa has been embarking on its own digital journey with a rapid increase in connectivity. Africa has recorded the highest growth in internet connectivity in the past years going from 2.1 % in 2005 to 24.4 % in 2018⁹³. The number of computers in households and mobile phone subscriptions has also rapidly increased (with the mobile economy accounting for 6.7 % of overall GDP in Africa in 2016⁹⁴).

However, growth has been heterogeneous across the African continent and there are significant disparities in connectivity between and within countries with some areas neighbouring 90 % of internet coverage and others below 15 %⁹⁵. Disparities in internet usage are illustrated in the map next to this paragraph which provides the number of individuals using internet in percentage of the population in African nations. The fragmented regulatory landscape and lack of infrastructure hamper the creation of Africa's Digital Single Market. Several African countries have digital plans or policies in standalone documents (Botswana, Senegal, Ethiopia, Ivory Coast, and South Africa) but most African states don't have

⁸⁸EC Communication, *An Open, Sustainable and Assertive Trade Policy*. Available at: [resource.html \(europa.eu\)](#)

⁸⁹Ibid.

⁹⁰Jütten, M., 2024, [The EU's digital trade policy](#), European Parliament briefing.

⁹¹The Digital Services Act package, European Commission Available at: <https://digital-strategy.ec.europa.eu/en/policies/digital-services-act-package>

⁹²Preamble (7) Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (Text with EEA relevance). Available at: [REGULATION \(EU\) 2016/ 679 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL - of 27 April 2016 - on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/ 46/ EC \(General Data Protection Regulation\) \(europa.eu\)](#).

⁹³AU-EU Digital Economy Task Force, 2024, *New Africa-Europe Digital Economy Partnership: Accelerating the Achievement of the Sustainable Development Goals*. Available at: https://international-partnerships.ec.europa.eu/system/files/2021-01/new-africa-eu-digital-economy_en_0.pdf.

⁹⁴Ibid.

⁹⁵Ibid.

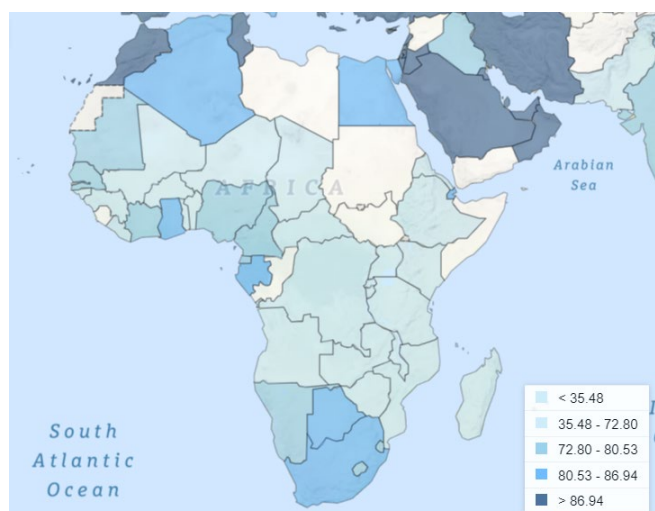


Figure 1. Map of Africa showing the number of individuals using internet in percentage of the population (2022). Source: International Telecommunication Union (ITU) World Telecommunication/ICT Indicators Database/ World Bank Data. Available at: [Individuals using the Internet \(% of population\) | Data \(worldbank.org\)](https://data.worldbank.org/indicator/IT03SM05?locations=AF)

promote the adoption of a single currency to facilitate intra-African payments⁹⁹.

Complementing the ACFTA and mirroring the EU's digital journey, the African Union Digital Transformation Strategy for Africa 2020-2030 foresees the creation of an African Digital Single Market that would promote the free movement of capital, services, persons and facilitate access to online activities for businesses operating in Africa.

In this vein, the Secretariat of the AfCFTA recently circulated the draft of the Protocol on Digital Trade¹⁰⁰. This draft is generally aligned with the EU's digital trade practice. It develops harmonized rules and standards *'that enable and support digital trade for sustainable and inclusive socio-economic development and the digital transformation of the continent'*¹⁰¹. All digital trade measures adopted or maintained by State Parties will be subject to the Protocol. It is in the EU's interest to support digital development cooperation with African countries and the convergence of EU-African digital policies and rules.

The EU is a key partner to Africa for digital cooperation and many joint initiatives were launched to support Africa's digital transition and the ACFTA. It was recognised at the sixth EU-AFRICA business forum that the digital economy can provide cost-effective solutions to ongoing development challenges, stimulate inclusive economic growth, job creation and sustainable developments¹⁰². Following suit, the

a comprehensive framework to govern and shape the digital transformation⁹⁶. In addition, African governments adopt differing normative stances towards digitalisation. These include restraining digital innovation (through e.g., internet shutdowns) or enabling regulatory environments for digital developers and businesses.

There are efforts to overcome regulatory divergences at continental level. The most significant is the African Continental Free Trade Agreement (ACFTA) founded in 2018. It creates wide opportunities for economic development⁹⁷ and will be the largest free trade area worldwide in terms of number of participating countries⁹⁸. The ACFTA covers investments, intellectual property rights and competition policies. It is key to Africa's digital economy as it will enhance the continents' ability to negotiate as a block during trade talks with the EU, attract investment for start-ups and potentially

⁹⁶Daniels, C., Erforth, B., and Teevan, C., 2022, *Digitalisation for Transformation: New Frontiers for Africa–Europe Cooperation*, In *Africa–Europe Cooperation and Digital Transformation*, pp. 1-16. Routledge. Available at: [\[PDF\] DIGITALISATION FOR TRANSFORMATION New Frontiers for Africa–Europe Cooperation | Semantic Scholar](#).

⁹⁷Iyer, N., 2024, *Europe's Digital Strategy in Africa: What's Really on Offer?*, Afripoli. Available at: [Europe's Digital Strategy in Africa: What's Really on Offer? - Africa Policy Research Institute \(APRI\) \(afripoli.org\)](#).

⁹⁸Teevan, C., 2021, *Building strategic European digital cooperation with Africa*, Briefing Note No.134, ECDPM. Available at: [Building strategic European digital cooperation with Africa – ECDPM Briefing Note 134](#).

⁹⁹Iyer, N., 2024, *Europe's Digital Strategy in Africa: What's Really on Offer?*, Afripoli. Available at: [Europe's Digital Strategy in Africa: What's Really on Offer? - Africa Policy Research Institute \(APRI\) \(afripoli.org\)](#).

¹⁰⁰African Continental Free Trade Area Secretariat, *Draft Protocol to the Agreement Establishing The African Continental Free Trade Area on Digital Trade*, 2024, Available at: https://www.bilaterals.org/IMG/pdf/afcfta_digital_trade_protocol_-_9_february_2024_draft.pdf

¹⁰¹Ibid.

¹⁰²European Union, 2022, *Shaping Europe's digital future*, Available at: <https://digital-strategy.ec.europa.eu/en/policies/africa>.

Digital4Development policy of the EU supports the digital integration of the African continent with the African Union (AU) guiding this process. Digital4Development also has a direct impact on African domestic policies. It seeks to deploy affordable broadband connectivity and assure a direct link with the EU through a cross-border backbone infrastructure. Further, Digital4Development supports the creation of sustainable jobs by relying on the potential of African entrepreneurship. It provides investment and deployment of digital services including 'e-government, e-education, e-health, e-commerce, e-agriculture or fin tech'¹⁰³ for citizens in Africa.

In 2018, the AU-EU Digital Economy Task force (DETF) was launched with the long-term objective of creating a comprehensive continent-to-continent free trade agreement between Africa and the EU, building on the AfCFTA. The Task Force is a platform that includes the private sector, donors, international organisation, financial institutions, and civil society. The DETF is made up of Africans and Europeans and is perceived as a positive step forward to formulate a cooperation agenda¹⁰⁴ on the digital economy. It has led to policy recommendations¹⁰⁵ for EU support in Africa's digital transition focussing on key areas such as connectivity, digital skills, digital entrepreneurship, and digital services. The AU-EU Task force's work and policy options are reflected in the African Union's Digital Transformation Strategy as endorsed in 2019 by the Sharm El Sheik declaration¹⁰⁶.

2.2.1 Connectivity

Digital infrastructure is the backbone of the e-economy and digitalization. High quality access to communication networks and services for people and firms is a prerequisite to any digital transformation¹⁰⁷. Communication networks are needed to allow transfers of data between connected devices to take place rapidly.

In Africa, only 36 % of the overall population had broadband internet access in 2022¹⁰⁸ partly because of the lack of access and limited affordability of broadband and devices¹⁰⁹. According to the AU-EU Digital Economy Task force's report, this results from the lack of investment in African connectivity infrastructure, the failure of commercial business models in underserved areas and the fragmentation of regulatory frameworks¹¹⁰. To enhance connectivity, the AU-EU Digital task Force recommends boosting investment in connectivity infrastructure. This would allow for an interconnected continent and foster partnerships between actors (such as governments, banks, and investors). In addition, it promotes the adoption of measures to increase affordability of broadband and technology to citizens also protecting them from cyber threats¹¹¹.

In 2021, the EU announced its global connectivity initiative 'Global Gateway' which includes EUR 150 billion in investments *inter alia* to support the digital transition in Africa by providing universal

¹⁰³ Ibid.

¹⁰⁴ Teevan, C., 2021, Building strategic European digital cooperation with Africa, Briefing Note No.134, ECDPM.

¹⁰⁵ New Africa-Europe Digital Economy Partnership - report of the EU-AU Digital Economy Task Force, 2024 Available at: https://international-partnerships.ec.europa.eu/system/files/2021-01/new-africa-eu-digital-economy_en_0.pdf.

¹⁰⁶ African Union, 2019, 2019 SHARM EL SHEIKH DECLARATION STC – CICT-3. Available at: https://au.int/sites/default/files/decisions/37590-2019_sharm_el_sheikh_declaration_-_stc-cict-3_oct_2019_ver2410-10pm-1rev-2.pdf.

¹⁰⁷ Ibid.

¹⁰⁸ World Bank, 2023, *From Connectivity to Services: Digital Transformation in Africa*. Available at: <https://www.worldbank.org/en/results/2023/06/26/from-connectivity-to-services-digital-transformation-in-africa>

¹⁰⁹ New Africa-Europe Digital Economy Partnership - report of the EU-AU Digital Economy Task Force, 2024.

¹¹⁰ Ibid.

¹¹¹ Ibid.

access throughout the continent to safe and reliable internet networks¹¹². To give strength to connections within Africa but also between Africa and Europe, the Global Gateway initiative eases projects in submarine and terrestrial fiber optic cables¹¹³. As part of the AU-EU Digital4Development Hub, work is being carried out on the creation of subsea digital cables to link Europe to Africa¹¹⁴.

2.2.2 E-commerce

E-commerce presents significant opportunities to increase access to goods and improve competition in the market¹¹⁵, **attract new investments, create jobs, and accelerate growth**. With the rapid growth in connectivity and internet usage across Africa, there has recently been an increase in the use of mobile telephony, mobile money services, use of credit cards and access to bank accounts¹¹⁶.

Challenges in the uptake of e-commerce in Africa include debit card payments penetrating only 10 % of the population and credit card ownerships as low as 2 %¹¹⁷. In 2017, Africa's share of global e-commerce was below 2 %¹¹⁸ and the UNCTAD estimates that the business to consumer e-commerce market in Africa in that year was EUR 5.7 billion amounting to less than 0.5 % of the continent's GDP¹¹⁹.

The main barriers to e-commerce in Africa are cybercrime, the lack of an adequate legal framework to support e-commerce and poor consumer protection¹²⁰. Other obstacles are the lack of postal address systems, lack of identity proof system and lack of internationally operable payment methods (i.e., credit card) hampering safe delivery. Because of infrastructure deficiencies, the costs of transportation in Africa are significantly higher than in other parts of the world¹²¹.

To remedy this, the recent AfCFTA called for the adoption of common norms and practices and e-commerce across the continent. The DETF developed recommendations to help Africa address these challenges. The AfCFTA includes a built-in agenda on e-commerce and digital trade providing African countries with a framework to design a pan-African digital strategy which, according to the DEFT's recommendation should also protect consumer rights. In addition, the e-commerce protocol of the African Continental Free Trade Area aims to support African owned e-commerce platforms at continental and national levels. *Inter alia* it will remove tariff barriers and upgrade digital infrastructure by creating reliable payment solutions in Africa which is outlined as crucial by the DETF. For challenges related to postal delivery and transportation, the DETF suggests turning towards increased regional cooperation.

2.2.3 Regulatory convergence EU-Africa

The EU has had a significant influence on Africa's approach to data governance. Over the last decade, 25 African countries have legislated in the field of data protection drawing inspiration, at

¹¹²European Commission, 2024, *EU-Africa: Global Gateway Investment Package*. Available at: https://international-partnerships.ec.europa.eu/policies/global-gateway/initiatives-region/initiatives-sub-saharan-africa/eu-africa-global-gateway-investment-package_en.

¹¹³ibid.

¹¹⁴ibid.

¹¹⁵EU-AU Digital Economy Task Force, 2024, *New Africa-Europe Digital Economy Partnership*.

¹¹⁶Igue, C., Alinsato, A., and Agadjihouédé, T., 2021, *E-commerce in Africa: issues and challenges. Adapting to the digital trade era: challenges and opportunities*, 118-139. Available at: [09_adtera_chapter_05_e.pdf \(wto.org\)](https://www.wto.org/09_adtera_chapter_05_e.pdf).

¹¹⁷International Trade Administration, 2021, *The Rise of eCommerce in Africa*. Available at: <https://www.trade.gov/rise-ecommerce-africa>.

¹¹⁸World Trade Organization, *E-commerce in Africa: issues and challenges. Adapting to the digital trade era: challenges and opportunities*. Available at: [WTO | Adapting to the Digital Trade Era: Challenges and opportunities Edited by Maarten Smeets](https://www.wto.org/09_adtera_chapter_05_e.pdf).

¹¹⁹ibid.

¹²⁰ibid.

¹²¹ibid.

¹²¹Brickstone, 2024, *Facts about Africa's Road transport Infrastructure*, Available at: <https://brickstone.africa/africas-road-transport-infrastructure/>.

least to some extent, from the European GDPR¹²². To engage with digital users in the EU and have access to the EU single market, companies must comply with the GDPR's comprehensive requirements in terms of usage and storage data. According to the GDPR's territorial scope, even if a company is not located in the Union, it will have to comply with the GDPR requirements if it processes personal data of subjects in the EU for the purpose of offering goods or services¹²³. Some criticism arose regarding this approach whereby third countries align their domestic policies with the EU regulatory framework as a way to facilitate cross-border e-commerce¹²⁴. The DETF unites African and European actors and therefore palliate these concerns. The partnership paves the way for bilateral setting of standards with the AU formulating its own agenda supported by EU actors.

Although the inclusion of digital policy in its external action is a rather recent development for the EU¹²⁵, it has brought support to the AU in the negotiations of the Digital Trade Protocol of the AfCFTA and following DSM¹²⁶. Africa is still at an early stage of its digital transformation with rapidly expanding levels of connectivity and reliance on e-commerce although it remains behind at global level. That said, the EU is gradually becoming a key partner as the AU-EU digital cooperation unfolds. Ties between the blocks are deepening with several initiatives such as the DETF and the Digital4Development hub. The EU is leaving its footprint emphasizing human-centric values and open competition in digital policies through the collaboration embodied by the DETF and its recommendations. Regulatory convergence and increased interoperability in the digital sector between the EU and Africa will facilitate trade synergies between these markets benefitting economic African and European operators and citizens. At the same time, challenges remain as China is one of the largest digital infrastructure investors in Africa and there is significant regulatory divergence between African countries.

3 Impact of trade measures on industrialisation policies in third countries

Free Trade Agreements (FTA) and multilateral trade agreements are the main instruments used by the EU to remove trade barriers and allow EU companies to export their goods and services in third country markets and *vice versa*. Based on case studies for Chile and Vietnam, this section assesses how bilateral and multilateral trade measures impact third countries and their economic actors.

3.1 Case study: Chile

The EU is Chile's third largest trading partner accounting for 9.5 % of Chile's total global trade in 2022¹²⁷. It is also Chile's third most significant import supplier and third largest export market after China and the USA¹²⁸. A large portion of the EU-Chile trade relates to goods which account for a total of EUR 18.5 billion in 2022, while EUR 7.2 billion were traded in services¹²⁹. The goods exported from the EU to Chile in

¹²²Center for Global Development, 2024, *Upgrading the Africa-EU Digital Relationship*, Available at: <https://www.cgdev.org/blog/upgrading-africa-eu-digital-relationship>.

¹²³ See Article 3 of the General Data Protection Regulation.

¹²⁴Mannion, C., 2021, *Data imperialism: The GDPR's disastrous impact on Africa's E-commerce markets*, Vanderbilt Law Review. Available at: [Data Imperialism: The GDPR's Disastrous Impact on Africa's E-Commerce Markets \(vanderbilt.edu\)](https://www.vanderbilt.edu/lawreview/data-imperialism-the-gdpr-s-disastrous-impact-on-africa-s-e-commerce-markets).

¹²⁵Teevan, C., 2021, *Building strategic European digital cooperation with Africa*- Briefing Note No.134, ECDPM. Available at: [Building strategic European digital cooperation with Africa – ECDPM Briefing Note 134](https://www.ecdpm.org/work/towards-african-digital-single-market-opportunities-au-eu-partnership).

¹²⁶Floyd, R., and Musoni, M., 2023, *Towards an African digital single market: Opportunities for the AU-EU partnership – Briefing Note 167*, ECDPM. Available at: <https://ecdpm.org/work/towards-african-digital-single-market-opportunities-au-eu-partnership>

¹²⁷European Commission, 2023, *EU trade relations with Chile. Facts, figures and latest developments*, Available at: [EU trade relations with Chile \(europa.eu\)](https://ec.europa.eu/eu-trade-relations-with-chile).

¹²⁸Ibid.

¹²⁹European Commission, *The EU-Chile agreement explained*, Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/chile/eu-chile-agreement/agreement-explained_en

2022 were mainly machinery (27.5 %), chemical products (18.9 %) and transport equipment (17.3 %). The goods exported from Chile to the EU were mainly agricultural products (38.5 %), mineral products (20.3 %), copper (21.4 %) and chemicals (14.7 %) ¹³⁰.

In 2002, Chile began entering FTAs with other trading partners including the US, Europe and Asia as a way to further liberalise its industrial policy ¹³¹. The Association Agreement between Chile and the EU concluded in 2002 covered EU-Chile trade relations and focussed on goods ¹³². Since then, EU-Chile bilateral trade has increased by 169 % as of 2022 ¹³³. Subsequently, Chile signed 26 additional Free Trade Agreements with 64 countries including the USA in 2004, China in 2006 and Japan in 2007 ¹³⁴.

Against this background, the Association Agreement of 2002 was essential to avoid EU suppliers from being at a competitive disadvantage in the Chilean market. Chile also joined the multilateral Pacific Alliance and the Trans-Pacific Partnership (now Progressive Agreement for Trans-Pacific Partnership) ¹³⁵ both promoting economic integration and trade liberalisation.

Considering the major global changes that occurred since 2002 ¹³⁶, **the EU and Chile entered negotiations to modernise the EU-Chile Association Agreement** ¹³⁷ **leading to the signature of the advanced Framework Agreement (AFA) in December 2023.** The AFA is expected to come into force at the end of 2024/early 2025. It removes tariffs and trade barriers, improves market access for Chilean products and exports and facilitates trade in services. It also creates safeguards to avoid unfair competitive practices such as monopolies or dual pricing as seen in trade with other countries such as Russia and China for example.

The impact of the AFA on economic operators and SMEs in Chile and Europe is expected to be positive overall ¹³⁸. For example, the French water treatment firm Eau Pure entered the Chilean market doubling its turnover and workforce in two years ¹³⁹. Reciprocally, almost 40 % of Chilean operators exporting to the EU are SME's as of 2022 ¹⁴⁰.

The new AFA aims to boost EU-Chile trade by agreeing on enhanced rules of good governance for customs procedures based on provisions of the WTO Trade Facilitation Agreement (and going further

¹³⁰EEAS, 2021, *RELATIONS WITH THE EU: The European Union and Chile*, Delegation of the European Union to Chile. Available at: https://www.eeas.europa.eu/chile/european-union-and-chile_en?s=192.

¹³¹It is worth noting that following the military coup in 1973, Chile began to open its economy and expand its range of industries. The country initiated unilateral trade liberalization in the 1970s; post-1990, it supplemented these efforts with preferential trade agreements, in addition to unilateral and multilateral trade policies (becoming a member of the Asia-Pacific Economic Cooperation (APEC) in 1994, joining the WTO in 1995, and MERCOSUR in 1996).

¹³²EEAS, 2021, *RELATIONS WITH THE EU: The European Union and Chile*, Delegation of the European Union to Chile. Available at: https://www.eeas.europa.eu/chile/european-union-and-chile_en?s=192.

¹³³Ibid.

¹³⁴Proposal for a COUNCIL DECISION on the signing, on behalf of the European Union, and provisional application of the Advanced Framework Agreement between the European Union and its Member States, of the one part, and the Republic of Chile, of the other part, Brussels, 5.7.2023 COM(2023) 431 final 2023/0257 (NLE). Available at: [resource.html\(europa.eu\)](resource.html(europa.eu))

¹³⁵European Commission, *The EU-Chile agreement explained*. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/chile/eu-chile-agreement/agreement-explained_en

¹³⁶Proposal for a COUNCIL DECISION on the signing, on behalf of the European Union, and provisional application of the Advanced Framework Agreement between the European Union and its Member States, of the one part, and the Republic of Chile, of the other part, Brussels, 5.7.2023 COM(2023) 431 final 2023/0257 (NLE), available at: [resource.html\(europa.eu\)](resource.html(europa.eu))

¹³⁷EEAS. (n.d.). EU trade relations with Chile.

¹³⁸European Commission, 2019, Sustainability Impact Assessment in Support of the Negotiations for the Modernisation of the Trade Part of the Association Agreement with Chile, Brussels.

¹³⁹European Commission, France - Fresh water from a French firm, Available at: [Fresh water from a French firm\(europa.eu\)](Fresh water from a French firm(europa.eu))

¹⁴⁰EEAS, 2024, *RELATIONS WITH THE EU: The European Union and Chile*. Chile was the first country in Latin America to have a local EU representation back in 1967. Available at: https://www.eeas.europa.eu/chile/european-union-and-chile_en?s=192.

in some areas)¹⁴¹. This is done *inter alia* by streamlining procedures and increasing their efficiency to reduce their costs for economic actors including SMEs¹⁴².

The AFA also increases transparency and legal certainty for economic operators and SMEs by providing them with access to relevant customs legislation and allowing the business community to comment before the adoption of new customs-related initiatives¹⁴³. Chilean operators and citizens will now be granted the ability to provide their services in the EU including as contractual service suppliers or as independent professionals¹⁴⁴. SMEs will also have access to tools to have better knowledge of market opportunities: a dedicated chapter on SMEs requires that Chile provides a specific website comprising the information needed for Chilean SMEs to access the EU market and *vice versa*.

3.1.1 Industrialisation in Chile: the mining industry

Chile has notable strategic trading advantages, due to the large reserves of lithium on its land.

Lithium is a mineral required to build electric-vehicle batteries and other green technologies. It is essential for the EU's digitalization agenda. The EU imports 79 % of its Lithium from Chile as of 2023¹⁴⁵ and the liberalisation of lithium trade market has led to a significant increase in production with the surface area of extraction multiplying by four in the period 1997- 2017¹⁴⁶. The AFA is designed to guarantee the EU a steady and secure supply of lithium through its comprehensive customs trade and facilitation provisions setting a zero-tariff on trade in lithium products.

The increase of industrial mining of lithium and metals exerts environmental and social pressure on the country. Lithium extraction takes place through an evaporation of salt brines in solar ponds¹⁴⁷. In the Atacama Desert, lithium extraction uses up to two thirds of the drinking water available in the area¹⁴⁸. This has an impact on biodiversity, local smallholder farms, and the local indigenous populations.

There are some concerns that the EU trade policy is externalizing environmental costs of electronic automobility¹⁴⁹. Negative environmental impacts caused by lithium extraction depend on how the metal is extracted, the inclusiveness of the process and the efficiency of its upscaling¹⁵⁰. Nevertheless, the EU's trade policy aims to secure access to these products while promoting sustainability practices and standards and acknowledging Chile's sovereignty in formulating its own industrialization and environmental protection policy.

¹⁴¹EU-Chile Advanced Framework Agreement Summary of the Trade and Investment pillar. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/chile/eu-chile-agreement/text-agreement_en

¹⁴²Ibid.

¹⁴³Ibid.

¹⁴⁴European Commission, Trade: The EU-Chile agreement explained.

¹⁴⁵European Commission, Milan, G., and Constanze, V., 2023, *Study on the Critical Raw Materials for the EU 2023*, Available at: <https://op.europa.eu/en/publication-detail/-/publication/57318397-fdd4-11ed-a05c-01aa75ed71a1>

¹⁴⁶European Commission, 2019, Sustainability Impact Assessment in Support of the negotiations for the modernisation of the Trade Part of the Association Agreement with Chile. Available at: <https://op.europa.eu/en/publication-detail/-/publication/72d9a485-9524-11ec-b4e4-01aa75ed71a1/language-en>.

¹⁴⁷Institute for European Environmental Policy, 2023, *POST-FTA BRIEFING: EU-Chile*. Available at: <https://ieep.eu/wp-content/uploads/2023/03/EU-Chile-Post-Briefing.pdf>.

¹⁴⁸Ibid.

¹⁴⁹Schlosser, N., 2020, *Externalised costs of electric automobility: social-ecological conflicts of lithium extraction in Chile*. No. 144/2020. Working Paper. Available at: [EconStor: Externalised costs of electric automobility: Social-ecological conflicts of lithium extraction in Chile](https://econstor.eu/Externalised_costs_of_electric_automobility:_Social-ecological_conflicts_of_lithium_extraction_in_Chile).

¹⁵⁰European Commission, 2019, Sustainability Impact Assessment in Support of the negotiations for the modernisation of the Trade Part of the Association Agreement with Chile. Available at: <https://op.europa.eu/en/publication-detail/-/publication/72d9a485-9524-11ec-b4e4-01aa75ed71a1/language-en>.

Sustainability safeguards include the joint commitment to carry out environmental assessments for any ERM project that may impact the environment and public health giving a chance to the public to participate in the process¹⁵¹. The AFA further states that Chile remains sovereign in its decision to allow or not the exploitation of its natural resources¹⁵².

Another mitigating measure lies in AFA facilitated investment in technologies to support sustainability in the renewable energies and mining sectors. To guarantee that mining follows stringent environmental and social standards, private capital provided by EU investors will be essential as it will support resilient value chains¹⁵³ and innovation in renewables. For example, German researchers¹⁵⁴ established a partnership with Chilean researchers¹⁵⁵ to launch the BrineMine initiative. This project developed more sustainable methods to extract raw metals and lithium while also providing water¹⁵⁶ in the process.

3.1.2 Food and agriculture

The initial Association Agreement focused mainly on goods and provided Chilean economic operators with access to the EU wine market turning Chile into a leader in wine exports¹⁵⁷. Chile is also the second largest exporter of salmon worldwide since the mid-2000s¹⁵⁸. It is noteworthy that the main markets of Chilean salmon exports are the US and Japan with the EU accounting for around 5 % of all exports in 2018¹⁵⁹.

However, the growth of the grape industry has negative impacts on biodiversity and traditional agriculture based on local livelihoods. The main export destinations for Chilean grapes in 2022 were the US (USD 578 million), China (USD 129 million) and the Netherlands (USD 82.5 million)¹⁶⁰. The increasing dependence on global markets (for example the global north for 'superfoods') is at times considered to benefit primarily large-scale commercial farmers who employ local workers precariously¹⁶¹.

The AFA may also affect the dairy industry as the EU was the third largest supplier of cheese to Chile in 2022. The new AFA recognises 216 EU geographical indications (e.g., feta, gruyere, parmesan), offering broad protection of the terms. This will impact Chilean economic actors in the dairy industry who will have to modify commercialisation strategies to import, and export products without using the terms of protected European origin names¹⁶². In turn, consumers may experience price increases for these products

¹⁵¹Ibid.

¹⁵²Ibid.

¹⁵³Simon, F., 2023, *EU in talks with Chile on raw materials 'strategic partnership'*. Available at: <https://www.euractiv.com/section/circular-economy/news/eu-in-talks-with-chile-on-raw-materials-strategic-partnership/>.

¹⁵⁴From the Karlsruhe Institute of Technology (KIT).

¹⁵⁵At the Centro de Excelencia en Geotermia de Los Andes (CEGA).

¹⁵⁶Goldberg, V., Winter, D., Nitschke, F., Rath, M., Held, S., Spitzmüller, L., Budach, I., Pavez, M., Morata, D., Koschikowski, J., and Kohl, T., 2021, *The potential of raw material extraction from thermal brines – Successful milestones of the BrineMine project*, GEOTHERMAL ENERGY, Oil Gas Publisher. Available at: https://geothermics.agw.kit.edu/downloads/OGA_001_21_026-033_Goldberg_et_al_HP-Liz.pdf.

¹⁵⁷European Commission, Directorate-General for Agriculture and Rural Development, 2023, *Agriculture and rural development: Modernised EU-Chile agreements on wines and spirits to facilitate trade*. Available at: [Modernised EU-Chile agreements on wines and spirits to facilitate trade - European Commission \(europa.eu\)](https://ec.europa.eu/agriculture/sites/default/files/2023-03/modernised_eu_chile_agreements_on_wines_and_spirits_to_facilitate_trade_-_european_commission_(europa.eu).pdf).

¹⁵⁸Institute for European Environmental Policy, 2023, *POST-FTA BRIEFING: EU-Chile*. Available at: <https://ieep.eu/wp-content/uploads/2023/03/EU-Chile-Post-Briefing.pdf>

¹⁵⁹European Commission, 2019, *Sustainability Impact Assessment in Support of the negotiations for the modernisation of the Trade Part of the Association Agreement with Chile*. Available at: <https://op.europa.eu/en/publication-detail/-/publication/72d9a485-9524-11ec-b4e4-01aa75ed71a1/language-en>.

¹⁶⁰Observatoire of Economic Complexity (OEC), 2024, *Grapes in Chile*, Available at: [Grapes in Chile | The Observatory of Economic Complexity \(oec.world\)](https://oec.world/en/explore/regions/chile/agriculture/grapes)

¹⁶¹Gwynne, R., 2002, *Globalisation, Commodity Chains and Fruit Exporting Regions in Chile*. Tijdschrift voor Economische en Sociale Geografie Vol. 90, pp211-225. Available at <https://onlinelibrary.wiley.com/doi/abs/10.1111/1467-9663.00062>.

¹⁶²Catalan, S. G., 2023, *Report Name: Market Impacts from the EU-Chile Modernization Agreement*. United States Department of Agriculture, Foreign Agricultural Service and the Global Agricultural Information Network. Available at: <https://apps.fas.usda.gov/>

because of lower supply and reduced market diversification¹⁶³ and European dairy companies will have fewer competitors on the Chilean markets and benefit from a competitive advantage. On the other hand, geographical indications also provide benefits for consumers by protecting them from false or misleading information on the origins of products covered by the indications. While EU premium products could increase in price as a result, this could also potentially foster commercialisation of different products and decrease the prices of products that are not protected by the geographical indication. As mitigating measures, the AFA foresees long phase out periods for some products (e.g., 6 years for Feta) and that existing bona fide producers listed in the AFA will be able to continue using certain terms (e.g. Parmesano).

Importantly, the AFA contains a dedicated chapter on sustainable food systems with the objective of improving the resilience and sustainability of food supply chains. The inclusion of such a chapter is a novelty in EU trade Agreements. Among other things, the chapter ensures closer cooperation between the EU and Chile on animal welfare standards and phasing out the use of certain antimicrobials¹⁶⁴.

3.2 Case study: Vietnam

The Association of Southeast Asian Nations, a large market of 660 million consumers¹⁶⁵, (ASEAN) and the EU are important trading partners with common values and principles of rules-based international order, sustainable multilateralism, and free trade¹⁶⁶. In 2021, bilateral trade in services between the blocks reached EUR 92.9 billion¹⁶⁷. The ASEAN and the EU agreed to pause their negotiations to establish a region-to-region trade agreement prioritising bilateral forms of negotiations¹⁶⁸. The EU concluded bilateral agreements with Singapore in 2014, Vietnam in 2015 while negotiations with the Philippines¹⁶⁹ and Thailand are ongoing¹⁷⁰. These bilateral FTA are designed to be building blocks for a region-to-region agreement¹⁷¹.

Among the members of the ASEAN, Vietnam is the most important trading partner of goods, and the second largest partner for trades in goods and services combined, with Singapore coming first¹⁷². This positions Vietnam as the EU's 16th largest trading partner in goods in 2022 with an estimated 64.2 billion EUR worth of trade flow. The main exports from the EU to Vietnam are high tech products (including electrical machinery and equipment), aircrafts, vehicles, and pharmaceutical goods¹⁷³. Vietnam exports to the EU principally telephone sets, electronic products, footwear, textiles and clothing, coffee, rice, seafood, and furniture¹⁷⁴.

newgainapi/api/Report/DownloadReportByFileName?fileName=Market%20Impacts%20from%20the%20EU-Chile%20Modernization%20Agreement_Santiago_Chile_CI2023-0036.pdf.

¹⁶³Ibid.

¹⁶⁴For more information see: [The EU-Chile agreement explained \(europa.eu\)](https://europa.eu)

¹⁶⁵European Commission, 2024, Association of Southeast Asian Nations (ASEAN): EU trade relations with the Association of South East Asian Nations. Facts, figures and latest developments. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/association-south-east-asian-nations-asean_en.

¹⁶⁶Ibid.

¹⁶⁷Ibid.

¹⁶⁸Ibid.

¹⁶⁹European Commission, 2023, *EU and the Philippines to start scoping exercise for a free trade agreement*, Press Release. Available at: [IP_23_4024_EN.pdf \(europa.eu\)](https://europa.eu).

¹⁷⁰European Commission, 2024, Association of South East Asian Nations (ASEAN): EU trade relations with the Association of South East Asian Nations. Facts, figures and latest developments. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/association-south-east-asian-nations-asean_en.

¹⁷¹Ibid.

¹⁷²European Commission, 2024, *Vietnam: EU trade relations with Vietnam. Facts, figures and latest developments*. Available at: [EU trade relations with Vietnam \(europa.eu\)](https://europa.eu).

¹⁷³Ibid.

¹⁷⁴Ibid.

Further developing the commercial part of their bilateral relation, the EU-Vietnam Free trade agreement (EVFTA) entered into force in August 2020 and is likely to stimulate economic growth. It reduces trade barriers, increases certainty for businesses, economic growth and job creation¹⁷⁵. This is done by removing 99 % of all tariffs, reducing regulatory barriers and overlapping red tape, protecting geographical indications and the opening of services and public procurement markets¹⁷⁶. Around half of EU pharmaceutical exports to Vietnam will be duty free and all textile fabric exports duties will be removed. For exports from Vietnam to the EU, a seven-year transition period is planned to progressively eliminate custom duties¹⁷⁷.

According to the Vietnamese government, the Agreement is expected to increase the exports from Vietnam to Europe by 44 % and boost economic growth by 8 % in the period 2029-2030¹⁷⁸. Vietnam already records a significant trade growth, ranking among the top 10 countries in the period 2016-2021¹⁷⁹. It has adopted an export growth strategy leading its export GDP ratio to rise from 25 % in 1990 to over 100 % in 2021.

Following the EVFTA, Vietnamese companies will have access to the EU market supporting long-term economic reform and growth¹⁸⁰. Facilitated access to the EU market could diversify the Vietnamese economy and decrease its dependence on Chinese markets and FDI¹⁸¹. In addition, the EVFTA together with the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) is likely to promote competition and cooperation along with the development of services, telecommunication, and e-commerce according to a report of the World Bank¹⁸².

The EVFTA provisions require broad liberalisation of government procurement. The Agreement requires open public procurement for State Owned Enterprises in Vietnam, and it creates requirements of transparency and consultation regarding domestic subsidies¹⁸³. This will allow EU investors to submit tenders for public contracts for large investment projects in strategic sectors in Vietnam¹⁸⁴. The provisions on the opening of public procurement procedures will increase competition and open markets for economic actors operating in Vietnam.

¹⁷⁵Department for International Trade, 2019, *Impact assessment of the EU-Vietnam Free Trade Agreement (EVFTA) on the UK*. Available at: <https://assets.publishing.service.gov.uk/media/5c9ddfeee5274a527d50df03/Impact-Assessment-of-the-EU-Vietnam-free-trade-agreement-on-the-UK.pdf>.

¹⁷⁶European Commission, 2024, *EU-Vietnam Trade Agreement and Investment Protection Agreement*. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/vietnam/eu-vietnam-agreement_en.

¹⁷⁷It is worth noting that Tariff quotas will remain for certain agricultural Vietnamese exports to the EU such as rice, mushrooms and canned tuna.

¹⁷⁸East Asia Forum, 2020, *Understanding the EU–Vietnam Free Trade Agreement*. Available at: <https://eastasiaforum.org/2020/05/21/understanding-the-eu-vietnam-free-trade-agreement/>.

¹⁷⁹Altman, S. A., and Bastian, C. R., 2022, *DHL trade growth atlas 2022: Mapping the shifting landscape of global trade*, NYU Stern School of Business. Available at: https://www.dhl.com/content/dam/dhl/global/delivered/documents/pdf/dhl-trade-growth-atlas-2022-complete-report.pdf?utm_source=POLITICO.EU&utm_campaign=e8067998edEMAIL_CAMPAIGN_2022_09_22_05_00&utm_medium=email&utm_term=0_10959edeb5-e8067998ed-190839448

¹⁸⁰East Asia Forum, 2020, *Understanding the EU–Vietnam Free Trade Agreement*. Available at: <https://eastasiaforum.org/2020/05/21/understanding-the-eu-vietnam-free-trade-agreement/>.

¹⁸¹Ibid.

¹⁸²The World Bank, 2020, <https://documents1.worldbank.org/curated/en/866871589557725251/pdf/Vietnam-Deepening-International-Integration-and-Implementing-the-EVFTA.pdf>

¹⁸³East Asia Forum, 2020, *VIETNAM: DEEPENING INTERNATIONAL INTEGRATION AND IMPLEMENTING THE EVFTA Understanding the EU–Vietnam Free Trade Agreement*. Available at: <https://eastasiaforum.org/2020/05/21/understanding-the-eu-vietnam-free-trade-agreement/>.

¹⁸⁴Ibid.

The EU's green policies could also affect Vietnamese industrial policies and economic actors.

Vietnam ranks as the 19th largest Greenhouse gas emitter worldwide¹⁸⁵. The textile sector has been identified by the EU as highly damaging to the environment¹⁸⁶. Yet, the EU is the largest market for Vietnamese textile exports. Companies in Vietnam will need to comply with the EU's green requirements in the textile sector to maintain access to the EU market. For example, the legislation passed under the Strategy for Sustainable and Circular Textiles¹⁸⁷ creates a framework for sustainability requirements in the textile industry¹⁸⁸. The EUDR will also impact the production and export of agricultural goods from Vietnam to the EU by creating traceability requirements¹⁸⁹. That said, EU legislation is implemented gradually giving actors time to adjust¹⁹⁰.

Increased competition in Vietnam can also raise social rights issues as export sectors are exposed to poor labor conditions including unstable employment, low wages and excessive working hours, breach of their freedom to choose employment, right of collective bargaining¹⁹¹. The EVFTA requires compliance with international Labor Standards and the new Vietnamese Labor code¹⁹² is a step forward towards international compliance¹⁹³. Similarly, the EU's Due diligence Directive will require that leading electronic firms and their direct suppliers do not cause or contribute to labor rights safety breaches¹⁹⁴.

To conclude, the case studies of Chile and Vietnam show that while trade liberalisation results in positive economic growth in third countries, it may also generate social and environmental pressures. These pressures can be addressed by adequate chapters in FTAs and by stimulating partnerships and innovation to develop sustainable technologies. In addition, through its bilateral and multilateral relations, the EU contributes to shaping third countries' industrialization policies by creating social and green requirements for access to its markets.

4 Government subsidies and ensuring a level-playing field

The WTO was established to safeguard a rule-based multilateral trading system. The WTO Dispute Settlement Mechanism (DSM) is relied on to settle trade disputes in a rule-based manner thereby avoiding the adoption of retaliatory unilateral measures. However, since December 2019 the WTO Appellate Body is not able to fulfill its function due to outstanding vacancies. The US blocked judges' appointments

¹⁸⁵Oger, A., 2023, *Environmental and social impacts embedded in EU trade policies: The case of EU trade-related autonomous measures in Vietnam*. Institute for European Environmental Policy. Available at: [Environmental and social impacts embedded in EU trade policies \(ieep.eu\)](#).

¹⁸⁶WTO CENTER, 2023, *SUMMARY REPORT: EU GREEN DEAL & VIETNAM'S EXPORT. Cases of agricultural, food and textile sector*. Available at: <https://wtocenter.vn/file/19146/4.-tom-tat-bao-cao-eng.pdf>.

¹⁸⁷EU strategy for sustainable and circular textiles, [Textiles strategy - European Commission \(europa.eu\)](#).

¹⁸⁸See for example Review of Regulation (EU) No 1007/2011 of the European Parliament and of the Council of 27 September 2011 on textile fibre names and related labelling and marking of the fibre composition of textile products and repealing Council Directive 73/44/EEC and Directives 96/73/EC and 2008/121/EC of the European Parliament and of the Council (Text with EEA relevance). Available at: [EUR-Lex - 02011R1007-20180215 - EN - EUR-Lex \(europa.eu\)](#) and [Regulation \(EU\) 1007/2011 - European Commission \(europa.eu\)](#)

¹⁸⁹WTO CENTER, 2023, *SUMMARY REPORT: EU GREEN DEAL & VIETNAM'S EXPORT. Cases of agricultural, food and textile sector*. Available at: <https://wtocenter.vn/file/19146/4.-tom-tat-bao-cao-eng.pdf>.

¹⁹⁰Ibid.

¹⁹¹Oger, A., 2023, *Environmental and social impacts embedded in EU trade policies: The case of EU trade-related autonomous measures in Vietnam*. Institute for European Environmental Policy. Available at: [Environmental and social impacts embedded in EU trade policies \(ieep.eu\)](#).

¹⁹²SOCIALIST REPUBLIC OF VIETNAM, *Decree 145/2020/ND-CP*. Available at: <https://thuvienphapluat.vn/van-ban/EN/Lao-dong-Tien-luong/Decree-145-2020-ND-CP-elaboration-of-the-Labor-Code-on-working-conditions-and-labor-relations/461788/tieng-anh.aspx>

¹⁹³Oger, A., 2023, *Environmental and social impacts embedded in EU trade policies: The case of EU trade-related autonomous measures in Vietnam*. Institute for European Environmental Policy. Available at: [Environmental and social impacts embedded in EU trade policies \(ieep.eu\)](#).

¹⁹⁴Ibid.

thereby jeopardising the DSM's functioning. As a result, the EU adopted a Regulation¹⁹⁵ allowing for the suspension of its own obligations under international trade agreements if a third country blocks dispute settlements. Furthermore, 16 WTO members including the EU have set up a separate appeal system for trade disputes in 2020 as an alternative system to resolve WTO disputes remedying the absence of a functioning and staffed WTO Appellate Body¹⁹⁶.

The WTO Agreement on Subsidies and Countervailing duties (ASCM) prohibits subsidies contingent on export performance or on the use of domestic over imported goods to prevent competition distortions. The Committee on Subsidies and Countervailing Measures created under the Agreement oversees compliance by requiring WTO members to notify identified subsidy practices. These rules aim to disincentivize unfair trade practices.

Government subsidies can constitute trade barriers and lead to trade diversion, reduced exports, and increased costs thereby impacting international trade flows¹⁹⁷. However, they can be useful instruments to achieve domestic goals¹⁹⁸. Due to their spillover effect on international trade and close link with domestic policies, subsidies are difficult to regulate effectively under the WTO ASCM¹⁹⁹. With large economic blocs subsidizing their national industries and adopting protectionist measures, the relevance of the WTO was called into question²⁰⁰. The illustrative cases of the US and Japan are explored below.

4.1 Case study: US

4.1.1 The Inflation Reduction Act (IRA) and the EV sector

The IRA signed in August 2022 aims to combat climate change and reduce inflation by generating investments into domestic clean energy production²⁰¹. It creates tax credits and tax reductions²⁰² for the adoption of green technologies. These new measures include local-content requirements raising concerns as regards their alignment with WTO rule since they distort trade substantially²⁰³.

¹⁹⁵Regulation (EU) 2021/167 of the European Parliament and of the Council of 10 February 2021 amending Regulation (EU) No 654/2014 concerning the exercise of the Union's rights for the application and enforcement of international trade rules, Available at: [Regulation - 2021/167 - EN - EUR-Lex \(europa.eu\)](#).

¹⁹⁶Multi-Party Interim Appeal Arbitration Arrangement (MPIA). Available at: [Multi-Party Interim Appeal Arbitration Arrangement \(MPIA\) \(wtoplurilaterals.info\)](#)

¹⁹⁷World Bank Group, 2023, *Unfair Advantage: Distortive Subsidies and Their Effects on Global Trade, 2023*, International Bank for Reconstruction and Development. Available at: <https://thedocs.worldbank.org/en/doc/0534eca53121c137d3766a02320d0310-0430012022/related/Unfair-Advantage-Distortive-Subsidies-and-Their-Effects-on-Global-Trade-2023.pdf>.

¹⁹⁸Hoekman, B. M., and Nelson, D. R., 2021, *From EU-Japan-US trilateral to a plurilateral initiative on subsidies* EUI RSC PP, 2021/08, Global Governance Programme, EU-Asia Project, [Europe in the World]. Available at: <https://hdl.handle.net/1814/72218>.

¹⁹⁹Ibid.

²⁰⁰Packroff, J., 2024, *EU hopes to overcome US opposition to WTO 'court' as key summit nears*, Euractiv. Available at: <https://www.euractiv.com/section/economy-jobs/news/eu-hopes-to-overcome-us-opposition-to-wto-court-as-key-summit-nears/>. And see also: Hoekman, B. M., and Nelson, D. R., 2021, *From EU-Japan-US trilateral to a plurilateral initiative on subsidies*, EUI RSC PP, 2021/08, Global Governance Programme, EU-Asia Project, Europe in the World. Available at: <https://hdl.handle.net/1814/72218>.

²⁰¹Scheinert, C., 2023, *EU's response to the US Inflation Reduction Act (IRA)*, Policy Department for Economic, Scientific and Quality of Life Policies, Directorate-General for Internal Policies, European Parliament.

²⁰²Ibid.

²⁰³Kleimann, D., Poitiers, N., Sapir, A., Tagliapietra, S., Véron, N., Veugelers, R. and Zettelmeyer, J., 2023, *How Europe should answer the US Inflation Reduction Act* (No. 04/2023). Bruegel Policy Contribution. Available at: <https://www.econstor.eu/bitstream/10419/274198/1/1839593245.pdf>

The IRA targets electric vehicles (EVs) providing manufacturers in the US with significant subsidies.

This is in line with President Biden's commitments under the EV Acceleration Challenges embedded in his 'Investing in America Agenda' which seeks to boost domestic manufacturing and US competitiveness²⁰⁴.

To achieve this domestic goal, the IRA creates tax credits for the purchase of electric vehicles to promote the adoption of cleaner transportation options and increase EV affordability²⁰⁵.

The consumer tax credits for EVs of up to USD 7 500 enshrined in the American Recovery and Reinvestment Act (ARRA) of 2009 was initially capped once the manufacturer's US sales attained 200 000 units which was the case for Tesla in 2022, for example²⁰⁶. The IRA removed this unit cap. It also established eligibility conditions requiring EVs to have been assembled in North America (US, Canada, and Mexico) and meet critical mineral and battery component requirements²⁰⁷. For example, the battery must be recycled in North America, or its minerals sourced (or extracted or processed) in the US²⁰⁸.

The IRA rules, de facto, discriminate between domestic and foreign producers²⁰⁹ and were hence perceived as harmful for EU companies²¹⁰.

This is equally true in the EV sector with EU automotive exports to the US estimated at around EUR 26 billion in 2021 (6 % of all EU exports)²¹¹. EVs manufactured in Europe are not eligible for the consumer tax credit in the US, for instance, a Volkswagen car imported in the US from Germany would not be eligible for the subsidy²¹². Thus, domestic manufacturers have a competitive advantage since their production facilities are in the US.

Such local content requirements also create incentives for international companies to locate their production facilities in the US²¹³.

To illustrate, in 2022, Tesla announced that it would pause its projects involving the production of battery cells in Germany to be eligible for the US subsidies²¹⁴. It follows that the IRA could decrease foreign investment in the EU sectors of energy, green hydrogen, and battery production for EVs diverting them to the US instead²¹⁵. It must be noted that the IRA contains large subsidies for clean energy, green hydrogen, and batteries in other tax credit programmes in addition to the clean vehicle tax credit.

²⁰⁴The White House, 2023, *FACT SHEET: Biden-Harris Administration Announces New Private and Public Sector Investments for Affordable Electric Vehicles*. Available at: [FACT SHEET: Biden-Harris Administration Announces New Private and Public Sector Investments for Affordable Electric Vehicles | The White House](https://www.whitehouse.gov/factsheets/2023/08/FACT-SHEET-Biden-Harris-Administration-Announces-New-Private-and-Public-Sector-Investments-for-Affordable-Electric-Vehicles/).

²⁰⁵Scheinert, C., 2023, *EU's response to the US Inflation Reduction Act (IRA)*, 2023, Policy Department for Economic, Scientific and Quality of Life Policies, Directorate-General for Internal Policies, European Parliament. Available at: [EU's response to the US Inflation Reduction Act \(IRA\) \(europa.eu\)](https://www.europa.eu/eu-press/infographic/eus-response-to-the-us-inflation-reduction-act-ira).

²⁰⁶Bown, C. P., 2023, SPARKING EUROPE'S NEW INDUSTRIAL REVOLUTION, A policy for net zero, growth and resilience, Chapter 11: Industrial policy for electric vehicle supply chains and the US-EU fight over the Inflation Reduction Act, Blueprint Series 33, Bruegel, Brussels. Available at: https://www.bruegel.org/sites/default/files/2023-08/Bruegel%20Blueprint%2033_chapter%2011.pdf.

²⁰⁷Stokes, B., 2024, *EU-US relations after the Inflation Reduction Act, and the challenges ahead.*, European Parliamentary Research Service, European Parliament. Available at: [EU-US relations after the Inflation Reduction Act, and the challenges ahead \(europa.eu\)](https://www.europa.eu/eu-press/infographic/eu-us-relations-after-the-inflation-reduction-act-and-the-challenges-ahead).

²⁰⁸Bown, C. P., 2023, SPARKING EUROPE'S NEW INDUSTRIAL REVOLUTION, A policy for net zero, growth and resilience.

²⁰⁹Hoekman, B. M., and Nelson, D.R., 2021, *From EU-Japan-US trilateral to a plurilateral initiative on subsidies*, EUI RSC PP, 2021/08, Global Governance Programme, EU-Asia Project, [Europe in the World]. Available at: <https://hdl.handle.net/1814/72218>.

²¹⁰Stokes, B., 2024, *EU-US relations after the Inflation Reduction Act, and the challenges ahead.*, European Parliamentary Research Service, European Parliament. Available at: [EU-US relations after the Inflation Reduction Act, and the challenges ahead \(europa.eu\)](https://www.europa.eu/eu-press/infographic/eu-us-relations-after-the-inflation-reduction-act-and-the-challenges-ahead).

²¹¹Kleimann, D., Poitiers, N., Sapir, A., Tagliapietra, S., Véron, N., Veugeliers, R., and Zettelmeyer, J., 2023, *How Europe should answer the US Inflation Reduction Act* (No. 04/2023). Bruegel Policy Contribution. Available at: <https://www.econstor.eu/bitstream/10419/274198/1/1839593245.pdf>.

²¹²Bown, C. P., 2023, SPARKING EUROPE'S NEW INDUSTRIAL REVOLUTION, A policy for net zero, growth and resilience.

²¹³Ibid.

²¹⁴Elliott, R., and Colias, M., 2022, *Tesla Shifts Battery Strategy as It Seeks U.S. Tax Credits: Climate law has accelerated race to make batteries and their ingredients in the U.S.*, The Wall Street Journal. Available at: [Tesla Shifts Battery Strategy as It Seeks U.S. Tax Credits - WSJ](https://www.wsj.com/articles/tesla-shifts-battery-strategy-as-it-seeks-u-s-tax-credits-climate-law-has-accelerated-race-to-make-batteries-and-their-ingredients-in-the-u-s-2022-08-24).

²¹⁵Vejgaard, S. R., Hansen M. M., Islam, M., and Lausten, L. N., 2022, *Impact of the Inflation Reduction Act on EU Competitiveness*, Copenhagen Economics. Available at: [Impact of the Inflation Reduction Act - Copenhagen Economics](https://www.copenhageneconomics.com/impact-of-the-inflation-reduction-act-on-eu-competitiveness).

Some factors mitigate the IRA's harmful effects on EU exports. For example, the guidance published by the US Treasury provides that private cars imported for commercial purposes (such as leasing) are eligible for the consumer tax credit irrespective of origin²¹⁶. Electric vehicles leased rather than sold can still benefit from the tax credit without meeting local content requirements²¹⁷. In addition, it was raised that the US rules requiring companies to rework their supply chain away from China to qualify for subsidies could shift them away from the US market. In other words, instead of decoupling with China, some companies could be drawn to the EU market.

Shortly after the adoption of the IRA, the possibility for the EU to file a complaint with the WTO was raised. While the EU provides consumer subsidies to support its EV companies²¹⁸, they are not discriminatory: the average EU Member State consumer tax credit for EVs is USD 6 400 per vehicle for both EU and US assembled vehicles²¹⁹. The protectionist subsidies in the IRA denied the possibility of rule-based efforts to address joint EU-US concerns regarding China's own discriminatory subsidies (allegedly leading to the adoption of the IRA)²²⁰.

Efforts to solve trade disputes through litigation with the WTO such as the filing of a complaint by China through the DSM²²¹ have not been fruitful so far, arguably eroding the rule-based international trading system. Indeed, the US continuously blocked appointments to the WTO's Appellate Body disabling the litigation route to solve the issue. Against this background, to avoid a transatlantic subsidy bidding war, the EU and the US launched a 'Clear Energy Incentives Dialogue'²²² part of the Trade and Technology Council a *forum* to coordinate incentive programmes and make them 'mutually reinforcing.'

4.1.2 The energy sector

Both the EU and the US have been granting government subsidies to combat climate change and support green energies as seen in the IRA and the EU Green Deal. The energy credits provided by the IRA were initially estimated by President Biden at USD 369 billion over the next decade. Other assessments indicate larger figures, with the Joint Committee on Taxation valuing the amount at USD 515 billion, and a Goldman Sachs report released in April 2023 projecting it to reach USD 1.2 trillion by the year 2032²²³. It creates incentives to switch to low emission technologies production processes through tax credits for investment with 43.6 % of the funding going to areas such as sustainable energy production²²⁴. Similarly, the EU's Net-Zero Industry Act adopted under the green deal aims to reach net-zero emissions by manufacturing 40 % of its green energy within the EU. In the same vein, the European Commission amended the framework on state aid rules (the General Block Exemptions) to allow Member States to

²¹⁶ US Department of Treasury, Treasury Releases Additional Information on Clean Vehicle Provisions of Inflation Reduction Act, Available at: [Treasury Releases Additional Information on Clean Vehicle Provisions of Inflation Reduction Act | U.S. Department of the Treasury](https://www.treasury.gov/press-releases/2022/08/20220818)

²¹⁷ It should be noted that the US Congress is considering introducing a new bill to prevent the US government from adopting a broad interpretation of the IRA, as it is believed that the government's current approach does not align with the legislative intent of Congress.

²¹⁸ See for example: ACEA., 2022, *Overview – Electric vehicles: tax benefits & purchase incentives in the European Union*. Available at: <https://www.acea.auto/fact/overview-electric-vehicles-tax-benefits-purchase-incentives-in-the-european-union-2022/>.

²¹⁹ Bown, C. P., 2023, SPARKING EUROPE'S NEW INDUSTRIAL REVOLUTION, A policy for net zero, growth and resilience.

²²⁰ Ibid.

²²¹ See for example: [商务部新闻发言人就美《通胀削减法》补贴措施答记者问 \(mofcom.gov.cn\)](http://mofcom.gov.cn)

²²² Joint Statement by President Biden and President von der Leyen, 2023. Available at: [Joint Statement by President Biden and President von der Leyen | The White House](https://www.whitehouse.gov/briefing-room/statements-releases/2023/07/27/joint-statement-by-president-biden-and-president-von-der-leyen/)

²²³ CATO Institute, 2023, *The Inflation Reduction Act's Energy Subsidies Are More Expensive Than You Think*, Available at: [The Inflation Reduction Act's Energy Subsidies Are More Expensive Than You Think | Cato at Liberty Blog](https://www.cato.org/blog/inflation-reduction-act-energy-subsidies-are-more-expensive-than-you-think)

²²⁴ Ibid.

support measures aimed at the transition towards a net-zero economy such as accelerating the roll-out of renewable energy and decarbonisation schemes geared towards the industrialisation process²²⁵.

The Net-Zero Industry Act could be seen as an EU response to the cleantech investment incentives enshrined in the IRA²²⁶. Both the EU and the US's allocation of green subsidies encourage private-sector climate action. However, they potentially risk having a spillover effect on international trade. Global dialogue is essential to avoid a subsidy race that could be costly and encourage the enactment of protectionist measures for climate and trade²²⁷.

To strike a balance between recognising the use of green subsidies in the energy sector and protecting international trade from potential spillover effects, the existing exceptions in the WTO's ASCM Agreement could be expanded to include subsidies for renewable energy and other green initiatives. Formulating a clearly defined legal framework in the WTO rules for government subsidies in the green energy sector could be explored. This approach could include the development of guidelines on specific green subsidies which are not prohibited under WTO rules, for instance.

4.1.3 Public procurement rules

The Build America Buy America Act ('BABA' Act)²²⁸ was enacted under the Infrastructure Investment and Jobs Act of November 2021. It creates domestic content procurement preference requirements for all federal financial assistance obligated for infrastructure projects²²⁹. It aims to stimulate demand for nationally produced goods. Under these rules, infrastructure projects cannot benefit from financial aid unless all construction materials and manufactured products used for the project are produced in the US²³⁰. For example, if an EU company wants to bid for a tender to build a railway infrastructure using Federal funds, it must prove the materials are produced in the US²³¹. The Buy American Act establishes price preferences for domestic offers by narrowing the use of foreign construction materials²³². It is identified as a significant obstacle for access to US procurements as it favors domestic companies for public tenders²³³. The domestic content requirements enshrined in the BABA Act are therefore likely to limit participation of EU companies in American infrastructure projects.

While the EU advocates for the opening of international public procurement markets, it recognises that many third markets are reluctant to do so²³⁴. To ensure a level playing field and increase market

²²⁵European Commission, 2023, Press release, *State aid: Commission amends General Block Exemption rules to further facilitate and speed up green and digital transition*, Available at: https://ec.europa.eu/commission/presscorner/api/files/document/print/en/ip_23_1523/IP_23_1523_EN.pdf

²²⁶Ibid.

²²⁷Conley, T., and Botwright, K., 2023, *Climate Action: What do green subsidies mean for the future of climate and trade?*, World Economic Forum. Available at: [What do green subsidies mean for the future of climate and trade? | World Economic Forum \(weforum.org\)](https://www.weforum.org/).

²²⁸*Build America, Buy America Act*, TITLE IX—BUILD AMERICA, BUY AMERICA Subtitle A—Build America, Buy America SEC. 70901. PART I—BUY AMERICA SOURCING REQUIREMENTS. Accessible at: [Build America, Buy America Act Provisions \(hud.gov\)](https://www.hud.gov/nip/BuildAmericaBuyAmerica).

²²⁹Office of Acquisition Management, *Build America Buy America*. Available at: [Build America Buy America | U.S. Department of Commerce](https://www.dhs.gov/build-america-buy-america).

²³⁰European Commission, DG Trade, 2024, *Access2Markets: Trade barriers*. Available at: [Access2Markets Barrier: Procurement: Buy American \(europa.eu\)](https://access2markets.eu/en/procurement-buy-american).

²³¹Ibid.

²³²Manuel, K.M., 2016, *The Buy American Act—Preferences for "Domestic" Supplies: In Brief*, Congressional Research Service. Available at: [R43140_2016-04-26.pdf \(ipmall.info\)](https://www.ipmall.info/pdf/R43140_2016-04-26.pdf).

²³³SecNewgate, 2022, *EU's International Procurement Instrument: what you need to know about the latest trade tool in the shed*. Available at: [EU's International Procurement Instrument: what you need to know about the latest trade tool in the shed \(secnewgate.eu\)](https://www.secnewgate.com/eu-international-procurement-instrument-what-you-need-to-know-about-the-latest-trade-tool-in-the-shed).

²³⁴Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the access of third-country goods and services to the Union's internal market in public procurement and procedures supporting negotiations on access of Union goods and services to the public procurement markets of third countries /* COM/2012/0124 final - 2012/0060 (COD). Available at: [EUR-Lex - 52012PC0124 - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/lexuris/ui/entry.do?uri=EUR-Lex%2FLEXIPPC0124-EN-EN-EUR-Lex)

opportunities for EU companies, the EU adopted the International Public Procurement Instrument²³⁵. The Regulation on the access of third-country economic operators to the Union's public procurement markets seeks to remedy the harm caused to EU companies by protectionist or discriminatory measures²³⁶ in third countries. For this purpose, it promotes reciprocal treatment in access to international public procurement markets²³⁷. This is done for instance by allowing the EU, as a last resort, to restrict access to EU public procurement procedures for third country businesses from a non-EU country whose practices may have negatively affected EU companies²³⁸.

4.1.4 The agricultural sector

In the US, the agricultural sector counts among the most subsidized through both direct and indirect subsidies with over 30 billion dollars spent yearly²³⁹. The early US agricultural policy was reformed to reduce government intervention in agricultural markets as seen with the Freedom to Farm Act of 1996 which removed supply management programs and replaced them with direct payments to farmers²⁴⁰. Recently, the Agriculture Risk Coverage and the Price Loss Coverage programs in the US, part of the Farm Bill, provide financial support to farmers if crop prices fall below a certain reference price established in the Farm Bill²⁴¹. Large scale *ad hoc* payments provided by the US in the years 2018 and 2019 in the context of trade disputes and in 2020 as a response to COVID-19 have increased market distorting subsidies on the side of the US²⁴².

Already since the 1990's, WTO trade negotiations have been a key driving force behind the EU's CAP reforms which have gradually brought EU agricultural policy into more conformity with the WTO regime²⁴³. In this vein, the EU has decreased the volume of trade distorting measures in its CAP since 2011 (as notified to the WTO)²⁴⁴. The reforms proposed by the EU to the CAP for 2021-2027 appear to move further towards non-distorting market measures²⁴⁵. Since 2011, the EU and the US are close to parity in this respect, according to a Congress Report²⁴⁶. Although both the EU and the US allocate substantial funds in the form of subsidies to their agricultural sectors, overall, the former is shifting towards a decrease in trade distorting subsidies.

²³⁵Regulation (EU) 2022/1031 of the European Parliament and of the Council of 23 June 2022 on the access of third-country economic operators, goods and services to the Union's public procurement and concession markets and procedures supporting negotiations on access of Union economic operators, goods and services to the public procurement and concession markets of third countries (International Procurement Instrument – IPI). Available at: [International public procurement - European Commission \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2022/1031/oj)

²³⁶Ibid.

²³⁷Ibid.

²³⁸Ibid.

²³⁹Edwards, C., 2023, *Cutting Federal Farm Subsidies*, CATO Institute. Available at: [Cutting Federal Farm Subsidies | Cato Institute](https://www.cato.org/publications/working-paper/cutting-federal-farm-subsidies)

²⁴⁰Normile, M. A., Efland, A. B., and Young, C. E., 2001, *U.S. and EU Farm Policy—How Similar*, U.S.-EU Food and Agriculture Comparisons / WRS-04-04 Economic Research Service, USDA. Available at: https://www.ers.usda.gov/webdocs/outlooks/40408/30643_wrs0404c_002.pdf?v=5505.

²⁴¹ARC/PLC Program, Farm Service Agency, U.S. Department of Agriculture, Available at: [ARC/PLC Program \(usda.gov\)](https://www.fsa.usda.gov/arc-plc)

²⁴²Schnepf, R., 2021, *EU Agricultural Domestic Support: Overview and Comparison with the United States*, Congressional Research Service, Available at: <https://crsreports.congress.gov/product/pdf/R/R46811>.

²⁴³Daugbjerg, C., 2012, *Reforming the Common Agricultural Policy in the shadow of the WTO*. Available at: https://www.files.ethz.ch/isn/141719/PB-Reforming-the-CAP_web.pdf.

²⁴⁴Schnepf, R., 2021, *EU Agricultural Domestic Support: Overview and Comparison with the United States*, Congressional Research Service, Available at: <https://crsreports.congress.gov/product/pdf/R/R46811>.

²⁴⁵Ibid.

²⁴⁶Ibid.

4.2 Case study: Japan

4.2.1 EU-Japan FTA

The EU-Japan FTA builds upon WTO rules and stipulates that subsidies should not be granted ‘in case of significant negative effect on trade or investment between parties’²⁴⁷. The allocation of subsidies whereby the state guarantees debts of a company without any limitation on the amount and duration is prohibited along with granting subsidies for restructuring an ailing or insolvent company which has not put together a credible plan²⁴⁸.

4.2.2 The R&D area

The Japanese government relies on subsidies to attract foreign investment, support SMEs, and promote innovation and technological progress. The Subsidy Program for Global Innovation Centers subsidises the cost to overseas companies for establishing innovation centers, experimental studies, and feasibility studies in collaboration with Japanese companies²⁴⁹. It targets companies organized under the law of a foreign country and engaged in projects connected to regenerative medicine or Internet of Things (IoT). It could increase Japan’s attractiveness for the location of R&D facilities and as an innovation base for global value chains²⁵⁰. So far, projects using state-of the art technologies in different sectors such as tourism, agriculture, finance, disaster prevention, manufacturing, transportation have received support²⁵¹.

In Europe, the Horizon Europe funding programme pursues a similar objective by funding research and innovation with a total allocated budget of EUR 95.5 billion²⁵². However, it covers different types of entities including SMEs, larger companies, and public institutions. Japanese organisations can join Horizon Europe projects for collaborative research proposals in almost any area²⁵³. That said, Horizon Europe seeks to ensure consistency with State aid rules²⁵⁴. Projects in sectors including energy, health, food, and others can receive subsidies under this program.

The two programmes promote innovation and research through funding yet function differently. However, the Japanese subsidy program targets overseas companies establishing innovation centres in collaboration with Japanese organisations. It therefore favours support towards overseas companies²⁵⁵. In contrast, Horizon Europe has a wider material scope and is open to both EU companies and third country businesses based on mutual benefits and reciprocal treatment²⁵⁶. In addition, the EU and Japan have a

²⁴⁷Agreement between the European Union and Japan for an Economic Partnership, Article 12.1. Available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02018A1227\(01\)-20220201&from=EN#cons_toc_d1e1040](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02018A1227(01)-20220201&from=EN#cons_toc_d1e1040).

²⁴⁸Article 12.7 of the EU-Japan FTA.

²⁴⁹Japan External Trade Opportunities, 2023, *Subsidy Program for Global Innovation Centers*, Available at [Subsidy Program for Global Innovation Centers](#)

²⁵⁰*Ibid.*

²⁵¹*Ibid.*

²⁵²European Commission, DG Research and Innovation, *Research and Innovation: Funding programmes and open calls*. Available at: https://research-and-innovation.ec.europa.eu/funding/funding-opportunities/funding-programmes-and-open-calls_en.

²⁵³Press and information team of the Delegation to JAPAN *The European Union and Japan - Science and Technology Relations*, 2023, Available at: https://www.eeas.europa.eu/japan/european-union-and-japan-science-and-technology-relations_en?s=169.

²⁵⁴Preamble (30) of Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013 (Text with EEA relevance). Available at: <https://eur-lex.europa.eu/eli/reg/2021/695/oj>.

²⁵⁵Although Japanese companies are not excluded per se from being eligible to join the Subsidy Program for Global Innovation Centers.

²⁵⁶See Articles 7 and 16 of Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013 (Text with EEA relevance). Available at: <https://eur-lex.europa.eu/eli/reg/2021/695/oj>.

relationship based on cooperation and the EU-Japan FTA prohibits subsidies deemed significantly harmful to trade and investment.

4.2.3 Financial start-ups

The Financial Start-Up Support Programme offers 'one-stop' solution for foreign asset management companies to enter the Japanese market²⁵⁷. It targets entities (foreign and Japanese) intending to establish their presence in Japan and engaging in certain financial activities²⁵⁸. The programme aims to attract FDIs by facilitating market entry by supporting the application for licenses and assisting in the relocation process²⁵⁹. The program's deadline was in 2023 and the website of the Market Entry Office includes a list of around 37 companies which have successfully registered in English.

Japanese subsidies create a conducive environment for foreign businesses to expand into Japan, especially in the R&D sector. That said, there is currently little to prove these measures will significantly divert banks and non-banks away from Europe. In addition, Member States such as France, Portugal and Slovakia provide generous tax credits for R&D activities of companies operating on their territory²⁶⁰ and the EU supports companies through instruments such as Horizon Europe. If a state subsidy could have a significant negative impact on trade and investment between the EU and Japan, they could rely on the DSM enshrined in the Japan-EU FTA²⁶¹.

In the context of foreign governments subsidies, the EU could focus on strengthening the Single Market to increase its competitiveness at global level. By further deepening integration and eliminating trade barriers within the Single Market, the EU can become an even more attractive destination for foreign direct investment (FDI) and increase its competitiveness both internally and externally.

5 Conclusions and recommendations

The examples of Brazil and Indonesia show the EUDR may affect economic operators and third countries' domestic policies differently according to the targeted sector and existing green legislation in these countries. National legislation and sectorial agreements of third countries may create synergies and facilitate compliance by reducing costs and operational burdens. On the other hand, operators in sectors with complex and opaque supply chains are likely to be affected more negatively (for example the cattle supply chain in Brazil). On the one hand, there are risks that the EUDR leads to shifts in trade flows towards countries with lower sustainability standards or that it evicts smallholders from global supply chains thereby increasing poverty levels. On the other hand, the EUDR may enhance opportunities for sustainable actors, including smallholders and promote the adoption of higher sustainability standards throughout global supply chains. The concrete impact of the EUDR will depend on the specific conditions within each country and stakeholders' response to its implementation.

To improve the implementation of the EUDR in third countries, the EU could issue technical guidelines detailing how compliance can be ensured by operators and traders. To avoid negatively impacting smallholders, specific provisions could be tailored for them²⁶². In addition, producing regions

²⁵⁷Financial Services Agency of Japan, *Financial Start-Up Support Program*, International Financial Center. Available at: <https://www.fsa.go.jp/internationalfinancialcenter/en/our-support/start-up-support/#:~:text=The%20Financial%20Start%20Up%20Support.services%20in%20English%20for%20free.>

²⁵⁸TRICOR JAPAN & JAPAN FINANCIAL SERVICES AGENCY (JFSA) FINANCIAL START-UP SUPPORT PROGRAM APPLICATION PROCEDURE, Available at: [Japan Financial Start-up Support Program.pdf \(hubspotusercontent40.net\)](#).

²⁵⁹Ibid.

²⁶⁰Asen, E., 2021, *Tax Subsidies for R&D Expenditures in Europe*, Tax Foundation. Available at: [R&D Tax Incentives: Tax Subsidies for R&D Expenditures in Europe \(taxfoundation.org\)](#).

²⁶¹Chowdhry, S., Sapir, A. and Terzi, A., 2018, *The EU-Japan Economic Partnership Agreement*, European Parliament's Committee on International Trade (INTA), European Parliament, Belgium. Available at: [The EU - Japan Economic Partnership Agreement \(pitt.edu\)](#).

²⁶²Position of the Union of Palm Oil Smallholders (SPKS), 2024, Submission to the European Commission on the proposal for the regulation regarding commodities associated with deforestation and forest degradation, Available at: [SPKS](#).

with smallholders could be supported in the process of transitioning to deforestation free supply chains to incentivize an inclusive transition. Support could take the form of dialogue and funding initiatives for example. The establishment of collaborative task forces such as the JTF with Indonesia are positive developments to promote an inclusive green transition and find ways to support traders and operators affected by the new rules.

The digital transition cooperation between Africa and the EU leads to regulatory convergence (e.g., GDPR), partnerships (e.g., Digital4development) investments (e.g., Global gateway initiative) and the promotion of the EU's human-centric approach to digital trade. The EU promotes regulation that builds trust and protects consumers ultimately stimulating economic growth. Fostering mutual consensus with its trading partners and cultivating cooperation in setting standards for digital trade is crucial. Ultimately, ensuring interoperability and mutual market access will benefit both EU and African citizens.

Possible improvements to existing EU FTAs could consider the mutual recognition of electronic signatures, giving them legal validity, as is currently discussed between EU and Singapore. This could facilitate trade for companies operating in a cross-border context. EU FTAs could include robust provisions on online consumer trust to boost digital trade and e-commerce.

EU FTAs with partners such as Chile and Vietnam are crucial to secure access to critical resources the EU needs for its digital transition. Although liberalisation of trade on goods and services fosters employment and economic growth, it can also exert environmental and social pressures. To address these challenges effectively, TSD chapters within FTAs are essential. These chapters mitigate social and environmental harm by ensuring adherence to established labour rights and environmental norms.

Recent subsidies have jeopardized fair trade and competition in sectors such as renewable energies. The US's IRA for example includes local content requirements favouring domestic companies and arguably violating the WTO's rules. The threat of a subsidy race between countries should be avoided to ensure a level-playing field and maintain open international trade markets. The use of subsidies should be closely monitored and embedded in a legal framework that ensures it does not damage international trade rules, which the WTO has ensured, to a certain extent, as of today.

To address the issue of harmful subsidies granted by third countries, the EU could initiate disputes through the WTO DSM to signal to its partners that it upholds the WTO rules-based system. Even though the WTO Appellate Body does not currently function, the EU can still rely on the EU Trade Enforcement Regulation to take retaliation measures that could nullify the harmful effect of third countries' illegal subsidies if the US appeals the panel report (as the WTO Appellate Body is not operational)²⁶³.

Another useful route for the EU is to rely on countervailing duty investigations when it suspects subsidies are significantly harming EU companies and distorting trade. Possible modifications of the existing WTO rules to take account of green subsidies and provide an adapted framework could be reflected upon, for example creating special exemptions in the renewable energy sector that apply to all WTO members.

In addition to multilateral trade, it is beneficial for the EU to continue entering cooperative negotiations and bilateral FTAs as it has done with Japan. Bilateral agreements adopted on a cooperative basis and adjusted to countries industrial needs and political agendas will be beneficial to international trade. Lastly, to be more competitive at international level, the EU could strengthen its most

²⁶³Kleimann, D., Poitiers, N., Sapir, A., Tagliapietra, S., Véron, N., Veugelers, R. and Zettelmeyer, J., 2023. *How Europe should answer the US Inflation Reduction Act* (No. 04/2023). Bruegel Policy Contribution. Available at: <https://www.econstor.eu/bitstream/10419/274198/1/1839593245.pdf>

important tool: the Single market. Further integration and removal of trade barriers in the Single market could attract FDIs and increase EU competitiveness domestically and internationally.

6 Bibliography

Articles, books, and papers

Access Partnership for the Tropical Forest Alliance, 2023, *Indonesia Regional Policy Briefing #6: Navigating EUDR and Rounding Up Recent Updates*. Available at: [EUDR Indonesia July-2023.pdf \(tropicalforestalliance.org\)](https://www.tropicalforestalliance.org/EUDR-Indonesia-July-2023.pdf).

African Continental Free Trade Area Secretariat, Draft Protocol to the Agreement Establishing The African Continental Free Trade Area on Digital Trade, 2024, Available at: https://www.bilaterals.org/IMG/pdf/afcfta_digital_trade_protocol_-_9_february_2024_draft.pdf

African Union, Sharm El Sheikh Declaration, 2019, Available at: https://au.int/sites/default/files/decisions/37590-2019_sharm_el_sheikh_declaration_-_stc-cict-3_oct_2019_ver2410-10pm-1rev-2.pdf

Afripoli, *Europe's Digital Strategy in Africa: What's Really on Offer?*, 2024, Available at: <https://afripoli.org/europes-digital-strategy-in-africa-whats-really-on-offer>

Agreement between the European Union and Japan for an Economic Partnership, Article 12.1. Available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02018A1227\(01\)-20220201&from=EN#cons_toc_d1e1040](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02018A1227(01)-20220201&from=EN#cons_toc_d1e1040).

Altman, S. A., and Bastian, C. R., 2022, *DHL trade growth atlas 2022: Mapping the shifting landscape of global trade*, NYU Stern School of Business. Available at: https://www.dhl.com/content/dam/dhl/global/delivered/documents/pdf/dhl-trade-growth-atlas-2022-complete-report.pdf?utm_source=POLITICO.EU&utm_campaign=e8067998edEMAIL_CAMPAIGN_2022_09_22_05_00&utm_medium=email&utm_term=0_10959edeb5-e8067998ed-190839448

Asen, E., 2021, *Tax Subsidies for R&D Expenditures in Europe*, Tax Foundation. Available at: [R&D Tax Incentives: Tax Subsidies for R&D Expenditures in Europe \(taxfoundation.org\)](https://www.taxfoundation.org/tax-subsidies-for-r-d-expenditures-in-europe/).

Awaliyah, N. N., and Iranto, D., and Mukhtar, S., 2024, *Policy Analysis of European Union Deforestation Regulation (EUDR) on Indonesian Palm Oil Exports*. In International Student Conference on Business, Education, Economics, Accounting, and Management (ISC-BEAM) (Vol. 1, No. 1, pp. 501-510). Available at: <https://journal.unj.ac.id/unj/index.php/isc-beam/article/view/42747>.

Berning, L., and Sotirov, M., 2023, *Hardening corporate accountability in commodity supply chains under the European Union Deforestation Regulation*, Regulation & Governance, 17(4), 870-890, Available at: [Hardening corporate accountability in commodity supply chains under the European Union Deforestation Regulation - Berning - 2023 - Regulation & Governance - Wiley Online Library](https://onlinelibrary.wiley.com/doi/10.1111/rego.12600)

Brack, D., 2019, *Tackling deforestation and the trade in forest risk commodities: consumer country measures and the WTO*, Forest Trends, Publication policy trade and finance initiative, Available at: <https://www.forest-trends.org/wp-content/uploads/2019/08/WTO-Concerns-Brief-2019.pdf>

Brazilian Environmental Policies and the New European Union Regulation for Deforestation-Free Products: Opportunities and Challenges, Policy Brief for Climate Policy Initiative, 2023, Available at: [Brazilian-Environmental-Policies-and-the-New-European-Union-Regulation-for-Deforestation-Free-Products.pdf \(climatepolicyinitiative.org\)](https://climatepolicyinitiative.org/publication/brazilian-environmental-policies-and-the-new-european-union-regulation-for-deforestation-free-products/).

Brickstone, 2024, Facts about Africa's Road transport Infrastructure, Available at: <https://brickstone.africa/africas-road-transport-infrastructure/>

Buainain, A. M., and Garcia, J. R., 2018. *Roles and challenges of Brazilian small holding agriculture*. Revista agroalimentaria, 24(46), 71-87. Available at: <https://dialnet.unirioja.es/servlet/articulo?codigo=6820115>

Build America, Buy America Act, TITLE IX—BUILD AMERICA, BUY AMERICA Subtitle A—Build America, Buy America SEC. 70901. PART I—BUY AMERICA SOURCING REQUIREMENTS. Accessible at: [Build America, Buy America Act Provisions \(hud.gov\)](https://www.federalregister.gov/documents/2022/07/27/build-america-buy-america-act-provisions).

CATO Institute, 2023, The Inflation Reduction Act's Energy Subsidies Are More Expensive Than You Think, Available at: <https://www.cato.org/blog/iras-energy-subsidies-are-more-expensive-you-think>

Catalan, S. G., 2023, *Report Name: Market Impacts from the EU-Chile Modernization Agreement*. United States of Agriculture, Foreign Agricultural Service and the Global Agricultural Information Network. Available at: https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Market%20Impacts%20from%20the%20EU-Chile%20Modernization%20Agreement_Santiago_Chile_CI2023-0036.pdf.

Center for Global Development, Upgrading the Africa-EU Digital Relationship, 2024, Accessible at: <https://www.cgdev.org/blog/upgrading-africa-eu-digital-relationship>.

Chowdhry, S., Sapir, A. and Terzi, A., 2018, [The EU-Japan Economic Partnership Agreement](#), Policy Department for External Relations, European Parliament, Belgium.

Chun, J., 2023, Sharing Responsibility for Sustainable Supply Chains under the European Union Deforestation-free Regulation. Available to download at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4523519.

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Trade Policy Review - An Open, Sustainable and Assertive Trade Policy. Available at: [resource.html \(europa.eu\)](#)

COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT minimising the risk of deforestation and forest degradation associated with products placed on the EU market Accompanying the document Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010, Available at: [SWD_2021_326_1_EN_impact_assessment_part1_v4.pdf \(europa.eu\)](#)

Confederação Nacional da Indústria (CNI), 2023, Regulamento da União Europeia condiciona importação de determinadas commodities agrícolas e seus derivados a due diligence de desmatamento, Análise de Política Comercial, Ano 2 - Número 10. Available to download at: [Análise de Política Comercial 10: Regulamento da União Europeia condiciona importação de determinados commodities agrícolas e seus derivados a due diligence de desmatamento - Portal da Indústria - CNI \(portaldaindustria.com.br\)](#).

Conley, T. and Botwright, K., 2023, *Climate Action: What do green subsidies mean for the future of climate and trade?*, World Economic Forum. Available at: [What do green subsidies mean for the future of climate and trade? | World Economic Forum \(weforum.org\)](#).

Council of the European Union, 2019, Conclusions of the Council and of the Governments of the Member States sitting in the Council on the Communication on Stepping Up EU Action to Protect and Restore the World's Forests: Outcome of proceedings, Available at <https://www.consilium.europa.eu/media/41860/st15151-en19.pdf>

Daniels, C., Erforth, B., and Teevan, C., 2022, *Digitalisation for Transformation: New Frontiers for Africa–Europe Cooperation*, In *Africa–Europe Cooperation and Digital Transformation*, pp. 1-16. Routledge. Available at: [\[PDF\] DIGITALISATION FOR TRANSFORMATION New Frontiers for Africa–Europe Cooperation | Semantic Scholar](#).

Daugbjerg, C., 2012, *Reforming the Common Agricultural Policy in the shadow of the WTO*. Available at: https://www.files.ethz.ch/isn/141719/PB-Reforming-the-CAP_web.pdf.

Cesar De Oliveira, S. E. M, Nakagawa, L., Russo Lopes, G., Visentin, J. C., Couto, M., Silva, D. E., d'Albertas F., Pavani, F. B., Loyola, R., and West, C., 2024, *The European Union and United Kingdom's deforestation-free supply chains regulations: Implications for Brazil*. *Ecological Economics*, 217, 108053. Available at: <https://www.sciencedirect.com/science/article/pii/S0921800923003166>.

DIALOGUE ON SUSTAINABILITY AND TRACEABILITY OF THE BEEF AND LEATHER CHAIN, First Technical Dialogue: The Role of Due Diligence in the Regularization of the Meat and Leather Value Chain in Brazil, 2022. Available at: [I-Executive-summary-ENG.pdf \(alinvest-verde.eu\)](#)

East Asia Forum, 2020, *Understanding the EU–Vietnam Free Trade Agreement*. Available at: <https://eastasiaforum.org/2020/05/21/understanding-the-eu-vietnam-free-trade-agreement/>.

European Commission, 2019, Sustainability Impact Assessment in Support of the negotiations for the modernisation of the Trade Part of the Association Agreement with Chile. Available at: <https://op.europa.eu/en/publication-detail/-/publication/72d9a485-9524-11ec-b4e4-01aa75ed71a1/language-en>.

Edwards, C., 2023, *Cutting Federal Farm Subsidies*, CATO Institute. Available at: [Cutting Federal Farm Subsidies | Cato Institute](#)

EEAS, 2024, *Joint Press Release: The 2nd Meeting of the Ad Hoc Joint Task Force on the EUDR*. Available at: [Joint Press Release: The 2nd Meeting of the Ad Hoc Joint Task Force on the EUDR | EEAS \(europa.eu\)](#).

EEAS, 2024, *Joint Press Release: The 2nd Meeting of the Ad Hoc Joint Task Force on the EUDR*. Available at: [Joint Press Release: The 2nd Meeting of the Ad Hoc Joint Task Force on the EUDR | EEAS \(europa.eu\)](#).

Elliott, R., and Colias, M., 2022, Tesla Shifts Battery Strategy as It Seeks U.S. Tax Credits: Climate law has accelerated race to make batteries and their ingredients in the U.S., The Wall Street Journal. Available at: [Tesla Shifts Battery Strategy as It Seeks U.S. Tax Credits - WSJ](#)

EU-Chile Advanced Framework Agreement Summary of the Trade and Investment pillar. Available at https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/chile/eu-chile-agreement/text-agreement_en

European Commission, 2023, *EU and the Philippines to start scoping exercise for a free trade agreement*, Press Release. Available at: [IP_23_4024_EN.pdf \(europa.eu\)](#).

European Commission, 2024, Association of South East Asian Nations (ASEAN): EU trade relations with the Association of South East Asian Nations. Facts, figures and latest developments. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/association-south-east-asian-nations-asean_en.

European Commission, 2024, *EU-Vietnam Trade Agreement and Investment Protection Agreement*. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/vietnam/eu-vietnam-agreement_en.

European Commission, 2024, *Vietnam: EU trade relations with Vietnam. Facts, figures and latest developments*. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/vietnam_en#:~:text=Vietnam%20was%20the%20EU's%2016th,amounting%20to%20%E2%82%AC64.2%20billion.

European Commission, DG Trade, 2024, *Access2Markets: Trade barriers*. Available at: [Access2Markets Barrier: Procurement: Buy American \(europa.eu\)](#).

European Commission, Directorate-General for Agriculture and Rural Development, 2023, *Agriculture and rural development: Modernised EU-Chile agreements on wines and spirits to facilitate trade*. Available at: [Modernised EU-Chile agreements on wines and spirits to facilitate trade - European Commission \(europa.eu\)](#).

European Commission, France - Fresh water from a French firm, Available at: [Fresh water from a French firm \(europa.eu\)](#)

European Commission, Milan Grohol, Constanze Veeh, 2023, *Study on the Critical Raw Materials for the EU 2023*, Available at: <https://op.europa.eu/en/publication-detail/-/publication/57318397-fdd4-11ed-a05c-01aa75ed71a1>

- European Union, 2022, *Shaping Europe's digital future*, Available at: <https://digital-strategy.ec.europa.eu/en/policies/africa>.
- Erasmus K. H. J. zu Ermgassen, Ayre, B., Godar, J., Lima, M. G. B., Bauch, S., Garrett, R., Green, J., Lathuilière, M. J., Löfgren, P., MacFarquhar, C., Meyfroidt, P., Suavet, C., West, C., and Gardner, T., 2020, *Using supply chain data to monitor zero deforestation commitments: an assessment of progress in the Brazilian soy sector*. *Environmental Research Letters*, 15(3). Available at: [Using supply chain data to monitor zero deforestation commitments: an assessment of progress in the Brazilian soy sector - IOPscience](https://iopscience.iop.org/article/10.1088/1748-7598/15/3/035001).
- FAO, 2020, *Agroecological practices and principles for sustainable agriculture: Synthesis report*, Food and Agriculture Organization of the United Nations, Rome. Available at: <https://www.fao.org/3/ca9825en/ca9825en.pdf>
- Figueiredo, P., 2023, The EU's deforestation law was cheered here. Brazilian experts and farmers are skeptical. *Euronews*, Available at: <https://www.euronews.com/my-europe/2023/08/31/the-eus-deforestation-law-was-cheered-here-brazilian-experts-and-farmers-are-skeptical>
- Financial Services Agency of Japan, *Financial Start-Up Support Program*, International Financial Center. Available at: <https://www.fsa.go.jp/internationalfinancialcenter/en/our-support/start-up-support/#:~:text=The%20Financial%20Start%20Up%20Support,services%20in%20English%20for%20free>.
- Gaveau, D. L., Locatelli, B., Salim, M. A., Husnayaen, Manurung, T., Descals, A., and Sheil, D., 2022, *Slowing deforestation in Indonesia follows declining oil palm expansion and lower oil prices*. Available at: [Slowing deforestation in Indonesia follows declining oil palm expansion and lower oil prices | PLOS ONE](https://doi.org/10.1371/journal.pone.0248801).
- Githaiga, N. M., Burimaso, A., Wang, B., and Ahmed, S. M., 2019. The belt and road initiative: Opportunities and risks for Africa's connectivity. *China Quarterly of International Strategic Studies*, 5(01), 117-141.
- Goldberg, V., Winter, D., Nitschke, F., Rath, M., Held, S., Spitzmüller, L., Budach, I., Pavez, M., Morata, D., Koschikowski, J., and Kohl, T., 2021, *The potential of raw material extraction from thermal brines – Successful milestones of the BrineMine project*, GEOTHERMAL ENERGY, Oil Gas Publisher. Available at: https://geothermics.agw.kit.edu/downloads/OGA_001_21_026-033_Goldberg_et_al_HP-Liz.pdf.
- Gwynne, R., 2002, *Globalisation, Commodity Chains and Fruit Exporting Regions in Chile*. *Tijdschrift voor Economische en Sociale Geografie* Vol. 90, pp211-225. Available at <https://onlinelibrary.wiley.com/doi/abs/10.1111/1467-9663.00062>.
- Hoekman, B. M., and Nelson, D. R., 2021, *From EU-Japan-US trilateral to a plurilateral initiative on subsidies*, Global Governance Programme, EU-Asia Project, [Europe in the World]. Available at: <https://hdl.handle.net/1814/72218>.
- IDH and IUCN NL, 2019, *European Soy Monitor – Insights on the European supply chain and the use of responsible and deforestation-free soy in 2017*. Available at: <https://www.idhsustainabletrade.com/uploaded/2019/04/European-Soy-Monitor.pdf>
- IEEP *Securing the position of smallholders in zero-deforestation supply chains*, 2022. Available at: <https://ieep.eu/publications/securing-the-position-of-smallholders-in-zero-deforestation-supply-chains/>
- Igue, C., Alinsato, A., and Agadjihouédé, T., *E-commerce in Africa: issues and challenges. Adapting to the digital trade era: challenges and opportunities*, 2021, 118-139. Available at: [09 adtera chapter 05 e.pdf \(wto.org\)](https://www.wto.org/publications/09_adtera_chapter_05_e.pdf)
- Institute for European Environmental Policy, 2023, *POST-FTA BRIEFING: EU-Chile*. Available at: <https://ieep.eu/wp-content/uploads/2023/03/EU-Chile-Post-Briefing.pdf>.
- Japan External Trade Opportunities, 2023, *Subsidy Program for Global Innovation Centers*, Available at [Subsidy Program for Global Innovation Centers](https://www.jetro.go.jp/press/2023/03/subsidy_program_for_global_innovation_centers)
- Jurkovic, P., 2023, *EXPLAINER: What is the Inflation Reduction Act?*, UK in changing Europe. Available at: [What is the Inflation Reduction Act? - UK in a changing Europe \(ukandeu.ac.uk\)](https://www.ukandeu.ac.uk/news/2023/09/12/explainer-what-is-the-inflation-reduction-act/)
- Jütten, M., 2024, [The EU's digital trade policy](https://www.europarl.europa.eu/media/press/2024/03/12/the-eus-digital-trade-policy), European Parliament briefing.

Kleimann, D., Poitiers, N., Sapir, A., Tagliapietra, S., Véron, N., Veugelers, R. and Zettelmeyer, J., 2023, *How Europe should answer the US Inflation Reduction Act* (No. 04/2023). Bruegel Policy Contribution. Available at: <https://www.econstor.eu/bitstream/10419/274198/1/1839593245.pdf>

Kuepper, B., Steinweg, T., and Piotrowski, M., 2020, *Brazilian beef supply chain under pressure amid worsening ESG impacts*, Chain Reaction Research. Available at: <https://chainreactionresearch.com/wp-content/uploads/2020/08/Brazilian-Beef-Supply-Chain-Under-Pressure-7.pdf>.

Mannion, C., 2021, *Data imperialism: The GDPR's disastrous impact on Africa's E-commerce markets*, Vanderbilt Law Review 685. Available at: [Data Imperialism: The GDPR's Disastrous Impact on Africa's E-Commerce Markets \(vanderbilt.edu\)](https://www.vanderbilt.edu/lawreview/vol68/issue3/685-mannion).

Manuel, K.M., 2016, *The Buy American Act—Preferences for “Domestic” Supplies: In Brief*, Congressional Research Service. Available at: [R43140 2016-04-26.pdf \(ipmall.info\)](https://www.crs.gov/record/r43140).

New Africa-Europe Digital Economy Partnership - report of the EU-AU Digital Economy Task Force, 2024 Available at: https://international-partnerships.ec.europa.eu/system/files/2021-01/new-africa-eu-digital-economy_en_0.pdf

SecNewgate, 2022, *EU's International Procurement Instrument: what you need to know about the latest trade tool in the shed*. Available at: [EU's International Procurement Instrument: what you need to know about the latest trade tool in the shed \(secnewgate.eu\)](https://www.secnewgate.eu/en/2022/05/eus-international-procurement-instrument-what-you-need-to-know-about-the-latest-trade-tool-in-the-shed).

Normile, M. A., Effland, A. B., and Young, C. E., 2001, *U.S. and EU Farm Policy—How Similar*, U.S.-EU Food and Agriculture Comparisons / WRS-04-04 Economic Research Service, USDA. Available at: https://www.ers.usda.gov/webdocs/outlooks/40408/30643_wrs0404c_002.pdf?v=5505.

Office of Acquisition Management, *Build America Buy America*. Available at: [Build America Buy America | U.S. Department of Commerce](https://www.buyusa.gov/).

Oger, A., 2023, *Environmental and social impacts embedded in EU trade policies: The case of EU trade-related autonomous measures in Vietnam*. Institute for European Environmental Policy. Available at: [Environmental and social impacts embedded in EU trade policies \(ieep.eu\)](https://www.ieep.eu/en/publications/2023/07/10/environmental-and-social-impacts-embedded-in-eu-trade-policies).

Packroff, J., 2024, *EU hopes to overcome US opposition to WTO ‘court’ as key summit nears*, Euractiv. Available at: <https://www.euractiv.com/section/economy-jobs/news/eu-hopes-to-overcome-us-opposition-to-wto-court-as-key-summit-nears/>.

Pendrill, F., Persson, U. M., Godar, J., Kastner, T., Moran, D., Schmidt, S., & Wood, R., 2019, *Agricultural and forestry trade drives large share of tropical deforestation emissions*. Global environmental change, 56, 1-10. Available at: [Agricultural and forestry trade drives large share of tropical deforestation emissions - ScienceDirect](https://www.sciencedirect.com/science/article/pii/S0950268819300310)

Position of the Union of Palm Oil Smallholders (SPKS), 2024, Submission to the European Commission on the proposal for the regulation regarding commodities associated with deforestation and forest degradation, Available at: [SPKS](https://www.spks.org/).

Raleira, R., Rijk G. and Piotrowski M., 2022, *EU Deforestation Law: Traceability Viable in Brazilian Cattle and Soy Supply Chains* Available at: <https://chainreactionresearch.com/report/eu-deforestation-law-traceability-viable-in-brazilian-cattle-and-soy-supply-chains/>

Robalino, J. and Herrera L. D., 2010, *Trade and Deforestation: What have we found?*, WTO Publications. Available at: https://www.wto.org/english/res_e/publications_e/wtr10_robalino_herrera_e.htm.

S&P Global, 2023, *Global impact of the EU's anti-deforestation law*. Available at: <https://www.spglobal.com/esg/insights/featured/special-editorial/global-impact-of-the-eu-s-anti-deforestation-law>.

Scheinert, C., 2023, [EU's response to the US Inflation Reduction Act \(IRA\) \(europa.eu\)](https://www.europa.eu/commission/press-room/detail/2023/08/eu-response-to-the-us-inflation-reduction-act), Policy Department for Economic, Scientific and Quality of Life Policies, Directorate-General for Internal Policies, European Parliament.

Schlosser, N., 2020, *Externalised costs of electric automobility: social-ecological conflicts of lithium extraction in Chile*. No. 144/2020. Working Paper. Available at: [EconStor: Externalised costs of electric automobility: Social-ecological conflicts of lithium extraction in Chile](https://econstor.org/externalised-costs-of-electric-automobility-social-ecological-conflicts-of-lithium-extraction-in-chile).

Schnepf, R., 2021, 'EU Agricultural Domestic Support: Overview and Comparison with the United States', Congressional Research Service, Available at: <https://crsreports.congress.gov/product/pdf/R/R46811>.

Securing the position of smallholders in zero-deforestation supply chains. IEEP AISBL, 2023, Available at: <https://ieep.eu/publications/securing-the-position-of-smallholders-in-zero-deforestation-supply-chains/>

Simon, F., 2023, *EU in talks with Chile on raw materials 'strategic partnership*. Available at: <https://www.euractiv.com/section/circular-economy/news/eu-in-talks-with-chile-on-raw-materials-strategic-partnership/>.

SOCIALIST REPUBLIC OF VIETNAM, *Decree 145/2020/ND-CP*. Available at: <https://thuvienphapluat.vn/van-ban/EN/Lao-dong-Tien-luong/Decree-145-2020-ND-CP-elaboration-of-the-Labor-Code-on-working-conditions-and-labor-relations/461788/tieng-anh.aspx>

Solidaridad, CPOPC and MVO., 2023, *Briefing Paper: Implications of the EU Deforestation Regulation (EUDR) for oil palm smallholders*, Available at: [FINAL Draft Briefing paper on EUDR and smallholder 3 April.docx \(solidaridadnetwork.org\)](https://solidaridadnetwork.org/final-draft-briefing-paper-on-eudr-and-smallholder-3-april.docx).

Stokes, B., 2024, *EU-US relations after the Inflation Reduction Act, and the challenges ahead.*, European Parliamentary Research Service, European Parliament. Available at: [EU-US relations after the Inflation Reduction Act, and the challenges ahead \(europa.eu\)](https://www.europa.eu/eprs/eu-us-relations-after-the-inflation-reduction-act-and-the-challenges-ahead).

Teevan, C., 2021, *Building strategic European digital cooperation with Africa*, Briefing Note No.134, ECDPM. Available at: [Building strategic European digital cooperation with Africa – ECDPM Briefing Note 134](https://www.ecdpm.europa.eu/publications/briefing-note-134).

The European Union and Brazil - Trade Relations, European External Action Service, Press and information team of the Delegation to BRAZIL Available at: https://www.eeas.europa.eu/brazil/european-union-and-brazil-trade-relations_en?s=191

The STD-B policy constitutes a comprehensive approach, not only addressing immediate smallholder challenges but also fostering a framework for sustainable smallholder oil palm plantation development.' KAMI, 2024, *Smallholder registration (STD-B) – challenges and strategies for acceleration*, European Forest Institute. Available at: [Brief STDB Acceleration EN 20231128.pdf \(efi.int\)](https://www.efi.int/publications/brief-stdb-acceleration-en-20231128.pdf).

The White House, 2023, *FACT SHEET: Biden-Harris Administration Announces New Private and Public Sector Investments for Affordable Electric Vehicles*. Available at: [FACT SHEET: Biden-Harris Administration Announces New Private and Public Sector Investments for Affordable Electric Vehicles | The White House](https://www.whitehouse.gov/fact-sheets/2023/03/23/biden-harris-administration-announces-new-private-and-public-sector-investments-for-affordable-electric-vehicles).

TRICOR JAPAN & JAPAN FINANCIAL SERVICES AGENCY (JFSA) FINANCIAL START-UP SUPPORT PROGRAM APPLICATION PROCEDURE, Available at: [Japan Financial Start-up Support Program.pdf \(hubspotusercontent40.net\)](https://www.tricor-japan.com/financial-start-up-support-program-application-procedure).

Tropical Forest Alliance, 2023, *INDONESIA REGIONAL POLICY BRIEFING #6: NAVIGATING EUDR AND ROUNDING UP RECENT UPDATES*, Available at: [EUDR Indonesia July-2023.pdf \(tropicalforestalliance.org\)](https://www.tropicalforestalliance.org/eudr-indonesia-july-2023.pdf)

UNCTAD (2019). *Digital Economy Report 2019. Value Creation and Capture: Implications for Developing Countries*. New York. Available at: https://unctad.org/system/files/official-document/der2019_en.pdf (Accessed: 14 April 2021)

Vejgaard, S. R., Hansen M. M., Islam, M., and Lausten, L. N., 2022, *Impact of the Inflation Reduction Act On EU Competitiveness*, Copenhagen Economics. Available at: [Impact of the Inflation Reduction Act - Copenhagen Economics](https://www.copenhageneconomics.com/impact-of-the-inflation-reduction-act-on-eu-competitiveness).

Weerdenburg, F., *From Bean to Green: EU Deforestation Regulation and the Soy Supply Chain*, Available at: [642972 \(wur.nl\)](https://www.wur.nl/en/publication/642972)

World Bank Group, 2023, *Unfair Advantage: Distortive Subsidies and Their Effects on Global Trade, 2023*, International Bank for Reconstruction and Development. Available at: <https://thedocs.worldbank.org/>

[en/doc/0534eca53121c137d3766a02320d0310-0430012022/related/Unfair-Advantage-Distortive-Subsidies-and-Their-Effects-on-Global-Trade-2023.pdf](https://www.wto.org/trade-issues/related/Unfair-Advantage-Distortive-Subsidies-and-Their-Effects-on-Global-Trade-2023.pdf).

World Bank, From Connectivity to Services: Digital Transformation in Africa, 2023 Available at: <https://www.worldbank.org/en/results/2023/06/26/from-connectivity-to-services-digital-transformation-in-africa>

World Trade Organization, 1998, *The Geneva Ministerial Declaration on global electronic commerce*. Available at: [WTO | Trade Topics - Electronic commerce - Declaration](https://www.wto.org/trade-topics/electronic-commerce/declaration).

World Trade Organization, 2024, *WORK PROGRAMME ON ELECTRONIC COMMERCE*. Available at: [directdoc.aspx \(wto.org\)](https://www.wto.org/trade-topics/electronic-commerce/work-programme-on-electronic-commerce).

WTO CENTER, 2023, *SUMMARY REPORT: EU GREEN DEAL & VIETNAM'S EXPORT. Cases of agricultural, food and textile sector*. Available at: <https://wtocenter.vn/file/19146/4.-tom-tat-bao-cao-eng.pdf>.

Legislation

Proposals

Proposal for a COUNCIL DECISION on the signing, on behalf of the European Union, and provisional application of the Advanced Framework Agreement between the European Union and its Member States, of the one part, and the Republic of Chile, of the other part, Brussels, 5.7.2023 COM(2023) 431 final 2023/0257 (NLE)

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the access of third-country goods and services to the Union's internal market in public procurement and procedures supporting negotiations on access of Union goods and services to the public procurement markets of third countries /* COM/2012/0124 final - 2012/0060 (COD)

Legislation

Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010 (Text with EEA relevance)

Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (Text with EEA relevance)

Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013 (Text with EEA relevance)

Regulation (EU) 2022/1031 of the European Parliament and of the Council of 23 June 2022 on the access of third-country economic operators, goods and services to the Union's public procurement and concession markets and procedures supporting negotiations on access of Union economic operators, goods and services to the public procurement and concession markets of third countries (International Procurement Instrument – IPI).

Regulation (EU) 2021/167 of the European Parliament and of the Council of 10 February 2021 amending Regulation (EU) No 654/2014 concerning the exercise of the Union's rights for the application and enforcement of international trade rules

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

Regulation (EU) No 1007/2011 of the European Parliament and of the Council of 27 September 2011 on textile fibre names and related labelling and marking of the fibre composition of textile products and repealing Council Directive 73/44/EEC and Directives 96/73/EC and 2008/121/EC of the European Parliament and of the Council (Text with EEA relevance)

PE 754.454
EP/EXPO/INTA/FWC/2019-01/LOT5/3/C/24

Print ISBN 978-92-848-2015-3 | doi: 10.2861/261055 | QA-09-24-545-EN-C
PDF ISBN 978-92-848-2014-6 | doi: 10.2861/61515 | QA-09-24-545-EN-N