Conclusion

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The chapters in this volume have shown that international trade and foreign investment can contribute in different ways to achieving the Sustainable Development Goals (SDGs) at all levels, be it international, supranational, transnational, national or subnational.

Part I of this edited collection focused on international pathways for penetration and diffusion of the SDGs. Within that broad category, it seems likely that, alongside use of voluntary sustainable standards (VSS) in global supply chains, bilateral and regional trade agreements will comprise the dominant site of transmission for the immediate future. Chapter 1 by Adinolfi aptly charts the growing assertiveness of the European Union (EU) in harnessing preferential trade agreements (PTAs) to export European standards to select counterparties in the form of trade and sustainable development chapters. In the past, there was a de facto limit on the hard transfer of those broader ('WTO plus') standards. Faced with the possibility of a dispute, most states parties elected to pursue trade enforcement through the dispute settlement system of the World Trade Organization (WTO) which limits adjudication to its own 'covered agreements' under the Dispute Settlement Understanding (DSU). Generally speaking, states parties chose WTO dispute settlement over other fora (such as PTAs), as it had generated sizeable levels of state confidence and trust since inception in 1994. Yet WTO adjudicators were often forced to rule on charged political disputes engaging delicate questions of regulatory variance among its diverse member states. Chapter 3 by Espa reminds us of the remarkable sensitivity in which the WTO legal system confronted that formidable challenge, particularly in the environmental sphere.

WTO adjudication can no longer act as the default site for trade enforcement, given the current legal impossibility of exercising the right of appeal to the WTO Appellate Body reserved to members under

the WTO DSU. States' parties will be forced therefore to activate PTA dispute settlement chapters when faced with non-compliance by a counterparty. In point of fact, the EU has already chosen to do so and crucially had begun to do so before the current stasis in WTO dispute settlement. Some of these claims promote simple (offensive) commercial interests without any direct engagement of the SDGs, such as the recent establishment of an arbitration panel under the EU–Ukraine Association Agreement on Ukraine's export ban on unprocessed wood. But others are squarely reflective of the underlying socio-political values that animate certain parts of the SDGs. Consider in this respect the July 2019 establishment of a panel under the EU–South Korea Free Trade Agreement by the EU to require implementation by South Korea of the labour obligations under that FTA.

Chapter 2 by Basedow explored the political economy drivers behind select inclusions on SDG-related treaty text in EU international investment agreements. Importantly, he found that politicisation and aggregation of member state preferences primarily fuelled policy changes while external legal obligations played no significant role. From a theoretical perspective, Basedow's chapter lends support to rational choice institutionalism, which suggests that institutional changes affect policy substance. With this analysis in mind, one can foresee the growing possibility of deeper levels of EU projection of SDG values, both through treaty text and enforcement choices. Environmental issues are particularly likely to comprise a terrain of contestation for the EU. Environmentalism has a strong role in the European Parliament, measured not only by the increased growth of dedicated environmental parties in the recent parliamentary elections. For many European governments and policymakers, the task of saving the world's forests and halting global warming has been elevated to the moral imperative of a climate emergency. Yet translating these European ideals into trade and investment policy evokes, for many developing countries as counterparties to PTAs, long-standing concerns of possible hidden protectionism.

The SDGs can also be diffused by different actors (to states) using non-legal pathways to PTAs. In fact, key contributions in Parts II and III of this edited collection show that there are significant SDG-related gains that can be realised by promoting trade and investment flows. In Chapter 7 Jackson and Balema, focusing on VSS in Côte d'Ivoire, show that the adoption of sustainable development practices – such as water conservation, soil management, integrated waste management and ecosystem conservation – significantly increased when farmers joined a certification program. In

addition, the price premia received by certified farmers' organisations can be used to finance public goods such as health care, education and clean water. And there are also other benefits of working with certification in the case of cocoa producers from Côte d'Ivoire, such as training and capacity building which can lead to higher yields and better quality of cocoa products. These results confirm that the public good dimension of VSS identified by Fiorini et al. in Chapter 6 can have positive effects on a variety of SDGs without implying associated trade-offs. DiCaprio et al., in Chapter 8 on blockchain technology, show qualitatively that such technology has the potential to greatly reduce trade frictions in the areas of trade finance, customs and border procedures, and tariff preferences' utilization. They also provide quantitative evidence on the potential trade and welfare gains of lower trade costs and the ability of blockchain technology in customs to narrow the preference utilization gap. The authors offer the imposing possibility that these mechanisms might increase world trade by $1.7 trillion, and world gross domestic product by $0.92 trillion.

A major theme emerging from several contributions to this volume is, however, the existence of trade-offs in the simultaneous realisation of social, environmental and economic goals. Put directly, the challenge centres on the capacity of societies to manage growth in a sustainable and inclusive manner. This requires policymakers and other actors to balance economic growth with key social and environmental objectives without further accentuating within- and between-country inequalities. Fiorini et al. argue that, more than any other channel they identify in their analysis, the production channel of VSS (i.e. VSS-induced changes in production technology) can be associated with trade-offs in terms of the impact of VSS on different dimensions of sustainable development. For instance, technology requirements designed to protect biodiversity might come with high implementation costs, excluding the poorest producers from the use of associated VSS and potentially increasing income inequality. As argued by Di Caprio et al., blockchain technology could reduce trade frictions, bringing about increases in trade and in welfare. But this technology is also highly energy-intensive. The Cambridge Bitcoin Electricity Consumption Index (CBECI, cbeci.org) estimates that the global Bitcoin network (for which blockchain acts as ledger) consumes more energy than a country like Switzerland in one year (64 terawatt hours versus 58 terawatt hours).

The main tension running through several contributions pertains to the trade-off between environmental and economic dimensions, particularly unhindered trade and foreign direct investment (FDI) flows. These economic modalities are not considered simple ends in themselves in the 2030 Agenda but, as engines of economic growth, they are a means to support the achievement of the SDGs. This finding is consistent with the latest 'assessment of assessments' based on the review of 65 global assessments (e.g., UN flagship reports, international scientific assessments) and 112 scientific articles published since 2015 with explicit reference to the SDGs (Independent Group of Scientists appointed by the Secretary-General 2019). The UN-mandated report finds significant trade-offs in the interactions between Goal 8 (Economic Growth), on the one hand, and Goal 13 (Climate Action), Goal 12 (Responsible Consumption and Production) which deals with the management of natural resources, Goal 6 (Clean Water and Sanitation) and Goal 14 (Life Below Water), on the other hand (Independent Group of Scientists appointed by the Secretary-General 2019: Box 1–2).

Against this backdrop of trade-offs, in Chapter 4 Berger et al., corroborating the 'protectionism in disguise' claim, find that inclusion of more environmental provisions in PTAs reduces trade flows among trade partners and that this effect is entirely driven by a decrease in developing country exports to developed countries. Kim and Lee's survey experiments show that the presentation of information about the environmental costs of FDI sharply reduces support for FDI among developed country residents (American citizens) while a significant weaker effect is observed among developing country residents (Indian citizens). This suggests that citizens in high pollution environments – which are often found in developing countries (such as India) – seem less willing to forgo economic advantage to preserve the environment. In Chapter 5 Bauerle Danzman and Gertz show that investment promotion agencies (IPAs) integrated within government behave differently from autonomous IPAs, with the former being less inclined to spend resources to attract large foreign firms while devoting more on cultivating joint ventures between foreign and domestic firms. Integrated IPAs also promote greater domestic linkage activities, including educational linkages, than do autonomous agencies. On the economy–environment nexus more specifically, they present suggestive evidence that integrated IPAs are more disposed to evaluating investment projects for their environmental (and social) impact. Taken together, these results suggest that developing country governments in particular are facing hard choices. The 2030

Agenda, embodied in mottos such as 'Each country must respond to its own conditions and priorities, while breaking away from current practices of growing first and cleaning up later' (Independent Group of Scientists appointed by the Secretary-General 2019: xx), sets out a clear roadmap for decisions.

A comparison between the trade flows effect of labour and environmental provisions in PTAs further suggests that the trade-offs might be particularly pronounced with respect to the environment. Research finds that while the introduction of labour clauses in PTAs does not, on average, impact bilateral trade flows, the effect on exports from developing to developed countries is nil or even positive (International Labour Organisation 2016; Carrère et al. 2017). One possible explanation for the differentiated effect on South–North trade flows may have to do with the fact that – while a demand-side mechanism (i.e., increased consumer demand for goods produced under higher labour/environmental standards) *and* a supply-side mechanism (i.e., decent work may increase labour productivity) might offset increased production costs associated with more stringent labour market (or environmental) regulation – only the former mechanism is likely to operate in the case of environmental provisions. Further research is required to understand how variation in types and stringency of environmental provisions in PTAs might differently affect bilateral trade flows.

The latest round of multilateral talks on climate change in Madrid (December 2019), known as COP25, ended up in failure due to a lack of accord on new rules for a global carbon trading market. It has become commonplace to put the onus of inaction on world leaders, particularly those from the world's two biggest emitters (the US and China) and from large developing countries (Brazil and India). As Nat Keohane, senior vice-president at Environmental Defense Fund put it, 'COP25 showed that the yawning gap between what citizens are demanding on climate action, and what the UN negotiations are delivering, is wider than ever' (cited in Hook 2019). Yet, the growing wave of youth climate activism ('Generation Greta') is predominantly a developed country phenomenon. Lee and Kim's findings are a powerful reminder that what residents in developing countries demand on climate action and what their governments deliver is more aligned than what one tends to think. Raising public awareness regarding the long-term consequences of environmental damage may be necessary condition for regulatory progress in the developing world.

References

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