

Koch, Svea; Keijzer, Niels

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The external dimensions of the European green deal: The case for an integrated approach

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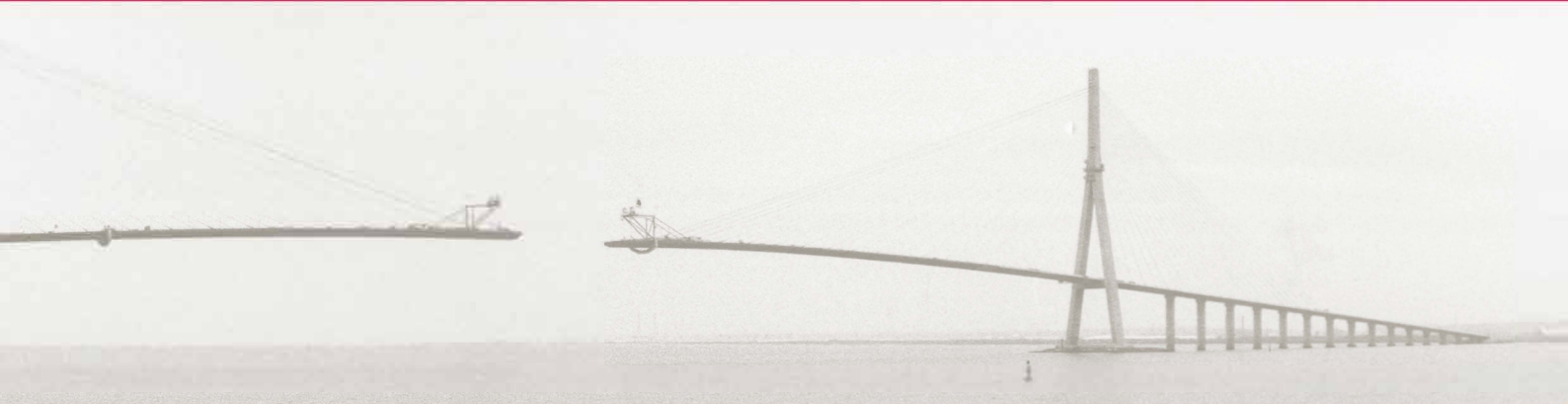
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The External Dimensions of the European Green Deal: The Case for an Integrated Approach

Summary

The European Green Deal conveys the EU's ambition to adjust and "green" its economic growth trajectory and become climate-neutral by 2050, as part of its contribution to the Paris Agreement and the Sustainable Development Goals. While being ambitiously pursued within the Union's own borders, the Green Deal also has strong external ramifications, as the EU leaves a tremendous ecological footprint in other parts of the world. The EU has referred to this "external dimension" of the Green Deal without further defining it, and appears to primarily understand it as a reflection of the internal strategies and as a call for the EU's partner countries to follow a sustainable recovery trajectory similar to its own.

A number of proposed EU domestic strategies (e.g. biodiversity, blue economy or farm-to-fork) contain chapters on global aspects, yet the EU seems to follow a predominantly sectoral logic to implementing the external dimension of the Green Deal. This approach has certain shortcomings. For one, it creates uncertainty for partner countries on how to adapt to the EU's new rules, regulations and standards, and the extent of EU support for adjusting to this. It also creates a vacuum for member state engagement by means of their economy, finance, climate and foreign policies. Last but not least, it lacks clear governance mechanisms to address potentially conflicting policy objectives and to strive for greater coherence of domestic and external EU policies.

Ultimately, the EU needs to define the different external dimensions of the Green Deal and promote an integrated approach. Whereas this applies universally to all partner countries of the EU, we focus in particular on developing countries in this paper. We consider these dimensions to be (1) promoting the Green Deal in bilateral and regional cooperation, (2) ensuring coherence and addressing negative spillovers, both in trade and domestic policies and (3) the EU's global leadership in multilateral fora. Combining those three dimensions and governing them across EU institutions and member states allows for the external response to become an integral part of the EU Green Deal.

Such an integrated approach allows the EU to claim leadership vis-à-vis other global powers, make credible commitments in multilateral fora for successful "green diplomacy", and use its market and regulatory power to transform itself and others. In its bilateral relationships, the EU needs to strike a "deal" in the true sense of the word: together formulating and "owning" cooperation agendas that are clear in terms of what is in it for the EU's partners and how the EU will cushion the potential negative adjustment costs of partners. Overall, the EU needs to avoid a "projectisation" of the external dimension of the Green Deal and clarify how the different Commission services and member states aim to work together to deliver the Green Deal, including through its various external policy areas, of which development is just one.

Introduction

The Green Deal is one of the most ambitious projects of the Von der Leyen Commission. It seeks to make Europe a climate-neutral continent by 2050, decouple economic growth from greenhouse gas emissions and ensure that “nobody is left behind”. Notwithstanding initial doubts, the Green Deal so far has proved resilient to the global pandemic and remains a compass for the European recovery. The Commission has shown tremendous speed in tabling legislative proposals, targets and strategies (e.g. the climate law, the circular economy action plan, the biodiversity strategy, the farm-to-fork strategy, etc.). The present-day reluctance and reform-resistance of some member states in e.g. the fields of energy, agriculture and fisheries policy, however, hint at the difficulties in ambitiously implementing and realising the Green Deal.

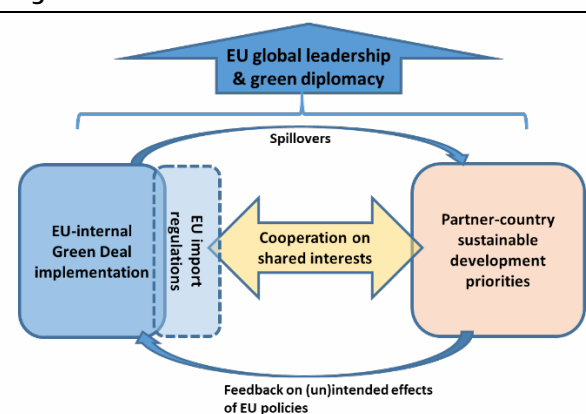
The Green Deal also has strong external ramifications, which by comparison have largely remained under the radar. The EU not only has a disproportionate global ecological footprint through imports of raw materials and products that are carbon intensive, it also contributes significantly to global environmental pollution, deforestation and loss of biodiversity. In addition to decarbonising itself and its imports, the EU faces the challenge of supporting partner countries in transitioning to clean energies and decoupling economic growth from greenhouse gas emissions. All this underlines that the objectives of the EU can only be accomplished by making the external dimension an integral part of the Green Deal. While this applies universally to all partners of the EU, we focus specifically on developing countries in this paper.

So far, the EU understands the external dimension of the Green Deal as a direct reflection of its internal strategies, or as a projection of its domestic strategies into development cooperation. This approach has certain shortcomings. First, it leaves partner countries – who have to adapt to the EU’s new energy policies and mixes, import regulations and standards – with uncertainty about whether they can expect support for adjustments and where this support will come from. It also fails to give member states clear guidance on how to contribute with their economic, investment, climate and foreign policies towards a joint European approach. Last but not least, it fails to address and integrate the external effects of domestic policies (spillovers), and thus leaves a governance vacuum for promoting coherence between different and sometimes competing objectives of EU and member states’ policies.

The Green Deal’s external dimensions: bilateral and regional partnerships, addressing spillovers, and coherence and global leadership in multilateral fora.

Rather than being an annex or extension of the domestic European Green Deal, the external dimensions are an indivisible part of it as a whole (Figure 1). First, the EU needs to incorporate the Green Deal into bilateral relationships, cooperation packages entailing development cooperation, investments, foreign policy, and horizontal learning and

Figure 1: The external dimensions of the Green Deal



Source: Authors

knowledge cooperation. To this end, the EU should formulate tailor-made and jointly owned cooperation agendas with its partners (real “deals”). Second, the EU must address its massive environmental spillovers, which contribute to e.g. deforestation, loss of biodiversity, overfishing, waste exports, and the pollution of air and oceans. This relates to the (un)intended effects of the European Green Deal for other countries, in particular with regard to changing trade-related standards and regulations. It also includes the EU’s domestic policies and the transboundary effects of EU agriculture, fisheries, industrial and transport policies (Sachs et al., 2020). Third and last, the EU needs to exercise global leadership and cooperate with its partners in making sure that the multilateral system delivers on the ambitions of the Paris Agreement and the 2030 Agenda.

Promoting the Green Deal in the EU’s bilateral and regional partnerships

A key aspect of the external dimension of the Green Deal concerns taking account of the perspectives of partner countries and their own political ambitions for ecological transformations. The EU has, for example, announced it will place climate and environment at the centre of its partnership with Africa, build green alliances with partner countries in Latin America, the Caribbean, Asia and the Pacific, and establish energy and climate partnerships with the Neighbourhood countries. Projects focussing on green transitions also feature prominently among the “Team Europe Initiatives” planned by the EU, the member states and EU banks. These efforts should additionally and adequately address the socio-economic dimension (e.g. social security systems, job creation, education and digitalisation), as green transitions are not only costly financially but also require societal acceptance and support. Short-term measures, including through debt relief and direct Covid-19 support, are inextricably linked with long-term ecological transformations (Hackenesch et al., 2021).

The EU’s partner countries will also be affected to very different degrees by its Green Deal, depending on their economic relationship with Europe, the quality of their

imports to the EU and their own development status. For all these different criteria and partners, the EU needs to offer convincing cooperation packages. For many developing countries, and in particular in Africa, the EU's €79.5 billion external action budget for the period 2021-2027 under the objectives and rules set by the new "Global Europe Instrument" plays a key role. To reflect the Green Deal's priorities, the Global Europe Instrument features a 30% spending target for climate and associated biodiversity targets (7.5% by 2024; 10% by 2026). It also aims at mainstreaming the Green Deal objectives throughout the remaining 70% of its spending, with a focus on "doing no harm" to environmental objectives. In addition to providing grants to finance cooperation, the Global Europe Instrument also provides means to mobilise private investments to promote sustainable development, which include a guarantee, concessional lending and dedicated technical assistance.

A key question for the EU here is how priorities are managed and how the Green Deal is integrated into an already wide-ranging and sometimes competing set of policy objectives, which include the reduction of poverty and inequality, democratic governance, human rights and migration. Whereas a high share of climate-related funding is positive from a Green Deal perspective, the EU needs to acknowledge the complexity when it comes to bridging social and environmental goals. Under the Global Europe Instrument, the EU seems to count on potential "co-benefits" of climate finance and social objectives. This needs to be followed up with principled programming and strong monitoring and evaluation, as targeting the neediest and most vulnerable sections of societies does not per se go hand in hand with financing climate objectives. Social objectives cannot become the blind spot of the external dimension of the Green Deal.

In addition, the EU needs to make extra efforts with regard to climate mainstreaming in its development policy. The focus of the EU's mainstreaming efforts is currently on the ex-ante marking of commitments at the project level, thus allowing for an overview of intended spending. However, the EU does not have clear publicly available targets against which these inputs could be measured. Moreover, there is no existing mechanism for capturing the overall climate and biodiversity impacts of projects during implementation or post-completion. This is also true for the idea of "do no harm" and spending with potential negative implications, for which a clear set of rules for monitoring has yet to be formulated. In addition, the EU is facing budgetary pressures and needs to act quickly in order to link short-term recovery to longer-term ecological transformations. This bears the risk of relying on well-established instruments, larger-scale projects and "greening" the EU's cooperation. Adding climate objectives to budget support operations, for instance, runs the risk of overloading an instrument that already suffers from a multitude of different objectives.

Overall, the EU needs to avoid a "projectisation" of the external dimension of the Green Deal and primarily approaching it as something that can be achieved by financing development

projects. Instead, the EU's leadership should clarify how the different Commission services and member states should work together to deliver the Green Deal, including through its various external policy areas, of which development is just one.

Ensuring coherence and addressing negative spillovers

The EU can only address its massive global ecological footprint by better monitoring this impact and identifying measures and policies to remedy it. The EU, for instance, through its agricultural imports (of e.g. palm oil, soy, beef, rubber, coffee and cocoa), is one of the world's largest contributors to deforestation, associated emissions and loss of biodiversity elsewhere. Addressing these negative spillovers through legislative and non-legislative measures is long overdue. This includes trade-related standards and regulations to "clean" the EU's imports, as currently discussed in a number of initiatives. It also entails a new framework for ensuring the coherence of domestic policies with the EU's sustainable development objectives elsewhere, which might prove to be the most difficult part of all required measures.

Supporting partners in adapting to the EU's trade-related legislation and regulations

Restructuring and transforming the EU's economy will directly affect the EU's trade regulations and standards, and thus consumption and production patterns across global value chains. In its recent trade policy review, the EU expressed its ambition to engage in sustainable, responsible and coherent trade. Examples suggested included the Carbon Border Adjustment Mechanism, deforestation-free value chains, as well as the promotion of due diligence targeting environmental, human and labour rights across value chains. Although some of these measures will have positive consequences for partner countries, workers and the environment, a "greening" of products entering the EU will also ultimately involve costs and potentially negatively affect countries' exports to the EU. The "reshoring" possibilities suggested in relation to these ambitions, i.e. shortening value chains and bringing production closer to the EU, are perceived by some African states as representing a protectionist agenda.

A key aspect of the successful implementation of the external dimension of the Green Deal will be the extent to which the EU is able to "buffer" these costs and support developing countries through targeted aid for trade in adjusting to the EU's new regulations and standards. Without this outright support, the EU runs the risk that the Green Deal will appear as a threat to those countries that need to restructure parts of their economies to comply with new regulations and standards.

Ensuring coherence and addressing the negative impacts of EU domestic policies

A crucial part of promoting the Green Deal is the systematic promotion of mutually reinforcing policy actions across DGs and EU institutions, as well as across member state departments and ministries to create synergies and avoid having one policy action undermine the objectives of another. Notwithstanding its ambition in this area, the EU

has a poor track record in promoting such “coherence”. This is primarily due to vested interests that cannot be sufficiently compensated and resolved through existing cross-policy governance mechanisms such as Policy Coherence for Development (PCD). Supporting its partners’ green trajectories while consolidating European policy choices that may undermine these will not only run counter to the EU’s success in promoting the Green Deal but also damage the EU’s credibility.

The EU puts considerable faith into its established impact assessment system, a tool that examines the need for EU action and analyses the potential impacts of possible options for action on the ground. These are carried out during the preparation phase, before the Commission proposes new (non-)legislative actions under its right of initiative. As such, they tend to justify the Commission’s preferred policy option rather than inform the choice thereof or even veto them. A first step is to further invest in evaluating current EU policies (ex-post) to generate evidence on their (un)intended effects. This would allow the EU to better assess and monitor the negative spillovers of its domestic policies on third countries. Based on this improved monitoring, other governance mechanisms need to be established to address and mitigate potentially conflicting objectives. Assigning the monitoring of coherence issues and spillovers to development policy actors, as is done with PCD, does not guarantee the necessary political weight to arbitrate such conflicting objectives. A framework to monitor and address negative spillovers thus needs to be governed at the highest level of the European Commission.

Global leadership and multilateral cooperation

A final dimension concerns the EU’s global leadership in multilateral fora and the necessity to make the Green Deal an

essential part of EU foreign policy. Promoting the EU’s ambitions in the upcoming strategy discussions of multilateral organisations (e.g. UNDP, UNICEF, WFP), the climate conference in Glasgow (COP26) and the biodiversity conference (COP15) in Kunming requires increased cooperation between the EU and its member states. As recognised in recent policy discussions, it will require European diplomats to strengthen their substantive knowledge and awareness of the Green Deal (“green diplomacy”), and for them to find sufficient flexibility to determine and pursue shared agendas with its partners. Hence, the EU should consider the objectives and priorities of the Green Deal as a useful starting point and potential building blocks for entering into key functional alliances with third countries from North and South to pursue global sustainable development. However, green diplomacy will only be successful when the EU delivers at home and strengthens the coherence of its external action. Convincing others thus ultimately results from the EU’s own domestic actions and the extent to which it will be able to integrate all three external dimensions of the Green Deal into a holistic approach.

Conclusions

All in all, the Green Deal has the potential to pave the way for a climate-neutral and sustainable Europe for the coming generations. Yet, for this to be successful, it needs to go beyond providing adequate development finance and put more focus on the external dimension as an *integral* part of the Green Deal. Such an approach should combine various external policies, such as trade, development and foreign and security policy, and seek member state engagement to contribute actively with their external and domestic policies. Finally, the Green Deal should be a basis for dialogue with developing countries and a basis for defining joint cooperation for sustainable development.

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Dr Svea Koch
Researcher
“Inter- and Transnational Cooperation”
German Development Institute /
Deutsches Institut für Entwicklungspolitik (DIE)



Dr Niels Keijzer
Senior Researcher
“Inter- and Transnational Cooperation”
German Development Institute /
Deutsches Institut für Entwicklungspolitik (DIE)

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