

## Review Article

## The Status and Effectiveness of the European Union's Social Rights and Environmental Regulation

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**Abstract:** While international trade has been present all the way through a large amount of history, it's economic, social and political importance has been on the rise in recent centuries. Through international trade, nations are offered the opportunity for rapid growth due to increased export activities. This quest for sustainable development among other factors is the reason for most developing countries' continual global integration, especially through trade relations. Trade has been identified among other channels through which countries could integrate into the global market. To further regulate trading activities, the EU environmental policy was established with the aim to preserve the quality of the environment, protect human health and ensure adequate use of natural resources. This study tends to assess the status and effectiveness of the European Union's social rights and environmental regulation using a case study analysis. Using Nigeria as a case study, the paper was able to ascertain the trade relationship between Nigeria and the EU countries and also to examine the effect of the EU policy on her exports.

**Keywords:** International trade, the European Union environmental policy, Exports.

### 1. INTRODUCTION

International trade refers to as the transfer of goods and services which include capital goods from one country to another. According to Economics Concepts (2012), international trade is trade across international boundaries. In most countries, such trade represents a significant share of gross domestic product (GDP). While international trade has been present all the way through a large amount of history, it's economic, social and political importance has been on the rise in recent centuries. Therefore, without international trade, nations would be limited to the goods and services produced within their own borders. Economics Concept (2012) adds that, the difference between international trade and domestic trade is that, this type of trade is more costly than domestic trade. This is because the trade across international border require other charges or costs such as tariffs, and other costs associated with country differences such as language, legal system or culture are also incurred. Factors of production such as capital and labour typically move more freely within a country than across countries.

However the EU social rights and environment regulation came into force as a result of the need to combat against environment related-threats to human health which happens to be part of the 7<sup>th</sup> EAP's objectives. The European Union adopts trade restrictive measures or sanctions as a tool to bring about a change in policy or conduct of those targeted. These measures may target governments of non-EU countries because of their policies, terrorist groups or individuals involved in terrorist activities, entities or individuals supporting the targeted policies. The key objectives when adopting these measures are: safeguarding the EU's values, fundamental interest and security, preserving peace, preventing conflicts and strengthening international security, consolidating and supporting democracy and so on. However, some of these measures may include; trade restrictions in the form of import and export bans, financial restrictions, embargoes on arms, restriction on movements such as visa or travel bans.

Quick Response Code



Journal homepage:

<http://www.easpublisher.com/easjebm/>

Article History

Received: 16.08.2019

Accepted: 25.08.2019

Published: 06.09.2019

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DOI: 10.36349/easjebm.2019.v02i09.009

## **2. Status and Effectiveness of the Social Rights and Environmental Regulation**

The effectiveness of social and environmental measures can be determined by its implementation at the national and international level. So as to ensure implementation and effectiveness of the EU environmental policy, the European Parliament in 2001, adopted the minimum requirements for environmental inspections in the Member States. Also, member states were required to enforce criminal sanctions for the most serious environmental offences so as to encourage the implementation of the social rights and environmental measures. In addition, to ensure the effectiveness of these regulations, the Environmental implementation review was established in 2016. More so, sanctions or restrictive measures were used as an instrument to bring about change in conduct of violators. The major aim when enforcing this regulation on trading activities entails the protection of the European Union's values, maintenance of peace and security, conflict prevention and so on. The social and environmental regulations may be in form of restrictive measures of trade like import and export bans, financial restrictions, embargoes on arms etc. Subsequently, the European Union proposes to impose definitive protective measures on the imports of certain steel products. This measure is planned to replace the temporary measures set up since July 2018. This examination started in March 2018 as a component of the EU's reaction to the decision by the United States to impose duties on steel items. This prompted a noteworthy increment in the imports of steel items into the EU. The proposed trade prohibitive measure will be imposed against the import of 26 steel item classifications from all sources; this implies that a duty of 25% will apply when the conventional trade low level is attained. This measure's focus is to preserve the customary trade levels of trade in steel on the EU market. However, the European Union is unusual in being an unhindered commerce territory that has its own authoritative and regulatory organizations. Not at all like the North American CEC, the European Union has the ability to set environmental standards which are binding on member nations. This is known as the harmonization of environmental standards. Note, in any case, that this policy includes more than free trade; it involves the formation of a supranational authority with the power to set environmental standards.

## **3. How does the EU environmental policy affect exports from Africa?**

As much as most nations would always want to participate in the global market because of its significance to the economy's sustainability, they are faced with problems that make it difficult or impossible to fully enjoy the trade benefits. An economy tends to have a surplus balance of trade when it exports goods and services more than it imports. This increased export influences the growth of an economy positively; as such

economies would want to export goods or services it has an absolute and comparative advantage over. Despite the fact that most African countries have agricultural resources in abundance, their quest to be fully involved in the global market is limited. Since the 1970s, Oil has been a major source of revenue in Nigeria but she also engages in the export of agricultural produce. Increased export of agricultural produce has been a part of the driver of Nigeria's economic growth. The fact that the European Union influences more than half of the United Kingdom's economy had a massive impact on the growing fears and uncertainties of concerned nations in the union when the BREXIT became more threatening. Lots of investors and international traders withdrew as in taking precaution, while the EU market and standards became a seemingly difficult market for exporters from certain countries such as African nations. This subsection will review the challenges faced by African exporters in their attempt to enter the European Union market.

It is no doubt that the major goods exported by Africans into the EU market are more agricultural than mechanical. However, studies have revealed that most horticultural products in developing Sub-Saharan countries are produced on small farms and often in labour - intensive ways. With appropriate policies and technologies, horticultural production can significantly contribute towards increasing the incomes of small-scale farmers, expanding employment opportunities, enhancing rural development and an important source of foreign exchange earnings. In Africa, countries like Egypt, Ivory Coast and Zimbabwe have traditionally been important exporters of horticultural crops. More recently Kenya, Gambia, and Zambia have greatly increased their horticultural exports as well (Bruinsma 2008). Dolan and Humphry (2000) reported that there has been an increase in the volume of fresh fruits and vegetables exported to the European Union from some Sub-Saharan countries between 1998 and 2009 by about 107%.

The new European Consensus on Development provides the framework for the EU's development policy and guides the efforts in applying Policy Coherence for Development (PCD) across all policies and all areas covered by the 2030 Agenda for Sustainable Development. PCD is considered a fundamental part of the EU's contribution to achieving the Sustainable Development Goals (SDGs) and requires taking into account the objectives of development cooperation in all external and internal policies which are likely to affect developing countries. The Consensus calls for addressing the inter-linkages between the different SDGs and adopting a comprehensive and strategic approach to implement the 2030 Agenda across all policies, seeking synergies, notably on the five strategic challenges (trade and finance, environment and climate change, food security, migration and security) and in close coordination with

the implementation of the Paris Agreement on Climate Change.

The development aspiration of developing countries to achieve sustainable growth and poverty reduction is linked in part to their interaction and integration to the rest of the world (Kareem, 2017). Integration into global market by the poorer countries offers the opportunity and potential for rapid growth and reduction in poverty (Martinez and Poole, 2004). This quest for sustainable development among other factors is the reason for most developing countries' continual global integration, especially through trade relations. Trade has been identified among other channels through which countries could integrate into the global market (Kapslinky, 2008). Many countries have been participating in global trade in order to benefit from the embedded gains. However, there are often obstacles to the attainment of full potential benefits of trade, as trade measures prevail, which sometimes could be barriers, especially to commodities that developing countries and Africa, in particular have a comparative advantage. This is due to inadequate science and technological advancement in Africa, which often affect the quality of exported commodities. As a result of these trade measures, Africa has found it difficult to take full advantage of the opportunities embedded in global trade. The gradual collapse of tariffs in global trade due to the bilateral, regional, and multilateral trade negotiations and agreements have brought into fore the relevance and the preponderance of the use of non-tariff measure (NTMs) in regulating international trade (Fugazza, 2013; WTO, 2012). Kareem (2010) finds that the non-tariff barriers constitute the most significant trade barriers or restrictions that Africa's exports face in the markets of their trade partners.

To this end, the NTMs, in particular, technical barriers to trade (TBT) standards are considered trade protective because they add to the costs faced by exporters. These types of NTMs can almost double the trade barriers effects imposed by tariffs for some products (Moise and Le Bris, 2013). Also, Gourdon and Nicita (2013) present a frequency index which shows that among the NTMs, the technical measures are often used most. TBTs such as technical regulations and standards (e.g Sanitary and Phytosanitary measures, or SPS) stand out among other NTMs due to their importance to human and animal health as well as the protection and safety of the environment. The TBT could also be used for trade protectionism and/or means of enhancing trade flow.

To mitigate this problem, the African Union's (AU) New Partnership for African Development (NEPAD) initiated the Comprehensive Africa Agriculture Development Programme (CAADP) as part of its objectives, to strengthen and enhance Africa's agricultural production through sustainable

interventions by African governments in order to accelerate and promote agricultural production for export. In order to do this, the CAADP has put in place a policy that ensures each member country allocate 10 percent of its national budget to agriculture investment/sector with aim of attaining 6 percent average annual growth rate of the economy.

Although member countries are making strides towards meeting the 10% budgetary allocation to promote agriculture exports, lack of access to markets due to NTBs, specifically, product standards, create major hurdles for African economies to break through and reach global markets, especially in industrialized countries. Out of the trade policies, studies have shown that the magnitude of the impact of tariffs is very minimal due to the fact that, most of exports of African origin have been granted preferential tariff rates. The main restrictions to Africa's exports access to develop and developing countries' markets are the non-tariff barriers, specifically the product standards (Kareem, 2010; Czubala *et al.*, 2009).

Studies such as Czubala *et al.*, (2009), Otsuki *et al.*, (2001), Mutume (2006) and Shepherd and Wilson (2010) have found that standards inhibit exports of Africa origin, since many of the exports do not meet the standards set by these countries. This is associated with inadequate technical capacity in terms of advanced technology and sciences to produce commodities that will meet international standard requirements. The imposition of these market access conditions on agricultural exports, especially those that African countries have a comparative advantage, could serve as hindrance to the extent to which the sector contributes to overall income growth in the rural areas and stimulate growth in other sectors of the economy through the expansion of goods and services demanded from these sectors. Also, it is likely to have consequences on the degree to which earnings on agricultural exports could be used to reduce poverty, hunger, and overall malnutrition levels in the continent. To this end, efforts made by African governments through CAADP to mitigate these market access barriers have not been yielding expected results due to the fact that, the already defined and detailed set of project activities in the programme did not allow for a decentralized and bottom-up implementation.

**However, following the adoption of the recent environmental policy, full participation in the global market is limited because exporters are faced with the following:**

- Corruption and congestion: This remains a major issue at Nigeria's ports because clearance of goods can be slow, cumbersome and highly bureaucratic. The average time for importing to Nigeria, at 33 days, is 81% higher than it is in Latin America; the average time for exports from Nigeria, at 22 days, is 36% longer. Despite the

growth in exports and imports, delays in turnaround time have had an adverse effect on Nigeria's trade volume. As such, many firms are reluctant to deal with the variability of transportation times because this delay can affect perishable and time-sensitive goods such as certain foods and pharmaceuticals.

- Slow-paced technological advancement: this leads to the lack of necessary scientific and technical facilities which often affect the quality of commodities exported.
- Domestic producers who compete with EU imports might face a decline in their business as there is a possibility of Nigeria been flooded with goods from the EU even though local consumers and firms who purchase intermediate goods or machinery for production tend to benefit from the trade relationship.
- Insecurity: The threat of crime and the associated need for security countermeasures. The security situation is poor in terms of Police availability and response times.
- Lack of access to financial resources to implement stringent requirements of international trade remains a major problem, particularly for small exporters.

Also, inefficient border procedure and lack of technical personnel increase the incidences of rejection

at the EU border and add to hindrance in accessing the EU markets

#### 4. Findings and Analysis of Data

##### 4.1 Analysis of Nigeria's merchandise trade with the European Union (EU)

Nigeria's trade relationship with the EU promotes regional integration and is of great benefits to both parties. It creates an enabling environment for Nigeria to showcase her products thereby creating new market while on the other hand; it gives the EU countries the opportunity to have access to these products thereby increasing consumer choice. The EU has always been an important market for export from Africa. Between the year 2017 and 2018, there was an increased import on merchandise trade by the EU from Nigeria from €15.2 billion to €22.5 billion which was about 37% of Nigeria's total export for the year 2018. While the EU's export of €11.9 billion in 2018 accounted for about 34% of Nigeria's import for the year 2018. Subsequently, from a continental approach, 43.9% of exports from Nigeria were sent to the European countries while 27.7% worth of exports went to Asia in 2018. Also, another 13.2% was delivered to North America, 9.2% went to Africa, 4.9% went to Latin America excluding Mexico but including the Caribbean, with 0.4% shipped to Oceania (0.4%) led by Australia.

**Table1. Exports items to the European Union (EU 28) countries in 2018**

Products (Top 20)	Percentage
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral	40.59
Ships, boats and floating structures	1.96
Cocoa and cocoa preparations	0.45
Raw hides and skins (other than fur skins) and leather	0.15
Oilseeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal.	0.07
Fish and crustaceans, molluscs and other aquatic invertebrates	0.07
Rubber and articles thereof	0.07
Lead and articles thereof	0.02
Plastics and articles thereof	0.01
Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal.	0.01
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	0.01
Iron and steel	0.01
Miscellaneous chemical products	0.01
Edible fruit and nuts; peel of citrus fruit or melons	0.01
Residues and waste from the food industries; prepared animal fodder	0.01
Beverages, spirits and vinegar	0.01
Cotton	0.01
Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles	0.01
Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	0.01
Aircraft, spacecraft, and parts thereof	0.01

Source: ITC/Researcher's computation

The table above shows the top 20 export items from Nigeria to the EU market and the percentage in

Nigeria's GDP. The table also shows the product that is mostly exported to the EU from Nigeria and the



percentage it occupies in the national income. This supports that Nigeria’s main export is comprised of mineral fuels, mineral oils and products of their distillation.

**4.2 Analysis of the Structured Interview Responses**

A fact-finding process is used to produce a quantitative expression of significant results which

will also serve as a basis for making a decision. As such personal interview of 40 respondents was carried out through the use of a semi-structured interview questionnaire. The respondents were selected from the manufacturing industries, oil and gas sectors and the agricultural sectors. Individual’s qualification and experience is considered in the selection process of the respondents.

**Table 2: Demographic Data analysis of respondents**

What is the name of your organization?	The responses to this question revealed that majority of the respondents were in trading and marketing organizations that are mainly into International Trade.
What type of products is exported?	Many of the respondents are mainly engaged in the exports of agricultural products such as Cocoa Butter, Raw hides, Palm Kernel oil, Ginger, Textile and Garments, Gallstone, Aluminum, Rubber, Honey etc.
What type of products does your organization import?	Majority of the respondents imports include: machineries and raw materials for their organizations especially the brewery Companies who imports bailey, Refined petroleum products, Machinery, vehicles, Electrical materials, cereals, rice, etc.
Are you married?	Majority of the respondents were married.
What is your Age?	The major age range of the respondents were between 40-50 years
What is your highest educational Qualification?	The educational qualification majority of the respondent is First Degree (B.Sc). This means that the other part of the population who are not educated hardly engage in exports and imports business.
How long have you being in this business?	Majority of the respondents have been in International trade for over 7 years. This shows that they have good experience of the exports and imports of their products.

What are the problems that have been affecting your international trade?	<p>The respondents major responses to the problems they are facing in exports of their products include:</p> <ul style="list-style-type: none"> <li>Low Productive Capacity especially due to poor electricity supply.</li> <li>Difficulties of passing through the regulatory authorities such as NAFDAC, SON, MAN, etc.</li> <li>Lack of awareness on how to process their export products to meet up with the international standards.</li> <li>Legislative Requirements on Food Safety in Importing Countries</li> <li>Poor packaging of products</li> <li>Difficulties in meeting the standard requirements of the World Trading organization (WTO) requirements.</li> <li>WTO Packaging Standards.</li> <li>Difficulties of making the products to conform to quality. Standards required by International bodies and individual customers.</li> <li>Poor awareness creation of the government on exports processing of their products.</li> <li>Competitive international Pricing of exports products</li> <li>Unreliability and Contract infidelity</li> <li>Inefficient production technology</li> <li>Costly Transportation system</li> <li>Inadequacies of Export Finance</li> </ul>
In what ways do you think the problems you listed above could be solved to improve your International trade?	<p>The responses to the solutions to the listed problems by the respondents include:</p> <ul style="list-style-type: none"> <li>The need for government to create adequate awareness on how the exporters could process their products for exports.</li> <li>The exporters should adopt the best alternative technology that they could afford to improve their level of productive efficiency.</li> <li>Ensure that the regulatory agencies in Nigeria are able to reduce their strict rules and regulations especially the cost of registration as this will help small organizations producing goods for exports.</li> <li>Government agencies should guide and help the exporters to achieve the International requirements for exports of their products, especially to meet the WTO and EU requirements.</li> <li>The exporters should ensure that their products are produced at low cost in order to compete with the International prices.</li> <li>Government should ensure that they engage in assisting the exporters in getting the products from the interior village producers by creating accessible roads that</li> </ul>

	<p>will enable the products reach the areas where they could be processed for international exports.</p> <p>Export tariff should be made low for small scale producers to encourage them engage in exports activities.</p> <p>The government should provide adequate protection of the exporters and importers of products against marginalization of the Nigerian exporters and importers by the foreign countries.</p>
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Source: Researcher's compilation, 2019

The study has shown, particularly from the results of the analysis of the structured interview that, there are several problems which international trade organizations (exporters and importers) encounter. Based on the identified problems the respondents in their interview were able to suggest feasible solutions that could handle the identified problems as shown in the analysis of the interview above. The effective implementation of the proposed solutions will go a long way in impacting trading activities positively.

## 5. CONCLUSION

While trade openness is significant to a nation's growth because it allows for the diffusion of knowledge and technology across nations, additionally, it promotes competition in the domestic and international market. However, trade being a driver to economic growth and promotion of economic integration makes it attractive for nation's participation. In spite of its attractiveness, the issue of social and environmental standards makes it difficult for many developing nations to access the global market. Non-compliance to these measures by these nations mostly leads to restriction, rejection or ban of these trade items from the global market. However, the EU's environmental policy has met an unusual strong resistance because the ability to comply with technical regulations by these industries is limited.

However, in addition to the earlier proposed solution, there is a need for full involvement in trading activities on the part of the Federal Government of Nigeria. This can be achievable when; an enabling environment for industries to thrive is provided for, manufacturing industries are updated regularly with necessary trading information, and there is availability of the needed infrastructures and facilities for trade promotion. Therefore, this study concludes that the level of standards compliance for existing exporters is inadequate such that it impacted negatively on their volume of export. As such, African nations must ensure adequate standards compliance not only in the EU market but in all their export markets.

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