

JEAN MONNET MODULE

101085102-EU-TRADE-ERASMUS-JMO-2022-HEI-TCH-RSCH

GREEN DEAL, SUSTAINABLE TRADE AND TURKIYE'S INTEGRATION

VOLUME 13 | MAY 2024



SUSTAINABLE TRADE IN THE CONTEXT OF EU-TURKIYE CUSTOMS UNION AND ITS MODERNIZATION

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Sustainable trade integrates environmental, social, and economic considerations into trade practices and has become a cornerstone of modern economic policies. This approach aims to promote economic growth while preserving environmental resources and fostering social equity. In the context of the EU-Türkiye Customs Union, sustainable trade has gained significant importance, especially as both parties explore modernization and deeper integration.

The EU-Türkiye Customs Union, established in 1995, was a significant step in strengthening economic ties between the European Union and Türkiye. It facilitated the free movement of goods and aligned Türkiye's trade policies with EU standards, fostering closer economic cooperation. However, with global priorities shifting towards sustainability, there is an increasing recognition of the need to modernize this customs union to address contemporary challenges, including environmental sustainability and social responsibility. The urgency to modernize the EU-Türkiye Customs Union stems from several factors. Firstly, the original agreement mainly focused on economic aspects, with limited attention to environmental and social dimensions.

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From an environmental perspective, integrating sustainability into the customs union can significantly reduce the carbon footprint of trade activities. This reduction is achieved by implementing stringent regulations on carbon emissions, encouraging the use of renewable energy, and promoting sustainable resource management. Such measures ensure that both production and consumption patterns within the trade framework are aligned with global climate goals, contributing to the broader fight against climate change and environmental degradation.

Economically, the modernization of the customs union can enhance the competitiveness of Turkish industries. By encouraging the adoption of green technologies and practices, Turkish businesses can improve their efficiency and reduce costs associated with energy consumption and waste management. These advancements not only make Turkish products more attractive in the global market but also open up new opportunities for innovation and growth in sectors such as renewable energy, energy efficiency, and sustainable agriculture. Moreover, aligning with the EU's high environmental standards can facilitate easier access to European markets for Turkish exporters, boosting trade and economic growth.

Socially, modernizing the customs union to incorporate sustainability can lead to significant improvements in labor standards and social equity. Trade agreements that include robust labor rights provisions ensure that workers are treated fairly and that their rights are protected. This can lead to better working conditions, higher wages, and improved health and safety standards for workers in both the EU and Türkiye. Additionally, by promoting social equity, the benefits of trade can be more evenly distributed across different segments of society, reducing inequalities and fostering inclusive economic development.

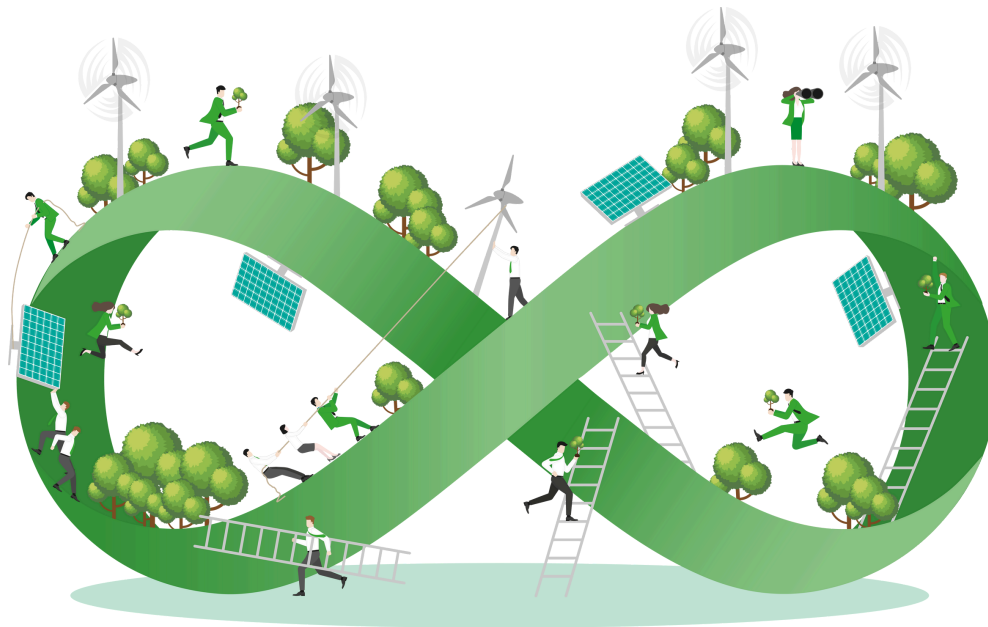
Furthermore, a modernized customs union can strengthen the overall EU-Türkiye economic partnership, creating a more resilient and sustainable economic framework. This strengthened partnership can enhance economic stability and foster greater cooperation in addressing common challenges such as climate change, resource scarcity, and social inequalities.

By working together towards common sustainability goals, the EU and Türkiye can build a more integrated and cohesive economic region that is better equipped to withstand global economic fluctuations and environmental crises.

This partnership also serves as a powerful model for other regions, demonstrating how trade agreements can be leveraged to promote sustainability and address global challenges. The EU-Türkiye customs union, with its comprehensive sustainability provisions, can inspire other countries and regions to adopt similar approaches, leading to a more sustainable global trade system. By setting high standards for environmental protection, labor rights, and social equity, the modernized customs union can contribute to the creation of a more just and sustainable global economy.

The modernization of the EU-Türkiye Customs Union presents a unique opportunity to integrate sustainability into one of the most significant economic partnerships in the region. By incorporating comprehensive sustainability provisions, aligning with the European Green Deal, adopting the CBAM, and promoting circular economy practices, the customs union can be transformed into a powerful tool for sustainable development.

This modernization effort will not only enhance the economic and environmental resilience of the EU and Türkiye but also set a precedent for future trade agreements worldwide. The success of this initiative could pave the way for a new era of sustainable trade, where economic growth and environmental stewardship go hand in hand, ensuring a better future for all.





The Future of Global Trade

Prof. Dr. Kerem ALKIN

Ambassador, Permanent Representative of Türkiye to the OECD



Two 'black swan' events – the global pandemic and the Russia-Ukraine War – represent the fourth severe test in the last 200 years for the Capitalist System, which experienced a 'mindset blockage' after the end of the Cold War, following its deepening existence between 1950 and 1990. We are talking about a severe trial and a 'survival' struggle for the Capitalist System. The most 'critical point' that the Capitalist System needs to face in this trial is the fact that 'globalization 2.0', on which it has relied for the last 25 years, has completely collapsed. The 'hypocritical', 'sly', 'selfish' dependency on cheapness, which has not sufficiently prioritized global values and human costs, has been laid bare with the two black swans.

For the leading economies of the world, even if they were not sufficiently sensitive to 'global values', obtaining cheap raw materials, cheap energy, and cheap products from tens of thousands of kilometers away was very convenient, wasn't it? Transporting raw materials and products from such distant points using 'fossil fuel' vehicles, even if the labor and energy were 'cheaply' procured in those countries by 'controversial' methods, was easy due to 'dependency on cheapness', right? However, both the soil and the oceans of the Earth are rapidly warming. Fighting global climate change is now a top priority that cannot afford even a second's delay.

Some of Europe's leading economies, which have balanced the production costs of industry with cheap energy and cheap raw materials, have enriched economies that did not sufficiently prioritize global values and significantly neglected 'human costs'. This 'disturbing' slipperiness of Capitalism has now presented us with significant challenges, significant trials, and significant tests on behalf of 'humanity'. The Capitalist System needs to quickly complete a mindset change focused on 'conscious capitalism'. This mindset change for the Capitalist System must be based on a 'human-centered', 'innovation-centered', and 'sustainability-centered' 'globalization 3.0'.



Because the 'green development revolution' and 'sustainable development' require a global economy and trade that prioritizes innovation-based efficiency, the 'green energy transformation' that will protect the climate and environment, and a more 'fair' distribution of added value among all production factors and all economic actors. Leading economies need to increase 'added value' not through dependence on cheapness but through more intense patent numbers and innovative breakthroughs. Transforming the global system into a more 'fair' and more 'humane' structure requires a 'force-tank' approach that 'forces' leading economies to 'collective' work, just as international institutions like the OECD, which function as both 'think-tanks' and 'do-tanks', do.

This entire picture also means a 'radical' business model change for millions of companies operating at an international level and firms conducting commercial activities at a national level worldwide. Essentially, our exporters under the umbrella of the Turkish Exporters Assembly have long realized that the way to make Türkiye's position in global competition 'sustainable' is not through 'cheap energy' and 'cheap labor', but through innovation, a radical change in business models, and focusing on a business model prioritizing 'clean and green energy' and 'zero waste'. Let's applaud our exporters for this forward-thinking approach.

Moreover, Türkiye's continued breaking of export volume records should not only be celebrated due to the marketing, sales, and supply success of Turkish exporters flying our flag in over 200 countries and trade points on five continents but also because it is a performance demonstrated in the midst of a true 'age of global disorder', an 'age of global uncertainty'. We are talking about a period of real 'horizon darkening', 'blurring', and 'economic wars' between global power centers and continents. This achievement highlights the resilience and adaptability of Turkish exporters in navigating and thriving in an increasingly complex and volatile global trade environment.

Global trade, within this entire global picture, is grappling with issues that threaten the 'sustainability' and 'security' of intercontinental trade. Firstly, the leading actors of global trade and international companies are not pleased with the severe blow the concept of 'globalization' has taken in the last 10 years. The mismanagement of the 2008 global financial crisis, the ruthless isolation of countries during the global pandemic – a scenario that even unfolded within the European Union – and the chaos caused by the Russia-Ukraine War have placed those who worked hard to embrace the concept of globalization into great embarrassment.

When the promise of a culture of common effort and solidarity that the concept of globalization was supposed to bring to the international system proved hollow, the burgeoning 'protectionism' instinct naturally ignited debates threatening global trade. Leading world economies have increasingly turned to using economic, commercial, and financial sanctions against each other with impunity. The 'sanction culture' that accompanies the acceleration of 'protectionism' could disrupt the flow of goods, services, money, and information between countries and continents in the upcoming period. The efforts of the World Trade Organization to prevent these 'protectionism' and unjust sanction measures have not achieved the expected results due to the damaged concept of 'multilateralism'.






REVIEWS Cont.

Another significant threat to the sustainability of global trade is the deepening 'geopoliticization'. The risks posed by intercontinental and regional bloc formations and the 'world of isolated blocs' threaten the development of global trade. This 'world of isolated blocs' exacerbates the competition between the 'market economy' model, which contributes and continues to contribute significantly to the development of global trade, and the 'state capitalism' model. Countries advocating the market economy model have not been able to demonstrate a performance defending the importance, correctness, and benefits of the market economy since the 2008 global financial crisis. Conversely, economies advocating and representing 'state capitalism' seem to have managed successive global crises better. However, advancing global trade with a fair and sharing understanding is only possible with the market economy approach.

Incorporating into this mix of risks and threats are new rules aimed at preventing or limiting global climate change, new standards for 'green transformation' and 'zero waste' targets, the natural disasters caused by global climate change such as 'drought', the 'global supply chain' issues continuously triggered by the global pandemic and the Russia-Ukraine War, threats to global energy supply security, and the extreme fluctuations in global commodity prices caused by all the risks, threats, and negative factors in the global ecosystem. This scenario brings the risk of a global trade increasingly concentrated on a limited number of companies to the detriment of SMEs, favoring the 'economies of scale' capabilities of global companies. Following these issues is crucial for the future of global trade.





Commission kick-starts work on a new pilot mechanism to boost the hydrogen market

the Commission is taking further steps to support the development of the European hydrogen market by launching work on a pilot mechanism. The new mechanism was created under the recently-adopted decarbonized gases and hydrogen package, and aims to accelerate investments by providing a clearer picture of the market situation of both off-takers and suppliers and facilitating contacts between them. It will be in place for five years and will be part of the European Hydrogen Bank. The hydrogen pilot mechanism will collect, process and give access to information on demand and supply for renewable, low-carbon hydrogen and derivatives, allowing European off-takers to match with both European and foreign suppliers. It will collect and process market data on development of hydrogen flows and prices. A procurement process has started.



The Commission plans to sign a contract by the end of this year, so that it can start its operations by mid-2025. The EU has put in place a comprehensive and integrated regulatory framework to support the development of a fully functioning hydrogen market by 2030. The Decarbonized Gases and Hydrogen package set out clear market rules, providing legal certainty and long-term visibility to investors across the entire hydrogen value chain. In addition, hydrogen supply chain projects are now considered of strategic interest, and thus eligible for faster permitting and other supportive measures, under the Net-Zero Industry Act.

[For more detail](#)



Industrial policy: Council gives final approval to the net-zero industry act



The Council has given final approval to the net-zero industry act, a regulation aimed at strengthening Europe's net-zero technology manufacturing ecosystem to achieve the EU's climate goals. This act is a key component of a new industrial policy designed to position Europe as a leader in green technologies, reduce dependencies, enhance strategic autonomy, and create growth and jobs. Key measures include simplifying permits for strategic projects, facilitating market access for green technology products, enhancing workforce skills, and establishing a platform for EU coordination. The act also supports innovation through regulatory sandboxes. Progress will be measured by benchmarks for manufacturing capacity and a target for the EU's share of global production.

Additionally, it sets an annual CO₂ injection capacity target for geological storage by 2030. Following Council approval, the regulation will be signed, published, and come into force. This act is part of the green deal industrial plan, alongside the critical raw materials act and electricity market design reform, aimed at enhancing Europe's net-zero industry competitiveness.

[For more detail](#)



EU and Türkiye deepen cooperation on green and digital transition

Iliana Ivanova, Commissioner for Innovation, Research, Culture, Education and Youth, and Mehmet Fatih Kacir, Minister of Industry and Technology of the Republic of Türkiye, held the second EU-Türkiye High-Level Dialogue on science, research, technology and innovation in Istanbul. This marks a significant milestone in EU-Türkiye research and innovation cooperation.

The two sides have announced that three innovation programmes from Türkiye are now certified to take part in the European Innovation Council (EIC) Plug-in scheme, which will enable them to submit projects from their portfolio directly to the full application stage of the EIC Accelerator. In addition, the European Institute of Innovation and Technology (EIT) will set up a Community Hub in Türkiye by the end of the year. Moreover, the Commission's Joint Research Centre has supported the launch of Türkiye's initial roadmap to support the design of regional Smart Specialisation Strategies.



[For more detail](#)



Balancing Economic Growth with Sustainable Trade

Achieving a balance between economic growth and sustainable trade is a critical goal for modern economies. Economic growth is essential for improving living standards, creating jobs, and generating wealth. However, if pursued without regard for environmental sustainability, it can lead to the depletion of natural resources, environmental degradation, and long-term socio economic problems. Sustainable trade ensures that economic activities are conducted in ways that preserve environmental integrity and promote social equity, creating a viable path for long-term prosperity.

Dilara TÜRK

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Balancing economic growth with sustainable trade presents significant challenges. One major challenge is the short-term focus on profits versus the long-term need for environmental sustainability. Companies and governments often face pressure to deliver immediate economic results, which can conflict with the need for sustainable practices that offer benefits over a longer horizon. Addressing this requires a shift in perspective, prioritizing long-term gains and incorporating the true costs of environmental degradation into economic decision making.

Global resource disparities also complicate the balance. Developing countries may prioritize rapid economic growth to meet the immediate needs of their populations, sometimes at the expense of environmental considerations. International cooperation and support are crucial in providing these countries with the resources and technologies needed to pursue sustainable practices. This includes financial assistance, technology transfer, and capacity-building initiatives to help them leapfrog to greener development pathways.

Balancing economic growth with sustainable trade is essential for ensuring long-term prosperity and environmental health. By integrating economic policies with sustainable practices, fostering innovation, and promoting responsible consumption, governments and businesses can achieve a harmonious balance that supports both economic and ecological goals. Addressing the challenges requires a concerted effort at both national and international levels, with a focus on long-term benefits and equitable resource distribution. Through these efforts, sustainable economic growth can be achieved, securing a healthy and prosperous future for all.

The Green Economy: How Sustainable Trade Can Drive Environmental Stewardship

The concept of "Green Economy" has started to gain attention in conversations about sustainable development by emphasizing the importance of promoting economic growth while protecting and developing the natural environment. At the core of this paradigm shift is the role of sustainable trade, which acts as a powerful catalyst for promoting environmental management on a global scale.

Sustainable trade is the exchange of products and services in a way that avoids negative environmental consequences while maximizing positive outcomes for ecosystems and biodiversity. Businesses can help the transition to a green economy by incorporating environmental considerations into their trade practices.

One of the most important ways that sustainable trade helps environmental management is to promote the use of environmentally friendly industrial practices and technology. By using cleaner production methods, reducing resource consumption and eliminating waste generation, enterprises can reduce their environmental impact while remaining competitive in the global economy. This transition towards sustainable production not only protects natural resources, but also helps to mitigate climate change by reducing pollution and greenhouse gas emissions.

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In addition, sustainable trade promotes the use of circular economy concepts, which include the reuse, recycling and reuse of goods to reduce waste and improve resource efficiency. Enterprises can minimize their dependence on scarce resources, promote innovation in product design and production, and create new prospects for economic development by closing the production and consumption cycles.

Finally, sustainable trade is a critical component of the green economy and provides a means to achieve environmental sustainability at the same time as promoting economic development. By adopting sustainable trade practices such as pollution reduction and conservation of natural resources, enterprises can promote beneficial environmental outcomes, as well as increase innovation and resilience to global environmental concerns. As we work to create a more sustainable future, sustainable trade is critical to enhancing environmental stewardship and ensuring a thriving world for current and future generations.





SMEs & Sustainable Trade

Sustainable trade involves aligning trading practices with the objectives of sustainable development, encompassing environmental, economic, and social aspects. According to the OECD-World Bank Future of Meta-Business Survey, almost 80% of SMEs, which make up 90% of global businesses and more than 50% of the workforce, engage in international trade. By contributing to economic growth and employment, stimulating the country's economy, and facilitating trade networks through its operations in a wide range of sectors, it contributes to the strengthening of international trade. Within this specific framework, the transformation of SMEs is critical for sustainable trade.

In order to meet the growing market preference for sustainable products and services, SMEs must effectively address these expectations by adapting their current offerings and modifying their marketing strategies accordingly. SMEs can obtain a competitive edge over their rivals and have the ability to meet customers' needs by implementing sustainable business models, which involve offering environmentally friendly products or services that rely on renewable energy sources. Additionally, they have the ability to decrease operational expenses by allocating resources towards environmentally-friendly technologies as part of sustainable trade, creating energy-efficient manufacturing methods, and executing waste management policies. They can also benefit from specific support programs for SMEs offered by national and international organizations that promote sustainable trade.

On the other hand SMEs face a number of obstacles, such as their place in sustainable trade, a lack of funding, inadequate technological infrastructure, and difficulties in market entry. To overcome these obstacles, SMEs require support, capacity-building, and access to sufficient financial resources. The fact that the sustainability projects required for this transformation are often costly and long-term, makes it difficult for SMEs to find sufficient resources to finance these projects, and the fact that banks do not yet have sufficient knowledge and skills to provide financing for sustainable projects makes it more difficult for to access funding. Moreover, documentation and compliance requirements for sustainable trade are quite complex for SMEs. Factors such as a lack of knowledge of the procedures required to comply with sustainability standards, limited resources, or inadequate staffing make it harder to meet requirements.

WHAT WE HAVE DONE SO FAR?

Prof. Dr. Mehmet Babacan from Marmara University's Faculty of Economics met with students as part of the module titled **"Emerging Markets Green Transformation of SMEs"**.

Throughout the course, we discussed the European Green Deal, SMEs, obstacles and opportunities, as well as the purpose and advantages of Türkiye's green transition. We investigated the contribution of SMEs to the economy. We also emphasized the relevance of developing market economies in this context.



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WHAT WE HAVE DONE SO FAR?



On October 10, Istanbul Medipol University hosted an effective event titled **Sustainability 101 Trainings "Artificial intelligence and sustainability in production"**.

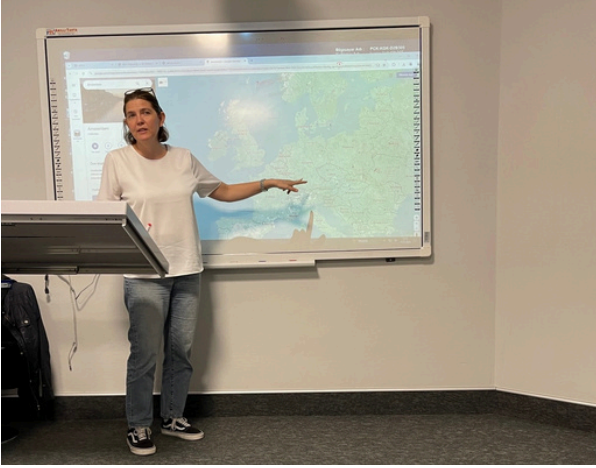
Led by **Dr. Adem Kayar**, the event provided a crucial framework for understanding the European Union's sustainability and environmental policies. Resource Management and Optimization, Waste Reduction and Recycling, Less Carbon Emission, Product Life Cycle and Design were discussed at events on these topics. This event underscored the importance of collaborative efforts in promoting sustainable development and environmental protection within the EU and beyond.



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WHAT WE HAVE DONE SO FAR?



Dear guest Assoc.Prof. Hatice Deniz Genç What is the EU? EU aims? The EU gave information about the goal of becoming the first net zero continent. In the course where the EU's policies to reduce carbon emissions by 55% by 2030 and to become the first carbon neutral continent in 2050 were discussed; EU policies in the fight against climate change and the developments emerging after the United Nations Framework Convention on Climate Change in the EU and the world, which has a large share in global emissions, were evaluated.



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We would like to thank all our professors, participants and students for their contributions to our second year of the European Green Deal, Sustainable Trade and Türkiye's Integration Jean Monnet Module project.

See you next semester.



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