

## BRIEFING

# The Fair Trade Advocacy Office's analysis of the US trade war and opportunities for the EU to lead a shift toward just, sustainable, and equitable global trade partnerships

## From trade wars to trade justice: less, fairer, better

- In response to global trade instability driven by US tariffs, **the EU has a strategic opportunity to lead by example**, championing a fairer trade agenda that supports least developed countries and reinforces its role as a global standard-setter, fostering old partnerships and creating new alliances.
- Current trade systems incentivise unsustainable practices; **the EU must curb excess production and consumption** to meet both its own and global environmental and social objectives.
- **The EU should embrace a new fair trade agreement model** which prioritises binding sustainability, human rights and equity standards, while empowering smallholders, local communities, SMEs and civil society.

*“From the women sewing our clothes in Cambodia to the smallholder farmers growing our food in Latin America, and the consumers facing rising costs, they are the ones who will pay the price for trade crises they did not create. If the EU is truly committed to stepping up in this trade conflict, it must prioritise fairness and create lasting, equitable solutions. The current trade model has significant shortcomings for sustainability, and it is time for a new approach.”* **Virginia Enssle, International and Institutional Manager, Fair Trade Advocacy Office.**

### Background

As the US moves forward imposing **unjustified tariffs** on all countries, the rest of the world looks at each other to offset the blow from US tariffs impacting their exports. The EU's reaction has been to accelerate the agenda of concluding trade agreements with as many countries as possible, but will this lead to enhance the economic, social and environmental sustainability of the EU's supply chain? The Fair Trade Advocacy Office argues that if the EU wants to adjust to the US trade wars in a way that brings back global stability, it must **adopt a trade strategy that puts fairness and cooperation with partner countries at its core.**

### **A tectonic shift in the world's economy**

The consequences from US actions will hit the world at all levels but **the unjustified tariffs and cutbacks in development aid will critically hit least developed countries**. On the latter, [the tectonic shift in the aid landscape we are witnessing is an unprecedented catastrophe for millions of people around the world who rely on aid.](#)

For instance, **Lesotho**, one of the poorest countries in the world, gets hit with **50% reciprocal tariff** and with general cuts on US aid. This move will, according to [economists](#), **kill the textile and apparel sector** (which amounts to 10% of Lesotho's GDP) and will undermine the health sector in a country fighting with one of the **highest HIV/AIDS infection rates worldwide**.

Another clear example is **Cambodia**, who's forthcoming graduation from least developed country status (scheduled for 2029) may be in jeopardy given potential for **devastating impacts on the textiles and clothing global value chain arising from a 49% US tariff rate**. In Cambodia, the additional pressures in the garment sector may come [at the expense of workers](#). In **Bangladesh**, another country where garment sector is prominent, brands at the top of supply chains, such as Gap, Walmart and Levi's have [reportedly](#) already started to demand reduced pricing or urged suppliers to carry the burden of the tariffs in its entirety, **bringing with it serious concerns about workers' rights in the long-term**.

Unfortunately, in recent years, the EU has partly mirrored the US trend of reducing external assistance, with several Member States cutting their budgets for external action. While the **Global Gateway** was presented as a flagship initiative to counterbalance this, its focus has often leaned. However, the ongoing revision of the **Multiannual Financial Framework (MFF)** offers a critical opportunity to reverse this trend and reaffirm the EU's commitment to sustainable, inclusive partnerships with least developed and developing countries.

### **A sustainable EU response**

The EU has stressed its intent to enhance engagement with Asia, Africa, and Latin America, which can certainly be positive, but it must be **based on a different paradigm** than the current approach. Trade partnerships with least developed and developing countries should go beyond securing raw materials needed for the EU's green and digital transitions or merely creating outlets for EU industrial goods. Instead, they should **foster truly equitable and sustainable economic relations**.

The EU must shift to a **new fair trade agreement model** centred on true sustainable development and equality, moving away from extractive practices that fuel the EU's green transition at the expense of partner countries. **Trade and Sustainable Development (TSD)** must become the core of agreements, **with binding social, environmental, and human rights standards, strong civil society participation** — especially from the Global South —

**and impact assessments focusing on SMEs, smallholders, and food systems.** Trade incentives should reward sustainability, violations should trigger sanctions, and agreements must integrate gender equality, extraterritorial obligations, and protections for local economies and communities.

This new fair trade agreement model must be interlinked with other trade related and non-trade related measures that favour the interests of partner countries and responsible business models alike, **including by purpose-driven SMEs inside and outside the EU.** Further, new trade agreement models should not focus solely on reducing tariffs barriers in *strictu sensu* but should also include advantages connected to non-tariff barriers, i.e. support in **raising international sustainability standards** reflected also in EU policies, like the **EU Deforestation Regulation**.

These policies include, for example those aiming to correct the imbalances of power within the chain that force upstream actors to accept abusive conditions; policies addressing unsustainable models of consumption, such as fast fashion; or accompanying measures to EU legislations with cross-border impacts, such as the deforestation regulation or the organic regulation, so that the weakest actors of the chain do not bare the bulk of the costs of compliance.

### **Overconsumption and overproduction**

Overproduction is a major issue in sectors like agri-food and textiles. In the agri-food sector, [global productions exceeds demand](#), particularly in crops like corn and wheat, leading to **unsustainable use of resources and environmental degradation**. At the same time, overconsumption and food waste exacerbate the problem. Globally, around [one-third of all food produced is lost or wasted](#).

Similarly, **fast fashion drives overproduction**, [92 million tonnes of discarded garments find their way into landfills, out of the 100 billion produced every year](#).

**Current trade and market systems continue to incentivise overproduction** of agricultural and industrial commodities, often at the expense of ecosystems, workers' rights, and local economies. This overproduction feeds overconsumption in Europe, **undermining the very sustainability goals** that EU regulations aim to achieve.

The EU must therefore introduce policies that actively **discourage unsustainable overproduction and promote responsible consumption**, including through stronger demand-side measures such as sustainability labelling or minimum sustainability criteria in public procurement, and the promotion of diversified, sustainable food systems and supply chains in and outside the EU.

Without tackling overproduction and overconsumption, **efforts to support sustainable practices in partner countries risk being overwhelmed** by the relentless pressure for low-cost, high-volume exports. A truly fair and sustainable trade agenda must address not only

how products are made, but also **how much is produced, traded, and consumed**. A more rational organisation of production and consumption is one in which goods and services last longer, or are not wasted in the case of food, allowing to optimise the use of resources. This can ensure that all actors in the chain receive a fair remuneration for the value they are creating. In other words, optimise consumption and production, while optimising the distribution of value.

Underestimating the impact of EU policies worldwide (*'Brussels effect'*) would be unwise. The role of the EU in shaping production and consumption patterns globally means also being responsible for the policies that frame it. In that sense, the EU shall also **prioritise supporting least developed and developing countries compliance with EU sustainability policies**, in particular the EU Deforestation Regulation, the Corporate Sustainability Due Diligence Directive, the Organic Regulation, and the Ecodesign for Sustainable Products Regulation. These regulations directly impact part of least developed countries more harshly hit by the US tariffs and that produce several commodities essential for the European way of life (Laos, Madagascar, Myanmar, Bangladesh, Malawi, Zambia, Mozambique, Democratic Republic Congo, for instance).

### **From trade wars to trade justice**

A fairer trading system based on protecting and enhancing common goods is vital if the international community is to achieve the goal of **ending extreme poverty** within a generation and **promoting shared prosperity** in a sustainable manner across the globe.

With a world that gets warmer and more unpredictable each year, we must look at our production and consumption patterns and its impacts worldwide. The EU must develop a fairer and sustainable trade strategy based on dialogue and cooperation for equal progress towards sustainable development. **If the EU misses this opportunity, we will face far greater challenges than trade wars.**



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