



GREEN TRADE FOR ALL

A Greens/EFA paper adopted on 12 June 2018

Introduction

- 0.1 Across the world, trade policy has been politically contested for the most of the last two decades. This is understandable, given that misguided trade policies can lead to profound social and ecological problems in an era when economic globalisation has led to fundamental and unavoidable interconnection.
- 0.2 Globalisation has led to an unsustainable level of wealth concentration and inequality which has translated into negative competition between workers, territories and public choices. Decision-making processes are becoming more opaque and multinational companies are getting greater power to define common norms and standards, thereby impacting on issues of general public interest. As a result, globalisation as it stands is legitimately perceived as a threat to democracy.
- 0.3 As Greens in the European Parliament, we have been engaged in all the recent battles about EU trade policy. We opposed the “Mandelson Doctrine” of 2006 (Global Europe) of unconditionally opening trade up to the unfettered forces of the free market. In 2010, Greens expressed some relief that the “De Gucht Doctrine” at least acknowledged that politicians are not so naive as to believe that free markets can ensure fairness. The “Malmström Doctrine” of 2015 - that trade policy ought to be based on values beyond return-on-investment and economic growth - were greeted with cautious optimism by Greens. But we are waiting for evidence that this is more than spin and that it will be backed up by real policy change.
- 0.4 Trade policy is not made against a fixed backdrop; rather the world within which trade takes place has been changing rapidly. Our knowledge of the limits of global resources and the regenerative and assimilative capacities of ecosystems has grown significantly. But globalisation continues to drive an economic model based on twice the resources that the planet can provide. At the same time, frameworks for global action, such as the Paris Agreement and the UN Sustainable Development Goals (Agenda 2030) have been created and provide benchmarks against which to measure progress towards future-proofed development.
- 0.5 In this context, a trade policy based on high global material input and low global output of human well-being, is no longer an option. For Greens, the time is right to reconsider the function of trade in a global economy. Greens are open to the world; indeed our political stage is the world and the planet. International trade is not our enemy. But the policy governing trade needs to be firmly rooted in a vision of socio-ecological justice of economic policies.

- 0.6 The overarching goal of a Green trade policy is to ensure that trade achieves the maximum human well-being for the minimum use of energy and resources. This entails the redesign of the global trade system so that it does not undermine the regeneration of ecosystems, while ensuring the possibility of high-quality employment and environmental protection at home and abroad. Such systematic change must be firmly based on a foundation that respects the dignity and rights of all people, including with a clear gender perspective, and is not at the expense of other species with which we share the planet.
- 0.7 Green trade policy needs to identify the first bold steps on the path to bring us closer to an ecological vision for trade. Such steps should be developed as much as possible at the multilateral level, including proposing the necessary changes to the existing rules of the world trade system as embodied in the WTO.

Section 1: Trade ecology

- 1.1 In the classical perspective, trade is the exchange of a product containing labour, capital and the transformation of a certain amount of biophysical resources against a monetary value. All countries compete to drive down the costs of capital and labour, while resources are regarded as a gift of nature. From an ecological perspective, the dimension of the use of the biosphere, that is to say land and soil, raw materials, energy, water, and environmental space, and biodiversity (in particular animal life) contained therein, is instead of primary importance. If trade statistics were to include data about the exchange of the biophysical factors embodied in a product, they would show an ecologically unequal exchange at the global level. The core regions of the industrialized world are net importers of the biosphere from other regions and, notwithstanding technological progress, they continue to import biosphere. The other regions are net exporters of their biosphere and, notwithstanding decades of trade, they need to continue to export their biosphere in order to maintain a positive trade balance.
- 1.2 The rules of liberalized global trade and investment flows in recent decades have contributed to ensuring that net biosphere importers are entitled to displace environmental pressures away from their own territory, have a positive biophysical trade balance and are able to maintain high consumption rates per capita. Net biosphere exporters, by contrast, run a negative biophysical trade balance, experience more directly the adverse environmental effects of overstretched resource use, and have much lower levels of consumption per capita. However, the situation remains conflict-prone because it is not built on a foundation of socio-ecological justice. Many of today's conflicts and global stressors, such as cross-border migration and increasing social fragmentation, are the result of over-stretched biosphere exports.
- 1.3 The biosphere for export, on which the global trade system is built, produces collateral damage that is stressing the regenerative capacities of ecosystems to breaking point. It



depends especially on the availability of cheap fuels for long-distance transport, which adds a substantial amount to greenhouse gas emissions.

- 1.4 A Green trade strategy based on the principle of socio-ecological justice that respects global ecological boundaries must be directed towards limiting the import-export of biosphere, that is, the need for supplying products from far away, and at decreasing the biophysical content of consumption goods. This would free up biosphere for a socially more fair redistribution of the global welfare effect of the remaining trade.

Section 2: Trade subsidiarity

- 2.1 The global trade system conceives of trade within the frame of a competitive market, and the focus of trade is the exploitation of price differentials. Goods are made in countries where biosphere export is cheap and wages and environmental standards low, and exported to countries where consumers are wealthier, thus gaining a differential between the cost of production and the cost of sale, which generates a profit. Much of the activity of transporting goods from distant sites of production to local markets achieves no welfare advantage and is dictated merely by the interests of arbitrage. This does not meet the fundamental Green criterion of maximizing human well-being for the minimum use of energy and resources.
- 2.2 In contrast, the principle of trade subsidiarity states that the distance between production and consumption should be as short as reasonably possible. It raises the question of what is the appropriate level to access the products needed for a satisfying life. Clearly, the distance that is appropriate for products to travel depends on the complexity of the good, the materials and skills needed for its production, and the size of the potential market.
- 2.3 Products which are less labour intensive, which require some skills and for which raw materials are plentiful only need to travel short distances. Many food products and a range of consumer goods would ideally be sourced at a regional level. The re-shoring of production and connected services would lead to a rise in prices but also to a return of skilled and satisfying employment.
- 2.4 The situation is different for complex products which entail a high level of skill, design and process knowledge, but also a high degree of labour intensity. These are typical supply chain products which are sourced at the global level. However, the construction and functioning of supply chains is the result of the control of 'intellectual property' by the corporations that dominate the supply chain. This seems to be an arbitrage advantage that we can no longer afford in an era of over-stretched biosphere use. Under the condition of more freely available design and process knowledge, parts of the supply chain could be localized, especially the stages leading to the final product, in which value-added could be created through regionally specified end-use applications. Such re-shoring of component production and connected services need not lead to a rise in prices, if the regional market for specific applications is large enough, but it would be likely to create new skilled employment.



- 2.5 Products that are highly labour-intensive and require a specific raw material base, such as coffee or diamonds, are beyond the reach of trade subsidiarity. The global trade of such products is here to stay. However, under conditions of their fair pricing, demand would probably decrease.
- 2.6 Trade subsidiarity would change global biosphere trade patterns towards a fairer balance. Regions which so far have been net exporters would gain breathing-space for the regeneration of their ecosystems, if less biosphere were used for export. Regions such as the EU which so far have been net biosphere importers would need to accommodate new requirements for biosphere use and become much more innovative in finding appropriate solutions for minimizing such needs to the utmost minimum.

Section 3: Trade participation

- 3.1 The core WTO principle of non-discrimination and the rules of the EU Internal Market provide for a parity of opportunity for all economic actors. However, in the operation of cross-border trade, multinational corporations and their investors control large parts of global productive resources, trade flows and consumer markets. Trade policy is one of the instruments by which this small group of economic actors extend their wealth and power, and secures their dominance.
- 3.2 The structural dominance of multinational corporations is exacerbated in production processes segregating the different steps of value-added along the supply chain. Smaller economic actors are confined to the status of suppliers of a specific global value chain or to local niche markets. The system prevents smaller economic actors from having a fair chance to participate in trade flows. The value of their products is measured by the company at the next level of the value chain, not independently by the market. Product innovation is restricted, if a product has just a few customers and is disconnected from a broader field of applications. Both are factors that make it difficult for smaller actors to find investors.
- 3.3 All economic actors must have a fair chance to participate in existing trade flows within and beyond borders. Large multinational corporations and top-down organized global supply chain processes currently block trade participation by creating barriers to the entry of new actors. The entry of new, and smaller, actors into existing trade flows is, moreover, a key component for the transition to network-based economic structures that compensate the shortfall of capital and access to cheap biosphere usage through a high degree of technology transfer within the network. An EU trade agenda promoting a new industrial policy that places innovation, digitalisation and the decarbonisation of the economy at its' centre would be helpful in this regard. European industrial policy priorities and strategic objectives should be set and trade deals should be negotiated accordingly.
- 3.4 Some countries shelter domestic markets selectively and temporarily in order to enable smaller domestic economic actors to grow to the level of competence at which outside competition can be afforded, what used to be called support for 'infant industries'.



However, this strategy results mostly in “national champions” which then compete with multinational corporations. Selectively sheltering domestic service markets could help in preserving space to facilitate novel pathways to economic development that are not yet regulated by global trade rules, such as presently in the field of product service systems, e-commerce and green servicing for an extended product use and responsibility.

- 3.5 Another way to provide for fair conditions for smaller economic actors to engage in trade is to make multinational corporations pay the real price of production that smaller economic actors need to pay, with regard to taxes, enforcement of labour rights and strict environmental requirements.

Section 4: Trade in services

- 4.1 Trade in services has become an ever more important factor of economic life and welfare production. Services are rapidly becoming an integrated part of a good, changing the concept of material ownership towards a concept of function. This entails a promise of decreasing the need for material inputs and thus reducing the biosphere footprint required to achieve well-being. It could also lead to increased human well-being if the enjoyment of a good is decoupled from its possession. We see this clearly in the consumption of culture in the form of music and films where users benefit from the licenced content of certain platforms but it can be just as true for the use of transport or domestic appliances. Conversely, these developments could also worsen human well-being if the rules on trade in services are set wrongly, leading to an increase in the power of service-based multinationals. Take the example of writers and musicians who have lost control of their creative output that is sold via global platforms which accrue the overwhelming majority of the value generated.
- 4.2 Certain services are an important source of democratic empowerment and social solidarity, especially at the local level. The way a service is being provided can also have a profound impact on gender roles and the empowerment of women. We need to carefully look at how service provision is affecting the dominant roles of men and women and whether gender stereotypes and the differential use of men’s and women’s time and resources, are being used to lower costs for the provider, or whether they are contributing to the recognition of care and unpaid household labour. This is one example of why it is vital that public services and the private care that can perform a similar function, should not be regarded as tradable services.
- 4.3 Services that involve the processing of personal data must follow EU law on the protection of personal data if they are offered on the European market. Likewise, personal data can only be transferred to and further processed on the territory of a trade partner if the level of protection is essentially equivalent to the one provided in the EU and guaranteed under the Charter or Fundamental Rights.



- 4.4 Greens are cautious about introducing the principle of “free flow of (non-personal) data” or banning localisation requirements for IT services. We must avoid a development whereby raw data is extracted in less developed countries, transferred to the EU, and then further processed with the value generated here. Such a situation would be similar to the extraction of raw materials from the Global South and their processing in the Global North, and could lead to digital colonialism or digital land-grabbing.

Section 5: Trade solidarity

- 5.1 Global equality is a primary Green principle. In the context of trade this means ensuring that our lifestyles do not inflict damage on the lifestyles or livelihoods of other people we share the planet with. This is the principle of global solidarity that we should follow when developing our trade policy.
- 5.2 Trade has opened up opportunities to the so-called poorer and less developed countries. There is no doubt that trade has helped many economies to expand their productive capacity and increase the standards of living of their citizens. However, productive gains are often achieved at the expense of the sustainability of livelihoods. If subsistence farmers leave their land to work in factories for very low wages they may have lost as much as they have gained and are certainly vulnerable and dependent in a way they were not before. On the other hand they have access to more services, health and education for example, and an expanded lifestyle. So we need to be cautious about who really benefits from trade.
- 5.3 Many less industrialized countries also find it hard to really gain from trade because the ‘terms of trade’ are stacked against them, meaning that the monetary value of the things they can export increases less than the value of the things they must import. Especially the commodity-exporting countries need to constantly increase the volume of their exports just to maintain their level of welfare. The increase in productivity does not leave them better off after all. So we need to be cautious about what really makes trade beneficial in the sense of maximising human welfare and minimizing the use of resources.
- 5.4 Greens want to ensure that trade is truly fair and achieves its purpose of welfare maximisation. We already have fair trade, a voluntary system whereby wealthy Western consumers choose to pay higher prices for products that have been produced in a way that does not exploit those in the world’s poorer countries. However, we need to move beyond such voluntary schemes towards a trade system that is based on global solidarity. In the first place, this requires a change of the rules in the WTO and a change in the way in which decisions at the WTO are being made. There is a need to move beyond the negotiation approach of the past years and to try innovative approaches in line with the evolution of global trade in the 21st century and the increased importance of regulatory issues, as compared to tariffs.



Section 6: Trade standards

- 6.1 International trade would remain a part of economic activity though with reduced volume and improvements in its quality and an underpinning objective of sustainability. To achieve this, residual trade needs to be based on equally high social and environmental standards, and requirements for production need to be applied throughout the globe for companies that have a link to European markets. Standards should eventually reach the same level whether a company is sourcing from inside or from outside the EU. A system where requirements are circumvented by taking production to less well-regulated countries is unsustainable.
- 6.2 We need legislation that requires and enables the tracing of supply chains to the origins of the raw materials and that puts the obligation of due diligence with regard to environmental, social and human rights on companies at each step of the supply chain. To a large extent, companies are already aware of the need to ensure that their supply chains are free from human rights abuses, environmental crimes, and social rights violations. Sustainability is good for business and poor standards can create major reputational damage. However, a level playing-field is required for companies to ensure that the benefits go to those respecting social and environmental rights. Moreover, without clear obligations set by the regulator, companies face difficulties in acquiring full transparency throughout their supply chains. Transparency in trade and supply chains is a means of promoting the implementation and enforcement of labour and environmental laws in third countries.
- 6.3 Respect for indigenous peoples' and community rights to land and water has been deemed one of the most efficient ways of protecting forests and biodiversity and ensuring carbon sequestration. The aim is to engage partner countries in improvements, not to stop trading due to lack of compliance. Therefore clear indications, requirements, obligations, engagement, and transparency are the responses necessary to achieving sustainable trade.
- 6.4 It remains crucial to increase technical assistance and capacity building to the poorest countries in order for them to have the means to meet the higher standards. This contributes to both their inclusion in the world market, and in increasing the standards of production locally. The EU needs to reinforce its support to the sustainable development of the so-called least developed countries. These countries are under threat of being even further excluded from international trade by mega-regional agreements that define standards on trade in the interests of powerful countries and corporations and favour imports from compliant countries.
- 6.5 Trade policy must be gender sensitive, coherent with fundamental and human rights obligations, as well as with development policy in line with the EU's commitment to 'policy coherence for development'. Trade policy must both safeguard and proactively promote environmental, social and human rights, featuring the trade-related SDGs and the UN Guiding Principles on business and human rights (UNGPs) in all agreements. The EU policy must support the establishment of a legally binding multilateral redress mechanism for the victims of human rights violations based on the UNGPs which is



currently being negotiated in the UN Human Rights Council. It is therefore also necessary for the EU to phase out investor protection mechanisms, and cease in their efforts to develop a Multilateral Investment Court, as these one-sided remedies for investors skew legal protection in their favour.

12 bold steps towards the greening of the EU trade policy

Greens want to ensure that international trade is contributing positively to global solidarity and development under the premise of decreasing its importance and increasing its quality for the well-being of humans, animals and the environment. This can be promoted through the following steps in the frame of the WTO or EU bilateral trade agreements.

1. Set high standards- make Agenda 2030 and Paris Agreement the reference points

Trade agreements that the EU enters into must set the bar for higher social and environmental standards in global trade relations. As the biggest market globally, the EU has the political power to act as well as an economic interest to level the playing field in order to integrate the negative social and environmental externalities of trade.

- The Paris Agreement and the Agenda 2030 for Sustainable Development must become the reference points of all trade agreements of the EU. This means that the application of specific provisions in trade agreements which contradict these two Treaties can be suspended by the trade partners unless the Dispute Settlement under the trade agreement rules to the contrary. This necessitates substantive provisions to be included into the Dispute Settlement Chapters of the bilateral trade agreements of the EU.
- the Sustainable Development Chapters in EU trade agreements must be made enforceable and be widened to include reference to the Agenda 2030 goals most related to trade, that is, Goal 5 (Gender), Goal 7 (Energy), Goal 8 (Decent Work), Goal 9 (Innovation), Goal 12 (Clean Consumption and Production), Goal 13 (Climate Action) and Goal 17 (Partnership).
- The EU should promote an initiative in the WTO for the regulation of a specific global supply chain, under the premises of the Paris Agreement and the Agenda 2030. The WTO is at a cross-roads. Further tariff liberalisation is no longer a politically consensual issue and is also economically less relevant. On the other hand, the WTO membership is not ready to accept bold regulatory initiatives. Greens propose to bridge the gap by a sectorial approach involving an entire production chain. The garment sector could be a test case, given the existence of a range of voluntary initiatives.
- The EU should unilaterally take the lead by adopting more legislation on mandatory due diligence, such as it has already done in specific areas of certain conflict minerals and timber. This is becoming ever more feasible since some Member States have introduced national measures (e.g. France's Duty of Care Law). The review of the Non-Financial Reporting Directive offers such opportunity.



2. *Treat products differently, according to their carbon footprint*

The EU should make its trade policy fully compatible with its climate objectives; moreover, trade should be an instrument serving EU climate policy. The EU should therefore take a bolder approach towards differentiating products according to their carbon content, by way of their Process and Production Methods (PPMs), both with regard to the internal market and in its external relations. PPM measures are in principle compatible with WTO law, although they have to be carefully designed and have to fulfil public policy objectives. External PPM measures are crucial in order to preserve high environmental standards within the EU because they help avoid relocating production where standards are lower. This is important also to create public support for ambitious climate goals.

- Internally, the EU should adopt more PPM-based legislation, such as biofuels sustainability and indirect land-use change criteria of the Renewable Energy Directive, or the Timber Regulation. The Commission should for instance introduce more mandatory eco-labels - including exploring the feasibility of a carbon footprint eco-label - or regulate fuels according to how much Greenhouse Gas (GHG) is emitted to produce them. It is fundamental to apply such EU mandatory requirements to imports as well as to products from within the single market.
- When negotiating FTAs, the EU should make the “public-policy-objective”-criterion easier to meet for PPM measures. The Commission should negotiate provisions based on Article XX of the GATT without the usual condition that PPMs “do not have to constitute arbitrary or unjustifiable discrimination”. The EU should also immediately start defending a softer public-policy-objective test at the WTO Trade and Environment Committee.

Adjust the carbon price

The current ‘protection’ mechanism for European Industry, such as free allowances under the EU Emissions Trading System (ETS), needs a complete overhaul, since it is not in line with the polluter pays principle. The EU needs a system, which makes it possible to fully charge EU industry for its CO₂-emissions, without making them uncompetitive. At the same time, the system has to make it attractive for third countries to implement climate policies that are equally or even more ambitious as the EU's policies. This can be done through a mechanism adjusting imports prices up to the level of EU's carbon price. Such a mechanism should be WTO-compatible, as domestic and imported products would be treated alike.

- The EU should immediately start designing a border tax adjustment mechanism for imports and exports - while at the same time abolish the system of free allowances and indirect cost compensation within the EU. Whenever a third country has less ambitious climate policy in place, the price differences stemming from this dissimilarity should be paid at the EU border. Conversely, EU exports could be subject to import duties by third countries - or even export duties by the EU - when the EU's carbon price is lower than that of third countries'. Such a border adjustment mechanism will be WTO-compatible as domestic and imported products would be treated alike.



- Revenue created through such duties should be re-invested for climate support measures in Developing Countries.

3. *Make trade agreements consistent with the Paris climate agreement*

Trade agreements must be fully compatible with the Paris Agreement. They have to serve the purpose of strengthening commitments to reduce GHG emissions; but they also must not undermine such commitments. Additional trade cannot be a justification for emitting more GHG, otherwise the Paris Agreement would be at risk. But for trade agreements to be fully consistent with climate policies, regulating transport emissions is an important pre-condition. Another important pre-condition is that the scope of future climate agreements also includes trade, as this was excluded from the UNFCCC.

- The impact of trade liberalisation on GHG emissions should be constantly monitored ex post during the implementation of the agreements. If it is found that emissions increase because of the expansion in trade, the agreements could be suspended. Alternatively, corrective measures in the form of duties could be introduced particularly on the most GHG-intensive products.
- FTAs usually provide for a Trade and Sustainable Development Chapter where the Parties commit to effectively implement the Paris Agreement. However, two conditions must be fulfilled: first of all, the implementation of Paris needs to be a mandatory commitment and not just a best endeavour effort. Secondly, such commitments should be enforceable and sanctions must be allowed. The Commission should immediately follow this approach in all recently concluded or ongoing FTA negotiations, such as those with Japan, Australia, New Zealand, Indonesia, Mexico, and Mercosur.
- It is imperative to reach an agreement on taxing emissions from maritime transport and aviation as soon as possible in order to ensure that emissions controls are all-encompassing.
- The EU should immediately begin advocating for extending the scope of the UNFCCC so as to cover trade. This would ensure mandatory consistency of trade agreements with climate commitments, instead of considering climate as a public objective that has to be justified as legally legitimate whenever this entails restricting trade.

4. *Ease the transfer of climate-friendly technologies*

Responding to the pressing need for a faster dissemination of climate-change mitigation technologies, especially in developing countries, the EU must engage in a rebalancing of the global system of Intellectual Property Rights (IPR) in order to foster the legal transfer of climate-friendly technology.



- The EU should promote a declaration on “IPR and Climate Change” at the WTO, comparable to the *Doha Declaration* on the TRIPS Agreement and Public Health adopted in 2001, encouraging technology transfer and the use of compulsory licensing of key climate technologies when necessary. In the longer run, the TRIPS Agreement should be amended to allow WTO members to exclude key climate technologies from patent protection.
- In its bilateral trade and investments agreements, the EU should promote provisions on voluntary licensing to facilitate technology transfer and the use of patents through licensing under reasonable terms. This could practically result in the creation of a UN-managed climate-friendly technology patent pool.
- Moreover, the EU should establish the principle of a “Climate Veto” in its bilateral FTAs enabling the use of measures limiting or suspending IPR, or to allow for local content requirements in investment and procurement chapters, when necessary to combat climate change.

5. *Ensure transparency and participation regarding who owns climate technology*

Climate-related technology transfer should be further encouraged in bilateral trade and investment agreements by flanking measures which encourage the involvement of SMEs and global supply chain intermediaries in the development of network-based knowledge acquisition.

- In ongoing bilateral trade negotiations the EU should promote provisions for transparency, disclosure and dissemination of existing climate related IPRs, as necessary elements to permit technology transfer.
- Ongoing EU bilateral trade negotiations must provide for safeguards and exceptions to the protection of undisclosed data or trade secrets, for the purpose of protecting the general public interest. The IPR chapters in trade agreements should generally be separated from chapters containing provisions on trade secrets.
- Review clauses in trade agreements should allow for the establishment of pre-grant hearing mechanisms in order to allow third parties to oppose a patent during the examination process and not only after it is granted and the monopoly established.

6. *Reward trading partners that uphold and enhance ecological conditions, biodiversity and animal welfare.*

The liberalisation of trade should be conditional on sustainability provisions, protection of biodiversity and strong animal welfare rules being enforced and adhered to. For this to happen, provisions in trade agreements must not undermine efforts to enhance such conditions.



- The liberalisation of trade should be conditional on all sustainability provisions being enforced and adhered to.
- Trade and investment agreements should provide for the possibility to distinguish between how animal and plant-based goods are produced, harvested or caught. Such agreements should not discourage the labelling and traceability of products.
- Trade policy must encourage the internationalisation and improvement of European standards in animal welfare. To protect public morals and to ensure a level playing field, the EU should not hesitate to condition the liberalisation of trade in certain products on respect for minimum animal welfare standards and, by doing so, contribute to the improvement of animal welfare in third states.
- Any violations of environmental protections in EU trade agreements should be subject to the same dispute settlement as violations of the commercial clauses.

7. Put gender equality at the core of trade agreements

Trade agreements affect women and men differently due to structural gender inequalities. Women and men are structured in different sectors of the economy, with women taking over more unpaid care work and being more present in the informal sector. There is an urgent need to move towards a trade policy that promotes the change of traditional gender roles instead of reinforcing them.

- Before starting negotiations on trade agreements, country-specific and sector-specific gender assessments need to be carried out. These gender assessments need to have clear and measurable indicators, allowing the analysis of the effects of trade policies on gender equality and women empowerment.
- EU trade agreements must include a gender chapter including binding and enforceable provisions and promoting international commitments on women's rights, gender equality and gender mainstreaming based on the Beijing Platform for Action, the SDGs and the Paris Agreement.

8. Demand strong labour conditions as a means to raise standards

Trade agreements that lower standards in the EU are not in Europe's interest and should be rejected. The EU must promote the inclusion of strong social provisions on workers' rights, decent work and wages in international trade and investment agreements. The possibility of economic consequences must be available as a last resort in cases where violations are demonstrated.

- "Clean hands" doctrine: Investors rights will only be protected if they respect human rights in their own companies.
- The EU should make it a condition to ask third countries for the ratification of core ILO standards.



- In case of violations of labour standards, EU-negotiated agreements should foresee financial sanctions.
- Trade and investment policies should reward entrepreneurs practicing sustainability. To create a level playing field, arbitration clauses in trade agreements must stop protecting vested interests of polluting industries and – at least – become reciprocal and allow for citizens and states to claim damages from companies that harm the public interest.

9. Ensure transfer pricing does not facilitate tax avoidance

Trade agreements that the EU enters into must set a high standard for a fair pricing of trade. Transfer mispricing and tax avoidance by multinationals is a push factor in international trade that adds nothing to human well-being and public welfare but adds senseless trade volumes and CO2 emissions, and crowds out smaller players.

- EU trade agreements must contain strict rules on transfer mispricing and tax evasion of publically listed companies. This should also include the avoidance by companies of cost-effective obligations, such as life-cycle responsibility for products including waste management.
- EU trade agreements should facilitate the identification of actors along global value chains and of ultimate beneficiaries, so that it is easily possible to trace taxes paid by headquarters and subsidiaries.
- The most speculation-prone forms of portfolio investment, such as derivative products including, but not limited to, futures and options, must be excluded immediately from the scope of all EU trade agreements presently under negotiation.

10. Protect personal data and public services in regulating trade in services

Technological developments in the service sector hold a huge potential to decouple the need for material inputs from its human welfare effects, but this is an ongoing tendency requiring a cautious approach in the trade policies of the WTO and the EU. At present, the EU should elaborate guiding principles for the regulation of trade in services rather than fixing global service rules.

- Public services should be fully excluded from all trade agreements the EU enters into.
- The plurilateral TISA negotiations (Trade in Services Agreement) should be put on hold until a thorough assessment of its climate and gender effects is carried out.



- In negotiations of trade agreements involving the free flow of data - such as on e-commerce - it must be assured that the EU's position on data privacy is fully upheld as a non-negotiable text, while provisions on data localisation should contain wide exceptions for legitimate development purposes and be subject to a review clause.

11. Improve democratic scrutiny and formalise public participation and assessment of EU trade agreements

EU trade agreements have a strong impact on social, economic and environmental development here in Europe, and often even more so in the partner countries. Therefore it is of utmost importance that trade policy is elaborated and executed in a participatory way, giving voice to all interested groups instead of just a few industrial lobbyists. Trade policy must also be flexible, providing for safeguards and exceptions when needed.

- It is essential for democratic oversight that the European Parliament is involved from the start in trade negotiations. It should get formal rights to vote on the mandate for trade agreements in addition to parliamentary scrutiny during the negotiation process and the need for a parliamentary vote on concluded trade agreements.
- New EU trade agreements should provide for the possibility of safeguard mechanisms and time-bound exceptions which under conditions to be negotiated can be triggered by a parliamentary decision.
- All stages of a bilateral trade relation should be accompanied by publicly available assessments. The assessments need, moreover, to be substantially enlarged to include the measurement of the import and export of biosphere, and the achievement of the more strongly trade-related Agenda 2030 Goals.
- The EU Commission should, as a first step, elaborate in a participatory way assessment criteria for the achievement of the Agenda 2030 Goal 5 on the impact of EU trade relations on gender equality, Goal 9 on technology innovation, and on Goal 13 on climate action.

12. Promote multilateralism in EU trade agreements

It is important for the EU to emphasize WTO-based multilateralism as this comes under strong attacks from the US and also from China. The EU should promote a fair multilateral framework for trade negotiations.

- The EU operates as a single actor at the WTO and is represented by the Commission rather than by the Member States. The EU has been one of the biggest users of the WTO's dispute settlement system. The EU should play an active role in cooperation with trade partners that share a multilateralist approach. More intense cooperation with them is needed to fend off the efforts to destroy the multilateral trade order.



- Europe should aim at multilateral trade agreements instead of bilateral agreements that try to undermine the multilateral trading system.
- The EU's own trade governance needs to be reformed and internal imbalances addressed, to increase the EU's external credibility. Strengthening Europe's social model would ward off protectionist temptations.
- Europe should sharpen its trade defence instruments against unfair trade practices.
- The EU is the world's largest investor and a major recipient of others' foreign direct investment (FDI). While still attracting FDI, the EU should adequately examine interest of security and public order regarding incoming FDI and acquisitions and flank them with a pan-European screening coordination mechanism. It is also about protecting strategic technologies from being taken over through market manipulation practices.

