

1 GREEN TRANSFORMATION OF EU TRADE POLICY

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3 The EU's trade policy is under enormous pressure to change, and it must change. We
4 are, indeed, facing immense challenges: trade should be contributing to the global
5 efforts against climate change, but it doesn't, even though there is increasing talk
6 about greening trade; sustainability criteria should be guiding trade, but we can so far
7 see very little thereof; the global economy is experiencing massive structural changes;
8 the relative weight of the EU in international trade is shrinking; the world is shifting
9 towards increasing geopolitical tensions, not just between the two superpowers USA
10 and China; globalization is changing its trajectory; trade multilateralism is at a low ebb;
11 the WTO faces gridlock; trade policies have aggravated inequalities within countries;
12 CO2 emissions from global freight transport are set to increase fourfold between 2010
13 and 2050; 30 percent of global species threats are due to international trade policies;
14 lastly, the Covid-19 pandemic and the Russian invasion of the Ukraine in February 2022
15 have exposed the vulnerability of complex global value chains as well as the limitations
16 of the existing intellectual property model. Moreover, the European Union is struggling
17 to conclude and ratify trade deals, as citizens are more involved and concerned about
18 the defense of protective standards long fought for, about human rights and
19 sustainability. Without any doubt, these challenges must lead to a multidimensional
20 paradigm shift of EU trade policy.

21 We criticise:

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23 The European Commission has fallen short of equipping its free trade agreements
24 (FTAs) with the necessary policy tools to adequately address the socio-economic and
25 sustainability aspects of trade effects; neither has it sufficiently aligned trade policy to
26 its Green Deal. Instead, it holds on to "dinosaur" deals such as the EU-Mercosur
27 agreement or dismisses New Zealand's proposal for an enforceable sustainable
28 development chapter in the EU-New Zealand FTA, for example. Civil Society
29 Organization's (CSOs) have so far not been included sufficiently and thus, engagement
30 at different stages of FTA implementation must be upgraded. Also, its recent trade
31 policy review and current strategy of circumventing several EU member states'
32 backlashes against its FTAs with more autonomous trade measures is not sufficient
33 to induce the paradigm shift needed.

34 We advocate:

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36 As Greens we believe in a global trading system that is based in equity rather than one
37 that creates winners and losers. Of course, the climate crisis is central to our politics
38 and this has major implications for trade policy. Trade is not just there for us to export
39 our goods but also for us to work with trade partners to build mutual, high standards
40 for global citizens and the environment we share. Now more than ever is the time for
41 European Greens to fundamentally re-shape the EU's trade policy towards
42 more sustainable development, better protection of human rights and fairer
43 competition rules, a stable multilateral environment – with the ultimate goal of
44 integrating trade into the overall common good and achieve the Sustainable
45 Development Goals (SDG). This new strategy needs a better mix of tools to coherently
46 combine the different levels of action – bilateral and regional trade agreements,
47 autonomous measures, sector-specific policy EU initiatives, multilateral agreements
48 and global trade cooperation. We need to join forces and step-up coordination and
49 cooperation across the European Green Party network. In particular, we need to
50 address and shape – from the earliest moment possible – paradigm shifts in the

51 following three dimensions of the EU's trade model: green and fair trade; multilateral
52 trade and trade and technology.

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55 **GREEN AND FAIR TRADE**

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57 For a future oriented trade policy, green and fair trade needs to be stepped up on two
58 layers. First by improving provisions in bilateral trade and investment agreements and
59 second by stepping up autonomous trade measures in order to re-regulate trade in a
60 sustainable manner.

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62 **Bilateral trade and investment Agreements:**

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64 Climate and Sustainability:

65 The EU needs to address the flaws of trade agreement such as the EU-Mercosur deal
66 by raising the ambition of trade and sustainability (TSD) chapters and ensure effective
67 implementation thereof and make sustainability cut across all chapters (incl. public
68 procurement, SPS, institutions provisions). If trade partners don't live up to their
69 promises agreed in TSD chapters in their trade deals with the EU in a certain time
70 frame, all trade partners should be able to remove tariff preferences. Simultaneously,
71 the trade partners should reward each other when sticking to the agreements in TSD
72 chapters by linking the effective implementation of TSD provisions to a staged
73 implementation of tariff reduction. In case of blatant violations of essential elements
74 of the FTAs (human rights, Paris agreement, etc.), the EU should proactively look for
75 other incentives or consider the suspension of the deal.

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77 In general, sustainability goals shall be structurally included in all chapters of
78 international trade agreements and not be limited to TSD chapters only; for instance,
79 in chapters related to agriculture, sanitary and phytosanitary measures, government
80 procurement, institutional provisions or rules of origin. It is essential that social and
81 environmental impact assessments, including on biodiversity, gender and human
82 rights, are conducted and published as quickly as possible after the start of
83 negotiations so as to provide projections and highlight recommendations to ensure
84 that trade agreements will not have adverse effects. Impact assessments need to be
85 conducted by independent and competent entities with sufficient resources. The
86 methodology used should be published along with the assessment itself as well as a
87 detailed proposal of specific measures to mitigate the identified risks inherent to the
88 trade agreements.

89

90 Trade must be strongly linked with environmental and climate protection. The Paris
91 Agreement and its legally binding obligations must become an essential element in
92 comprehensive trade and political framework agreements, including those being
93 currently negotiated and already concluded agreements. In light of the potential
94 negative consequences for the effective compliance with the UNFCCC regime, the EU
95 should introduce a hierarchy clause that would make explicit that the trade or
96 investment agreement shall be subject to the obligations under the UNFCCC regime,
97 including the Paris agreement. This approach should also be applied to ensure
98 compliance with other multilateral environmental agreements, including but not
99 limited to the UNEA Global Treaty to Combat Plastics Pollution, and the UN Convention
100 on Biological Diversity. Moreover, the EU should include concrete steps for emission

101 reduction in trade agreements, such as introducing a carbon price, as was done at the
102 EU-UK TCA.

103
104 In order to safeguard the environment, as well as human, animal and plant health, the
105 EU must fully anchor the precautionary principle in the Sanitary and Phytosanitary
106 (SPS) chapters of FTAs. For public services the EU must adopt a positive listing
107 approach and exclude 'ratchet clauses.'

108 109 Human Rights:

110 Trade policy must play a vital role in encouraging and helping trade partners to
111 implement the International Labour Organisation's (ILO) core labour standards. Parties
112 must firmly commit to implementing core labour standards. There is an urgent need
113 to move towards a trade policy that promotes the change of traditional gender roles
114 instead of reinforcing them. Thus, before starting negotiations on trade agreements,
115 country-specific and sector-specific gender assessments need to be carried out. The
116 toolkit developed by the UNCTAD to perform gender-aware ex ante evaluations of trade
117 policies could serve as an example. So far, the human rights clauses in FTAs have
118 unfortunately not been functioning well, which has to be changed and made more
119 effective. FTAs should incentivise the ratification of gender-related ILO conventions.

120
121 The EU's FTAs have not traditionally addressed inclusivity issues pertaining to specific
122 groups such as Indigenous people. For instance, the EU-Mercosur deal does not yet
123 represent the concerns raised by Indigenous groups on the ground. However, Respect
124 for indigenous peoples' and community rights to land and water has been deemed one
125 of the most efficient ways of protecting forests and biodiversity and ensuring carbon
126 sequestration. TSD chapters of FTAs should therefore include where applicable the
127 UN free, prior and informed consent to empower indigenous people.

128 129 Participation of Civil Society Organization, European Parliament and National 130 Parliaments:

131 Trade policy must be elaborated and executed in a participatory way, giving voice to
132 all interested groups. All stages of a bilateral trade relation should be accompanied by
133 publicly available assessments. For instance, CSOs should be invited to comment the
134 draft sustainability impact assessments to make the final version as robust and
135 credible as possible and to identify key concerns and suggest recommendations for
136 pre-ratification commitments, whose achievements will be an important preliminary
137 condition to ratify the trade deal. Measure to improve the democratic oversight of the
138 European Parliament should be taken such as including a vote on the mandate before
139 trade negotiations start. The European Parliament shall have an active role in the
140 regulatory committees of trade agreements in order to ensure parliamentary oversight
141 and transparency. National Parliaments must play an active role in the ratification of
142 mixed FTAs and must get more involved in the formulation of mandates for new trade
143 agreements with their governments.

144 145 Trade and Investment:

146 In the remit of investment policy, it is investment protection and dispute settlement
147 that have the biggest mismatch with the EU's overarching policy goals. It is essential
148 that we stop protecting investments in fossil fuels and other harmful activities.
149 Investment policy should focus on incentivising sustainable investments, not on giving
150 special rights to foreign investors. This requires a fundamental change of model for

151 EU bilateral investment treaties and moreover, we have to abolish the Investor State
152 Dispute Settlement (ISDS) system.

153

154 **Autonomous trade measures:**

155 The EU should take the lead by adopting good legislation on mandatory due diligence,
156 such as it has already done in specific areas of certain conflict minerals and timber.

157 The proposed EU Directive on corporate sustainability due diligence needs to introduce
158 requirements for all companies operating in the EU to take steps to prevent and
159 address human rights and environmental harm at each step of their supply chains. The
160 legislation should also give victims possibility to bring companies to court in Europe
161 when harm occurs. Directors' duties are an effective tool to ensure companies'
162 compliance and should be enhanced compared to the Commission's proposal. All the
163 loopholes and gaps in the Commission's proposal should be changed in a way that
164 makes it compatible with the European Parliament's report from March 2021 on due
165 diligence. The EU Commission's proposal for binding EU-wide rules for deforestation-
166 free supply chains must be improved in order to end the EU's complicity in the global
167 destruction of nature and violation of human rights. The list of commodities should be
168 more inclusive for products such as rubber and maize; ecosystems like savannahs,
169 wetlands and peatlands should be added from the beginning. The time has come to
170 ban products of modern slavery and child labour from entering the European market.
171 Shirts, shoes or cars made by enslaved Uyghurs, Turkmen, or forced workers and
172 children from anywhere should not be sold in our shops anymore. We therefore
173 demand a new EU trade instrument that enacts this import ban. The instrument could
174 draw on previous instruments such as the regulation protecting intellectual property
175 rights and be inspired by the existing US approach that blacklists companies involved
176 in modern slavery. The EU also needs to develop tools that aim to eliminate child
177 labour taking into account the socio-economic level of the countries concerned and
178 mixing a trade and development approach. Products must not be cheaper and thus
179 more competitive because they are made from child labour or because rules on
180 climate protection are disregarded.

181

182 A carbon border adjustment mechanism (CBAM) will serve to address risks of carbon
183 leakage resulting from the Unions climate ambition. In addition to addressing climate-
184 policy effectiveness and compatibility with WTO legislation, account must also be
185 taken of the impact on European trading partners, and, in particular, poor developing
186 countries.

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189 **TRADE AND MULTILATERALISM**

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191 Trade policy is about shaping globalisation. The EU should therefore, as a principle and
192 because it is enshrined in the Treaty, act to make progress on the multilateral front.

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194 The EU must as a priority engage with international partners in order to restore the
195 WTO, including its Appellate Body. There is a need for fundamental changes in
196 decision making processes and the organisational structure of the WTO; its rules must
197 be updated and modernised and brought up to date with a green transition. The EU
198 should also actively seek to widen the scope of the trilateral forum with Japan and the
199 US on WTO subsidy rules by also including other like-minded countries in this
200 discussion.

201
202 Greening the WTO must be a key feature of its modernisation. In this context, the EU
203 should table initiatives in the framework of the EU Commission's WTO trade and
204 climate initiative early on. The EU must also engage in a rebalancing of the global
205 system of Intellectual Property Rights (IPR) in order to foster the legal transfer of
206 climate-friendly technology. For instance, this should include the promotion of a
207 declaration on "IPR and Climate Change" at the WTO, encouraging technology transfer
208 and the use of compulsory licensing of key climate technologies. The TRIPS
209 Agreement should be amended to allow WTO members to exclude key climate
210 technologies from patent protection. Besides, the possibility to distinguish products
211 according to their process and production methods needs to be pushed forward.

212
213 The EU must end protection of investment in fossil fuels in the context of the
214 modernisation of the Energy Charter Treaty. If negotiations to modernise the Treaty in
215 a way that is compatible with the Green Deal and the Paris Agreement do not show
216 concrete progress in mid-2022, the EU and Member States must take steps to
217 withdraw from the Treaty altogether. Furthermore, it is essential that the EU's trade
218 regimes are reviewed to identify other investment protections or subsidies of fossil
219 fuels in order to bring these into alignment with the UNFCCC Paris Agreement's
220 climate goals.

221
222 Wherever possible, the EU needs to join forces on greening trade with the United States
223 and other likeminded countries on the one hand and build on a common climate
224 protection agenda with China on the other hand. It must find common ground with
225 both partners on taxing carbon. Introducing a EU carbon border adjustments
226 mechanism (CBAM) on imported goods to prevent foreign firms from taking market
227 share from domestic producers subject to carbon fees and more stringent
228 environmental regulations is an important first step. But it will only be successful if it
229 is integrated in an international climate alliance, which is open to all like-minded
230 partners; including financial compensation for developing countries and least
231 developed countries.

232
233 Another level of multilateral trade is the participation of regional trade agreements,
234 which have become more popular with RCEP and CPTPP. Thus, the EU shall revive
235 negotiations of a region-to-region trade agreement with ASEAN and promote
236 increased multifaceted cooperation in key areas. Political commitment towards high
237 and truly enforceable standards for climate and environmental responsibility, the
238 ratification of ILO-core conventions and the protection of human rights must serve as
239 an ex-ante condition before the kick-off of a negotiation process. Besides that, the EU
240 must support regional integration instead of creating one-sided dependencies through
241 its EPAs by supporting the development towards a pan-African FTA putting to the fore
242 issues related to food security, economic diversification and up scaling, the
243 improvement of the situation of the most vulnerable, notably women, indigenous
244 people and displaced people.

245
246 At the heart of the EU's regional and global engagement must be the Global Gateway
247 Initiative. The initiative needs to priorities the green transition and should serve as a
248 powerful tool to achieve the SDGs, as well as digital, health, the fight against
249 discrimination and poverty, access to basic services, international standardization and
250 security issues. The establishment of a Global Gateway Business Advisory Council

251 should be a practical next step. The Global Gateway initiative needs an effective
252 governance structure, an inclusive Team Europe approach, and the timely
253 identification of lighthouse projects.

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255 **TRADE AND TECHNOLOGY**

256 The link between trade and technology needs to be urgently addressed in EU trade
257 agreements and its trade instruments.

258

259 Technology Transfer

260 Transfer of climate friendly technologies from the global north to the global south
261 must be supported in a manner that fosters the development of local economies and
262 local resilience. The EU must also engage in a rebalancing of the global system of
263 Intellectual Property Rights (IPR) in order to foster the legal transfer of climate-friendly
264 technology. For instance, this should include the promotion of a declaration on “IPR
265 and Climate Change” at the WTO, encouraging technology transfer and the use of
266 compulsory licensing of key climate technologies. The TRIPS Agreement should be
267 amended to allow WTO members to exclude key climate technologies from patent
268 protection. Besides, the possibility to distinguish products according to their process
269 and production methods needs to be pushed forward.

270

271 Furthermore, mechanisms could be developed to limit countries and powerful
272 industries with superior access, from controlling a disproportionate share of the global
273 strategic resources, such as rare earth minerals, needed for global green transition.
274 Industries essential to the green transition (such as renewable energy production and
275 information technology production) must be protected from unfair distribution and
276 price traps that prevent a global sharing of the benefits of the green transition.

277

278 Digital Trade, Standardisation and Data Protection:

279 Specific policies regarding digital trade, intellectual property rights and net neutrality
280 must embody and uphold democratic principles and a strong commitment to
281 achieving sustainable development goals. This implies revising policies on data
282 provisions, data localisation, research and development, national tax systems and the
283 digital single market.

284

285 Standardisation must play an essential role in the EU’s foreign trade policy. The EU
286 should seek to engage in strategic coordination with like-minded partners; invest in
287 standardization knowledge; incentivise international standards in connectivity
288 initiatives. Transparency and fundamental values as benchmarks for standards are
289 key.

290

291 The EU’s rules on the General Data Protection Regulation (GDPR) must become a
292 global standard for personal data protection and a requirement for international data
293 transfers. The EU and its trade partners must therefore ensure a high level of
294 protection of personal data and include the EU’s provisions for personal data
295 protection in their trade agreements.

296

297 Trade and Technology Council:

298 The Trade and Technology Council (TTC) that the EU has launched with the United
299 States shall not be TTIP 2.0 and shall not have regulatory power. Instead, the TTC could
300 be a useful forum to tackle trade irritants with the US, for instance the U.S. 232

301 investigations into EU industrial products, which allows the U.S. to protect its
302 producers for national security reasons. The TTC serves as a forum to develop joint
303 answers to challenges posed by countries like China to the global rules-based order.
304 The TTC can provide useful tools to address non-market, trade-distortive policies, and
305 practices, such as joint export controls to avoid the militarisation of authoritarian
306 regimes through the backdoor; a joint taskforce on standardisation; but it can also be
307 a platform to discuss common approaches to reform the WTO or to foster the green
308 transformation of the economy. We are supporting the implementation of the Trade
309 and Technology Council between the EU and India.

310

311 Trade defence instruments:

312 Trade defence is a big chunk of the EU's trade toolbox. Where EU industries are harmed
313 because of unfair trade practices, such as dumped and subsidies imports or economic
314 coercion from third countries, the EU's trade defence instruments need to provide an
315 effective response. We therefore support the following EU trade instruments, among
316 others: investment screening mechanism, which must be further strengthened and
317 applied in all 27 EU member states and in particular where investments cover basic
318 public services and areas related to potential access to personal data and it should be
319 expanded to include the targeted, predictable review of outbound investment to third
320 countries of concern anti-dumping rules and a new foreign subsidies instrument to
321 tackle unfair competition; the international procurement instrument (IPI), , which aims
322 to ensure reciprocity in global procurement markets and will allow the EU to push third
323 countries to open their public procurement markets by threatening to close Europe's
324 own market in retaliation; and the anti-coercion instrument (ACI) to have a legal, trade-
325 based instrument to impose retaliatory trade sanctions on economic rivals to defend
326 the internal market when one or more of the EU's member states is under economic
327 coercion from third countries, such as China's trade embargo on Lithuania over its
328 authorisation of Taiwan's request to set up a "Taiwanese" representative office in the
329 country. The ACI can become an effective trade-based tool to defend the European
330 solidary community and the internal market which should not be hampered by a
331 national veto of a single government.

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333 Supply chain resilience:

334 The Covid-19 pandemic and the impact of Russia's aggression against Ukraine on the
335 global economy have exposed the vulnerability of complex global value chains and the
336 need for a resilient economy based on a circular economy where possible. The EU
337 must address its supply chain ruptures by putting in place a stress test for its industrial
338 sector to identify raw materials, industrial goods, medical products and food
339 commodities which are facing a high risk of supply disruption with cascade effects on
340 the EU's economy and foster predictability and trade diversification. On the way
341 towards more resilience, the EU must build reliable supply chains with like-minded
342 partner countries (friend-shoring), in particular with regard to critical infrastructure, e.g.
343 medical equipment and semi-conductors. The EU's announcement of an upgrade of
344 the trade dialogue with Taiwan is already an important step in this direction. Pursuing
345 closer alliances with ASEAN or neighboring countries, including Switzerland, would be
346 necessary next steps.

347 The concept of trade subsidiarity can play an important role in sectors like agricultural
348 production where we want to make sure that local and regional potential can play its
349 full role and in no case should trade be allowed to disrupt or undermine
350 environmentally valuable local or regional productive environments.

351
352 The role of the circular economy is crucial in this context, as Europe must make better
353 use of the materials, such as rare earth minerals, already existing in its economy. By
354 strengthening the re-use of already extracted and imported materials, Europe can
355 make a significant contribution to reducing the environmental, social, and
356 distributional impacts of its trade. Circular economy and the production of secondary
357 raw materials within the EU should also be strengthened in order to support resilient
358 supply chains and reduce EU dependence.

359
360 Closed material loops and shorter supply chains would lead to less dependency on
361 raw material imports and less waste export and thus contribute to the EU's supply
362 chain resilience. It is therefore crucial that we ensure that trade and investment
363 agreements do not contradict circular economy policies. We must provide carve-outs
364 in trade agreements for relevant EU legislation on circular economy from the notion of
365 trade barrier, as well as stronger and adequate legal environmental safeguards. In
366 addition, increased recycling can reduce the EU's reliance on imports of raw materials.

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369 **EUROPEAN GREEN POINTS OF ACTION**

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371 European Greens should endeavour to contribute to shaping a greener, more
372 sustainable, multilateral trade policy and we have to do it now. Here are some
373 proposals for political action at the level of the European Green Party:

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375 • **Campaigning:** In the European Parliament, the Greens/EFA group is
376 campaigning on topics such as the "EU-Mercosur trade deal" and on "modern
377 slavery". By putting the focus on trade deals or other trade aspects, the EGP and
378 its members could get involved and contribute to the campaigns of the green
379 group in the European Parliament.

380 • **Annual conference:** The EGP could encourage its member parties to organize
381 an annual conference on "greening trade" during which Greens in government,
382 in Parliament, campaigners, civil society and trade unions exchange ideas and
383 policy tools on how to make trade greener and more sustainable. The
384 conferences could take place during the first half of the coming three years until
385 the next European election in 2024. The EGP should invite its member parties
386 to take the lead of organising these trade days. For example, as the current G7
387 leader, Germany could organise it in 2022; Sweden and Belgium who will take
388 over the Council presidencies in the coming years, could take over in 2023 and
389 2024.

390 • **Supporting research and evidence-based policymaking:** European Greens
391 could support each other with regard to making use of independent research on
392 trade issues to better understand the impacts, weaknesses, and potentialities
393 of EU trade policy, and use research findings to improve the design of policies
394 in this area.

395 • **Bolstering Alliances:** European Greens could further develop their outreach and
396 cooperation activities with Greens, environmentalists, like-minded CSOs, think
397 tankers or trade unions from trade partner countries to gather their feedback on
398 trade agreements and mandates, to jointly review impact assessments, and to
399 coordinate campaigning efforts.