



**Draft**

**Title:** GREEN TRANSFORMATION OF EU TRADE POLICY

**Tabled by:** EGP Committee

**Draft text**

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

23 We criticise:

24 The European Commission has fallen short of equipping its free trade agreements  
25 (FTAs) with the necessary policy tools to adequately address the socio-economic  
26 and sustainability aspects of trade effects; neither has it sufficiently aligned  
27 trade policy to its Green Deal. Instead, it holds on to “dinosaur” deals such as  
28 the EU-Mercosur agreement and, based on the Trade Policy Review Communication of  
29 2021, falls short in delivering on much needed changes to foster upwards  
30 convergence of living standards while respecting the biophysical limits of the  
31 Planet in line with the Sustainable Development Goals. Civil Society  
32 Organization’s (CSOs) have so far not been involved sufficiently in most trade  
33 negotiations and thus, engagement at different stages of FTA implementation must  
34 be upgraded. Also, its recent trade policy review and current strategy of  
35 circumventing several EU member states’ backlashes against its FTAs with more  
36 autonomous trade measures is not sufficient to induce the paradigm shift needed.  
37 Member states' concerns linked to trade agreements will only grow if the  
38 Commission seeks to circumvent much needed democratic debate on the fundamental  
39 issues at stake.

40 We advocate:

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

59 **GREEN AND FAIR TRADE**

60 For a future oriented trade policy, green and fair trade needs to be stepped up  
61 on two layers. First by improving provisions in bilateral trade and investment  
62 agreements to make sure they contribute consistently to protect the climate and  
63 human rights and second by stepping up autonomous trade measures in order to re-  
64 regulate trade in a sustainable manner.

## 65 **Bilateral trade and investment Agreements:**

### 66 Climate and Sustainability:

67 The EU needs to address the flaws of trade agreement such as the EU-Mercosur  
68 deal by raising the ambition of trade and sustainability (TSD) chapters and  
69 ensure effective implementation thereof. The updated standards of the European  
70 Green Deal and the EU action plan on human rights and democracy must be key  
71 pillars of the TSD chapters. The recently concluded EU-New Zealand FTA is a good  
72 step in this direction. If trade partners don't live up to their promises agreed  
73 in TSD chapters in their trade deals with the EU in a certain time frame, all  
74 trade partners should be able to remove tariff preferences. Simultaneously, the  
75 trade partners should reward each other when sticking to the agreements in TSD  
76 chapters by linking the effective implementation of TSD provisions to a staged  
77 implementation of tariff reduction. In case of blatant violations of essential  
78 elements of the FTAs (human rights, Paris agreement, etc.), the EU should  
79 proactively look for other incentives or consider the suspension of the deal.

80 In general, sustainability goals shall be structurally included in all chapters  
81 of international trade agreements and not be limited to TSD chapters only; for  
82 instance, in chapters related to agriculture, sanitary and phytosanitary  
83 measures, raw materials, government procurement, institutional provisions or  
84 rules of origin. It is essential that social and environmental impact  
85 assessments, including on biodiversity, gender and human rights, are conducted  
86 and published at the start of negotiations so as to provide to the negotiating  
87 parties and the European Parliament projections and highlight recommendations to  
88 ensure that trade agreements will not have adverse effects. Impact assessments  
89 need to be conducted by independent and competent entities with sufficient  
90 resources. This will allow negotiators to determine pre-ratification commitments  
91 and identify issues that require special monitoring through ad hoc  
92 implementation roadmaps. The methodology used should be published along with the  
93 assessment itself as well as a detailed proposal of specific measures to  
94 mitigate the identified risks inherent to the trade agreements.

95 Trade must be strongly aligned with environmental and climate protection. The  
96 Paris Agreement and its legally binding obligations must become an essential  
97 element in comprehensive trade and political framework agreements, including  
98 those being currently negotiated and already concluded agreements. In light of  
99 the potential negative consequences for the effective compliance with the UNFCCC  
100 regime, the EU should introduce a hierarchy clause that would make explicit that  
101 the trade or investment agreement shall be subject to the obligations under the  
102 UNFCCC regime, including the Paris agreement. This approach should also be  
103 applied to ensure compliance with other multilateral environmental agreements,  
104 including but not limited to the UNEA Global Treaty to Combat Plastics Pollution  
105 and the UN Conventions on Biological Diversity and CITES based on a fully-  
106 fledged and independent monitoring mechanisms. Moreover, the EU should include  
107 concrete steps for emission reduction in trade agreements, such as introducing a  
108 carbon price, as was done at the EU-UK TCA.

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

113 Equivalence of basic and fundamental standards based on international norms  
114 should be included in trade agreements. Complementary to that, the EU should  
115 devote existing tools and resources in view of bringing technical and financial  
116 assistance to poorer countries to live up to these higher standards.

#### 117 Human and Social Rights:

118 Trade policy must play an active role in requiring and helping trade partners to  
119 implement the International Labour Organisation's (ILO) core labour standards  
120 and ultimately should lead to upwards convergence of labour rights and  
121 standards. Parties must firmly commit to implementing core labour standards.  
122 There is an urgent need to move towards a trade policy that is gender-sensitive.  
123 Thus, before starting negotiations on trade agreements, country-specific and  
124 sector-specific gender assessments should be carried out. The toolkit developed  
125 by the UNCTAD to perform gender-aware ex ante evaluations of trade policies  
126 could serve as an example. FTAs should incentivise the ratification and  
127 implementation of gender-related ILO conventions.

128 The full potential of human rights clauses in FTAs has not been utilised so far,

129 , the EU should therefore strengthen the enforcement thereof. There must be a  
130 concrete perspective for those clauses to be used in order to ensure credible  
131 leverage. The recently established Single Entry Point (SEP) should also cover  
132 cases of human rights violations and address those in the framework of FTAs,  
133 including through appropriate sanctions.

134 The EU's FTAs have not traditionally addressed inclusivity issues pertaining to  
135 specific groups such as Indigenous people. For instance, the EU-Mercosur deal  
136 does not yet represent the concerns raised by Indigenous groups on the ground.  
137 However, protection of indigenous peoples' and community rights to land and  
138 water has been deemed one of the most efficient ways of protecting forests and  
139 biodiversity and ensuring carbon sequestration. TSD chapters of FTAs should  
140 therefore include the UN free, prior and informed consent to empower indigenous  
141 people.

142 Participation of Civil Society Organization, European Parliament and National  
143 Parliaments:

144 Trade policy must be elaborated and executed in a participatory way, giving  
145 voice to all interested groups. All stages of a bilateral trade relation should  
146 be accompanied by publicly available assessments. For instance, CSOs should be  
147 invited to comment the draft sustainability impact assessments to make the final  
148 version as robust and credible as possible and to identify key concerns and  
149 suggest recommendations for pre-ratification commitments, whose achievements  
150 will be an important preliminary condition to ratify the trade deal.

151 Measure to improve the democratic oversight of the European Parliament should be  
152 taken such as including a vote on the mandate before trade negotiations start.  
153 The European Parliament must have access to the negotiating text at all stages  
154 of negotiation on equal footing with the Council. Since trade agreements have  
155 far-reaching implications for regulatory matters, the European Parliament shall  
156 have an active role in the regulatory committees of trade agreements in order to  
157 ensure parliamentary oversight and transparency. National Parliaments must play  
158 an active role in the ratification of mixed FTAs and must get more involved in  
159 the formulation of mandates for new trade agreements and demand for updates of  
160 the negotiation process by their governments and respective ministers. An  
161 exchange of views between the European Parliament and National Parliaments  
162 should be provided prior to the vote of the mandate.

163 Trade and Investment:

164 In the remit of investment policy, it is investment protection and dispute  
165 settlement that have the biggest mismatch with the EU's overarching policy  
166 goals. It is essential that we stop protecting investments in fossil fuels and  
167 other harmful activities. Investment policy should focus on incentivising  
168 sustainable investments, not on giving special rights to foreign investors. This  
169 requires a fundamental change of model for EU bilateral investment treaties as  
170 has been proposed by the European Parliament in a report on the Future of EU  
171 international investment policy in June 2022. This should be done by effectively  
172 preserving the right to regulate of the contracting parties and moreover, we  
173 have to abolish the Investor State Dispute Settlement (ISDS) system and sunset  
174 clauses.

175 **Autonomous trade measures:**

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

179 The proposed EU Directive on corporate sustainability due diligence needs to  
180 introduce requirements for all companies , including financial institutions and  
181 credit export agencies, operating in the EU to take steps to prevent and address  
182 human rights and environmental harm at each step of their supply chains. The  
183 legislation should also give victims user-friendly possibility to bring  
184 companies to court in Europe when harm occurs. Directors' duties are an  
185 effective tool to ensure companies' compliance and should be enhanced compared  
186 to the Commission's proposal. All the loopholes and gaps in the Commission's  
187 proposal should be changed in a way that makes it compatible with the European  
188 Parliament's report from March 2021 on due diligence. The EU Commission's  
189 proposal for binding EU-wide rules for deforestation-free supply chains must be  
190 improved in order to end the EU's complicity in the global destruction of nature  
191 and violation of human rights. The list of commodities should be more inclusive  
192 for products such as rubber and maize; ecosystems like savannahs, wetlands and  
193 peatlands should be added from the beginning. The time has come to ban products  
194 of modern slavery and child labour from entering the European market. Shirts,  
195 shoes, or cars made by enslaved Uyghurs, Turkmen, or forced workers and children  
196 from anywhere should not be sold in our shops anymore. We therefore support the  
197 proposed new EU instrument that enacts this import ban, but we want to make this  
198

199 an instrument with teeth, by strengthening its legal base and making cooperation  
200 among the national competent authorities compulsory. Also, we want to make sure  
201 that the affected workers' situation is remedied as soon as forced labour is  
202 proven. The EU also needs to develop tools that aim to eliminate child labour  
203 taking into account the socio-economic level of the countries concerned and  
204 mixing a trade and development approach. Products must not be cheaper and thus  
205 more competitive because they are made from child labour or because rules on  
climate protection are disregarded.

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

## 211 **TRADE AND MULTILATERALISM**

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

215 The EU must as a priority engage with international partners in order to restore  
216 the WTO, including its Appellate Body. There is a need for fundamental changes  
217 in decision making processes and the organisational structure of the WTO; its  
218 rules must be updated and modernised and brought up to date with a green  
219 transition. The agreement on the "Geneva Package" at the WTO Ministerial  
220 Conference in June 2022 on a waiver of certain requirements concerning  
221 compulsory licensing for COVID-19 vaccines, food safety and agriculture, and WTO  
222 reform is an important first step in this direction. The EU should also actively  
223 seek to widen the scope of the trilateral forum with Japan and the US on WTO  
224 matters by also including other like-minded countries in this discussion.

225 Greening the WTO must be a key feature of its modernisation. In this context,  
226 the EU should table initiatives in the framework of the EU Commission's WTO  
227 trade and climate initiative early on

228 The EU should also take action to follow up on the three Ministerial Statements  
229 issued in December 2021 on trade and environmental sustainability, on plastics  
230 pollution and transition towards environmentally sustainable plastics trade, on

231 fossil fuel subsidies. The EU should use its FTA to involve more countries in  
232 their implementation and achievement.

233 The EU must end protection of investment in fossil fuels in the context of the  
234 modernisation of the Energy Charter Treaty. As Greens we have called for a  
235 modernization of the Energy Charter Treaty in order to align it with the goals  
236 of the European Climate Law and the UNFCCC Paris Agreement. In order to do so,  
237 we called for the deletion of the provisions protecting foreign investment in  
238 fossil fuels. Similarly, we wanted the ISDS provisions to be scrapped or  
239 fundamentally reformed and limited. However, the outcome of the negotiation on  
240 the modernisation announced in June 2022 falls short of what is needed to  
241 protect the energy transition and reduce our dependencies of fossil fuels. Such  
242 a system keeps the door open for exploitations, and belongs in the past.  
243 Therefore, the EU and its Member States must work towards a coordinated exit of  
244 the ECT and the conclusion of a separate agreement to neutralise the sunset  
245 clause.

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

256 Another level of multilateral trade is the participation of regional trade  
257 agreements, which have become more popular with RCEP, CPTPP and IPEF. Thus, the  
258 EU shall revive negotiations of a region-to-region trade agreement with ASEAN  
259 and promote increased multifaceted cooperation in key areas. Political  
260 commitment towards high and truly enforceable standards for climate and  
261 environmental responsibility, the ratification of ILO-core conventions and the  
262 protection of human rights must serve as an ex-ante condition before the kick-  
263 off of a negotiation process. Besides that, the EU must support regional  
264 integration instead of creating one-sided dependencies through its EPAs by  
265 supporting the development towards a pan-African FTA putting to the fore issues  
266 related to food security, economic diversification and up scaling, the  
267 improvement of the situation of the most vulnerable, notably women, indigenous

268 people and displaced people.

269 At the heart of the EU's regional and global engagement must be the Global  
270 Gateway Initiative. The initiative needs to priorities the green transition and  
271 should serve as a powerful tool to achieve the SDGs, as well as digital, health,  
272 the fight against discrimination and poverty, access to basic services,  
273 international standardization and security issues. The establishment of a Global  
274 Gateway Business Advisory Council should be a practical next step. The Global  
275 Gateway initiative needs an effective governance structure, an inclusive Team  
276 Europe approach, and the timely identification of lighthouse projects.

## 277 **TRADE AND TECHNOLOGY**

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

### 280 Technology Transfer

281 Transfer of climate friendly technologies and essential health technologies from  
282 the global north to the global south must be supported in a manner that fosters  
283 the development of local economies and local resilience. The EU must also engage  
284 in a rebalancing of the global system of Intellectual Property Rights (IPR) in  
285 order to foster the legal transfer of climate-friendly technology. For instance,  
286 this should include the promotion of a declaration on "IPR and Climate Change"  
287 at the WTO, encouraging technology transfer and the use of compulsory licensing  
288 of key climate technologies. The TRIPS Agreement should be amended to allow WTO  
289 members to exclude key climate technologies from patent protection with a view  
290 to fighting a pandemic. Besides, the possibility to distinguish products  
291 according to their process and production methods needs to be pushed forward.

### 292 Digital Trade, Standardisation and Data Protection:

293 Specific policies regarding digital trade, intellectual property rights, data  
294 protection and net neutrality must embody and uphold democratic principles and a  
295 strong commitment to achieving sustainable development goals. This implies  
296 revising policies on data provisions, data localisation, research and  
297 development, national tax systems and the digital single market.

298 Standardisation must play an essential role in the EU's foreign trade policy.

299 The EU should seek to engage in strategic coordination with like-minded  
300 partners; invest in standardization knowledge; incentivise international  
301 standards in connectivity initiatives. Transparency and fundamental values as  
302 benchmarks for standards are key.

303 The EU's rules on the General Data Protection Regulation (GDPR) must become a  
304 global standard for personal data protection and a requirement for international  
305 data transfers. The EU and its trade partners must therefore ensure a high level  
306 of protection of personal data and include the EU's provisions for personal data  
307 protection in their trade agreements.

#### 308 Trade and Technology Council:

309 The Trade and Technology Council (TTC) that the EU has launched with the United  
310 States shall not be TTIP 2.0 and shall not have regulatory power. Instead, the  
311 TTC could be a useful forum to tackle trade irritants with the US, for instance  
312 the U.S. 232 investigations into EU industrial products, which allows the U.S.  
313 to protect its producers for national security reasons. The TTC serves as a  
314 forum to develop joint answers to challenges posed by countries like China to  
315 the global rules-based order. The TTC can provide useful tools to address non-  
316 market, trade-distortive policies, and practices, such as joint export controls  
317 to avoid the militarisation of authoritarian regimes through the backdoor; a  
318 joint taskforce on standardisation; but it can also be a platform to discuss  
319 common approaches to reform the WTO or to foster the green transformation of the  
320 economy. We are supporting the implementation of the Trade and Technology  
321 Council between the EU and India.

#### 322 Trade defence instruments:

323 Trade defence is a big chunk of the EU's trade toolbox. Where EU industries are  
324 harmed because of unfair trade practices, such as dumped and subsidies imports  
325 or economic coercion from third countries, the EU's trade defence instruments  
326 need to provide an effective response. We therefore support the following EU  
327 trade instruments, among others: investment screening mechanism, which must be  
328 further strengthened and applied in all 27 EU member states and in particular  
329 where investments cover basic public services and areas related to potential  
330 access to personal data and it should be expanded to include the targeted,  
331 predictable review of outbound investment to third countries of concern anti-  
332 dumping rules and a new foreign subsidies instrument to tackle unfair

333 competition; the international procurement instrument (IPI), which aims to  
334 ensure reciprocity in global procurement markets and will allow the EU to push  
335 third countries to open their public procurement markets by threatening to close  
336 Europe's own market in retaliation; and the anti-coercion instrument (ACI) to  
337 have a legal, trade-based instrument to impose retaliatory trade sanctions on  
338 economic rivals to defend the internal market when the EU or one or more of the  
339 EU's member states is under economic coercion from third countries, such as  
340 China's trade embargo on Lithuania over its authorisation of Taiwan's request to  
341 set up a "Taiwanese" representative office in the country. The ACI can become an  
342 effective trade-based tool to defend the European solidary community and the  
343 internal market which should not be hampered by a national veto of a single  
344 government.

345 Supply chain resilience:

346 The Covid-19 pandemic and the impact of Russia's aggression against Ukraine on  
347 the global economy have exposed the vulnerability of complex global value chains  
348 and the need for a resilient economy based on a circular economy where possible.  
349 The EU must address its supply chain ruptures by putting in place a resilience  
350 stress test for its industrial sector to identify raw materials within the  
351 recently announced European Critical Raw Materials Act, industrial goods,  
352 medical products, and food commodities which are facing a high risk of supply  
353 disruption with cascade effects on the EU's economy and foster predictability  
354 and trade diversification. On the way towards more resilience, the EU must build  
355 reliable supply chains with like-minded partner countries (friend-shoring), in  
356 particular with regard to critical infrastructure, e.g. medical equipment and  
357 semi-conductors. The EU's upgrade of the High-Level Economic Dialogue with  
358 Taiwan is a step in the right direction. Pursuing closer alliances with ASEAN,  
359 African or EU-neighboring countries, including Switzerland, would be necessary  
360 next steps.

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

366 The role of the circular economy is crucial in this context, as Europe must make  
367 better use of the materials, such as rare earth minerals, already existing in

368 its economy. By strengthening the re-use of already extracted and imported  
369 materials, Europe can make a significant contribution to reducing the  
370 environmental, social, and distributional impacts of its trade. Circular economy  
371 and the production and recycling of secondary raw materials within the EU should  
372 also be strengthened in order to support resilient supply chains and reduce EU  
373 dependence.

374 Furthermore, mechanisms could be developed to limit countries and powerful  
375 industries with superior access, from controlling a disproportionate share of  
376 the global strategic resources, such as rare earth minerals, needed for global  
377 green transition.

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