



## GREEN TRANSFORMATION OF EU TRADE POLICY

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, notably 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 that tackles the great environmental, social,  
23 democratic and economic challenges. Therefore, the overarching goal of a Green trade policy is to  
24 do whatever possible to ensure that trade achieves the maximum human well-being with a clear  
25 gender perspective, for the minimum use of energy and resources, and not at the expense of other  
26 species..

### 27 We criticise:

28 The European Commission has fallen short of equipping its free trade agreements  
29 (FTAs) with the necessary policy tools to adequately address the socio-economic  
30 and sustainability aspects of trade effects; neither has it sufficiently aligned  
31 trade policy to its Green Deal. Instead, it holds on to "dinosaur" deals such as  
32 the EU-Mercosur agreement and, based on the Trade Policy Review Communication of  
33 2021, falls short in delivering on much needed changes to foster upwards  
34 convergence of living standards while respecting the biophysical limits of the  
35 Planet in line with the Sustainable Development Goals. Civil Society  
36 Organization's (CSOs) have so far not been involved sufficiently in most trade  
37 negotiations and thus, engagement at different stages of FTA implementation must  
38 be upgraded. The MERCOSUR agreement in its current form is not acceptable for us. Also, its



39 recent trade policy review and current strategy of  
40 circumventing several EU member states' backlashes against its FTAs with more  
41 autonomous trade measures is not sufficient to induce the paradigm shift needed.  
42 Member states' concerns linked to trade agreements will only grow if the  
43 Commission seeks to circumvent much needed democratic debate on the fundamental  
44 issues at stake.

45 We advocate:

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

## 64 **GREEN AND FAIR TRADE**

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

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

#### 71 Climate and Sustainability:

72 The EU needs to address the flaws of trade agreement such as the EU-Mercosur  
73 deal by raising the ambition of trade and sustainability (TSD) chapters [ensuring and](#)  
74 [ensure](#) effective implementation thereof [and making sure that sustainability is streamlined across](#)  
75 [all relevant chapters entailing concrete implications](#). The updated standards of the European  
76 Green Deal, [the Gender Action Plan III](#) and the EU action plan on human rights and democracy must  
77 be key  
78 pillars of the TSD chapters. [Further strengthening the EU action plan with regards to human rights](#)  
79 [in international trade including FTA is important](#). The recently concluded EU-New Zealand FTA is a



80 ~~good~~  
81 step in this direction. It may imply that for not yet concluded agreements, the Commission  
82 presents the feasibility of adjusting the chapters provisionally agreed to comply with the  
83 abovementioned criteria and if it concludes that it is not possible under the existing mandate, the  
84 Commission should propose to the Council and to the Parliament a new mandate. If trade partners  
85 don't live up to their promises agreed  
86 in TSD chapters in their trade deals with the EU in a certain time frame, all  
87 trade partners should be able to remove tariff preferences. Simultaneously, the  
88 trade partners should reward each other when sticking to the agreements in TSD  
89 chapters by linking the effective implementation of TSD provisions to a staged  
90 implementation of tariff reduction. In case of blatant violations of essential  
91 elements of the FTAs (human rights, Paris agreement, etc.), the EU should  
92 proactively look for other incentives or consider the suspension of the deal. Possible sanctions  
93 may also concern the ban of imports and exports of certain goods and products, especially those  
94 directly related to the violation of human rights or environmental objectives and not only the end of  
95 preferential tariffs.

96 In general, sustainability goals shall be structurally included in all chapters  
97 of international trade agreements and not be limited to TSD chapters only; for  
98 instance, in chapters related to agriculture, sanitary and phytosanitary  
99 measures, raw materials, government procurement, institutional provisions or  
100 rules of origin. It is essential that social and environmental impact  
101 assessments, including on biodiversity, gender and human rights, animal welfare, are conducted  
102 and published at the start of negotiations so as to provide to the negotiating  
103 parties and the European Parliament projections and highlight recommendations to  
104 ensure that trade agreements will not have adverse effects. Impact assessments  
105 need to be conducted by independent and competent entities with sufficient  
106 resources. This-After consultation of the European Parliament and the relevant stakeholders, this  
107 will allow negotiators to determine pre-ratification commitments  
108 and identify issues that require special monitoring through ad hoc  
109 implementation roadmaps. The methodology used should be published along with the  
110 assessment itself as well as a detailed proposal of specific measures to  
111 mitigate the identified risks inherent to the trade agreements.

112 Trade must be strongly aligned with environmental and climate protection. The  
113 Paris Agreement and its legally binding obligations must become an essential  
114 element in comprehensive trade and political framework agreements, including  
115 those being currently negotiated and already concluded agreements. In light of  
116 the potential negative consequences for the effective compliance with the UNFCCC  
117 regime, the EU should introduce a hierarchy clause that would make explicit that  
118 the trade or investment agreement shall be subject to the obligations under the  
119 UNFCCC regime, including the Paris agreement. This approach should also be  
120 applied to ensure compliance with other multilateral environmental agreements,  
121 including but not limited to the UNEA Global Treaty to Combat Plastics Pollution  
122 and the UN Conventions on Biological Diversity and CITES based on a fully-



123 fledged and independent monitoring mechanisms. Moreover, the EU should include  
124 concrete steps for emission reduction in trade agreements, such as introducing a  
125 carbon price, as was done at the EU-UK TCA.

126 The EU should improve its regulatory system on animal trade on the basis of the UN guiding  
127 principles on Sustainable Development in order to enhance animal welfare standards in trade  
128 agreements and to prevent the spread of zoonoses.

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

133 Equivalence of basic and fundamental standards based on international norms  
134 should be included in trade agreements. Complementary to that, the EU should  
135 devote existing tools and resources in view of bringing technical and financial  
136 assistance to poorer countries to live up to these higher standards. In particular, the EU should  
137 support the WTO negotiations on the reduction or, as appropriate, elimination of tariff and non-  
138 tariff barriers on environmental goods and services. Measures based on international norms or  
139 else mirror measures on agriculture, phytosanitary products, animal welfare and the use of  
140 antibiotic should be included in trade agreements in a WTO-compatible way.

#### 141 Human and Social Rights:

142 ~~Trade policy must play an active role in requiring and helping trade partners to~~  
143 ~~implement the International Labour Organisation's (ILO) core labour standards~~  
144 ~~and ultimately should lead to upwards convergence of labour rights and~~  
145 ~~standards. Parties must firmly commit to implementing core labour standards.~~  
146 EU trade policy must be based on fully respecting human rights not only in discourse but also in  
147 practice, and therefore ratifying and implementing the International Labour Organisation's (ILO)  
148 core labor standards should be considered as a minimal requirement for any trade agreement.  
149 Commitment to ratification and implementation of the 8 fundamental ILO Conventions must be a  
150 condition before signing the agreement. There is an urgent need to move towards a trade policy  
151 that is gender-sensitive.

152 Thus, before starting negotiations on trade agreements, country-specific and  
153 sector-specific gender assessments should be carried out. The toolkit developed  
154 by the UNCTAD to perform gender-aware ex ante evaluations of trade policies  
155 could serve as an example. FTAs should incentivise the ratification and  
156 implementation of gender-related ILO conventions.

157 The full potential of human rights clauses in FTAs has not been utilised so far,  
158 , the EU should therefore strengthen the enforcement thereof. There must be a  
159 concrete perspective for those clauses to be used in order to ensure credible  
160 leverage. The recently established Single Entry Point (SEP) should also cover  
161 cases of human rights violations and address those in the framework of FTAs,  
162 including through appropriate sanctions.

163 The EU's FTAs have not traditionally addressed inclusivity issues pertaining to



164 specific groups such as Indigenous people. For instance, the EU-Mercosur deal  
165 does not yet represent the concerns raised by Indigenous groups on the ground.  
166 However, protection of indigenous peoples' and community rights to land and  
167 water has been deemed one of the most efficient ways of protecting forests and  
168 biodiversity and ensuring carbon sequestration. TSD chapters of FTAs should  
169 therefore include the UN free, prior and informed consent to empower indigenous  
170 people.

171 Participation of Civil Society Organization, European Parliament and National  
172 Parliaments:

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

180 Measure to improve the democratic oversight of the European Parliament should be  
181 taken such as including a vote on the mandate before trade negotiations start.  
182 The European Parliament must have access to the negotiating text at all stages  
183 of negotiation on equal footing with the Council. Since trade agreements have  
184 far-reaching implications for regulatory matters, the European Parliament shall  
185 have an active role in the regulatory committees of trade agreements in order to  
186 ensure parliamentary oversight and transparency. National Parliaments must play  
187 an active role in the ratification of mixed FTAs and must get more involved in  
188 the formulation of mandates for new trade agreements and demand for updates of  
189 the negotiation process by their governments and respective ministers. An  
190 exchange of views between the European Parliament and National Parliaments  
191 should be provided prior to the vote of the mandate.

192 Trade and Investment:

193 In the remit of investment policy, it is investment protection and dispute  
194 settlement that have the biggest mismatch with the EU's overarching policy  
195 goals. It is essential that we stop ~~protecting~~ investments in fossil fuels and  
196 other harmful activities. Investment policy should focus on incentivising  
197 sustainable investments, not on giving special rights to foreign investors. This  
198 requires a fundamental change of model for EU bilateral investment treaties as  
199 has been proposed by the European Parliament in a report on the Future of EU  
200 international investment policy in June 2022. This should be done by effectively  
201 preserving the right to regulate of the contracting parties and moreover, we  
202 have to abolish the Investor State Dispute Settlement (ISDS) system and sunset  
203 clauses and replace it with a multilateral investment court system that should meet the highest  
204 requirements of independent justice and professional judges.



205 **Autonomous trade measures:**

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

209 The proposed EU Directive on corporate sustainability due diligence needs to  
210 introduce requirements for all companies, including medium enterprises, financial institutions and  
211 credit export agencies, operating in the EU to take steps to prevent and address  
212 human rights and environmental harm at each step of their supply value chains. The  
213 legislation should also give promote adequate access to justice by giving victims user-friendly  
214 possibility to bring  
215 companies to court in Europe when harm that could have been prevented by adequate due  
216 diligence processes occurs. Directors' duties are an  
217 effective tool to ensure companies' compliance and should be enhanced compared  
218 to the Commission's proposal. All the loopholes and gaps in the Commission's  
219 proposal should be changed in a way that raises its ambition to the level of makes it compatible  
220 with the European

221 Parliament's report from March 2021 on due diligence. The EU Commission's  
222 proposal for binding EU-wide rules for deforestation-free supply chains must be  
223 improved in order to end the EU's complicity in the global destruction of nature  
224 and violation of human rights. The list of commodities should be more inclusive  
225 for products such as rubber and maize; ecosystems like savannahs, wetlands and  
226 peatlands should be added from the beginning and human rights should be better integrated,  
227 particularly through instruments protecting customary tenure rights and the right to Free, Prior and  
228 Informed Consent (FPIC). The Time has come to ban products  
229 of modern slavery and child labour from entering the European market. Shirts,  
230 shoes, or cars made by enslaved Uyghurs, Turkmen, or forced workers and children  
231 from anywhere should not be sold in our shops anymore. We therefore support the  
232 proposed new EU instrument that enacts this import ban, but we want to make this  
233 an instrument with teeth, by strengthening its legal base and making cooperation  
234 among the national competent authorities compulsory. Also, we want to make sure  
235 that the affected workers' situation is remedied as soon as forced labour is  
236 proven and the affected or potentially affected workers' views are taken into account at all stages.

237 The EU also needs to develop tools that aim to eliminate child labour  
238 taking into account the socio-economic level of the countries concerned and  
239 mixing a trade and development approach. Products-This means that accompanying measures  
240 must not be cheaper developed to support a stakeholders (workers, trade unions, civil society,  
241 SME's, smallholder farmers, human rights defenders and local communities) in order to build their  
242 capacity to address the root causes of forced and thus  
243 more competitive because they are made from child labor, or because rules on  
244 climate protection are disregarded. In the event of non-compliance with the ilo convention,  
245 measures to suspend the agreement (end of the preferential tariff) or ban on the trade of certain  
246 products could be anticipated in the agreements.

247 A carbon border adjustment mechanism (CBAM) will serve to address risks of



248 carbon leakage resulting from the Unions climate ambition. In addition to  
249 addressing climate-policy effectiveness and compatibility with WTO legislation,  
250 account must also be taken of the impact on European trading partners, and, in  
251 particular, poor developing countries. Measures based on international norms or if those don't exist  
252 WTO-compatible mirror measures would help more healthy and environmentally production  
253 methods to the benefit of everyone, Europeans and citizens of our trade partners alike.  
254 Complementary to that, the EU should devote existing tools and resources in view of bringing  
255 technical and financial assistance to poorer countries.

## 256 TRADE AND MULTILATERALISM

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

260 The EU must as a priority engage with international partners in order to restore  
261 the WTO, including its Appellate Body. There is a need for fundamental changes  
262 in decision making processes and the organisational structure of the WTO; its  
263 rules must be ~~updated and modernised and modernised and~~ brought up to date with a green and  
264 just  
265 transition and improve international coherence and implementation on human and labour rights.

266 The agreement on the "Geneva Package" at the WTO Ministerial  
267 Conference in June 2022 on a waiver of certain requirements concerning  
268 compulsory licensing for COVID-19 vaccines, food safety and agriculture, and WTO  
269 reform, as proposed by the EU, the US and other global partners, is an important first step in this  
270 direction. Fresh impetus on the reform of the WTO should also include issues raised by countries  
271 from the Global South. The EU should also actively  
272 seek to widen the scope of the trilateral forum with Japan and the US on WTO  
273 matters by also including other like-minded countries in this discussion.

274 Greening the WTO must be a key feature of its modernisation. In this context,  
275 the EU should table initiatives in the framework of the EU Commission's WTO  
276 trade and climate initiative early on. Preparation work towards a Health and Trade Treaty should be  
277 ramped up in view of achieving a conclusion to the benefit of all citizens, especially in poorer  
278 countries.

280 The EU should also take action to follow up on the three Ministerial Statements  
281 issued in December 2021 on trade and environmental sustainability, on plastics  
282 pollution and transition towards environmentally sustainable plastics trade, on  
283 fossil fuel subsidies. The EU should use its FTA to involve more countries in  
284 their implementation and achievement.

285 The EU must end protection of ~~investment in~~ fossil fuels investment, in the context of the  
286 modernisation of the especially in the Energy Charter Treaty. As Greens we have supported the  
287 idea of called for a  
288 modernization of the Energy Charter Treaty in order to align it with the goals  
289 of the European Climate Law and the UNFCCC Paris Agreement. ~~In order to do so,~~



290 ~~we called for the deletion of the provisions protecting foreign investment in~~  
291 ~~fossil fuels. Similarly, we wanted the ISDS provisions to be scrapped or~~  
292 ~~fundamentally reformed and limited.~~ However, the outcome of the negotiation on  
293 the modernisation announced in June 2022 falls short of what is needed to  
294 protect the energy transition and reduce our dependencies of fossil fuels. As of November 2022,  
295 there is no majority in the Council nor in the European Parliament for the modernisation. We  
296 welcome the decision of eight Member States (Germany, France, Spain, the Netherlands,  
297 Luxembourg, Slovenia, Poland and Italy) to exit the treaty and that of the European Parliament to  
298 call for the exit. The EU and other Member States should follow, withdraw from the treaty and  
299 agree with each other to neutralise the 20 years survival clause via an inter se agreement. Such  
300 a system keeps the door open for exploitations, and belongs in the past.  
301 Therefore, the EU and its Member States must work towards a coordinated exit of  
302 the ECT and the conclusion of a separate agreement to neutralise the sunset  
303 clause.

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

314 Another level of multilateral trade is the participation of regional trade  
315 agreements, which have become more popular with RCEP, CPTPP and IPEF. Thus, the  
316 EU shall revive negotiations of a region-to-region trade agreement with ASEAN  
317 and promote increased multifaceted cooperation in key areas. Political  
318 commitment towards high and truly enforceable standards for climate and  
319 environmental responsibility, the ratification of ILO-core conventions and the  
320 protection of human rights must serve as an ex-ante condition before the kick-  
321 off of a negotiation process. Besides that, the EU must support regional  
322 integration instead of creating one-sided dependencies through its EPAs by  
323 supporting the development towards a pan-African FTA putting to the fore issues  
324 related to food security, economic diversification and up scaling, the  
325 improvement of the situation of the most vulnerable, notably women, indigenous  
326 people and displaced people.

327 At the heart of the EU's regional and global engagement must be the Global  
328 Gateway Initiative. The initiative needs to priorities the green transition and  
329 should serve as a powerful tool to achieve the SDGs, as well as digital, health,  
330 the fight against discrimination and poverty, access to basic services,  
331 international standardization and security issues. The establishment of a Global  
332 Gateway Business Advisory Council should be a practical next step. The Global

333 Gateway initiative needs an effective governance structure, an inclusive Team  
334 Europe approach, and the timely identification of lighthouse projects.

### 335 **TRADE AND TECHNOLOGY**

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

#### 338 Technology Transfer

339 Transfer of climate friendly technologies and essential health technologies from  
340 the global north to the global south must be supported in a manner that fosters  
341 the development of local economies and local resilience. The EU must also engage  
342 in a rebalancing of the global system of Intellectual Property Rights (IPR) in  
343 order to foster the legal transfer of climate-friendly technology. For instance,  
344 this should include the promotion of a declaration on “IPR and Climate Change”  
345 at the WTO, encouraging technology transfer and the use of compulsory licensing  
346 of key climate technologies. [The WTO should also encourage technology transfer and the use of  
347 compulsory licensing of key technologies in the field of health.](#) The TRIPS Agreement should be  
348 amended to allow WTO  
349 members to exclude key climate technologies from patent protection with a view  
350 to fighting a pandemic. Besides, the possibility to distinguish products  
351 according to their process and production methods needs to be pushed forward.

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

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

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

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

#### 368 Trade and Technology Council:

369 The Trade and Technology Council (TTC) that the EU has launched with the United  
370 States shall not be TTIP 2.0 and shall not have regulatory power. Instead, the  
371 TTC could be a useful forum to tackle trade irritants with the US, for instance  
372 the U.S. 232 investigations into EU industrial products, which allows the U.S.



373 to protect its producers for national security reasons. The TTC serves as a  
374 forum to develop joint answers to challenges posed by countries like China to  
375 the global rules-based order. The TTC can provide useful tools to address non-  
376 market, trade-distortive policies, and practices, such as joint export controls  
377 to avoid the militarisation of authoritarian regimes through the backdoor; a  
378 joint taskforce on standardisation; but it can also be a platform to discuss  
379 common approaches to reform the WTO or to foster the green transformation of the  
380 economy. We are supporting the implementation of the Trade and Technology  
381 Council between the EU and India.

382 Trade defence instruments:

383 Trade defence is a big chunk of the EU's trade toolbox. Where EU industries are  
384 harmed because of unfair trade practices, such as dumped and subsidies imports  
385 or economic coercion from third countries, the EU's trade defence instruments  
386 need to provide an effective response. We therefore support the following EU  
387 trade instruments, among others: investment screening mechanism, which must be  
388 further strengthened and applied in all 27 EU member states and in particular  
389 where investments cover basic public services and areas related to potential  
390 access to personal data and it should be expanded to include the targeted,  
391 predictable review of outbound investment to third countries of concern anti-  
392 dumping rules and a new foreign subsidies instrument to tackle unfair  
393 competition; the international procurement instrument (IPI), which aims to  
394 ensure reciprocity in global procurement markets and will allow the EU to push  
395 third countries to open their public procurement markets by threatening to close  
396 Europe's own market in retaliation; and the anti-coercion instrument (ACI) to  
397 have a legal, trade-based instrument to impose retaliatory trade sanctions on  
398 economic rivals to defend the internal market when the EU or one or more of the  
399 EU's member states is under economic coercion from third countries, such as  
400 China's trade embargo on Lithuania over its authorisation of Taiwan's request to  
401 set up a "Taiwanese" representative office in the country. The ACI can become an  
402 effective trade-based tool to defend the European solidary community and the  
403 internal market which should not be hampered by a national veto of a single  
404 government.

405 Supply chain resilience:

406 The Covid-19 pandemic and the impact of Russia's aggression against Ukraine on  
407 the global economy have exposed the vulnerability of complex global value chains  
408 and the need for a resilient economy based on a circular economy where possible.  
409 The EU must address its supply chain ruptures by putting in place a resilience  
410 stress test for its industrial sector to identify raw materials within the  
411 recently announced European Critical Raw Materials Act, industrial goods,  
412 medical products, and food commodities which are facing a high risk of supply  
413 disruption with cascade effects on the EU's economy and foster predictability  
414 and trade diversification. On the way towards more resilience, the EU must build



415 reliable supply chains with like-minded partner countries (friend-shoring), in  
416 particular with regard to critical infrastructure, e.g. medical equipment and  
417 semi-conductors. The EU's upgrade of the High-Level Economic Dialogue with  
418 Taiwan is a step in the right direction. Pursuing closer alliances with ASEAN,  
419 African or EU-neighboring countries, including Switzerland, would be necessary  
420 next steps.

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

426 The role of the circular economy is crucial in this context, as Europe must make  
427 better use of the materials, such as rare earth minerals, already existing in  
428 its economy. By strengthening the re-use of already extracted and imported  
429 materials, Europe can make a significant contribution to reducing the  
430 environmental, social, and distributional impacts of its trade. Circular economy  
431 and the production and recycling of secondary raw materials within the EU should  
432 also be strengthened in order to support resilient supply chains and reduce EU  
433 dependence.

434 Furthermore, mechanisms could be developed to limit countries and powerful  
435 industries with superior access, from controlling a disproportionate share of  
436 the global strategic resources, such as rare earth minerals, needed for global  
437 green transition. E.g. Powerful and highly influential car industries in Europe and the USA are currently in the process of converting the massive private car fleet into an electric fleet, with the intention to control and dominate the supply chains of these critical materials. Without the development of limiting mechanisms, there is a real danger that the car industry will purchase the majority of those critical and rare metals that are needed to to develop the basic energy and IT-infrastructure of countries suffering most from climate change, while wealthy western car owners enjoy their greenwashed cars, thus replicating the neocolonial exclusion of the most affected peoples.

445 Closed material loops and shorter supply chains would lead to less dependency on  
446 raw material imports and less waste export and thus contribute to the EU's  
447 supply chain resilience. It is therefore crucial that we ensure that trade and  
448 investment agreements do not contradict circular economy policies. We must  
449 provide carve-outs in trade agreements for relevant EU legislation on circular  
450 economy from the notion of trade barrier, as well as stronger and adequate legal  
451 environmental safeguards. In addition, increased recycling can reduce the EU's  
452 reliance on imports of raw materials. In summary, Trade agreements cannot be concluded at any cost. We uphold the spirit of the resolution adopted at the 35th EGP Council in Riga (2022) on the conclusions of the Conference on the Future of Europe.