



Change through Trade

Fair and sustainable trade
policy for the 21st century

BACKGROUND | OBJECTIVES | TOOLS

S&D

Fraktion der Progressiven Allianz der
Sozialdemokraten
im Europäischen Parlament

Foreword



About the author:

Bernd Lange is a member of the European Parliament and Chair of the Committee on International Trade (INTA).

He is the European Parliament's rapporteur on the TTIP and a substitute member of the industry committee. Bernd Lange was the S&D group's trade policy spokesperson until 2014. He mostly works on trade, industrial and energy policy.

We are currently confronted with the challenges of increasing globalisation.

If we let this process take place without regulating it in some form, the danger of a race to the bottom may become our new reality – to the detriment of workers as well as environmental and consumer standards. But if regulated democratically and with sustainability and equality as key principles it has the potential to establish global rules and boost sustainable economic growth and the creation of good jobs.

This brochure outlines the main features of EU trade policy. It illustrates the far-reaching consequences of globalisation and the evolution and democratisation of EU trade policy following the Lisbon treaty, as well as the most important trade policy measures and how they are used.

From the social democratic point of view, trade policy is first and foremost a tool that enables Europe to face the challenges of a globalising world and to shape it, characterised as it is by globalised value chains. It is, in addition, a means of achieving more general objectives such as a solid European industrial policy, the promotion of human rights and the protection of social and environmental standards. Without a doubt, the greatest possible transparency is needed in order to allow for a constructive

debate in which civil society can fully participate in.

Globalisation is under way. Neither protectionist policies nor attempts at isolationism hold out much promise for the future. The European Union must seek out and engage with its partners and be courageous in formulating policy. In keeping with the motto of Willy Brandt's foreign policy – “Wandel durch Annäherung” (change through rapprochement) –, we social democrats want to use trade to bring about rapprochement, in order to foster the world economy's transformation into a sustainable and fair global economic system.

Whilst trade policy previously focused on customs duties, the focus is now increasingly on standards and rules. In the past, global capitalism was largely able to act without a value-driven focus. Today, however, the priority is shifting towards more fundamental concerns such as the protection and the welfare of citizens. Active trade policy must play an effective role here to ensure that the public's quality of life does not continually deteriorate in a global race towards the bottom.

Therefore, the S&D group in the European Parliament is unequivocal: trade must be both free and fair!

Glossar

WTO (World Trade Organization) established in 1995 with its headquarters in Geneva. The WTO currently has 162 Member States and is the umbrella organisation of the international trade agreements GATT, GATS and TRIPS. It settles trade disputes and its members negotiate on joint trade facilitation and development and economic policy.

Components of the WTO:

Doha Round, Doha Development Agenda (DDA) The latest round of multilateral negotiations at the WTO. Negotiations officially began in November 2001 at the fourth WTO Ministerial Conference in Doha, Qatar. The work programme covers a total of 20 areas of trade, including agriculture and trade facilitation. The talks are informally known as the Doha Development Agenda, as an important goal is to improve developing countries' trading prospects. After a long period without any achievements of note, the mandate is currently being revised and is expected to be altered at the tenth Ministerial Conference held in December 2015 in Kenya.

DSU (Dispute Settlement Understanding) A WTO process for resolving disputes.

GATS (General Agreement on Trade in Services) The first multilateral WTO agreement applying to services. The agreement entered into force in 1995 and includes measures that apply to both services and providers. It also sets standards for all other trade agreements.

GATT (General Agreement on Tariffs and Trade) A multilateral WTO agreement on trade in goods. Its aim is to lower tariffs and other trade barriers. GATT was incorporated into the WTO in 1995.

GPA (Government Procurement Agreement) An agreement about the public procurement system. This is the only legally binding WTO agreement that applies to procurement rules. It is a plurilateral agreement, which means that only WTO Member States can be parties to it and it is only applicable to them.

ITA (Information Technology Agreement) A plurilateral WTO agreement relating to IT products. The signatories of this agreement account for over 97% of global production in this area. The ITA ensures that all parties to the agreement can eliminate duties on IT products covered in the agreement. It came into force in 1997. Negotiations are under way to expand its scope.

Trade Facilitation Trade facilitation measures aim to improve and clarify GATT Article 5 (freedom of transit), Article 8 (fees and formalities connected with importation and exportation) and Article 10 (publication and administration of trade regulations) and to improve technical assistance and the help provided to encourage self-reliance. Negotiations on trade facilitation were officially started in July 2014. An agreement was reached at the ninth Ministerial Conference and will soon be ratified.

TRIMS (Agreement on Trade-Related Investment Measures) A multilateral WTO agreement that applies to investment measures related to the trade in goods.

TRIPS (Trade-related Aspects of Intellectual property rights) A multilateral WTO agreement regulating the protection of intellectual property such as patents, trademarks and geographical indications

Related to the WTO:

TISA (Trade in Services Agreement) A plurilateral agreement on trade in services. The aim is to bring this agreement under the aegis of the WTO. Twenty-three WTO members – mainly OECD countries, including the EU – are involved in the agreement, which is expected to go far beyond GATS.



Country groups:

ACP The ACP group is an organisation made up of 79 African, Caribbean and Pacific countries. In existence since 1975, the group aims to improve and expand sustainable development and the group's own integration in the global economy.

BRICS countries Community of countries consisting of Brazil, Russia, India, China and South Africa.

CIVET group Community of countries consisting of Colombia, Indonesia, Vietnam, Egypt and Turkey.

G20 Group of the 20 leading industrial and emerging nations. The G20 group was established in 1999 and serves as a forum on the international financial system. Meetings are attended by heads of state and government, as well as finance ministers, heads of central banks, the EU Council presidency and the European Central Bank. The G20 aims to improve global economic growth and stability.

G33 A coalition of 46 developing countries that votes on questions relating to trade and economic problems. It is very active within the WTO, mostly under India's leadership, on economic questions relating to development and agriculture.

G77 This group was founded in 1964 and has grown to comprise 134 developing countries and LDCs. It aims to promote common economic interests and to speak with a common voice in the UN.

ILO (International Labour Organization)

LDCs (Least Developed Countries) Countries that have been classified by the UN as least developed and that fulfil particular criteria. The list was introduced in 1971 and is reviewed on a regular basis. It comprises 48 – mostly African – countries.

MERCOSUR South American community of countries, consisting of Argentina, Brazil, Paraguay, Uruguay, Venezuela, Chile, Bolivia, Peru, Colombia and Ecuador.

OECD (Organization for Economic Co-operation and Development)

UNCTAD (United Nations Conference on Trade and Development)

Other:

ACTA (Anti-Counterfeiting Trade Agreement) An agreement to protect intellectual property that was rejected by the European Parliament.

TFEU Treaty on the Functioning of the European Union

Aid for Trade WTO-led initiative to encourage developing countries and their governments to eliminate barriers to trade and to better trade relations.

CETA (Comprehensive Economic and Trade Agreement) EU-Canada trade agreement.

Codex Alimentarius UN standards establishing safety limits for foodstuffs.

CSR Corporate Social Responsibility.

EP European Parliament.

EPA (Economic Partnership Agreements) Regional partnership agreements.

EU European Union.

GPS (Generalised System of Preferences)

ISDS (Investor-State-Dispute-Settlement)

SPS (Sanitary and Phytosanitary Measures) WTO agreement. Establishes rules for WTO members with regard to the setting of regulations concerning food safety and animal and plant health.

TBT-Agreement (Agreement on Technical Barriers to Trade) This WTO agreement aims to ensure that technical regulations and standards are non-discriminatory and do not create unnecessary obstacles to trade.

TTIP (Transatlantic Trade and Investment Partnership) EU-USA trade agreement



Trade in the age of **globalisation**

The global economy has undergone dramatic change over recent years and decades. Technology, and particularly digitisation, has been a catalyst for change and has had a significant influence. New technologies have reduced costs for businesses and have spurred the development of new, cheaper means of communication. Other salient features are the fact that production is increasingly internationalised and that global value chains have been created. This means that increasing numbers of goods are no longer produced solely in Germany or China, but are rather “made in the world”. The old world of trade is being replaced with a new system of globalised value chains.

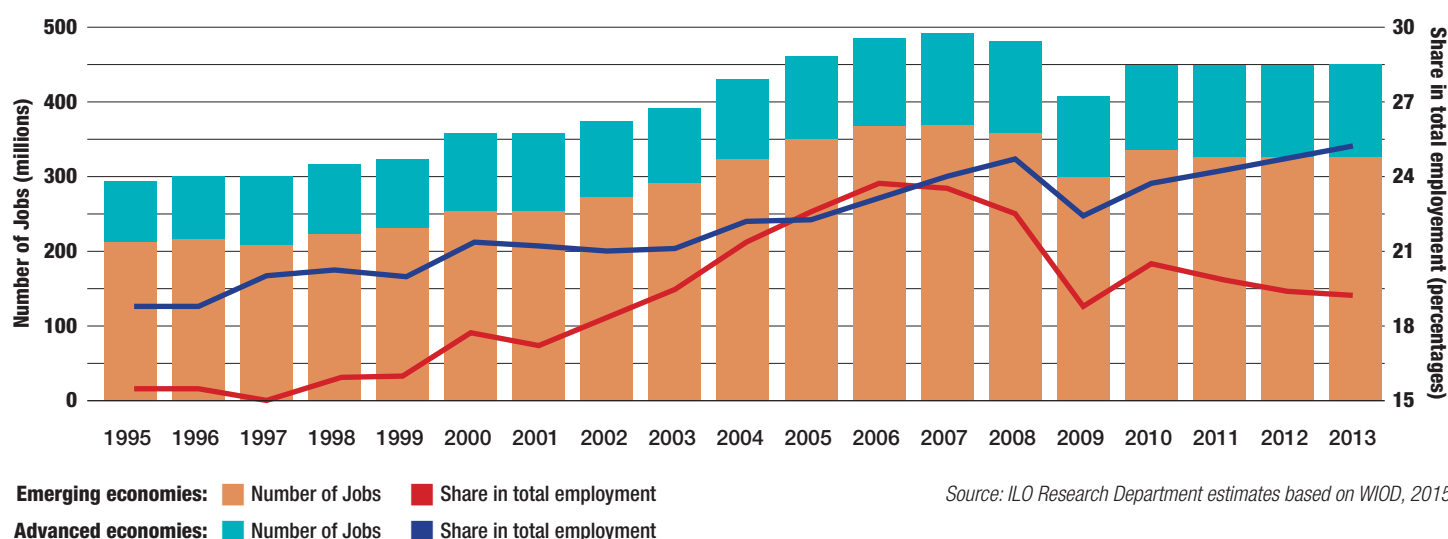
Global trade and investment have grown rapidly in recent decades. Global trade in goods and services has more than doubled since 2004, while global GDP has increased by less than half. Despite continuously growing economies in many emerging countries, the EU has retained a substantial share of world trade and remains the world’s largest exporter and importer.

We have only recently started to become aware of the importance of services in the global economy. The proportion of production and trade that consists of services has grown continuously. Services now make up about 40% of all EU exports and the EU is the world’s largest exporter of services. More than ten million European jobs depend on this sector.

Global investment flows have more than tripled since 2004, with investment flows into the EU actually increasing more than fivefold in this period. With approximately one third of both inward and outward investment flows worldwide, the EU is one of the world’s largest exporters and recipients of foreign direct investment. Sixty percent of foreign direct investment is currently to be found in the service sector.

As Pascal Lamy – former Director-General of the WTO and EU Trade Commissioner – has stressed, the creation of international value chains has changed the “mercantilism paradigm” for the better. Countries have considerably less incentive to levy high tariffs on certain products in order to produce these goods in their own country.

Number of jobs and share of employment linked to global value chains, 1995–2013



This can be explained by the fact that imports are becoming increasingly important to both global and national value chains. Many countries have moved away from stressing the importance of exports alone in benefiting economic growth and job creation. In Germany, to take just one example, imports now constitute 40% of the value of our industrial exports.

These circumstances mean that trade policy can no longer be seen just as a tool to open up export markets for businesses, but also as a way to reduce the cost of imports and to stabilise value chains. Imports often consist of precursor products which are further processed in the importing country. Furthermore, trade policy can facilitate investment flows and unlock new sources of financing, thereby boosting competitiveness. Imported raw materials, precursor products and services are vital for our exports. Trade within international value chains constitutes an important source of sustainable growth and employment. High and fair standards are a fundamental prerequisite for such trade.

However, trade will never be a miracle cure for economic woes. This requires a different macroeconomic policy, in particular in the EU. In addition, trade must take place under the right conditions. OECD studies indicate that trade plays an important role in creating better jobs. But since the benefits of trade do not come about automatically, regulations are needed that complement trade policy. Because even if internationalisation has positive results overall, the intensifi-



cation of trade can lead to job losses in sensitive industries or lower wages in certain sectors. For this reason, trade must go hand in hand with investment policy, strong worker protection provisions, minimum wages and support for people as working conditions change. Because many tariffs across the world have already been lowered, and given the existence of global value chains, “non-tariff barriers to trade” are increasingly at the heart of trade policy. They consist essentially of standards, norms and rules. Since they frequently concern important social values such as health protection, environmental protection and social policy, and since they can differ widely from country to country, dealing with them is much more sensitive and difficult than dealing with tariffs. While compromises can be negotiated and a country-by-country approach taken with tariffs, this is impossible in the case of standards. With standards, the only concern is what is best for citizens.

It is therefore misguided for trade policy to focus exclusively on lowering tariffs and eliminating non-tariff barriers. Good rules within comprehensive trade agreements are required in order to respond to the challenges of globalisation. Sustainable growth must be stimulated, while at the same time protecting workers, the environment and consumers. A global regulatory framework must also be established, tightening regulations to set the very highest global standard

and to prevent social and environmental dumping.

First and foremost, we must ensure that trade policy serves the interests of the public, consumers and workers. The S&D group in the European Parliament therefore thinks it is important that trade agreements are judged on how they promote public wellbeing. That is why we need good rules for the globalised economy.

Trade in goods broken down by the world’s biggest trading powers

Share of global exports made up by total exports (%)

Countries	Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EU (28 Countries)		19,1	18,9	18,0	17,1	17,3	16,6	17,1	16,0	15,9	15,5	16,0	—
Canada		5,3	5,1	5,0	4,6	4,3	3,9	3,5	3,4	3,3	3,3	3,2	—
United States		14,2	13,1	12,4	12,2	11,9	11,2	11,8	11,4	10,9	11,1	11,0	—
China (excluding Hongkong)		8,6	9,5	10,5	11,4	12,5	12,4	13,5	14,1	14,0	14,7	15,4	—
Japan		9,3	9,1	8,2	7,6	7,3	6,8	6,5	6,9	6,1	5,7	—	—
South Korea		3,8	4,1	3,9	3,8	3,8	3,6	4,1	4,2	4,1	3,9	3,9	—
Russia		2,6	2,9	3,3	3,6	3,6	4,0	3,4	3,5	3,8	3,8	3,7	—
Singapore		3,1	3,2	3,2	3,2	3,1	2,9	3,0	3,1	3,0	2,9	2,9	—
Mexico		3,2	3,0	2,9	3,0	2,8	2,5	2,6	2,7	2,6	2,7	2,6	—
India		1,2	1,2	1,4	1,4	1,5	1,6	2,0	2,0	2,2	2,1	2,3	—
Brasil		1,4	1,6	1,6	1,6	1,6	1,7	1,7	1,8	1,9	1,7	—	—

Source: Eurostat (ec.europa.eu/eurostat) | Last update: 17.6.2015 | Date accessed: 7.7.2015, 14.46 CEST
 Summary: The table shows the European Union's trade in goods with the other main players on the global market. The value of imports is given, as well as a percentage on the basis of "CIF" (cost, insurance, freight). The value of exports is given, as well as a percentage on the basis of "FOB" (free on board). The percentages are calculated based on global trade minus EU-internal trade. Code: tet00018

Trade policy

in the European Union

From the confidentiality of the negotiating room into the public spotlight

EU trade policy has evolved significantly over the years and in the opinion of the social democratic group in the European Parliament, the S&D group, it has changed very much for the better.

For many years, the EU's common trade policy was technocratic. The level of transparency and involvement of civil society and elected representatives left a great deal – and then some – to be desired. Some observers conclude that this system, based on the interplay between the European Commission and the Council of Ministers (the former negotiating on the basis of a mandate from the latter), made it easier to act effectively as it kept trade policy away from both protectionist and supposedly political forces. National and political interests in the EU were predominantly shaped by informal contacts with the private sector. This was, of course, deeply undemocratic and was crying out to be changed.

The EU has taken up many challenges in the last ten years: the aforementioned evolution of global value chains, the gradual and cautious opening up of the international trade in services, the improvement of less-developed countries' development opportunities and the rise of emerging countries. These changes required Europe to rethink the role and purpose of its trade policy. Unfortunately, the previous European Commission (in office until 2014) was mired in ordoliberal dogma and saw deregulation as the only answer.

Moreover, different positions can be discerned among the 28 Member States, which can broadly be divided into two blocs: the industrial, liberal north and the more defensive south, characterised by protectionism. Over the years, democratic voices in the debate on international trade and globalisation proliferated. Trade unions, NGOs, environmental groups, consumer organisations and many other stakeholders picked up on the issue. The discussion is now no longer restricted to small groups of civil servants and stakeholders.





EU trade policy and the Treaty of Lisbon

The entry into force of the Lisbon treaty in 2009 meant that trade policy and all its aspects relating to trade, foreign direct investment, international economic issues and intellectual property rights became the EU's exclusive responsibility. Decision-making powers were transferred to the European Parliament. The challenge for EU trade policy is to consolidate a wide range of interests. This process of adjustment and the improvements made by the Lisbon treaty have had a considerable effect and the European Parliament has been able to correct the former European Commission's policy approach to many issues.

The rejection of ACTA, an agreement to protect intellectual property, clearly demonstrated the influence of the new players in the domain of trade policy. Unprecedented civil society mobilisation and the European Parliament's opposition to the many flaws in the agreement ultimately led to ACTA's rejection and failure. The European Parliament took its mission to be Europe's democratic conscien-

ce very seriously. Many observers believe that the previous European Commission had not realised that the entry into force of the Lisbon Treaty had fundamentally changed the rules of the game, particularly in relation to demands for more transparency. The Commission obviously had to grapple with this new reality and had underestimated the influence and self-confidence of the new players.

Even after ACTA, EU trade policy has not sunk into oblivion. In particular, the negotiations between the EU and the USA on the TTIP have raised discussion to a new level. The degree of public engagement and the public debate on the TTIP can best be compared with the WTO talks in Seattle in 1999. This development is fitting and should be welcomed, because trade policy has a real effect on social and economic development and should, therefore, be widely discussed. The case of the TTIP has once again underlined the importance of having the greatest possible degree of transparency. This principle must not be limited to individual negotiations but should, of course, apply to all trade negotiations.

European Union trade policy in the last decade

An assessment from a social democratic perspective

Multilateral negotiations within the World Trade Organization

The S&D group in the European Parliament is strongly committed to multilateralism and always emphasises the positive contribution that equitable trade can make to reducing poverty and enhancing economic development and social wellbeing. Equitable trade worldwide needs effective, fair, transparent and strict global rules. The multilateral and rule-based WTO system with its dispute settlement procedure is the most effective and most legitimate way to establish and expand trade relations in a democratic and transparent manner. Multilateralism thus remains our first and favoured option.

At the same time, the economic and political situation has changed dramatically since the WTO was established in 1995. The BRICS countries and the new CIVET group have become important players on the world stage. They have taken their place in the new world order and they are advancing and defending their own trade priorities. The varied and often divergent interests represented within the WTO system make negotiations complex and extremely difficult. Even

some emerging economies quite explicitly pursue a blinkered political strategy based on their own interests. The demise of the hitherto bipolar world of “rich and poor” countries has complicated the situation, while the financial and economic crisis has aggravated it yet further.

The EU must do its utmost to support and improve the WTO’s role as the most sophisticated global economic governing body, with particular attention to its three most crucial functions: establishing, monitoring and enforcing regulations.

The stalemate of the Doha Round jeopardises the WTO’s first function. The EU must not allow this situation to hinder the WTO in fulfilling its other two core tasks.

The recent expansion of the Information Technology Agreement (ITA), which was concluded after arduous negotiations, is encouraging. Tariffs on many high-tech products, from smartphones to MRI equipment for medical diagnosis, are to be eliminated. There has not been a similar global agreement on tariff elimination for 18 years. This trade facilitation agreement demonstrated that, in spite of all the scepticism and obstacles, it is entirely possible to make progress on subsidiary questions. For this agreement could bring down the costs that developing countries incur when participating in global trade by 15 percent. The EU

should now build on this success with WTO partners and strive to make further progress in sensitive areas, as the most recent agreement at the ninth Ministerial Conference in Bali did not successfully tackle controversial issues such as development and agriculture. The WTO has the difficult task of reinventing itself. It must remain relevant while also defending its achievements to date.

Work on reforming the WTO should remain a high priority for the EU, as for all WTO members. Reform proposals should be implemented so that it becomes more effective, transparent and accountable. The S&D group urges the European Commission and the Council to be more politically engaged in improving the multinational trading system. We Europeans must make use of our economic power and political weight to influence our partners, individual industrialised countries and especially emerging economies in order to overcome a deadlock and to allow us to move forward together.

In the longer term, the S&D group calls for a WTO regulation on labour standards, because a country’s compliance or non-compliance with the ILO’s core labour standards clearly has an impact

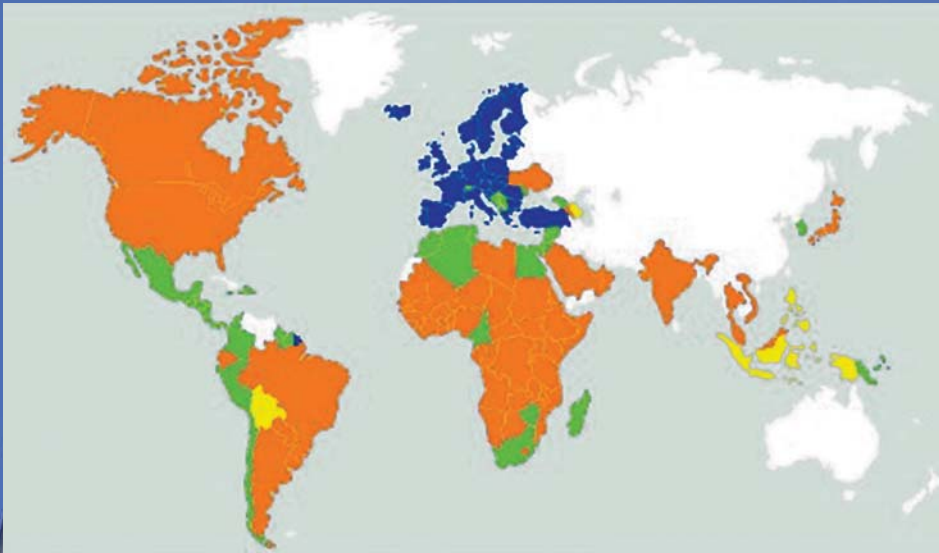


on international trade. We therefore need an enforcement mechanism to stop violations of these standards, perhaps in the form of a trade-related labour standards agreement.

For a long time, the WTO was a clear priority for the European Union. However, ever since it became increasingly clear that multilateral talks would not result in a comprehensive agreement in the foreseeable future, EU trade policy has changed course to favour bilateral trade agreements. While taking political realities into account it is understandable, this change of course is nonetheless regrettable, as the WTO has shown itself to be an effective forum for settling trade disputes, establishing global rules and abolishing protectionism.

Regional and bilateral trade agreements

These circumstances have prompted the EU to start regional and bilateral trade negotiations in the last decade, e.g. with the South American community of states (Mercosur), Canada, India, Colombia, Peru, Ecuador, South Korea, Singapore, Japan, Vietnam, many African countries as part of regional partnership agreements, and, of course, the United States.



European Union free trade agreements

- European Economic Area
- existing agreements
- negotiations under way
- planned agreements

*Source: German Federal Ministry of
Food and Agriculture, correct as of June 2015*

Regional and bilateral trade agreements can indeed help advance a WTO-plus agenda when it is too difficult to obtain consensus within the WTO itself. However, such agreements risk undermining the multilateral system and harming economic development – even in non-participating countries – by creating a complicated and incompatible web of regulations for different countries.

This state of affairs – known as the spaghetti bowl effect – means that market participants are faced with a bewildering web of divergent rules and regulations, the complexity of which makes it difficult or impossible to benefit from the advantages of trade agreements. It is therefore clear that bilateral and regional agreements must include standards that are as comparable and compatible as possible.

Bilateral trade agreements not only provide for the elimination or lowering of barriers to trade. They also increasingly deal with national regulations and international or bilateral rules. Due to the fragmentation of the global trade system, they could pose a threat to the multinational system. This must be prevented. Rules and regulatory standards that affect trade should be multilateral and should comply with the WTO legal framework.

The social democrats continue – with reservations – to support bilateralism/regionalism as the second best option. But every free trade agreement should comply with a set of key principles. We social democrats consider these principles to include compatibility with the WTO; safeguard clauses for those industries, key sectors and operations in the EU that free trade agreements could severely hamper; binding human rights clauses; respect for environmental rules; and enshrining trade union rights and compliance with the ILO's core labour standards. In addition to WTO compatibility, regional and bilateral agreements should always have an open framework so that additional countries can join.

Although many sound approaches to unequal trading relationships with less-developed countries have come about – for example, free market access for all products from LDCs, Aid for Trade programmes or the trade agreement with South Africa –, the European Commission has been inconsistent in its actions. Thus the

decades-old export subsidies for milk and poultry undermine – in particular – African states' development and trade opportunities. Three hundred and eighty million people in Africa still have to get by on less than USD 1.25 a day. Even some aspects of fisheries agreements or specific elements of raw materials policy have hitherto not complied with all objectives of an equitable trade policy.

Trade agreements should be tailored to each negotiating partner, taking into account whether that partner is an industrialised country, an emerging country, a developing country or an LDC.

The former European Commission's way of conducting negotiations was frequently unacceptable to the European Parliament. Its ordoliberal leanings did not allow for substantial progress on workers' rights. Thus it was only by reinforcing the EU-Colombia/Peru agreement with a roadmap to improve workers' rights, and in particular to implement the eight ILO core labour standards – as requested by the governments involved –, that the European Parliament made it possible for the agreement to be supported. The European Parliament is monitoring the implementation of this roadmap.





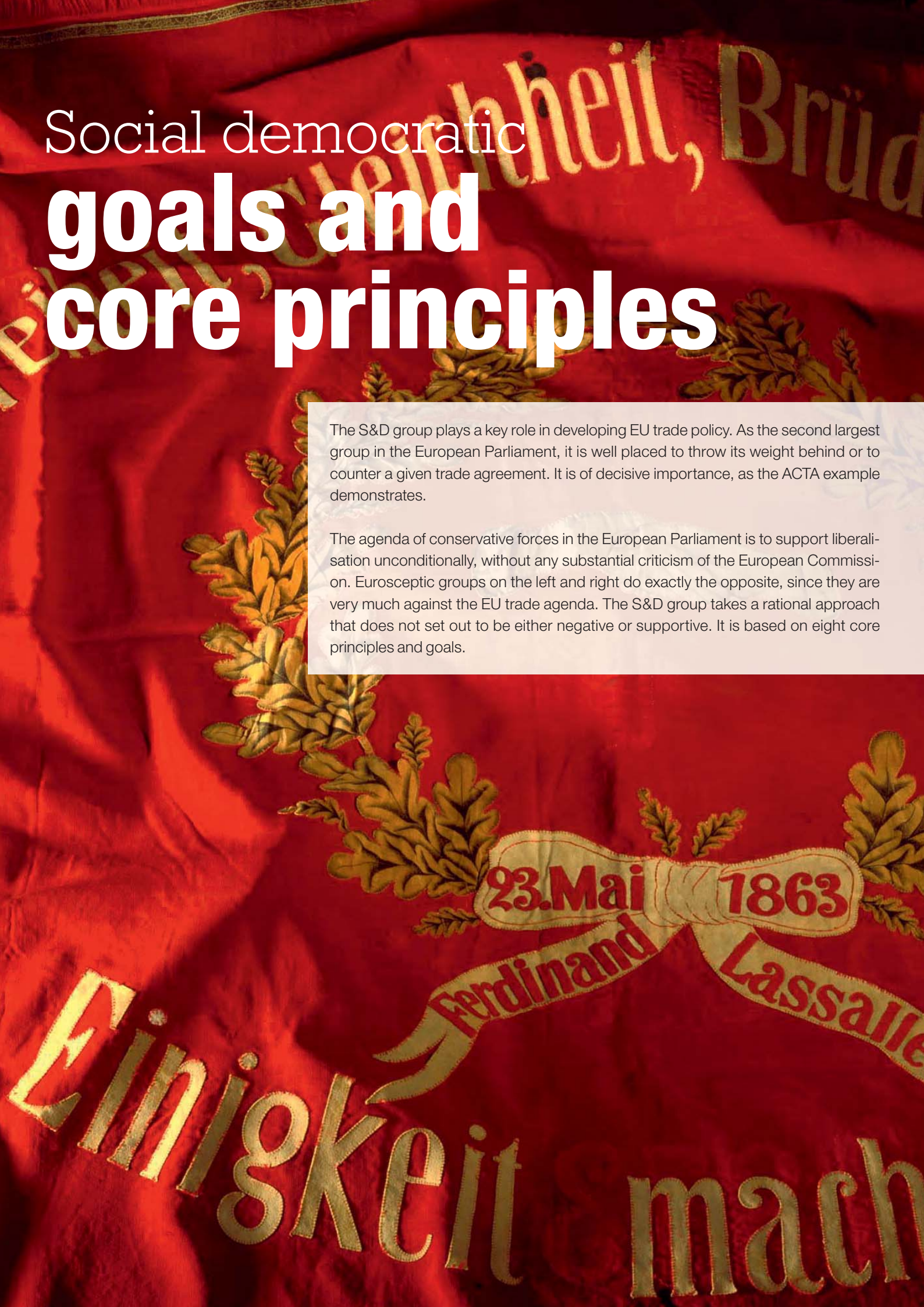
Economic Partnership Agreements (EPAs) concluded by the EU can offer opportunities, but also pose risks for partners. The key, then, lies in the right implementation. Civil society and the European Parliament must play their parts. Experience from the first EU-CARIFORUM EPA with Caribbean countries should be enlisted for further EPAs with African countries in order to open up new trade opportunities, thereby promoting sustainable development, but also to ensure that risks can be overcome by means of flexibility and verification procedures.

In the case of the TTIP negotiations, too, the red lines and the interests being advanced are clear. The aim must be for the negotiations to arrive at an agreement that stimulates sustainable growth, strengthens workers' rights, protects consumer rights and above all supports the process of reindustrialising Europe. Negotiations must be conducted carefully in this area.

Of course, the lowering or complete elimination of non-tariff barriers to trade must never jeopardise our standards in terms of safety and health, consumer and environmental protection, or social security legislation. On the contrary: the TTIP should help us to improve and protect our high social and environmental standards in a global context. The social democrats are working closely on this with Democrats and trade unions in the United States. Our joint concern is the interests of consumers and workers on both sides of the Atlantic, not individual economic interests.

On 8 July 2015, the European Parliament drew clear red lines and in so doing set a very high benchmark for a potential agreement. If it wishes to conduct trade policy in the public interest, the European Commission should adhere to these demands when negotiating. The S&D

group in the European Parliament enshrined strong workers' rights and the unequivocal protection of our public services of general interest, as well as of all measures to ensure cultural diversity, in the resolution. Standards for consumer protection, environmental protection and data protection are non-negotiable. And the European Parliament also took a strong line on private arbitration tribunals, which are open to abuse, and transformed them into independent courts. ISDS no longer has any future. These requirements must now apply to all EU trade agreements. The European Commission would be well advised to take this decision very seriously if it wishes to avoid a re-run of ACTA, since in the end it is the European Parliament that decides on the result of bilateral or regional negotiations. It is parliamentarians' role to ensure that only agreements that are good for workers and the public, and that do not serve individual economic interests, are adopted.



Social democratic **goals and core principles**

The S&D group plays a key role in developing EU trade policy. As the second largest group in the European Parliament, it is well placed to throw its weight behind or to counter a given trade agreement. It is of decisive importance, as the ACTA example demonstrates.

The agenda of conservative forces in the European Parliament is to support liberalisation unconditionally, without any substantial criticism of the European Commission. Eurosceptic groups on the left and right do exactly the opposite, since they are very much against the EU trade agenda. The S&D group takes a rational approach that does not set out to be either negative or supportive. It is based on eight core principles and goals.



1. Create added value

Trade must create added value within the EU, i.e. it must foster sustainable economic growth and job creation. To this end, trade policy must be based on an integrated and cohesive long-term plan. Additionally, it should be accompanied by suitable EU domestic policy so that EU consumers can fully benefit from trade and workers are protected by a social safety net.

2. Reflect values

Trade must create added value within the EU, i.e. it must foster sustainable economic growth and job creation. To this end, trade policy must be based on an integrated and cohesive long-term plan. Additionally, it should be accompanied by suitable EU domestic policy so that EU consumers can fully benefit from trade and workers are protected by a social safety net.

3. Strengthen rights

Trade should strengthen the rule of law, workers' rights, human rights and fundamental freedoms.

4. Stimulate development

Trade must create sustainable growth, promote a fair distribution of wealth, help fight poverty and foster development in the world.

5. Involve society

The involvement of civil society and trade unions in trade policy is crucial in order to improve it and strengthen its legitimacy.

6. Boost integration

Trade must help to boost regional integration.

7. Ensure transparency and standards

Trade policy must ensure that the production process is transparent throughout the value chain and that both production and products adhere to basic environmental, social and security standards and respect core labour standards.

8. Guarantee fairness

Trade must be fair in such a way that no individual country can engage in unfair trading practices. This applies to export dumping or export subsidies as well as to other mechanisms individual countries may use to gain an unfair advantage, such as encouraging social or environmental dumping or deliberately manipulating exchange rates. Social dumping includes, for example, the unacceptable non-compliance with labour standards through the extension of working hours, inadequate health and safety conditions in the workplace, and the denial of core labour rights, including the right to set up unions and engage in collective bargaining.

It is clear to the social democrats in the European Parliament that unregulated globalisation urgently requires rules and that global value chains must be secured based on high standards.

The background of the entire page is a photograph of an industrial facility. In the foreground, two workers wearing blue uniforms and white hard hats are working on a large white cylindrical piece of equipment. Behind them, a complex network of large grey pipes and metal structures is visible against a clear blue sky. The title 'Individual aspects of trade policy' is overlaid on the top half of the image in a large, white, sans-serif font.

Individual aspects of trade policy

Supporting industrial policy through trade policy measures

The experience of recent years shows that greater effort than ever before is needed to fully meet the requirements of European industrial sectors in today's challenging global environment. All too often in EU politics it has been mistakenly believed that the markets can and will self-regulate. The neglect of industrial policy has caused a drop in our industrial added value and has even led to the loss of skilled jobs in industry.

Following the financial crisis, a broad consensus has emerged that industrial production remains an important pillar of our economic strength and that this must continue to be the case in the future. It has also become clear that international trade regulations and agreements have an impact on our industry. There is therefore no doubt that international trade policy is an important factor in the development of EU industry in that it facilitates access to new and existing markets. Mutual recognition of standards (including the joint setting of standards, optimisation of conformity

A large industrial factory with workers in white protective suits operating machinery. The scene is brightly lit with overhead fluorescent lights. In the foreground, a worker in a white protective suit and mask is operating a piece of machinery. The background shows other workers and industrial equipment, including pipes and structural beams. The floor is highly reflective, showing the lights and the workers. The overall atmosphere is one of a modern, clean industrial environment.

decisions, reducing duplication, double certification and red tape, simplification of border and customs formalities, recognition of professional qualifications, work visas) can create opportunities and stimulate investment. Trade policy should provide access to key and growing markets on a fair basis. Trade policy measures must also ensure fair conditions of competition for our industry at a global level. It must be as attractive to invest and innovate in Europe as it is in our partner countries.

In particular, the development of Industry 4.0 should be supported by a trade policy geared to industry. This concerns areas such as standard setting, data flow under European data protection provisions, competition fairness, data protection and market power, combating monopolies and one-stop-shop solutions for SMEs.

Future trade agreements must therefore be designed as part of an industrial strategy based on fair competition and reciprocity between highly-developed countries and must pursue reciprocity with emerging economies in the future. European industries must not be threatened or disadvantaged as a result of unfair practices. In order to put this into practice, the EU must make optimal use of its anti-dumping and anti-subsidy measures. Unfortunately, in many cases, problems arise automatically due to conflicts of interests between individual Member States, as well as between importers, exporters and distributors.

This situation is aggravated by the fact that the long-awaited modernisation of EU anti-dumping and anti-subsidy measures is currently blocked due to the lack of unanimity in the Council of Ministers. EU Member States have not been able to reach a common position and are thereby hindering the creation of an active measure for supporting industrial development.



Intellectual property rights

European competitiveness thrives on innovation and the value added to products through high levels of creativity. The protection and enforcement of intellectual property rights is the key element behind the EU's ability to compete in the global economy. The copying and counterfeiting of our ideas, brands and patents hampers growth and employment in the EU. The EU economy is the main target of counterfeiting by China and other countries. Furthermore, counterfeit products often put the public's health and safety at risk. IPR policy can also be a tool for promoting development, particularly when it comes to technology transfer or access to medicines. Access to generic medicines, particularly in developing countries, is a very important issue for the S&D group. The best way forward would be a WTO agreement on trade-related aspects of intellectual property rights, a TRIPS 2.0.

The ACTA agreement was an attempt at reaching such an agreement that did not go far enough. The European Parliament rejected it because the S&D parliamentary group is of the belief that counterfeit products and internet content should not be dealt with in the same agreement and, moreover, that the ACTA would not have included countries where significant quantities of counterfeit goods are produced.

Although the European Parliament rejected the ACTA, the social democrats are nonetheless in favour of expressly reinforcing IPR in trade relations, both nationally and internationally. Innovation should form the basis of a comprehensive approach to establishing a balanced, global model for dealing with on-line rights violations. This model should respect both artists and right-holders and – conversely – should also guarantee users and members of the public user-friendly access to cultural content and goods.

It is clear that the enforcement of IPR in trade relations must not in any way interfere with the WTO agreement on poor countries' access to cheap medicines, in particular generic medicines. The social democrats are committed to ensuring that the WTO rules on intellectual property regarding access to medicines will not apply to the LDCs.

The S&D group also advocates a broad protection of existing and future cultural achievements in the EU. The right to retain or amend laws on the protection and promotion of cultural diversity needs to be ensured. Media freedom and diversity must be upheld and protected, regardless of the platform or the technology concerned. The UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions should be included as a matter of principle.



Public procurement

Public procurement is of vital importance to our economy. As an economic sector it accounts for around 19% of EU GDP. Opening up markets in this area in countries that still apply very restrictive procurement rules offers huge potential for European firms.

The S&D group in the European Parliament attaches great importance to creating fairer global competition conditions based on reciprocity within the international WTO framework. Only transparent rules can bring about clarity and put an end to corruption. We do not accept any kind of social or environmental dumping. Procurement should also encompass the issue of subcontracting. Our goal is therefore to include sustainability criteria in all procurement-related provisions.

The European Commission should examine larger tenders from this angle in order to verify that all criteria are respected by authorities and by the contractors. Public authorities must have the right to make their own decisions on services of general interest. The S&D group in the European Parliament calls for special support for small and medium-sized enterprises in this connection. Finally, we welcome the European Commission's initiative to introduce a reciprocity clause for the opening of public procurement markets to tenders from non-EU countries in bilateral trade agreements such as the CETA and the TTIP and in our internal rules. Our companies should enjoy the same advantages in non-EU countries that we guarantee companies from these countries in our market. Obviously, this limits the possibility of excluding sensitive markets (local public services, for example) on the basis of the reciprocity of negotiations and obligations.



Services

The GATS of 1995 is fundamental to the trade in services. The significant cornerstones laid down here serve as a benchmark for subsequent trade agreements and must remain in place. Compared with the movement of goods, which is already highly deregulated, the liberalisation of certain services constitutes one of the areas in the negotiations with our trading partners where there is still room for improvement. As always, we need fair and balanced rules to make sure there is development potential for both partners and to enable the careful selection of services to be opened up. Accordingly, markets should only be made accessible in accordance with the “positive” list principle. That means that only services which are explicitly listed can be opened up to foreign suppliers in order to avoid unforeseen eventualities in the future.

For us Europeans, the liberalisation of services of general economic interest, for example, is not up for debate as

part of any agreement, whether bilateral, plurilateral or multilateral. The social democrats in the European Parliament exclude public services such as education, health and water from the requirements associated with market opening, since we wish to preserve the right of regions and municipalities to make decisions regarding the provision of these services. It must also remain possible to remunicipalise these services at any time, i.e. for them to be returned to the control of public authorities. As remunicipalisation restricts market access uniformly for all private suppliers, whether national or foreign, it does not explicitly discriminate against foreign suppliers.

Even if the temporary free movement of persons provisions, known as Mode 4, are included in trade commitments, we agree that market opening for ser-

vices under Mode 4 must not interfere with the fundamental principle of equal treatment of workers within the EU and that the principle of equal pay for work of equal value must be fully applied.

The S&D group is carefully following the negotiations on a multilateral services agreement, also known as TiSA, in which 23 WTO members are currently taking part. We have a number of concerns regarding both the substance and technical aspects of the negotiations. Regarding the substance, the social democrats are not prepared to compromise on, for example, the protection of public services, the positive list approach to market access, the rights of posted workers and data protection. Concerning the transparency of the negotiations, the social democrats call for WTO transparency principles to be applied, given the close links between the negotiations and the WTO. At a time of increased public debate on trade agreements, it is simply unacceptable for an agreement of this scale to be negotiated behind closed doors.





Investment

Following the entry into force of the Treaty of Lisbon, foreign investment policy has become a fully fledged part of the EU's trade policy and now falls within its exclusive competence. All investment agreements must therefore now meet European standards based on our common values. We need to strike an appropriate balance between investment protection and the right of governments to regulate foreign investment. The S&D group in the European Parliament believes it imperative that investment protection rules do not restrict the right of parliaments to regulate in the interests of the public. It also seeks to promote responsible investor behaviour, since foreign direct investment, provided it is made under fair conditions and based on legal certainty, is beneficial for both partners. The principle of equal treatment of domestic and foreign investment must be enshrined. Foreign investors must not be disadvantaged, but nor must they receive preferential treatment over nationals. However, it should be clear that it is not only a matter of investors' rights; investors also have, above all, obligations!

The European Parliament is very active on the issue of the link between investment and social justice and has adopted several reports on human rights and social and environmental standards in trade agreements. The social democrats believe that these standards should also be embedded in investment agreements. Investor responsibilities and obligations under the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights should be included on a binding basis.

A heated debate is currently being waged on the most appropriate tool for protecting investment in trade agreements. The controversial ISDS with its private arbitration courts is undoubtedly the most highly contested aspect of the EU's trade policy. However, this tool is nothing new, but has actually existed for decades as an integral part of many agreements (more than 1 300 EU bilateral investment agreements with third countries; Germany has 131). Although a critical debate on ISDS has been ongoing in the European Parliament for a number of years, it is only since the beginning of the EU-US talks on the TTIP that a critical public debate on the issue has gathered pace.

Whilst the agreement negotiated with Canada (CETA) does include a revised version of this ISDS mechanism, many definitions still remain unclear and the model does not sufficiently rule out the potential for unjustified complaints. The S&D group rejects ISDS and unclear definitions of legal terms. It is therefore in no doubt that the agreement with Canada needs to be significantly improved.

Although in principle there is no need for an additional measure between the USA and the EU to protect investors, in this context it is worth giving some thought to a completely new system for the future. In the TTIP resolution of July 2015, the social democrats were for the first time able to reject ISDS and enshrine a new model based on public law. This must ensure that in future any cases still open are decided by state-appointed, independent judges in public and transparent proceedings on the basis of a clear and restricted legal code. A functioning revision mechanism is required. This new system must be built into all EU trade agreements and thereby form the foundation of an international investment court.



Workers' rights, consumer protection, development and sustainability

Trade policy must not be an end in itself, but instead should be used as a tool to achieve value-based goals.

Human rights and labour standards

Trade can and should be a means of improving human rights and labour standards globally. The EU must not therefore conclude bilateral trade agreements with countries that systematically violate human rights. Double standards on human rights must not be accepted. We are willing to pay the political price should we decide not to engage in trade relations with countries that do not fulfil fundamental conditions.

Secondly, EU trade agreements should include binding human rights clauses that provide for the termination of the agreement in the event of these rights being systematically breached. The social democrats will ensure that promises are kept once an agreement has been

signed. Civil society must be properly involved, including in the monitoring of agreements. This requires a dispute settlement mechanism that is both practicable and enforceable. In this respect, the requirement for unanimity in the Council is not, in our view, a practicable solution.

Thirdly, an assessment of the human rights situation should be carried out as part of all trade agreements, in order to ensure there is no interference with these rights.

Fourthly, the Generalised Scheme of Preferences (GSP), which supports developing and emerging countries, should be strengthened as a mechanism for guaranteeing respect for fundamental human rights and good governance standards in exchange for enhanced trade preferences.



Wake-up call

The collapse of the Rana Plaza factory in Bangladesh in April 2013 with over 1 100 casualties was the worst ever accident in the clothing industry. The accident is a clear wake-up call to improve the working conditions in the clothing industry in Bangladesh and beyond and to strengthen the control and supervision of the supply chains of European companies. Despite initial improvements thanks to EU pressure in Bangladesh (including better labour law and an increase in the minimum wage), questions remain. The actual situation of the workers is yet to improve significantly. Some companies still have not paid into the compensation fund. European companies still do not ensure fair conditions in the global supply chain. There is still no guarantee for independent trade unions with unrestricted scope to act.

Fifthly, balanced trade relations must focus on the respect for and enforcement of the eight ILO core labour standards and workers' rights and the ILO Decent Work Agenda and include this on a binding basis.

The same applies to the unilateral trade preferences under the GSP, particularly in the case of GSP+, whereby the EU guarantees further enhanced trade advantages in exchange for the ratification and enforcement of a number of international conventions on human rights, labours standards and good governance.

The S&D group in the European Parliament proposes that any future trade agreements negotiated by the EU should include a binding corporate social responsibility (CSR) clause in the chapter on sustainable development, based on the 2011 update of the OECD Guidelines for Multinational Enterprises. It also calls on the European Commission to ensure that CSR is taken into account in multilateral trade policies, including in international forums where CSR has been pro-

moted, in particular the OECD, the ILO and the WTO. The social democrats call for a mandatory system of annual CSR reporting for all large companies, along the lines of the annual financial reports drawn up by limited liability companies and listed companies. Furthermore, this must also encompass business ventures undertaken in third countries. Given that production is often global, we need proof that human and workers' rights are being respected throughout the entire value chain, e.g. from the first step in the production of a smartphone through to the end of its lifespan.

Consumer protection

A key element of trade negotiations these days is the issue of standards and norms. The SPS and TBT regulations are central to this issue. The social democrats believe that the highest degree of health and consumer protection and safety must be ensured. We call for a clear commitment to the precautionary principle laid down in Article 191 of the Lisbon treaty as a basis for legislating and for recognition in trade agreements. There must be no interference with standards relating to food safety and the protection of health and life of humans, animals or plants. Weaker Codex Alimentarius rules cannot be applied automatically. There can only be mutual recognition of standards where there is clear evidence of equivalent levels of protection. No agreement can be reached under trade agreements in areas where rules differ greatly (e.g. genetically modified organisms). Similarly, when it comes to future cooperation, there must be no restrictions placed on democratic processes or the ability to set legitimate regulatory and policy objectives through cooperation in regulatory matters.

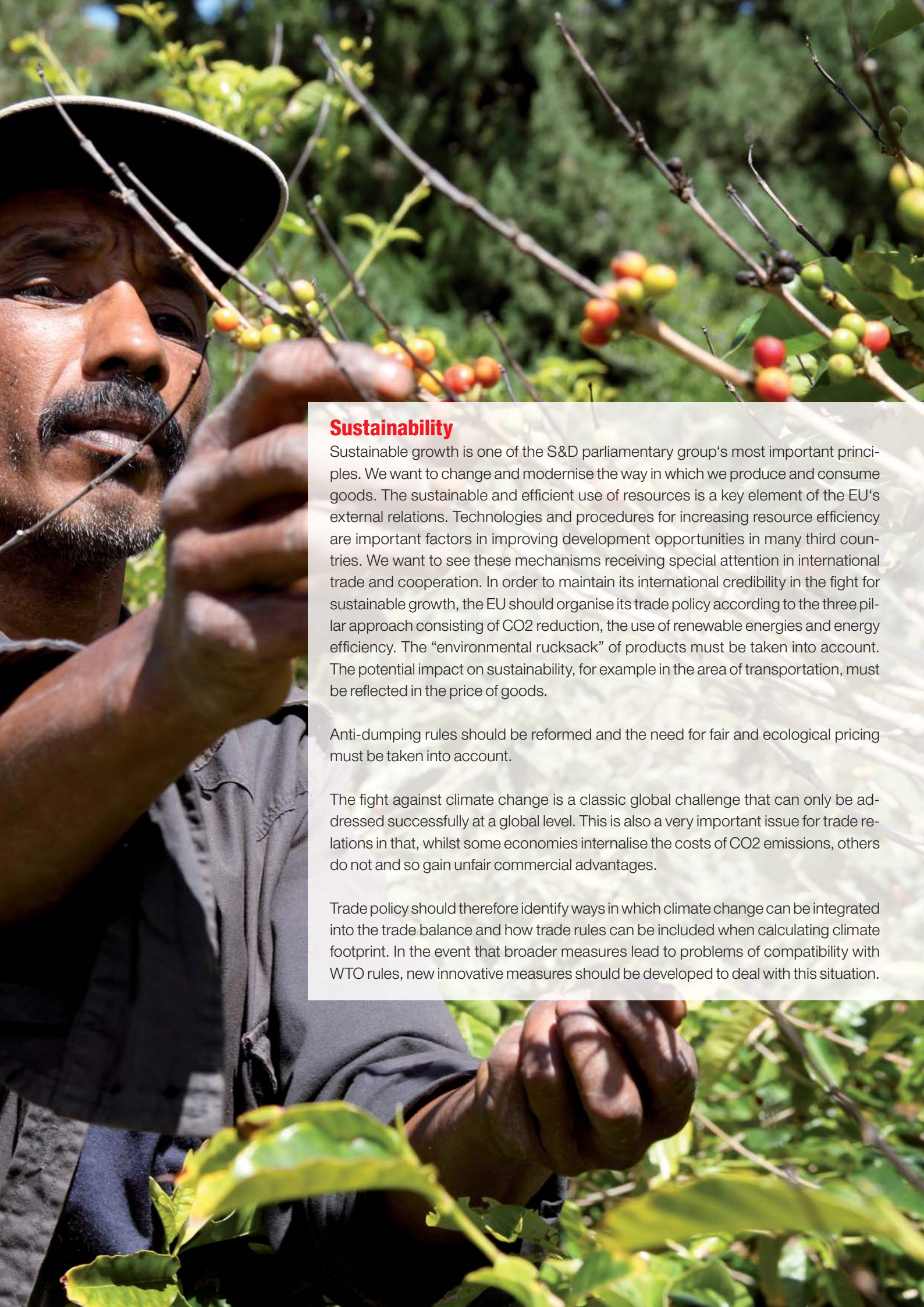
A close-up photograph of a bouquet of roses. In the center is a large, pale yellow rose. To its left and right are several pink roses in various stages of bloom. The background is slightly blurred, showing green leaves and a portion of a Fairtrade logo, which consists of a stylized blue and green leaf-like shape above the word 'FAIRTRADE' in white capital letters on a dark background.

Development

The S&D group in the European Parliament wishes to support the fair trade movement through trade policy and thereby promote the strengthening of all employment, social-sector and human rights. This requires the implementation of reliable product traceability mechanisms. Furthermore, active promotional measures such as the title of European Fair Trade City of the Year should be introduced and fair trade projects actively promoted by EU embassies. Here, encouraging approaches can be seen in good trade agreements.

A new coherent strategy is also required for dealing with raw materials, particularly those originating from crisis areas. We must put a stop to the financing of conflicts through trade in raw materials. Raw materials must not serve to fund brutal regimes or rebel groups. Supply chains of traded and processed minerals must be made transparent so that European consumers do not indirectly co-finance the suffering of others when buying everyday electronic devices. That is why we need legislation at European level as quickly as possible.

There is no doubt that trade contributes to development when the conditions are right (see, for example, studies by the World Bank Does trade reduce poverty? and Joseph Stiglitz's Fair Trade for All). For this reason, future trade agreements must include more focus on the interests of the people in partner countries and, where necessary, agreements must be designed asymmetrically, in order to jointly tackle the challenges faced by partner countries. The regional partnership agreements (EPAs) negotiated with African states are undergoing a review by the European Parliament in the light of these requirements. In addition, EU policies must be coherent and consistently quash counter-developments such as agricultural export subsidies. Possible exclusionary effects vis-à-vis less developed countries should be avoided, particularly in bilateral agreements. Advantages such as standard-setting must also benefit less developed countries and must be supported, e.g. in the area of conformity assessment. Markets must not become closed off due to unduly strict rules of origin. In addition, privileges such as duty-free market access for LDCs must be guaranteed and strengthened.



Sustainability

Sustainable growth is one of the S&D parliamentary group's most important principles. We want to change and modernise the way in which we produce and consume goods. The sustainable and efficient use of resources is a key element of the EU's external relations. Technologies and procedures for increasing resource efficiency are important factors in improving development opportunities in many third countries. We want to see these mechanisms receiving special attention in international trade and cooperation. In order to maintain its international credibility in the fight for sustainable growth, the EU should organise its trade policy according to the three pillar approach consisting of CO₂ reduction, the use of renewable energies and energy efficiency. The "environmental rucksack" of products must be taken into account. The potential impact on sustainability, for example in the area of transportation, must be reflected in the price of goods.

Anti-dumping rules should be reformed and the need for fair and ecological pricing must be taken into account.

The fight against climate change is a classic global challenge that can only be addressed successfully at a global level. This is also a very important issue for trade relations in that, whilst some economies internalise the costs of CO₂ emissions, others do not and so gain unfair commercial advantages.

Trade policy should therefore identify ways in which climate change can be integrated into the trade balance and how trade rules can be included when calculating climate footprint. In the event that broader measures lead to problems of compatibility with WTO rules, new innovative measures should be developed to deal with this situation.

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Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

www.socialistsanddemocrats.eu

World Trade Organization

www.wto.org

United Nations Conference on Trade and Development

unctad.org/en/Pages/Home.aspx

Fair trade in Germany

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Fairtrade Advocacy

www.fairtrade-advocacy.org

The long journey of an iPhone

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