



## EU - US TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP

# Trade and sustainable development

*Initial EU position paper*

*Without prejudice*

### I. Introduction

1. Sustainable development is an overarching policy objective of the international community. It stands for meeting the needs of present generations without jeopardising the needs of future generations. It offers a model of progress that reconciles immediate and longer-term needs. Social development, economic growth and environmental protection are inter-related and mutually reinforcing components of sustainable development. Sustainable development aims at bringing about economic prosperity through and with a high level of environmental protection and social equity and cohesion.

2. The EU is committed to furthering these objectives, both by an active engagement with its partners in the international arena and through the design, adoption, and implementation of its internal policies. The Treaty of Lisbon, establishing the core EU rules, enshrines sustainable development as a fundamental principle of the EU action, both domestically and in its relations with the wider world – be it political partnerships, trade relations, international cooperation, or external representation. Sustainable development therefore informs and guides the EU policy-making process and is high on the agenda of the EU institutions and key constituencies, including the European Parliament.

3. As part of this overall framework, maximising the important contribution that trade can make to sustainable development is a key objective that the EU consistently pursues both multilaterally and in

all its bilateral and regional trade negotiations. In this context, the launch of the Transatlantic Trade and Investment Partnership (TTIP) negotiations presents opportunities and challenges in respect of sustainable development

4. The EU sets out on the path towards the TTIP with the US in the firm belief that our aspirations and objectives are based on a common overarching objective of sustainable development. Notably, the EU believes that, by building on the EU and the US commitment to high levels of protection for the environment and workers, including in their trade agreements, as also reflected in the HLWG's report, the TTIP negotiations will pave the way for a comprehensive and ambitious approach to trade and sustainable development issues – thereby responding to expectations on a true “21<sup>st</sup> century deal” in this area.

5. In addition to the recognition of sustainable development as a principle that should underlie the TTIP in all areas, we envisage an integrated chapter specifically devoted to aspects of sustainable development of importance in a trade context – more specifically, on labour and environmental, including climate change aspects, as well as their inter-linkages.

## II. Trade and Sustainable Development (TSD) Chapter

6. The EU has developed a consistent practice of including chapters on Trade and Sustainable Development in its FTAs, aiming at ensuring that increased trade is mutually supporting environmental protection and social development, and does not come at the expense of the environment or of labour rights. Building on this experience, the EU would consider the following areas as building blocks for the TTIP negotiations.

### *a. Internationally agreed sustainable development objectives and commitments*

7. The EU believes that the TTIP should reflect the Parties' commitments regarding a set of internationally agreed principles and rules, as a basic framework underlying our economic and trade relations. In the labour domain, the starting point for discussions should be the Parties' existing commitments in relevant areas, including the ILO 1998 Declaration on Fundamental Rights and Principles at Work, as well as its follow-up, and the 2008 ILO Declaration on Social Justice for a Fair Globalization, which applies to all ILO members. In respect of environmental issues, the starting point should be the recognition of the importance of global environmental governance to tackle environmental challenges of common concern, whereby Multilateral Environmental Agreements (MEAs) are of critical importance to deliver global benefits.

8. On that basis, the TTIP negotiations should reflect the Parties' commitments in the labour area with respect to ILO principles and rules. In this regard, the EU considers that ILO core labour standards, enshrined in the core ILO Conventions and internationally recognised as the fundamental labour rights, are an essential element to be integrated in the context of a trade agreement, and could be further complemented by other ILO standards/conventions of interest, as well as by a resolve to promote the ILO Decent Work agenda. A similar approach should be followed regarding adherence to core MEAs and other environment-related bodies as internationally recognised instruments to deal with global and transboundary environmental challenges, including the fight against climate change. Due to their subject matter and cross linkages with trade aspects the EU considers the following MEAs to be of particular importance in trade negotiations: the Convention on International

Trade in Endangered Species of Wild Fauna and Flora and its amendments, the Montreal Protocol on Substances that Deplete the Ozone Layer, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, the Convention on Biological Diversity and its Protocols, the United Nations Framework Convention on Climate Change, the Stockholm Convention on Persistent Organic Pollutants, and the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade.

9. Our common commitment to the effective domestic implementation of these labour and environmental standards and agreements should also be an important element to emphasise.

### *b. Levels of labour and environmental protection*

10. The integration of environmental and labour considerations in the TTIP is without prejudice to each Party's right to regulate in order to reflect its own sustainable development priorities. This means recognising in the TSD chapter each Party's right to define and regulate its own domestic levels of environmental and labour protection at the level deemed necessary, consistently with internationally agreed standards and agreements, as well as to modify its relevant laws and policies accordingly, while pursuing high levels of protection.

11. Furthermore, the overarching aim of the TSD chapter should be to ensure that trade and economic activity can expand without undermining the pursuit of social, and environmental policies. On the other hand, domestic labour and environmental standards should not be used as a form of disguised protectionism, nor lowered as a means of competing for trade or investment. Accordingly, the TSD chapter should expressly reflect the fact that the respective domestic authorities will not fail to enforce, and will not relax, domestic labour or environmental domestic laws as an encouragement of trade and investment.

### *c. Trade and investment as a means to support and pursue sustainable development objectives*

12. In order to promote a greater contribution of trade and investment to sustainable development, it is important to discuss initiatives in areas of specific relevance. In this regard, the TSD chapter should promote, for instance:

- trade and investment in environmental goods and services and climate-friendly products and technologies. Moreover, further reflection could also be undertaken on other related trade actions which could be pursued under other chapters of the TTIP (e.g. frontloading liberalisation of such products, addressing NTBs in the renewable energy sector, consider environmental services);
- the use of sustainability assurance schemes, i.e. voluntary tools on environmental sustainability or fair and ethical trade initiatives;
- corporate social responsibility practices, further supporting relevant principles endorsed by both the EU and the US (e.g. international guidelines, bilateral joint statement of shared principles for international investment within the framework of the Transatlantic Economic Council).

13. Similarly, the TSD chapter should emphasize the Parties' commitment towards the conservation and sustainable management of biodiversity and ecosystems, the sustainable use and management of natural resources, and the role that trade could play in this regard. These considerations would apply to areas such as forests, fisheries, wildlife, and biological resources. The promotion of trade in legally obtained and sustainable products should thus be a key area to be covered, against the background of internationally recognised instruments, as well as the common determination of the EU and the US to address in their FTAs issues related to trade in such resources obtained or produced illegally.

#### *d. Good administrative practices*

##### **i) Scientific information**

14. The TSD chapter should recognise the importance of taking into account international guidelines and principles on the use of scientific and technical information as well as on risk management, when preparing and implementing measures aimed at protecting the environment or labour conditions which may have an impact on trade and investment.

##### **ii) Transparency**

15. Transparency is of particular relevance in the context of trade and sustainable development, in order to ensure that stakeholders, particularly non-state actors, can be informed about, and provide views and inputs on, the development, introduction, and application of measures related to labour or the environment. This also applies to measures concerning the implementation of the TSD chapter. Therefore, the TSD chapter should foresee appropriate channels for engaging with the public.

##### **iii) Review and assessment**

16. Appropriate recognition should also be given to the fact that, once the TTIP is in force, it will be important for the Parties to have an active policy of review and assessment of the effects of the agreement on sustainable development objectives.

#### *e. Working together*

17. The TTIP could also establish priority areas for share of information, dialogue, and joint initiatives on the trade-related aspects of sustainable development, such as:

- Cooperation in international fora responsible for social or environmental aspects of trade, including in particular the WTO, ILO, MEAs and UNEP;
- Strategies and policies to promote trade contribution to green economy, including eco-innovation;
- Trade-related aspects of the ILO Decent Work agenda and, in particular, on the impact and inter-linkages of trade and full and productive employment, labour market adjustment, core labour standards, labour statistics, human resources development and lifelong learning, social protection floors and social inclusion, social dialogue and gender equality;
- Trade impacts of labour or environmental protection and, vice versa, the impacts of trade on labour or environmental protection;
- Trade-related aspects of natural resources and the protection and use of biological diversity, including ecosystems and their services, such as measures to enhance trade in legal and sustainable timber, fish, or wildlife products as well as other issues related to biodiversity and ecosystems;

- Trade-related aspects of the climate change strategy, including consideration of how trade liberalisation or trade-related regulatory cooperation can contribute to achieving climate change objectives and more generally to ensure increased production of renewable energy, implemented in a sustainable manner and increased energy efficiency.

#### *f. Implementation, monitoring, and enforcement*

18. In order to ensure an appropriate implementation of the TSD chapter, in the EU's view it is crucial to incorporate a strong monitoring and follow-up mechanism. The EU is convinced that an effective mechanism should be based on transparency, regular dialogue, and close cooperation between the Parties, and provide for effective channel of communications and means for reaching mutually agreed positions on any matter related to the TSD Chapter.

19. In this context, the EU sees an essential role for civil society, both domestically and on a bilateral basis, in ensuring that sustainable development considerations are brought to the attention of the Parties to the TTIP, as well as in providing advice and follow-up on the implementation of the TSD chapter and related matters.

20. Finally, it is important to ensure that there are channels for the Parties to deal effectively with disagreements on any matters which might arise under the TSD chapter, such as government consultations and independent and impartial third-party assessments to facilitate the search for and implementation of solutions.