

Position paper

Towards more effective EU Trade and Sustainable Development Chapters

Promoting sustainable development through trade is an integral part of the EU's external action as well as of amfori's core mission. Drawing on our experience with the EU institutions and the EU's major sourcing markets, this document provides a set of policy recommendations to fully unleash the opportunity of sustainable trade.

amfori Recommendations for effective Trade and Sustainable Development Chapters

To ensure that trade agreements deliver social, environmental and economic benefits for everyone, amfori suggests that the EU considers the following recommendations to improve the sustainability credentials of its trade policy:

1. Maintain a balance between economic and sustainability commitments
2. Ensure the highest uptake of sustainability standards
3. Promote women empowerment and unleash economic opportunities
4. Develop broad partnerships for sustainability
5. Consult civil society on the implementation of all aspects of trade agreements
6. Increase awareness through an EU-wide Trade and Sustainable Development Day

amfori's vision for sustainable trade

amfori embraces a holistic understanding of the relationship between trade and sustainability. Our belief is that trade must be value based and, apart from providing economic development, it must be a driver for social and environmental progress and contribute to

meeting the UN Sustainable Development Goals. This is what we call "Trade with Purpose".

To unleash the opportunity of trade to deliver benefits for everyone, an open, simple and well-functioning trade regime is crucial. This is what we term as "open trade".

For trade to deliver on this significant aim, it must work in cohesion with other policy areas and collaboratively involve interested stakeholders. This means that partnerships are essential.

Challenging times for open trade

Over the past decades since countries started pursuing open trade policies millions have been lifted out of poverty, especially in developing and least developed countries.

However, despite this formidable growth, the redistribution of the benefits of international and open trade have been questioned, as has the effects that this had on societies and the environment.

What is more, open trade, which is engendered by bilateral free trade agreements, is facing growing criticism on its economic credentials. Certain governments believe they would benefit more by curtailing trade, which has led to a rise in protectionist

measures and in turn stagnating global economic growth. Such actions cause uncertainty and worsen the economic situation globally which can only result in the poorest countries suffering the most.

The EU, as the world's leading trading bloc that is committed to promoting multilateralism, free trade and international standards on social and environmental protection, is therefore best placed to lead in tackling these challenges.

Trade and sustainable development in the EU

Article 3 of the Treaty on European Union states that the EU “shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights, in particular the rights of the child, as well as to the strict observance and the development of international law, including respect for the principles of the United Nations Charter.”

The vision of amfori, that trade must go hand in hand with wider sustainability goals, is closely aligned with the EU's external approach. Since 85% of amfori members are EU companies, it is natural that there is a close relation between our goals and those of the EU.

One of the most prominent tools that the EU uses to promote the above goals are Trade and Sustainable Development (TSD) chapters in EU free trade agreements (FTAs). These chapters promote the uptake of international standards with the trade partners and include commitments to ratify international labour conventions and multilateral environmental conventions, such as the Paris Agreement. These chapters also allow the EU and the trade partner to prioritise key challenges relating to social and/or environmental matters and outline commitments to address these issues.

Once an FTA is in place, the EU and its trading partner establish platforms to discuss the impacts of trade agreements on societies and the environment, as well as to pursue the implementation of the commitments made in the agreement.

Importance of TSD chapters for promoting social and environmental performance

While TSD chapters are still relatively new, they have already shown positive results, both before and after the ratification of the agreement, that is during the negotiation process and once the agreement is in force. The impact that they have prior to the conclusion of an FTA can be seen in the EU-Vietnam FTA. Discussions on social and environmental sustainability gathered pace in Vietnam at the outset of negotiations. Moreover, the country implemented the commitments that it made in the agreement even before its entry into force by ratifying specific ILO conventions.

The importance of the TSD chapters for monitoring the implementation of commitments is best shown by the example of the EU-South Korea FTA. In the agreement, South Korea committed to ratifying the remaining fundamental ILO Conventions. However, it did not manage to implement the commitments in the stipulated timeframe, and this has brought significant attention to the issues both globally and within the country. This has resulted in significant pressure on the South Korean government to pass the necessary legislation. On its end, the EU has begun dispute settlement proceedings with the country to resolve the issue.

How to improve sustainable trade

amfori has been following and supporting TSD discussions in the EU since their onset. Our expertise from both the policy sphere and on-the-ground experience in the EU's main sourcing countries provides us with a deep understanding of issues that affect trade and sustainable development. In that respect, we present in this paper a number of insights and recommendations for ensuring that the EU's TSD chapters become more effective in their aims: that is, to increase the uptake of high social and environmental standards through trade.

We call on the EU institutions to act on the following issues to deliver a better and more sustainable trade and investment policy for both the Europeans and the world:

1. Maintain a balance between economic and sustainability commitments

The EU must engage economically with all trading partners to deepen engagement on sustainability issues. A strong economic relationship with a trade partner allows for higher commitments on TSD.

Open trade also provides a straightforward framework for amfori members to promote sustainable development globally. The role that European companies play in promoting high social and environmental standards through products and manufacturing processes should not be underestimated. The better the economic basis of the business relationship, the higher the standards that our members can promote. This is equally true for countries, as it is for companies.

A fine balance between engaging with partners on economic and sustainability issues is crucial to ensure that EU companies can engage globally on both aspects. If the economic credentials of an agreement are reduced while the sustainability ones are increased, partner countries could be hesitant in starting talks, or might be completely unwilling to engage with the EU. This would curtail all engagement on sustainability issues that we could have with a partner country.

2. Ensure the highest uptake of sustainability standards

The EU must ensure that its FTAs lead to the highest uptake of sustainability standards in its trading partners.

Since amfori is committed to improving sustainability standards globally, we believe that the EU should remain committed to an approach that is not based on sanctions since this will lead to a better promotion of the said standards.

However, it is crucial for the parties to set-up strong monitoring mechanisms that will follow the implementation of the commitments, and to address any new challenges that may arise. To this end, the EU could use similar tools for following developments in the EU's Accession Countries, that is through annual implementation or monitoring reports specific to the trade

partner that include data collection about the social, environmental and gender impact. This is needed since the current implementation reports are inadequate as they cover all trade agreements in a single undertaking. Along with ex-post impact assessment studies, this would provide a transparent process for scrutinising the implementation of the commitments by partners that is open to all stakeholders. Such a system would also incentivise underperforming partners to do more or seek support, while at the same time provide positive branding for the well performing partners.

3. Promote women empowerment and unleash economic opportunities

Trade has different effects on various parts of the population and especially between women and men.¹ For this reason, EU' trade policy must be gender responsive.

To address the issues, the EU should include provisions on gender equality and women empowerment in its FTAs. Such provisions will also allow the EU and its trade partners to engage with civil society on these important issues through the domestic advisory groups that are set up under the FTAs. This must be coupled with ex-post sustainability impact assessments to systematically address any challenges that may arise.

These measures would not only be important in order to ensure respect for basic human rights, but they would also make economic sense. An important economic consideration is that closing the gender gap in the workforce could add \$28 trillion to the global GDP.²

4. Develop broad partnerships for sustainability

Consulting a broad spectrum of stakeholders will ensure that the EU model, which is based on dialogue and continuous commitment to improvement, can lead to successful changes and promotion of international standards.

Such an inclusive approach will also allow the EU to continue advocating shared responsibility on issues

¹ UNCTAD, "Trade as a tool for the economic empowerment of women", Geneva (2016)

² McKinsey Global Institute, "The Power of Parity: How advancing women's equality can add \$12 trillion to global growth", September 2015

relating to the environment and human and labour rights. Promoting sustainable development must remain a joint effort between governments, international organisations, businesses and civil society; while the key responsibility to ensure their implementation must remain with the governments, support needs to come from all actors. This collaborative approach is vital since without the active participation of civil society, it would be impossible to monitor all developments on the ground.

5. Consult civil society on the implementation of all aspects of trade agreements

We welcome the EU's decision to extend the mandate of the civil society Domestic Advisory Groups (DAGs) to discuss all chapters of future FTAs.

However, the EU should also extend this to the agreements it has already concluded. Currently DAGs only follow the implementation of TSD chapters. With a broader mandate, DAGs would be able to gauge the effects of the whole agreement on economic, social and environmental aspects, which is crucial for long-term and inclusive development.

6. Increase awareness through an EU-wide Trade and Sustainable Development Day

To ensure that EU trade remains value driven, and to better inform European citizens about the linkages between trade policy and sustainable development, it is essential for the EU institutions to carry out regular public outreach activities.

The European Commission and the Parliament could designate a date to hold an annual event, or series of events, to show a clear connection between trade and sustainable development.

With almost two decades of experience in sustainable supply chain issues and EU's major import markets, amfori is ready to support this important endeavour.

Conclusion

Overall, the European Union is the best placed economic power to push a multi-stakeholder involvement in trade and sustainability on all levels, whether on the national, regional or global scale.

For this reason, amfori will support the EU's approach to promoting sustainable development through trade and we stand ready to contribute to decision making with the wealth of our technical expertise and on-the-ground experience.

About amfori

amfori is the leading global business association that promotes open and sustainable trade. We number over 2,400 importers, retailers and brand manufacturers, from over 40 countries and with a combined turnover of more than €1.5 trillion. Our membership includes large retailers, brands, importers and supermarket chains.

amfori supports our members' international business by providing information and solutions towards open and sustainable global value chains with 40 years of experience, amfori believes in "trade with purpose" and endeavours to facilitate the development of trade which is sustainable and leads to prosperity for all.

Our services

We provide our members with a practical framework and tools to manage the social and environmental performance of their supply chains through our two sustainability initiatives: amfori BSCI and amfori BEPI. amfori BSCI helps them and their producers to improve the social performance in their supply chains, while amfori BEPI aims to ameliorate the environmental footprint in their production.

We also continuously advocate for progressive policies and collaborate with international partners to achieve social, environmental and economic progress globally.

Globally, amfori BSCI conducted over 28,000 social compliance audits during 2019. We also held over 410 face-to-face professional training and 3,400 e-learning over 38 topics for our members, their buyers and producers.

Under amfori BEPI, in the past year we have engaged more than 1,800 producers globally that supply amfori members.

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