

A new vision for trade

An aerial night view of a port terminal. A truck is driving on a long pier with many shipping containers on either side. The scene is illuminated by artificial lights, creating a strong contrast with the dark sky and water.

The Foundation for European Progressive Studies
present a vision that can form the core of a new,
forward-looking progressive model for trade and
investment

Over the last decades international trade has played an important role in promoting economic growth, job creation and better living standards at the global level. At the same time, international trade has been linked to a form of unregulated globalisation, causing uneven and unjust results for significant parts of our societies.

A key objective going forward must be forging a new consensus on trade and investment contingent on the principles of employment, broad-based prosperity, equality, transparency and sustainability. What follows presents a vision that can form the core of a new, forward-looking progressive model for trade and investment.

Changing nature of trade agreements

The focus of trade agreements has moved away from trade liberalisation to covering a range of trade-related issues, like investment liberalisation and protection, and intellectual property rights, with important social, economic and environmental repercussions.

We need to acknowledge and tackle the issues arising under these new types of economic agreements, in particular in relation to unregulated capital flows and investments. We also need to redress the often opaque manner, in which these comprehensive trade and investment agreements have been negotiated, often designed to advance the interests of those in the top income brackets.

Europe as a leader for a progressive agenda

To address these challenges, we believe that the EU must use its economic weight to advance a progressive trade and investment policy at the multilateral and the bilateral level. To achieve this goal, we propose an agenda that reinforces the multilateral trading system while improving its fairness for the poorest and enhancing Europe's contribution to trade and development.

Further, we propose to better integrate trade with labour and environment, and rethink investment and capital flows to advance sustainable development, as well as develop rules to govern the digital revolution and ensure the fairness of the intellectual property regime. To complement these elements of a new progressive vision of international trade governance, we propose the establishment of a new European fund to address the negative consequences of globalisation.

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Multilateralism

We see the multilateral trading system as the preferred option for building international rules on trade. Multilateralism is fairer with a wide diversity of strong and weak, big and small economies. It is more efficient in providing a stable and predictable environment to a maximum number of operators. For these reasons we believe states should conclude the negotiations on the Doha Development Agenda.

They should rebalance the specific trade disciplines that govern the agricultural sector that is currently tilted in favour of developed countries. They should also strengthen WTO disciplines in areas such as subsidisation, conduct a review of the 'special and differential treatment' principle in order to adapt to present realities, and modernise the WTO framework in areas of growing importance.

The EU's role on trade and development

The EU has an important role to play in its bilateral economic relationships, especially with developing countries. As part of the post-Cotonou negotiations, the EU must expand unilateral trade preferences and preferential treatment to all low-and lower middle-income countries in Sub-Saharan Africa, in order to support the region prioritising its own regional integration.

This would allow for the creation of jobs, increased incomes, and ultimately, to reduce poverty and aid dependency. To achieve SDG 2 on ending hunger, we need to *"correct and prevent trade restrictions and distortions in world agriculture markets."* Accordingly, further reform of the EU Common Agricultural Policy (CAP) will help achieve SDG 2. Finally, the EU must live up its commitments regarding Official Development Aid (ODA) in accordance with SDG 17.2.

Labour

All areas covered by trade and investment agreements impact employment and labour conditions. Trade policy must therefore play a vital role in encouraging and helping trade partners to implement ILO core labour standards. Parties must firmly commit to implementing core labour standards. Implementation and enforcement of core labour standards must be adapted to the partner country's level of development, and coupled with support.

Further, the comprehensive and effective involvement of social partners and civil society is essential for the successful execution of labour provisions in trade agreements. A progressive labour chapter should also provide a suitable framework for continuous and guided cooperation aimed at progressively advancing labour protection.

Finally, labour provisions should be complemented with traditional state-to-state dispute settlement as well as an innovative collective complaint procedure.

Environment

Trade and investment rules should not pose barriers to solving environmental challenges, such as climate change, biodiversity loss, and water scarcity. In the area of climate change, to avoid any potential regulatory chilling effect, states should clarify that strong, potentially disruptive, non-protectionist climate action is needed and is not prohibited under international trade and investment rules.

At the same time, trade rules should help discipline certain types of measures, such as fossil fuel subsidies. The design of climate measures with trade impacts, whether border carbon adjustments or other measures, must apply differential treatment and exemptions to exports from poor and middle-income countries whose CO₂ emissions per capita are low. Policy space for green industrial policies and green subsidies should be permitted, and agreements should be designed or adapted accordingly.

Investment

Most comprehensive trade agreements today include chapters and provisions on investment. These chapters have focused on investment protection, investment liberalisation, and investor-state disputes settlement. The focus of these treaties should be reoriented to promoting quality investment that advances SDGs.

First, the treaties should guarantee the policy space needed to regulate incoming and operating investments. The EU should accordingly re-examine and adapt its approach to pre-establishment and market access rules and the prohibition of performance requirements.

Second, EU treaties should ensure that investment protection provisions do not limit the state's legitimate right to regulate. Moreover, they should also be rebalanced to include not only investment protection but also responsibilities for investors, including with respect to responsible global value chains.

The EU should continue leading on reforming investment-related dispute settlement and explore alternatives to investor-state dispute settlement. EU member states should proceed with terminating and redesigning the over 1000 outdated investment treaties of EU member states.

Capital flows

In light of the increasing evidence in favour of regulating excessive capital flows to respond to concerns about macro-economic instability and major economic costs that external capital flows and ensuing currency crises may create, countries should use capital flow management measures alongside other macroeconomic policies. Many trade and investment agreements prohibit such capital account regulations or lack the appropriate safeguards on capital account management. This erosion of policy space to implement such policies must be avoided.

In future, neither the WTO, nor investment treaties and chapters in free trade agreements should contain provisions that limit an individual country's ability to freely manage its capital accounts and regulate capital flows.

If there are commitments to capital account liberalisation, appropriate and sufficient safeguards must be in place to allow countries to implement capital account regulations for prudential or balance of payments reasons, ideally on a permanent basis. Existing treaties should be promptly amended accordingly.

Digitalisation

Technological innovation is deeply interwoven in our globalised world. Fuelling cultural and economic exchanges, tech advancements spawned a global community, reaching the most remote regions of the world. Few economic or cultural realms lie outside the reach of technological innovation and some, like employment, grapple to reconcile old and new structures of social organisation.

Specific policies regarding digital trade, data flows, intellectual property rights, and net neutrality must embody and uphold democratic principles and a strong commitment to achieving the Sustainable Development Goals. This implies revising policies on data provisions, data localisation, research and development, national tax systems, the digital single market, and a reconsideration of investment screening mechanisms.

European Transformation Fund (ETF)

Ten years ago, the European Globalisation Adjustment Fund (EGF) was established to support victims of industrial transformation in Europe because of global economic changes. The EGF remains too modest in size and too narrow in focus given current needs. It must be redesigned both in terms of budget and scope.

For the EGF to be effective, the EU must conduct sound and transparent impact assessments before concluding new trade and investment agreements. This analysis should be as accurate as possible and identify the consequences and changes on different economic sectors and on European regions.

The new Globalization Adjustment Fund, to be renamed as the 'European Transformation Fund' (ETF), must be designed to support the restoration of an ambitious industrial policy, one based on permanent, prospective analysis of economic and technological changes, including the effects of trade, allowing for the necessary strategic investments to prevent negative consequences of trade and investment treaties in Europe.

To conclude, the traditional approach, which argues that 'trade is good, but we need to work on the side effects,' is outdated. In today's changing world, 'business as usual' does not work. We believe that in such a new context between the faithful and unconditional promoters of free trade and the populist critiques defending protectionist and nationalist visions of the world, there is a critical political space for progressive forces to defend a regulated vision of globalisation, a vision which guarantees that global trade and investment benefit the many and not the few. ■

ABOUT THE AUTHORS

Nathalie Bernasconi, Executive Director IISD Europe, Group Director, Economic Law & Policy, International Institute for Sustainable Development (IISD)

Carles Casajuana, SOLIDAR Board Member and former Spanish Ambassador

Stephany Griffith Jones, Professor, Columbia University, Financial Markets Program Director, Initiative for Policy Dialogue

Eveline Herfkens, Former Minister for Development Cooperation of the Netherlands

Pascal Lamy, former WTO Director General and former EU Commissioner for Trade

Bernd Lange, MEP, Chair of the European Parliament Committee on International Trade

Paul Magnette, Mayor of Charleroi and former Minister-President of Wallonia (Belgium)

Linda McAvan, MEP, Chair of the European Parliament Committee on Development

Alessia Mosca, MEP, Socialists and Democrats' coordinator in the European Parliament Committee on International Trade

Enrique Guerrero MEP, co-President of the Global Progressive Forum

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