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Reply from Swedish trade union confederations TCO, LO and Saco to the Commission’s public consultation “A renewed trade policy for a stronger Europe”

Question 1: How can trade policy help to improve the EU’s resilience and build a model of open strategic autonomy?

Free and fair trade is key to strengthening competitiveness and has the potential to create quality jobs and boost sustainable and inclusive growth worldwide. The European economy and tens of millions of jobs in Member States depend heavily on trade in goods and services, and this is why the Single Market and an open trade and investment policy will play a key role for the just transition to a green and digital economy that Europe needs in order to emerge stronger from the ongoing Covid-19 crisis.

The Covid-19 pandemic has a profound and unprecedented impact on global trade and also put the internal market to a test, as some countries in the EU in early 2020 introduced bans on exports of protective equipment to other Member States. These protectionist measures interrupted value chains and undermined the internal market. Strong forces in the EU now argue for increased “strategic autonomy”, as a way to reduce Europe’s dependency on world trade. Whereas increased EU resilience, for instance through stockpiling of goods in certain very critical sectors may be necessary, efforts to re-shore production in Europe is not the silver bullet that will help the EU economy to become more resilient and grow for the future. On the contrary, a trade policy that allows sourcing from different parts of the world provides for greater flexibility during disruptions.

European trade policy must continue to focus on bringing down global and bilateral trade barriers, while promoting sustainable global value chains. It is imperative that any measures taken in the name of “strategic autonomy” must always be carefully balanced and analysed as to not harming free trade and our open economy.

An equally important aspect of EU trade policy is its contribution to inclusive growth, quality jobs and strengthened human rights worldwide. The previous Commission’s strategy “Trade for All – Towards

a more responsible trade and investment policy” represented a positive shift towards a value-based trade policy, but not enough has been put into practice. We therefore expect more concrete actions to address social rights and workers’ concerns in the Commission Communication which will follow this trade policy review.

Global trade leads to necessary structural change, which can seriously affect jobs, wages and working conditions. This is why globalisation requires a social dimension in order to ensure that workers can reap the full benefits of trade. The solution is to establish and apply rules that pave the way for inclusive growth and quality jobs for women and men, while preventing a race to the bottom regarding wages and working conditions, enforce citizens’ and human rights in general and hindering labour exploitation and companies dodging tax payments and labour law.

If backed up by complementary national policies, an open trade policy can result in significant improvements for workers. This requires that economies are underpinned with well-functioning and financially strong public services. In developed and developing countries alike, trade policy measures must be complemented by high ambitions in the field of social, environmental, labour market and education policy to facilitate transition of workers to new, quality jobs.

This is why EU trade policy must put trade at the service of priority goals such as decent work, social cohesion, equality and sustainable development. The future EU trade policy strategy must continue to have the achievement of the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change as a clear objective. In that way trade policy will contribute to combat growing inequalities. Achieving SDG 8 must be a key objective.

Reviving trade flows must build on strong and binding commitments to social and labour standards and their effective enforcement. The disruption of supply and production processes has demonstrated the importance of having occupational health and safety measures in place and effectively enforced, and of keeping workers safe and healthy to supply the world with goods and services. The ratification, implementation and enforcement of the International Labour Organisation (ILO) core conventions on freedom of association and collective bargaining, together with all ILO fundamental and up-to-date conventions, by the EU Member States as well as by our trade partners, constitute a key precondition to ensure safe and decent working conditions, and trade benefits for everyone. The protection of workers or trade union rights and freedoms must never be considered as barriers to trade.

Question 3: How should the multilateral trade framework (WTO) be strengthened to ensure stability, predictability and a rules-based environment for fair and sustainable trade and investment?

We believe that there is an urgent need for a reform of the WTO. In particular, the time has come for the WTO to play its role in actively promoting core labour standards and the Paris Agreement. The EU and its Member States should put more pressure on the WTO to include respect for labour standards, as set and monitored by the ILO, as part of WTO considerations and in future multilateral trade agreements.

The WTO has not been able to adapt to the rapid development of digitalisation and the integration between goods and services, and neither has it been able to address unfair practices that distort world trade, such as unlawful government subsidies. A top priority for the EU must therefore be to

reform the organisation so that it can respond to the new realities by providing a level playing field and transparent rules fit for tomorrow's trade world.

The huge network of bilateral and plurilateral trade agreements must be put at the service of the WTO reform. To address the crisis of multilateral rule-based trade, the EU should also operate through its external and development policy to promote multilateral cooperation.

Question 4: How can we use our broad network of existing FTAs or new FTAs to improve market access for EU exporters and investors, and promote international regulatory cooperation—particularly in relation to digital and green technologies and standards in order to maximise their potential?

The EU should continue to expand its network of bilateral Free Trade Agreements, with both developed and developing countries.

A comprehensive FTA with the United States – one of the EU's major trading partners – would support jobs and growth in Europe if it contributes to reducing existing non-tariff trade barriers and opening up markets for public procurement. Today, China has high ambitions as a standard-setter in developing countries, but with no respect paid to environmental or social sustainability. Through close transatlantic cooperation on regulations and standards within a framework of a future FTA, the US and the EU could potentially play a positive role in developing sustainable standards that would be applied on a global scale.

It is important to underline that regulatory cooperation must never lead to bypassing European environmental standards, workers' or consumer rights. Neither must EU trade agreements affect the political room for manoeuvre regarding fundamental national questions of political nature. In other words, these agreements cannot restrict the freedom of states to decide on questions relating to the provision of public services, such as what should be provided by the public sector, the purview of state monopolies, the organization of social welfare systems etc. Trade agreements must also not restrict the political room for manoeuvre in public procurement, regarding requirements such as working and employment conditions.

If the trade agreements contain a dispute resolution mechanism between states and investors, it is a prerequisite that this does not in any way restrict the democratic decision-making of states, the autonomy of social partners and trade union rights.

Reaching an agreement on future trade relations with the United Kingdom must be a priority for the EU, in order to keep value chains intact and ensure that trade can continue as frictionless as possible. A key element of such an agreement is also to secure a level playing field, by ensuring that the UK will not be able to apply social dumping by weakening workers' rights or compete unfairly by deviating from current environmental standards or rules on state aid to companies.

Question 5: With which partners and regions should the EU prioritise its engagement? In particular, how can we strengthen our trade and investment relationships with the neighbouring countries and Africa to our mutual benefit?

Free and fair trade is of great importance for global economic growth and sustainable development. Multilateral agreements within the WTO framework, which set transparent rules for worldwide trade, is always the preferred solution as this leads to reduced trade barriers globally. However, considering the current stalemate in the WTO, the EU should continue to expand its network of bilateral Free Trade Agreements, with both developed and developing countries.

The EU's Generalised Scheme of Preferences (GSP) and potentially other trade policy instruments should contribute to building a just and prosperous economic relationship between the EU and the least-developed countries – a relationship in which labour exploitation and environment deterioration are no longer accepted means of international competition. We expect a stronger link between preferential access and the respect of workers' rights as defined in ILO conventions and standards.

The EU should extend its trade relations with African countries, promote good governance, cooperation and economic development, and use its trade policy to assist in achieving the SDGs and in shaping globalisation as a true partnership process in an economically equitable, socially and environmentally responsible way. The EU should support countries to develop and strengthen public services.

We support the idea of reconciling EU trade policy and development cooperation. EU trade policy should also be coordinated with other policy areas such as migration, climate action, fisheries and agriculture, in order to make sure that they are mutually supportive.

Question 6: How can trade policy support the European renewed industrial policy?

The importance of a strong and progressive European industry cannot be overestimated when it comes to building a more sustainable and resilient economy. The EU's Free Trade Agreements and a well-functioning WTO setting multilateral rules for trade, are imperative in securing competitiveness and resilience of European industry.

Global trade and participation in integrated, global value chains has been, and will continue to be, a key factor in making European industry grow and prosper. In order to improve European resilience in the event of a crisis, there may be a need to identify critical dependencies, such as in sensitive industrial ecosystems like health, where measures like stockpiling could be needed.

However, efforts to re-shore production to Europe is not the silver bullet that will help the EU economy to become more resilient and grow for the future. On the contrary, a trade policy that allows sourcing from different parts of the world provides for greater flexibility during disruptions. We must also remember that one major challenge for Member States during the start of the pandemic in 2020 was not the reliability of global value chains, but deliberate measures by EU Member States to breach fundamental rules on free movement of goods on the internal market.

A key element of an industrial policy for Europe is to safeguard fair competition within the internal market, as well as in trade relations with countries outside the EU. It is, however, imperative that any measures taken in the name of "strategic autonomy" must always be carefully balanced and analysed so as not to harm free trade and our open economy.

With regard to the establishment of a Carbon Border Adjustment Mechanism (CBAM), we believe that such a mechanism should be explored to prevent carbon and investment leakage as well as

unfair international competition, while the EU is intensifying its decarbonisation efforts. Such a tool, combined with innovation policy and measures to create lead markets for low-carbon industrial goods, will contribute to step-up climate action while maintaining and creating quality jobs and innovative industries in the EU. It could also be an effective way to promote more ambitious climate policies on the international stage and reduce the carbon footprint of EU imports.

A sustainable European industrial policy must be based on a trade policy that not only offers opportunities to MNEs, but also benefits ordinary people. It must ensure that the imported goods we consume are made by employees who are not exploited, receive fair wages, work in a safe environment and are employed by companies that respect global codes of conduct. This also means that trade agreements clearly exempt the public sector and do not limit governments' right to regulate.

Question 8: How can trade policy facilitate the transition to a greener, fairer and more responsible economy at home and abroad? How can trade policy further promote the UN Sustainable Development Goals (SDGs)? How should implementation and enforcement support these objectives?

Integration into global value chains and access to the international trade system is key to ensuring sustainable and inclusive growth in developing countries. However, a successful trade policy needs to be complemented by additional, strong policy measures at national level. This includes investment in infrastructure, policies to ensure good governance, adherence to the rule of law, as well reforms in the field of social, health, environmental, labour market and education policy supporting workers to adjust and transit to new, quality jobs in sustainable sectors.

EU trade policy can be used as a tool to increase gender equality, and in particular contribute to women in developing countries benefit from trade liberalisation. To this end, EU trade negotiations should include aspects and analyses on gender, and expertise on gender should be included in the negotiating teams. Disaggregated data on gender should be used when evaluating the results of trade agreements.

EU trade policy should also be designed in a way that ensures a just transition toward a circular and carbon neutral economy in line with the Paris Agreement. Import tariffs on environmental-friendly goods should be abolished and global rules for products and recycling should be promoted. In addition, the EU trade policy should be combined with further efforts to clean and decarbonise international transport. [The regulatory framework should attract green industry investments and foster green industrial innovation in the EU.](#)

LO, TCO and SACO regard fundamental labour rights, including the right to form trade unions, the right to collective bargaining and the right to strike, as universal and necessary to prevent workers being exploited both in Europe and everywhere else. Protecting labour rights through ILO standards is therefore necessary to prevent a regulatory 'race to the bottom' which would harm workers, companies and countries. ILO conventions and standards are essential to ensure that companies respect workers' rights and other human rights domestically and across their global supply chains. Without such international standards, countries may be pressured to weaken labour rights to attract foreign investment.

Ratification and implementation of the eight ILO Core Labour Standards as well as compliance of other up-to-date ILO conventions and instruments, such as the Forced Labour Protocol and ILO Conventions on health and safety at work, should therefore be a pre-condition for countries that wish to enter into trade negotiations with the EU. If a partner country has not ratified or properly implemented these conventions, it must demonstrate through a binding roadmap how this will be achieved in a timely manner. ILO up-to-date instruments must be included in all EU trade agreements in a manner that makes them effectively enforceable.

The gender dimension of EU trade policy should be strengthened by ensuring the respect of international labour standards regarding gender equality and rights of women workers at work. We call for the respect of ILO Convention 100 on Equal Remuneration, Convention 111 on Discrimination in Respect of Employment and Occupation, which promotes non-discrimination in the workplace and for Convention 183 on Maternity protection.

We also support strengthening the ILO and adopting new ILO standards that further improve labour conditions globally. EU trade agreements should include labour rights as “essential elements” and thus subject to suspension clauses.

Other internationally adopted decisions, such as the UN guidelines on business and human rights, as well as the eight core conventions of the ILO and the OECD guidelines for multinational enterprises must also be respected and can serve as guiding for sustainable development chapters in EU trade agreements.

New EU trade agreements must not only include strong and binding rules on minimum labour standards, but also facilitate transition to upward convergence to establish common ground for fair and just trade between countries. The EU should continuously work on further improving standards in existing agreements.

The sustainable development chapter in the CETA agreement should constitute the starting point for developing a standard chapter to be included in all EU trade agreements. A standard chapter reduces the risk of undermining the level of ambition regarding social and environmental standards.

Trade-related development cooperation, Aid for Trade, has a key role in building capacity to make sure developing countries can participate in the global trade system, as well as living up to the commitments made in TSD chapters.

An independent trigger mechanism in case of violations is necessary, for example through the setting up of an independent labour secretariat as part of trade and investment agreements’ institutional machinery. Violations of labour rights covered by an agreement must be open to dispute settlement irrespective of whether they are directly related to commercial exchanges. Under current arrangements, we insist that the Commission must properly and seriously follow up the complaints raised by trade unions. In any event, the possibility of economic consequences must be available as a last resort in cases where violations are demonstrated.

All trade and investment agreements must be accompanied by a monitoring and assessment mechanism involving the social partners. The determination of a violation of labour rights must rely on the expertise of the ILO supervisory mechanisms and be consistent with its findings. These monitoring bodies must be properly financed and supported by the European Commission to allow a meaningful trade union participation, of EU and non-EU trade unions that lack the necessary resources. The EU should also call on its members to make sure that the OECD complaint mechanism, called National Contact Points, can do their work independently, with enough expertise and means.

Domestic Advisory Groups (DAGs), the monitoring bodies of EU FTAs composed by civil society and social partners, are important to ensure that commitments made by the partner countries' governments on the respect of ILO instruments will be kept and enforced once an agreement has been signed. We demand that the monitoring role of DAGs should not be limited to the Sustainable Development chapter, as it is the currently the case, but should cover the whole agreement. The impact of DAG recommendations should also be strengthened. The expert group with Member States on TSD, the new Chief Trade Enforcement Officer (CTEO) and EU institutions should establish a structured follow-up exchange with DAGs.

We also request that EU delegations in partner countries should include labour-reporting officers, with close relations with the social partners to monitor i.e. labour related issues of applicable trade agreement.

Additionally, the establishment of the position of CTEO inside the European Commission will be important in the monitoring and improvement of compliance, of EU trade agreements regarding labour standards.

We believe it would be important if trade unions could submit complaints directly to the CTEO. Investigations should be initiated within set time limits once the complaint has been received and should include fact-finding missions and public hearings where relevant stakeholders, including social partners, are invited to testify. We would also like the CTEO to provide timely and detailed reports to the EU institutions, including the European Economic and Social Committee, and report to the appropriate DAGs on relevant issues, as well as to maintain regular contacts and consultations with social partners and other stakeholders. Each complaint should result in a final statement that sets out clearly if and how worker's rights have been breached and what action is to be expected from the involved business and/or government actors. The possibility to apply sanctions should be part of the mechanism as well as a thorough monitoring task.

Full transparency should be ensured in the preparation of the Sustainability Impact Assessment (SIA), which provides the Commission with an in-depth analysis of the potential economic, social, human rights, gender equality and environmental impacts of ongoing negotiations. Information gained from SIA could also be used to identify necessary national reforms and to design Aid for Trade efforts linked to the trade negotiations. Moreover, the current SIA's conducted prior to the negotiations, should be complemented by ex post evaluations of the actual impact of sustainability, once a trade agreement has entered into force.

Question 9: How can trade policy help to foster more responsible business conduct? What role should trade policy play in promoting transparent, responsible and sustainable supply chains?

The best way to foster responsible business conduct is to include strong, binding and enforceable labour provisions in EU trade agreements as outlined in our reply to question 8. Close cooperation with the OECD, which has a long and solid experience of promoting responsible business conduct, would also be a way forward.

An additional way to ensure that EU business abide by sustainable supply chains is for the EU to adopt a Directive on mandatory human rights due diligence and responsible business conduct. It should establish mandatory and effective due diligence mechanisms covering companies' activities and their business relationships, including their supply and subcontracting chains. The directive

would constitute an important step forward to ensure the respect and enforcement of human rights, including trade union and workers' rights. A directive should empower workers to fight against violations of human rights. It should ensure the full involvement of trade unions and workers' representatives in the whole due diligence process. Effective remedies and access to justice should be available for victims, including trade unions. Companies should be accountable for the impacts of their operations. Liability must be introduced for cases where companies fail to respect their due diligence obligations, without prejudice to joint and several liability frameworks.

Question 12: In addition to existing instruments, such as trade defence, how should the EU address coercive, distortive and unfair trading practices by third countries? Should existing instruments be further improved or additional instruments be considered?

Trade policy must ensure a level playing field and fair competition. Clear steps must be taken to ensure that European industries and services in all sectors open to international competition and workers are not endangered and disadvantaged by unfair trading practices.

The EU should maintain strong trade defence instruments imposing targeted restrictions on anti-competitive imports into the EU if produced by companies which abuse international labour standards. Restrictions should also be imposed on imports of products receiving trade distorting government subsidies. Developing rulebooks to tackle such unfair practices should be part of the EU's WTO reform agenda.

We condemn the non-respect of core labour standards, such as the right to organise and the right to collective bargaining in third countries, in an attempt to obtain an economic competitive advantage compared to countries respecting workers' rights and ILO conventions. Such actions are in breach of the 1998 ILO Declaration and the EU should also consider these elements as market distortions.

Imports of products produced in countries with lax regulations on CO2 emissions should be subject to a Carbon Border Adjustment Mechanism to ensure fair competition with European producers.

Question 13: What other important topics not covered by the questions above should the Trade Policy Review address?

Transparency and the involvement of social partners should be core issues for the future EU trade policy. ETUC insists on the need for transparency in all trade and investment negotiations, democratic oversight by the European and national parliaments and full consultation with and involvement of social partners and civil society organisations. Social partners should be consulted regarding the objectives of negotiations before they start, particularly in the preparation of the negotiating mandate that the Council give to the Commission.

LO, Swedish Trade Union Confederation
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