

**EU-MERCOSUR
CHAPTER ...**

TRADE AND SUSTAINABLE DEVELOPMENT

Article 1

Objectives and Scope

1. The objective of this Chapter is to enhance the integration of sustainable development in the Parties' trade and investment relationship, notably by establishing principles and actions concerning labour¹ and environmental aspects of sustainable development of specific relevance in a trade and investment context.
2. The Parties recall the Agenda 21 and the Rio Declaration on Environment and Development of 1992, the Johannesburg Plan of Implementation on Sustainable Development of 2002, the Declaration on Social Justice for a Fair Globalisation of 2008 of the International Labour Organisation (ILO), and the Outcome Document of the UN Conference on Sustainable Development of 2012 entitled "The Future We Want" and the UN 2030 Agenda for Sustainable Development of 2015.
3. Consistent with the instruments referred to in paragraph 2, the Parties shall promote:
 - (a) sustainable development, which encompasses economic development, social development and environmental protection, all three being inter-dependent and mutually reinforcing;
 - (b) the development of international trade and investment in a way that contributes to the objective of sustainable development.

Article 2

Right to Regulate and Levels of Protection

1. The Parties recognise the right of each Party to determine its sustainable development policies and priorities, to establish the levels of domestic environmental and labour protection it deems appropriate and to adopt or modify its relevant law and policies. Such levels, law and policies shall be consistent with each Party's commitment to the internationally recognised standards and agreements referred to in Articles 3 and 4.
2. Each Party shall strive to ensure that its relevant law and policies provide for and encourage a high level of environmental and labour protection and shall strive to improve such law and policies and their underlying levels of protection.

¹ For the purposes of this chapter, the term "labour" means the strategic objectives of the ILO under the Decent Work Agenda, which is expressed in the ILO 2008 Declaration on Social Justice for a Fair Globalisation.

3. The Parties should not weaken the levels of protection afforded in domestic environmental or labour law in order to encourage trade or investment.
4. A Party shall not waive or derogate from, or offer to waive or derogate from, its environmental or labour laws in order to encourage trade or investment.
5. A Party shall not, through a sustained or recurring course of action or inaction, fail to effectively enforce its environmental or labour laws in order to encourage trade or investment.

Article 3

Multilateral Labour Standards and Agreements

1. The Parties reaffirm their commitment to promote the development of international trade in a way that is conducive to decent work for all, including for women and young people.
2. In accordance with the ILO Constitution and the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, adopted by the International Labour Conference at its 86th Session in 1998, each Party shall respect, promote and effectively implement the internationally recognised core labour standards, as defined in the fundamental ILO Conventions, which are:
 - a) freedom of association and the effective recognition of the right to collective bargaining;
 - b) the elimination of all forms of forced or compulsory labour;
 - c) the effective abolition of child labour; and
 - d) the elimination of discrimination in respect of employment and occupation.
3. Each Party shall make continued and sustained efforts towards ratifying the fundamental ILO Conventions.
4. The Parties shall regularly exchange information on their respective progress with regard to ratification of the fundamental ILO Conventions and related Protocols and of other ILO Conventions or protocols to which they are not yet party and that are classified as up-to-date by the ILO.
5. In order to support multilateral governance and a level playing field, each Party shall effectively implement the ILO Conventions and Protocols ratified by the signatory Mercosur States and by the Member States of the European Union respectively.
6. The Parties shall consult and cooperate, as appropriate, on trade-related labour issues of mutual interest, including in the context of the ILO.
7. Recalling the ILO Declaration on Social Justice for a Fair Globalisation of 2008, the Parties note that the violation of fundamental principles and rights at work cannot be

invoked or otherwise used as a legitimate comparative advantage and that labour standards should not be used for protectionist trade purposes.

8. Each Party shall promote decent work as provided by the Declaration on Social Justice for a Fair Globalization of 2008 adopted by the International Labour Conference at its 97th Session.

Particular attention shall be paid by each Party to:

- a) developing and enhancing measures for occupational safety and health, including compensation in case of occupational injury or illness, as defined in the relevant ILO Conventions and other international commitments;
 - b) decent working conditions for all, with regard to, inter alia, wages and earnings, working hours and other conditions of work;
 - c) labour inspection, in particular through effective implementation of the 1947 Labour Inspection Convention (No. 81).
9. Each Party shall ensure that administrative and judicial proceedings are accessible and available in order to permit effective action to be taken against infringements of labour rights referred to in this Chapter.

Article 4

Multilateral Environmental Governance and Agreements

1. The Parties recognise the importance of multilateral environmental governance and agreements as a response of the international community to global or regional environmental challenges and stress the need to enhance the mutual supportiveness between trade and environment policies.
2. In order to support multilateral governance and a level playing field, each Party shall effectively implement the multilateral environmental agreements (MEAs), protocols and amendments to which it is a party.
3. The Parties shall regularly exchange information on their respective progress as regards the ratifications of MEAs, including their protocols and amendments.
4. The Parties shall consult and cooperate, as appropriate, on trade-related environmental matters of mutual interest, including in the context of multilateral environmental agreements.
5. The Parties acknowledge their right to invoke Article [*insert article number - General Exceptions*] in relation to environmental measures, including those taken pursuant to multilateral environmental agreements to which they are party.

Article 5

Trade and Climate Change

1. The Parties recognise the importance of pursuing the ultimate objective of the United Nations Framework Convention on Climate Change (UNFCCC) in order to address the urgent threat of climate change and the role of trade to this end.
2. Pursuant to paragraph 1, each Party shall:
 - (a) effectively implement the UNFCCC and the Paris Agreement established thereunder;
 - (b) promote the positive contribution of trade to the transition to a low-carbon economy and to climate-resilient development;
 - (c) cooperate with the other Party on trade-related climate change issues bilaterally, regionally and in international fora as appropriate, including in the UNFCCC, the WTO and the Montreal Protocol on Substances that Deplete the Ozone Layer.

Article 6

Trade and biological diversity

1. The Parties recognise the importance of conserving and sustainably using biological diversity and the role of trade in pursuing these objectives, consistent with the Convention on Biological Diversity (CBD), the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), other relevant international instruments to which they are a party, and the decisions adopted thereunder.
2. Pursuant to paragraph 1, each Party shall:
 - (a) implement effective measures to combat illegal wildlife trade, including with respect to third countries as appropriate;
 - (b) promote the inclusion of animal and plant species in the Appendices to the CITES where the conservation status of that species is considered at risk because of international trade;
 - (c) promote trade in natural resource-based products obtained through a sustainable use of biological resources and contributing to the conservation of biodiversity;
 - (d) exchange information with the other Party on initiatives on trade in natural resource-based products with the aim of conserving biological diversity;
 - (e) cooperate with the other Party bilaterally, regionally and in international fora on issues concerning trade and the conservation and sustainable use of biological diversity as

well as illegal wildlife trade, including initiatives to reduce demand for illegal wildlife products.

Article 7

Trade and Sustainable Management of Forests

1. The Parties recognise the importance of sustainable forest management and the role of trade in pursuing this objective.
2. Pursuant to paragraph 1, each Party shall:
 - (a) Encourage the conservation and sustainable management of forests and the promotion of trade and consumption of timber and timber products from sustainably managed forests;
 - (b) implement measures to combat illegal logging and related trade, including, as appropriate, with respect to third countries
 - (c) exchange information with the other Party on trade-related initiatives on sustainable forest management, forest governance and on the conservation of forest cover and cooperate to maximise the impact and ensure the mutual supportiveness of their respective policies of mutual interest;
 - (d) cooperate with the other Party bilaterally, regionally and in international fora on issues concerning trade and the conservation of forest cover as well as sustainable forest management.

Article 8

Trade and Sustainable Management of Fisheries and Aquaculture

1. The Parties recognise the importance of conserving and sustainably managing marine biological resources and marine ecosystems as well as of promoting responsible and sustainable aquaculture, and the role of trade in pursuing these objectives.
2. Pursuant to paragraph 1, each Party shall:
 - (a) implement long-term conservation and management measures and sustainable exploitation of marine living resources as defined in the main UN and FAO instruments relating to these issues²;

² The UN Convention on the Law of the Sea of 1982, the FAO Agreement to Promote Compliance with International Conservation and Management Measures by Fishing Vessels on the High Seas of 1995, the UN Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of 10 December 1982 relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks of 1995, the FAO Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing of 2009.

- (b) act consistent with the principles of the UN Agreement on the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks, the FAO Agreement to Promote Compliance with International Conservation and Management Measures by Fishing Vessels on the High Seas and the FAO Agreement on Port State Measures to Prevent, Deter and Eliminate illegal, unreported and unregulated (IUU) fishing;
- (c) participate actively in the work of the Regional Fisheries Management Organisations (RFMOs) to which they are members, observers, or cooperating non-contracting parties, with the aim of achieving good fisheries governance and sustainable fisheries. This includes the adoption of effective control, monitoring and enforcement of these RFMOs' management measures and, where applicable, the implementation of their Catch Documentation or Certification Schemes;
- (d) implement comprehensive, effective and transparent measures to combat IUU fishing, implement effective policies and measures to exclude IUU products from trade flows, and cooperate to this end, including by facilitating the exchange of information;
- (e) cooperate within RFMOs and other international fora with the aim of achieving sustainable fisheries management;
- (f) promote the development of sustainable and responsible aquaculture, taking into account its economic, social and environmental aspects, including with regard to the implementation of the objectives and principles contained in the FAO Code of Conduct for Responsible Fisheries.

Article 9

Trade and Responsible Management of Supply Chains

1. The Parties recognise the importance of responsible management of supply chains through responsible business conduct and corporate social responsibility practices and through the provision of an enabling environment, and the role of trade in pursuing the objective of responsible management of supply chains.
2. Pursuant to para 1, each Party shall:
 - (a) promote corporate social responsibility or responsible business conduct, including by encouraging the uptake of relevant practices by businesses;
 - (b) support the dissemination and use of relevant international instruments, such as the OECD Guidelines for Multinational Enterprises, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the UN Global Compact and the UN Guiding Principles on Business and Human Rights.
3. The Parties recognise the utility of international sector-specific guidelines in the area of corporate social responsibility or responsible business conduct and shall promote joint work in this regard. In respect of the OECD Due Diligence Guidance for responsible

supply chains of minerals from conflict-affected and high-risk areas and its supplements, the Parties shall also implement measures to promote the uptake of this Guidance.

4. The Parties shall exchange information as well as best practices and, as appropriate, cooperate with the other Party, regionally and in international fora on issues covered by this article.

Article 10

Other Trade- and Investment-related Initiatives Favouring Sustainable Development

1. The Parties confirm their commitment to enhance the contribution of trade and investment to the goal of sustainable development in its economic, social and environmental dimensions.
2. Pursuant to paragraph 1, the Parties shall:
 - (a) promote trade and investment policies that support the objectives of the Decent Work Agenda, consistent with the 2008 ILO Declaration on Social Justice for a Fair Globalisation, including the minimum living wage, inclusive social protection, health and safety at work, and other aspects related to working conditions;
 - (b) facilitate trade and investment in environmental goods and services, including those of particular relevance for climate change mitigation such as sustainable renewable energy and energy efficient products and services, through inter alia addressing related non-tariff barriers, the adoption of policy frameworks conducive to the deployment of best available technologies and cooperating in relation to initiatives in this field;
 - (c) promote trade in goods that contribute to enhanced social conditions and environmentally sound practices, including goods that are the subject of voluntary sustainability assurance schemes such as fair and ethical trade schemes and eco-labels;
 - (d) cooperate bilaterally, regionally and in international fora on issues in this article.

Article 11

Scientific and technical information

When establishing or implementing measures aimed at protecting the environment or labour conditions that may affect trade or investment, each Party shall take into account available scientific and technical information, relevant international standards, guidelines or recommendations, including the precautionary principle. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.

Article 12

Transparency

Each Party shall, in accordance with Chapter ... [*Transparency*], ensure that it develops, enacts and implements:

- (a) measures aimed at protecting the environment and labour conditions that may affect trade or investment, or
- (b) trade or investment measures that may affect the protection of the environment or labour conditions,

in a transparent manner, providing opportunities for non-state actors to submit views.

Article 13

Working together on trade and sustainable development

The Parties recognise the importance of working together in order to achieve the objectives of this Chapter. They may work jointly on *inter alia*:

- (a) labour and environmental aspects of trade and sustainable development in international fora, including in particular the WTO, the ILO, UN Environment, and MEAs;
 - (b) the impact of labour and environmental law and standards on trade and investment;
 - (c) the impact of trade and investment law on labour and the environment;
- as well as trade-related aspects of:
- (d) the implementation of MEAs and fundamental, priority and other up-to-date ILO Conventions of relevance in a trade context;
 - (e) the ILO Decent Work Agenda, including on the inter-linkages between trade and full and productive employment, labour market adjustment, core labour standards, decent work in global supply chains, social protection and social inclusion, social dialogue, skills development and gender equality;
 - (f) MEAs, including customs cooperation and support for each other's participation in MEAs;
 - (g) the current and future international climate change regime, including means to promote low-carbon technologies and energy efficiency;
 - (h) the Montreal protocol and Kigali Amendment, in particular measures to control the production and consumption of and trade in Ozone Depleting Substances (ODS) and

Hydrofluorocarbons (HFCs), introduction of environmentally friendly alternatives, updating of standards and combating illegal trade of substances regulated by these agreements.

- (i) transparent private and public sustainability assurance schemes, including eco-labelling;
- (j) corporate social responsibility, responsible business conduct, responsible management of global supply chains and accountability, including with regard to adherence, implementation, follow-up, and dissemination of internationally agreed instruments;
- (k) the sound management of chemicals and waste
- (l) the promotion of the conservation and sustainable use of biological diversity, including combatting illegal wildlife trade, as referred to in Article 6;
- (m) the promotion of the conservation and sustainable management of forests with a view to reducing deforestation and illegal logging, as referred to in Article 7, and
- (n) the promotion of sustainable fishing practices and trade in sustainably managed fish products, as referred to in Article 8.

Note: the EU will table institutional and dispute settlement provisions at a later stage