

From earning profits to earning trust

Speech by Cecilia Malmstrom

Commissioner for Trade

Sustainability in EU trade policy

Amfori, 12.03.2018

Ladies and Gentlemen,

My thanks to Christian Ewert and to everyone at Amfori for inviting me here today. Indeed, it is a very important subject which is dear to my heart. The last time I came to speak at one of your events you had a different name.

Allow me to compliment you on your new choice. It is a very nice, and indeed poetic, choice. And it puts into the spotlight what we are here to do and what your members are doing.

Amphorae were the original shipping container. They stored everything – wine, grain, olive oil, more. They carried commodities around the world. Of course, trade has come a long way since then, but some things don't change.

Trade has never been just about goods – it is about values too. In the first century AD along the merchant caravan routes of the Silk Road, Buddhist

monks carried their religion from India to China. Later in the 13th century, these same routes would allow Christian and Islamic missionaries to travel. Apart from religion it carried scientists, researchers, artists, musicians, dancers, philosophers – and their ideas with them. So, trade and culture cannot be separated. Trade cannot be only about goods it is also about people. That's the beauty of trade.

And with culture comes influence. Values are not only spread through academia, books or government outreach. They are passed on through people, commerce and the normal interaction that make up daily life. This is why when we want to tackle an issue by using trade, we need to talk to private business, and that's why we are talking to you today.

If we are going to build a model of trade that works for everyone, we need everyone to work towards it. We need everybody on board. Consumers, government, businesses, consumers and NGOs large and small all need to come together.

Today I will talk about three things. First, I want to talk about the relationship between the private sector and sustainable trade. Both why business should be thinking about it and what the EU is doing to support it. Second, I will show you where these efforts fit into the big picture. How they feed into development policy and global justice. Finally, I will discuss the future of sustainability and trade. Where I see these efforts going and the different ways we can look at trade.

So first, business and sustainable trade. I think Peter Drucker, the Austrian-born management consultant, put it best. He said, “**Profit for a company is like oxygen for a person. If you don’t have enough of it, you’re out of the game. But if you think your life is about breathing, you’re really missing something.**”

Creating a strong business and building a better world should go hand-in-hand. Amfori and your members are a great example of this. As advocates for sustainable and open trade you are setting standards for industry driven change. Through knowledge-sharing, education and advocacy, Amfori creates a real impact.

I'd like to commend your commitment to standards and sustainability in supply chains. **Sustainability should be at the core of any business with a vision for the future.** It is not something the EU only is discussing, it is something the whole world is talking about. And it is a good thing.

There are some who blame trade itself for abuses. They would prefer we shut out the world and wash our hands of the challenges. This is neither realistic, nor right. It will not make the problems go away. Open global trade is one of our fundamental economic freedoms. And it is also a formidable tool for

growth. Millions of people have been lifted out of poverty. If used correctly, it can help the world develop sustainably and inclusively.

The demand for it to be used this way is clearly there. It is clear that European consumers want trade to be fair. They want high standards on consumer, labour, environmental and human rights. We saw this in the 2016 Eurobarometer survey and I see it in the many meetings I have. It showed that half of EU consumers would pay more to support people in developing countries.

We also saw it in the GoTransparent initiative from the Clean Clothes Campaign. A petition with 70,000 signatures was submitted to Primark. Consumers want to know where and how their clothes are being produced. They want to know how it is produced and by whom. Whether this has not involved child labour, whether trade unions are allowed and what is the environmental footprint. A business looking to the future should see that **earning trust is just as important as earning profits.**

On the Commission's end we want to support this. This is why we made the "Trade For All" strategy. Laying a vision for how trade should work, Both at home in Europe and abroad. Responsible Business Conduct is there a critical element.

The EU has already taken steps with partners to promote this. We include provisions on what the private sector can do in EU trade and investment agreements. And we make sure they are effective by offering practical support. We have been in close dialogue with many of you to ensure we create the right incentives. For example, we are organising training sessions and workshops with business, trade unions and policymakers. The first took place in Costa Rica last year. The next will be in Guatemala in May.

We cooperate closely with other international organisations: The EU is the main donor for OECD work on due diligence in the garment industry. They recently published a guide for responsible supply chains in the sector. We are now working together to develop recommendations and activities from their findings, such as:

- Training – including for small and medium enterprises.
- Outreach events.
- And alignment of initiatives already happening in the area. Because lots of initiatives are taking places.

It will make an impact.

We try to complement these actions through cooperation with other partners. The Bangladesh Sustainability Compact brought together governments, trade unions and business. In Myanmar, the Labour Rights Initiative created a space for civil society to discuss Labour Reform. They also discussed how to improve Stakeholder Consultations. We have also taken steps specifically on conflict minerals and responsible supply chain management.

Most recently, the EU is running a new pilot project with the OECD and ILO. It is unique in the scale and nature of cooperation between these three international organisations. This €9 million pilot is designed to promote responsible business conduct in Asia. Addressing a number of supply chain concerns in the region, In countries such as China, Vietnam, Thailand and others. We don't want this to end there. We envision a similar project in Latin America, And perhaps even beyond in future.

We are doing a lot. But we can and will do more. EU trade policy can support and complement efforts from businesses, governments, consumers, NGOs, consumers and other stakeholders. We can ensure the right policy tools can facilitate and create incentives. But we cannot solve all the problems single-handed. Everyone, including business, needs to accept their responsibility. This is not only the right thing to do. It is about improving the way we do business overall. Not just because it is the right thing to do, but because it meets the demands of consumers and is good for competitiveness in the long run.

This leads me to my second point; How our combined effort is part of a bigger picture. Two years ago, I was in New York for the 70th session of the UN General Assembly. The Assembly adopted the 2030 Agenda for Sustainable Development. A clear call was made for the private sector to be involved in pursuing these goals.

In the EU, Member States, the European Parliament, the EU Commission and all the agencies work to support the Sustainable Development Goals is clearly already happening. We see their benefits in our society. But our responsibility, and indeed the responsibility of European business, does not end at our borders.

As a market of 500 million consumers the EU has unprecedented clout. And with considerable investment in value chains around the world, this is something we should use. And I know that this is something that you are actually using. While business has particular influence over two SGD goals – Goal 8 on **Decent Work and Economic Growth** and Goal 13 on **Climate Action** – every objective will require the support of the whole of society if we are to succeed.

Working towards these goals will contribute to a healthier world. Just as a healthy society leads to a healthy business environment, a healthy world supports open rules-based trade. This is particularly important when you consider that **90% of global growth in the next 10 to 15 years will happen outside the EU.**

The efforts of private enterprise in trade do not exist in a bubble. We use trade to tackle issues of development and sustainability in many ways. We included gender-specific provisions in our free trade agreement with Chile. We will have the first ever chapter on anti-corruption in our trade agreement with Mexico, which we hope to conclude very soon. In all trade agreements, we include measures to protect labour standards, human rights, consumer rights and the environment. So we are using trade to shape the world, to shape globalisation

And at the moment we are having a greater impact than ever before. Apart from the deal we are close to closing with Mexico: We have recently signed the most ambitious agreement so far with Canada. The agreement with Japan should enter into force this year. We have deals with Singapore and Vietnam we want to submit. We are close with Mercosur in Latin America. We will open negotiations later this spring with Australia and New Zealand.

All of these agreements will uphold EU standards, as well as support multilateral efforts. With this we are building a circle of friends who believe in a effective rules-based global order, we need to bring everyone with us.

My third and final point I want to share with you today is about the future. The Commission recently laid out a 15 point plan. This plan aims to revamp

the Trade for Sustainable Development chapters in our trade deals. We want to improve the way we implement and enforce these agreements. One of these points deals specifically with responsible business conduct.

All of our recent agreements contain these specific provisions, but now they have been further reinforced to also refer to international instruments. We also want to expand our capacity building and outreach in these areas. We want to empower business to make better decisions.

The EU has taken on other specific causes with business as a partner. Our Women and Trade initiatives have seen us harnessing the power of trade to empower women. We regularly cooperate with sectoral partners on controlling the trade of Dual-Use products - products that can be used for pure evil as well as good – to make our world a safer place.

And we have worked with the private sector to develop a law to stem the trade in conflict minerals. In future I want to see more cooperation between us, in particular in development. We should continue to use trade as a tool to tackle injustice and global challenges.

We are in a difficult period for those who believe in trade as a force for good. In some places trade has been blamed for the pains of globalisation. Others use it as a scapegoat, and insist we can hide behind walls and borders.

And just recently we have seen it used as weapon to threaten and intimidate us. But we are not afraid - we will stand up to the bullies. Through our ambitious negotiating agenda we are working on this circle of friends. We now stand with them, shoulder-to-shoulder, in support of open trade. To the benefit of all. Sustainability is good for our companies and consumers.

Open global trade is good for us all. It is good for growth. Growth is important, we want growth, but not at any cost. Business should promote growth that is good for shareholders, But also good for consumers, employees, the communities they work in and the environment. Their vision should be broad enough to include everyone in their plans for prosperity and progress. This is what we are trying to promote and that many of your companies are working on.

Thank you and I look forward to some lively discussion in our panel discussion.

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08.02.2018