



# Background information

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## Conclusion of EFTA work on trade, environment and labour standards

### 1. Background

The two ad-hoc Working Groups on Trade and Environment and on Social and Labour Standards were established during the EFTA Ministerial Conferences of 30 June 2008 and 25 November 2008 respectively. They were mandated to consolidate the anchoring of provisions relating to trade, environment and labour standards in EFTA FTAs, in particular by according them greater visibility, and to elaborate a set of new model provisions likely to be proposed to EFTA partners during free trade negotiations.

The Working Groups met regularly between September 2008 and December 2009. They began their work by examining existing provisions in EFTA FTAs relating to environment and labour standards, but also in FTAs concluded by other actors. At the beginning of 2010, building on the discussions held in both Working Groups as well as on newly developed text proposals, the two Working Groups decided to join their efforts and to aim at elaborating a combined set of model provisions encompassing aspects relating to both environment and labour standards in FTAs. They based their discussions on recent international developments in the area of trade and environment, as well as trade and labour standards (including preferential trade agreements recently concluded by the EU). The joint Working Group concluded that the most appropriate manner to address concerns relating to the environment and to labour standards consisted of bringing together the relevant provisions in a dedicated chapter on trade and sustainable development, supplemented by provisions (in particular clauses on general exceptions based on WTO provisions) in the sectoral chapters of the FTAs.

The Working Groups presented their conclusions to the EFTA Ministers in June 2010 during the EFTA Ministerial Conference of 24 June 2010 in Reykjavik. The ministers acknowledged with satisfaction the joint report produced by the Working Groups and consider their mandate to have been fulfilled.

## **2. Overview of content of model provisions relating to trade and sustainable development**

The model provisions elaborated by the EFTA Working Groups cover the following aspects:

- **Preamble**

The clauses contained in the Preamble refer in particular to the principles of democracy and the rule of law, human rights and fundamental freedoms, to the fundamental principles and rights at work set out in the International Labour Organisation (ILO) Conventions, to multilateral environmental agreements, to the principle to implement the FTA in accordance with the objective of sustainable development.

- **Article on the objectives of the free trade agreement**

The article builds on the respect for the principles of democracy and human rights as well as on the principle of contributing to the development of trade in such a way as to contribute to the objectives of sustainable development.

- **Article on relations between the FTA and other international agreements**

The article is intended to give assurance that the FTA does not infringe other international agreements, including international agreements on human rights, the environment and labour standards.

- **Provisions contained in the FTA's sectoral chapters**

- Chapters "Trade in Goods", "Trade in Services", "Investment", "Government Procurement" and "Intellectual Property Rights":

The general clauses in the chapters on goods, services, investment, government procurement and Intellectual Property Rights allow parties to take, under certain conditions, measures which deviate from the FTA's obligations in order to protect health or human, animal or plant life, conserve natural resources and protect the environment. These clauses are based on WTO provisions (GATT Art. XX b and g ; GATS Art. XIV, GPA revised Art. III par. 2 and X par. 6 and 9, TRIPS Art. 27.2)

- Chapter on "Technical Cooperation and Development Cooperation"

In cases where an FTA contains provisions on technical cooperation or development cooperation, a model provision foresees that the activities or projects undertaken be implemented taking into account the principles of sustainable development.

- **New chapter on "Trade and Sustainable Development"**

The new chapter on "Trade and Sustainable Development" brings together provisions concerning the environment and labour standards.

In particular, these provisions concern:

- The principle by which economic and social development and environmental protection constitute interdependent and mutually supportive components of sustainable development.
- The promotion of sustainable development at the level of bilateral relations between the parties to the agreement as well as globally.
- Efforts to guarantee high levels of environmental and labour standards protection.

- The effective implementation of national legislation relating to environmental protection and labour standards.
- The commitment not to weaken, waive or derogate from the level of environmental protection and labour standards provided by national legislation with the sole intention to encourage investment or enhance a competitive trade advantage.
- The commitment to observe the fundamental conventions of the ILO (freedom of association and the effective recognition of the right to collective bargaining; elimination of all forms of forced labour; abolition of child labour; elimination of discrimination in respect of employment and occupation) as well as multilateral environmental agreements.
- The promotion of trade in goods and services as well as investment favouring the environment and sustainable development (including products carrying labels certifying that they have been produced according to principles of fairness and respectful of the environment and labour standards).
- The strengthening of cooperation within international organisations active in the field of sustainable development.

Furthermore, the new chapter on trade and sustainable development foresees the possibility of conducting bilateral consultations or discussions in the framework of the Joint Committee established under the FTA in the event of disagreement concerning compliance with the provisions under the chapter on "Trade and Sustainable Development".

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