

# Corporate and social responsibility in international trade agreements

2009/2201(INI) - 25/11/2010 - Text adopted by Parliament, single reading

The European Parliament adopted by 480 votes to 48, with 6 abstentions, a resolution on corporate social responsibility in international trade agreements.

Parliament notes that global challenges have been sharpened by the financial crisis and its social consequences, and have led to worldwide discussion on the **need for a new regulatory approach and governance issues in the world economy**, including international trade. Parliament takes the view that the new, more efficient and better-enforced rules should contribute to the development of more sustainable policies which genuinely take into account social and environmental concerns. It notes, further, that globalisation has **increased competitive pressure among countries to attract foreign investors** and competition between corporations, which has sometimes led to **serious abuses** of human and labour rights and damage to the environment in order to attract trade and investment.

The resolution recalls that the principles underpinning CSR, which are fully recognised at international level, whether by the OECD, the ILO or the United Nations, concern the responsible behaviour expected of undertakings and presuppose, first of all, **compliance with the legislation in force**, in particular in the areas of employment, labour relations, human rights, the environment, consumer interests and transparency vis-à-vis consumers, the fight against corruption and taxation.

Parliament recalls that promoting CSR is an objective supported by the EU and that the Commission takes the view that the Union must ensure that the external policies it implements make a genuine contribution to the sustainable development and to the social development of the countries concerned and that the actions of European corporations, wherever they invest and operate, are in accordance with European values and internationally agreed norms.

**CSR fully integrated in the trade agreements concluded by the EU:** Parliament takes the view that the social clauses in trade agreements should be complemented by the incorporation of the concept of CSR. It calls for CSR principles and obligations to be taken into account and integrated into the future Commission communication on 'A New Trade Policy for Europe under the EUROPE 2020 Strategy'. Considering CSR to be an effective tool for improving competitiveness, skills and training opportunities, occupational safety and the working environment, as well as promoting a sustainable environmental policy (although it clearly cannot supplant labour regulations or collective agreements), Members call for companies to be urged to apply CSR with a view to safeguarding the physical integrity of workers and to respect the human rights, in particular in SMEs.

Parliament also points out that **CSR should also address new areas** such as: i) the organisation of work; ii) equal opportunities and social inclusion; iii) anti-discrimination measures; iv) the development of lifelong education and training; v) quality of work; vi) equality of pay and career prospects and vii) the promotion of innovative projects.

In parallel, Parliament recalls that **companies and their subsidiaries** are among the main players in economic globalisation and international trade. In this context, it calls on the Commission to investigate the possibility of establishing a **harmonised definition** of the relations between an undertaking designated the 'parent company' and all undertakings in a relationship of dependency with respect to that company, whether those undertakings are subsidiaries, suppliers or sub-contractors, in order to establish the legal liability of each of them. Given the key role played by corporations, their subsidiaries and their supply

chains in international trade, that corporate social and environmental responsibility must become an integral part of the European Union's trade agreements;

More generally, Parliament recommends the **promotion of good CSR practices by all companies**, irrespective of where they operate. Citing the important role of the social dialogue in developing best practice in terms of CSR, it calls for a 'CRS culture' to be spread through training and awareness-raising, and by the strengthened role of European Works Councils.

Members also call for:

- CSR to be incorporated into the GSP and GSP+ generalised systems of preferences while ensuring that transnational companies, whether or not they have their registered office in the European Union, whose subsidiaries or supply chains are located in countries participating in the GSP, and in particular in GSP+, are required to comply with their national and international legal obligations in the areas of human rights, labour standards and environmental rules;
- New impact assessments on sustainable development should be undertaken in order to properly reflect the economic, social, human rights and environmental implications, including climate change mitigation goals, of trade negotiations and include appropriate follow-up by the Commission. The Parliament should also be kept fully informed on how the findings of these Sustainability Impact Assessments (SIA) of agreements are incorporated into negotiations prior to their conclusion.

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**New impact assessments on sustainable development** should be undertaken in order to properly reflect the economic, social, human rights and environmental implications, including climate change mitigation goals, of trade negotiations and include appropriate follow-up by the Commission. The Parliament should also be kept fully informed on how the findings of these Sustainability Impact Assessments (SIA) of agreements are incorporated into negotiations prior to their conclusion.

**CSR clauses in all the European Union's trade agreements:** Parliament proposes, in more general terms, that future trade agreements negotiated by the Union should incorporate a chapter on sustainable development which includes a 'CSR clause'. This clause would incorporate the following:

- mutual undertaking by the two parties to promote internationally-agreed CSR instruments in the context of the agreement and their trade relations;
- incentives to encourage undertakings to enter into CSR commitments negotiated with all the social dialogue stakeholders;
- a requirement – which takes into account the specific situation and capabilities of SMEs within the scope of the recommendation 2003/361/CE of May 2003 and according to the 'think small first' principle– for corporations to publish their CSR balance sheets at least every two or three years to encourage the visibility and credibility of CSR practices;
- a requirement for undertakings to show due diligence, i.e. a requirement to take measures in advance with a view to identifying and preventing violations of human and environmental rights, corruption or tax evasion, including in their subsidiaries and supply chains;

- a requirement for companies to commit to free, open and informed prior consultation with local and independent stakeholders before a project that impacts upon a local community commences;
- a particular focus on the impact of the employment of children and child labour practices.

Other provisions could be included including the possibility to carry out investigations in the event of proven breaches of CSR commitments or the reinforcement of transnational judicial cooperation to sanction infringements committed by corporations. Parliament proposes a parliamentary monitoring mechanism to ensure the implementation of the CSR clause, as well as a transparency mechanism or forum that would encourage companies to voluntarily achieve higher standards of CSR.

**Promoting CSR in multilateral trade policies:** lastly, Parliament calls on the Commission to advocate the incorporation of a CSR dimension into multilateral trade policies in international fora, such as the OECD and the WTO. It calls to explore, within these same forums, the elaboration of an international convention to be drawn up to establish the responsibilities of 'host countries' and 'countries of origin', as part of the fight against the violation of human rights by multinational corporations and the implementation of the **principle of extra-territoriality**. It also advocates the establishment, within the WTO, of a Trade and Decent Work Committee, along the lines of the Trade and Environment Committee, which would provide a forum for the discussion, in particular, of the issues of labour standards.