

Key issues paper on Federal Government trade policy

The present bill to ratify CETA is embedded in a new trade policy of the Federal Government as understood below:

I. World Trade Organization (WTO)

The bulk of Germany's foreign trade takes place within the framework of WTO rules. This foreign trade remains an important foundation of our prosperity. We oppose protectionism and want to continue to enable and promote free and fair world trade. We want to reform the rules of global trade. Our focus is on renewing the rules on market-distorting subsidies, unblocking the Dispute Settlement Mechanism and aligning it with the Paris Climate Agreement and the UN Global Sustainability Goals.

II. EU trade agreements in general

The Federal Government will enter into further negotiations at European level in the spirit of the following points:

We want to create the policy conditions that enable German and European foreign trade to be diversified. Especially in view of the current crises, we want to reduce dependencies on individual countries and broaden our range of both import countries and sales markets. Above all, we want to intensify cooperation and trade with countries with which we share fundamental values of liberal democracy. We will therefore work to establish trade agreements on the basis of the most progressive trade agreements at EU level. We recognise that trade can only take place on an equal footing. Contracts are concluded with good intentions, whereby the goal is to expand economic relations. Nevertheless, we need safeguards to prevent the abuse of trading privileges.

All future international trade agreements concluded at European level, including those already being negotiated, are to be backed by specific sanctions to be invoked in the event of non-compliance with international agreements and conventions, and these international agreements and conventions are to be enforced effectively overall. This applies to the trade benefits and freedoms offered as well as to the agreed sustainability standards. The agreements are therefore to lay out incentives as well as dialogue and mediation mechanisms, such as panels. We want trade sanctions to be used as a last resort for serious violations of core Trade and Sustainable Development (TSD) commitments, in particular the International Labour Organization's Fundamental Principles and Rights at Work and the Paris Agreement on Climate Change and the Convention on Biological Diversity as proposed by the Commission in the TSD process.

This approach will build on and strengthen respect for fundamental workers' rights and the Paris Agreement as essential elements of our trade agreements. The application of trade sanctions for violations of specific TSD provisions will follow the

general dispute settlement rules. Trade sanctions will thus be temporary and proportionate and may take the form of a suspension of trade concessions. Our goal is that in the future, legal disputes based on trade agreements will be settled before multilateral trade tribunals.

The Federal Government is committed to ensuring that the negotiations with Chile and Mexico are brought to a constructive and speedy conclusion in line with the coalition agreement.

In the future, inter-institutional agreements are to be used as a tool to ensure better democratic participation in the implementation of free trade agreements. To this end, regulatory cooperation on issues relating to changes in substance and interpretation in particular is to be made more democratic through the involvement of the European Parliament.

Specifically, we have laid down the conditions for the ratification of the Mercosur Agreement in the coalition agreement. We will not go below these requirements and will work towards the ratification of the Mercosur Agreement in line with these. To do this, the standards (as described above) and procedures established in the TSD negotiations must be upheld. There is also a need for instruments and procedures on verifiable, legally binding human rights protection obligations and a supplementary agreement on the protection and conservation of existing forest areas that is enforceable in practice.

III. Investment protection agreements

The German government will negotiate all investment protection agreements in the spirit of the following points:

- The "right to regulate" is to be strengthened in all investment protection agreements.
- We want to focus investment agreements on protection against "direct expropriation and national treatment".

IV Energy Charter Treaty

The EU is currently negotiating a reform of the Energy Charter Treaty. Our expectations of the reforms are the following:

- the Energy Charter Treaty does not contradict common European goals, in particular the European climate goals and the German Climate Change Act;
- the "right to regulate" is to be secured in such a way that investment protection for all energy sources and infrastructure does not contradict the climate goals of the respective country;
- the sunset clause is shortened;

- investment agreements are focused on protection against "direct expropriation and national treatment";
- the Energy Charter Treaty is brought up to date with current technological developments on the path to climate neutrality.

In the event that the negotiations fail, the Federal Government calls on the European Commission to take the appropriate measures.

V. CETA

"We will take the decision on the ratification of the Comprehensive Economic and Trade Agreement (CETA) once the review by the Federal Constitutional Court has been completed.

"We are working at European level to strengthen the decision-making powers of the European Parliament vis-à-vis the future evolution of the agreement based on regulatory cooperation."

"We are pressing for investment agreements that focus investment protection for companies abroad on direct expropriation and discrimination, and want to prevent the misuse of this instrument – including in pending agreements."

For the specific procedure, this means the following:

Large parts of CETA are currently under provisional application. The section on investment protection is not yet being applied. Ratification has been completed in 15 countries and is still pending in a further 12 countries. In line with the above-mentioned criteria for limiting the abusive application of substantive protection standards and enabling regulatory cooperation, the German government is pursuing talks at EU level and with the Canadian government towards the development of an Interpretative Declaration by the Joint CETA Committee. This will enable these amendments to undergo final ratification in the Bundestag in the autumn. This solution must not stop the ongoing ratification process taking place in the EU in parallel, but must allow it to continue