STUDY

Cédric Koch & Franziska Korn (FES), Nora Rohde & Miriam-Lena Horn (DGB)
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Competitive International Partnerships

Instruments, Partner Demands, and Reforms for the socio-ecological transformation

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Friedrich-Ebert-Stiftung e.V.
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info@fes.de

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Konstantin Bärwaldt / Referatsleiter Globale Politik und Entwicklung

Kontakt
Christiane Heun
christiane.heun@fes.de

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Executive Summary

Partnerships for the socio-ecological transformation are essential for Germany and the EU to decarbonise their economies successfully and achieve strategic autonomy for future-oriented sectors. The stated policy goals of these partnerships break with existing economic relationships based on free trade. Instead, they declare a dual goal of securing resources and inputs for the EU *while also* strengthening local value creation and sustainable development. These goals are advanced not least to make partnering with the EU and Germany competitive vis-à-vis efforts by China and other geoeconomic rivals to secure resources from and trade relations with the same partners.

The new aspirations of international partnerships with the EU and Germany are in principle widely welcomed by key partners in Latin America, Africa, and Asia with whom FES and DGB have discussed this issue over the past eighteen months. At the same time, the new approach and most of its instruments remain less widely known and the new lofty rhetoric is viewed sceptically to date, not least due to historical experience and contradictions with more powerful external economic policy instruments. Proposals based primarily on the EU's need for rapid deals with individual states whose governments are eager for short-term gains can undermine local efforts to achieve inclusive governance and regional integration. Partners' own (regional) development strategies and demands for (re-)industrialisation must be as firmly entrenched at the core of new partnerships as the EU's need for resources and inputs to ensure that new partnerships are durable and resilient.

In current practice, however, deficiencies in implementing this approach predominate: promises of greater local value creation have so far often not been underpinned by legally binding or financed agreements. In addition, contradictions abound with other, more powerful tools with external effects, such as trade and investment agreements that increasingly safeguard resource supply to the EU without securing greater local value creation or more sustainable development to an equal extent. In practice, these instruments often pursue different objectives to those enshrined in partnership agreements but the two categories must increasingly be considered jointly from the perspective of partners. Finally, the EU and Germany's effectiveness in building resilient transformation partnerships is weakened by the impending retreat from regulating multinational companies' global supply chains in the name of 'competitiveness'. Progressive partners value these efforts, have invested hopes in existing instruments of due diligence legislation, and see their potential weakening in the name of competitiveness as undercutting their own ambitions for more sustainable development.

In the light of this status quo, promises of a new kind of partnership for future-oriented sectors that will overcome old asymmetries ring hollow. That means there is a risk of disillusionment among key partners who are crucial for the EU and Germany, but whom other geo-economic powers are also competing to secure as trade partners. Ultimately, that jeopardises the success of the partnership approach in delivering key benefits, also for Germany and the EU.

In order to pursue competitive and resilient international partnerships more effectively going forward, four main areas need reform based on the stated goals of partnerships and on the views and demands of progressive partners from key regions:

a) coherent integration of EU and German external policy instruments into the new partnership approach
b) strengthening partnerships' local value creation through specific industrial policy tools
c) legitimising and securing partnerships over time through inclusion and participation
d) protecting human and environmental rights through appealing measures to ensure resilient partnerships.

These recommendations are especially relevant for the EU's new Clean Trade and Investment Partnerships (CTIPs), which present a particularly promising opportunity to make partnerships offers from the EU and Germany more competitive and resilient including in the eyes of partners.

Policy Recommendations

A) Integrating external policy instruments coherently into the new partnership approach

1. The EU and Germany must invest substantially greater financial resources to ensure partnership agreements deliver on their promises and to reap their returns.
2. Existing contradictions between partnership agreements and more binding trade and investment agreements with a more traditional free-trade focus must be reduced.
3. The EU and Germany should likewise minimise contradictions between the new partnership approach and EU legislation with external economic effects, such as

the Carbon Border Adjustment Mechanism (CBAM) or the Corporate Sustainability Due Diligence Directive (CSDDD).

4. Better administrative coordination with shared responsibility between trade and development portfolios is needed in Germany and the EU to prevent hollow partnership promises in the future.

5. The new Clean Trade and Investment Partnerships (CTIPs) represent a particularly promising opportunity for coherent development of the EU and Germany's partnership approach.

B) Strengthening partnerships' local value creation through specific industrial policy tools

6. Industrial policy clauses should be included in trade and investment agreements or partnership agreements strengthened through a binding legal basis (including the new Clean Trade and Investment Partnerships (CTIPs)).
7. Conditionalities for public investment in partner states can be expanded and used more effectively to support local value creation, especially within a strengthened Global Gateway.
8. Equity stakes in new investment projects for partner states can make an effective contribution to sustainable revenue streams for partners and incentivise sustainable development.

C) Legitimising and securing partnerships over time through inclusion and participation

9. Greater parliamentary and civil society participation in the full negotiation cycle for trade and investment agreements is vital, with incentives for partner governments to do so as well.
10. Civil society participation needs to be strengthened in the EU's Global Gateway and Critical Raw Materials governance to ensure successful projects and resilient partnerships.
11. Partner states should be involved at an earlier stage in designing partnerships and their investment components through permanent dialogue institutions and Global Gateway reform.

D) Protecting human and environmental rights through appealing measures to ensure resilient partnerships

12. Protecting human and environmental rights in partner countries is indispensable for sustainable development *and* makes the EU more attractive compared to its geo-economic competitors.
13. Corporate due diligence laws are appreciated by progressive partners and protect their concerns through safeguards against withdrawal, effective participation, and low implementation costs.
14. Trade and investment agreements' sustainability chapters are equally valued by progressive partners but may require development safeguards and compensation tools to make binding rules acceptable.
15. Investor obligations analogous to supply chain provisions in the EU Single Market or in trade law are a promising and underexplored sustainability instrument without direct costs for partner states.

1. Introduction

A twofold challenge confronts the EU and Germany today: Just as they urgently need to decarbonise their economies to respond to the climate crisis, global trade and value chains essential to that effort are in upheaval. A fundamental reorganisation of economic relations is underway, driven by the recent Covid-19 and inflation crises, growing geopolitical tensions with Russia and China, the rise of nationalist autocrats including in the US, and the increasing power and self-confidence of emerging economies like Brazil, India, and South Africa. The EU and Germany, as very open economies with major import dependencies and vulnerabilities, are particularly exposed to these convulsions and find themselves caught between geo-economic power blocs and aggressors. In the midst of an escalating climate crisis, European policymakers today need to secure economic success in this new economic context while achieving climate neutrality as legally required by 2050 (or 2045 in Germany).

Both Germany and the EU have begun responding to this twofold challenge with various trade and industrial policy tools. Domestically, Germany has developed its own industrial strategy of regulatory reform and subsidies to decarbonise while securing the competitiveness of key sectors like the steel and automotive industries, as well as safeguarding security of supply and domestic production for future-oriented fields including clean tech.[1] Conversely, the EU has updated its external economic policy tools to respond to the reorganisation of world trade and value chains.[2] This includes defensive trade instruments for economic security and strategic autonomy,[3] efforts to secure new trade agreements,[4] and a new carbon border tax to complement the EU's internal carbon pricing mechanism.[5]

New international partnerships to diversify trade and pursue the socio-ecological transition to net zero in the new geo-economic context play a prominent part in these efforts.[6] While trade policy is an exclusive EU competence, Germany pursues international partnerships as an instrument to secure key inputs and technologies that the German economy depends on to decarbonise, as well as to support key partner states like Namibia in their transformations.[7] Since 2021, many new partnerships have additionally been negotiated by the EU.[8] These partnerships also focus both on securing critical raw materials and green hydrogen *and* supporting partner states' socio-ecological transformation. They aim to complement a nascent EU industrial policy turn that includes EU-level strategies with agreed goals to secure and develop critical raw materials[9] and to decarbonise industry across the EU.[10]

These partnerships seek to secure raw materials and inputs including those needed for the EU and Germany's decarbonisation, *while also* making a greater contribution to sustainable development among partner countries than traditional economic relations based on free trade. This twofold ambition defines the new partnerships but is not driven by altruism or the ambition to rectify historical injustices of extractivist (post-)colonialism; instead, such partnerships also respond explicitly to geo-economic competition that pits the EU and Germany against China, the US, and other states seeking to obtain resources, energy, and inputs. In a transforming world economy, the EU and Germany recognise they need to pitch themselves as more attractive partners to countries on which their decarbonisation and competitiveness depends.

1 BMWK (2023b): Industriepolitik in der Zeitenwende. Available at: https://www.bmwk.de/Redaktion/DE/Publikationen/Industrie/industriepolitik-in-der-zeitenwende.pdf

2 European Commission (2021b): Trade Policy Review – An Open, Sustainable and Assertive Trade Policy. Available at: https://eur-lex.europa.eu/resource.html?uri=cellar:5bf4e9d0-71d2-11eb-9ac9-01aa75ed71a1.0001.02/DOC_1&format=PDF

3 European Commission (2025m): Trade Defence. Available at: https://policy.trade.ec.europa.eu/enforcement-and-protection/trade-defence_en; European Commission (2025n): Anti-Coercion Instrument. Available at: https://trade.ec.europa.eu/access-to-markets/en/content/anti-coercion-instrument

4 European Commission (2025k): Negotiations and Agreements. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/negotiations-and-agreements_en

5 European Commission (2025b): Carbon Border Adjustment Mechanism (CBAM). Available at: https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

6 European Council (2025d): Climate change: what the EU is doing. Available at: https://www.consilium.europa.eu/en/policies/climate-change/

7 BMWK (2025): Klima-, Energie- und Wasserstoffpartnerschaften und Energiedialoge. Available at: https://www.bmwk.de/Redaktion/DE/Artikel/Energie/internationale-energiepolitik-2.html

8 European Commission (2025j): Global Gateway Sustainable and trusted connections that work for people and the planet. Available at: https://international-partnerships.ec.europa.eu/index_en; European Commission (2025l): Raw Materials Diplomacy. Available at: https://single-market-economy.ec.europa.eu/sectors/raw-materials/areas-specific-interest/raw-materials-diplomacy_en

9 European Commission (2023c): Critical Raw Materials Act. Available at: https://single-market-economy.ec.europa.eu/sectors/raw-materials/areas-specific-interest/critical-raw-materials/critical-raw-materials-act_en

10 European Commission (2023i): The Net Zero Industry Act. Available at: https://single-market-economy.ec.europa.eu/industry/sustainability/net-zero-industry-act_en

The new European Commission's Clean Industrial Deal, presented in February 2025, and the coalition agreement adopted by the recently elected German government confirm that the revised partnership strategy will be deepened in coming years. Building on the last EU legislature's efforts, the new European Commission seeks to coordinate all existing EU tools including decarbonisation efforts under the strategic goal of industrial competitiveness.[11] So-called Clean Trade and Investment Partnerships (CTIPs), intended to pool and further develop existing socio-ecological transformation partnerships, are a key component. The first CTIP negotiations with South Africa were announced in March 2025, with others to follow.[12] It is likely that the new German government will likewise continue the practice of international transformation partnerships, both as part of the EU's Team Europe approach to international cooperation, and nationally; the German Social Democrats and Conservatives both mentioned partnerships prominently in their electoral campaign platforms. While the future of individual instruments like Just Energy Transition Partnerships (JETPs) is unclear as the US has stepped back as a funding partner, the recent German government coalition agreement states repeatedly that pursuing transformation partnerships remains crucial.[13]

In parallel, both the EU and Germany began last year to pursue a different policy response to today's new geoeconomic context, aiming to restore competitiveness for EU companies, including by introducing less stringent due diligence obligations for their global value chains. In recent years, EU Member States like France and Germany as well as the EU per se have passed landmark due diligence laws targeting multinational companies and their sourcing practices along global value chains. Currently, various EU provisions are in force. These include due diligence requirements for large companies,[14] sustainability reporting rules for firms,[15] as well as measures against products that use forced labour[16] or contribute to deforestation.[17] However, the Commission and Council recently agreed to revise the content of some of this legislation.[18] While the two EU institutions argue that simplification of company reporting rules boosts the EU's competitiveness and strengthens its economy, the proposal (prior to negotiations with the European Parliament, which to date has only accepted additional delays in applying the new rules)[19] also postpones and waters down companies' legal obligations to contribute to sustainability efforts in a globalised world.[20] Furthermore, the new German government's coalition agreement announced far-reaching plans to "reduce bureaucracy", which would also involve re-scrutinising all EU sustainability legislation, including provisions targeting global value chains.[21]

However, both the way in which new types of trade and development partnerships have been pursued to date and the impending rollback of EU sustainability legislation for global value chains risk undermining attempts by Germany and the EU to secure resilient partnerships effectively today. Reform efforts by Germany and the EU have so far neglected the perspective of partners in Asia, Africa, and Latin America and their demands that the new partnership principles be taken seriously, including in trade policy. This oversight is reflected not least in the scepticism expressed towards new partnership claims, in the EU's failure since 2021 to secure binding agreements under the aegis of its trade and partnership policy (except for those with the UK, New Zealand, and Chile), as well as in the delayed conclusion of the Mercosur Agreement.[22] Furthermore, claims that partners increasingly disapprove of European trade standards as neo-colonial green protectionism, and thus that rolling back such legislation simplifies partnerships, lack empirical foundations. This stance risks conflating the

11 European Commission (2025f): The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation. Available at: https://commission.europa.eu/document/download/9db1c5c8-9e82-467b-ab6a-905feeb4b6b0_en

12 European Council (2025b): EU - South Africa Summit Declaration. Available at: https://www.consilium.europa.eu/media/i40na1ze/published-8-eu-south-africa-joint-declaration.pdf

13 CDU, CSU & SPD (2025): Verantwortung für Deutschland. Koalitionsvertrag zwischen CDU, CSU und SPD. Available at: https://www.spd.de/fileadmin/Dokumente/Koalitionsvertrag2025_bf.pdf

14 European Union (2024a): DIRECTIVE (EU) 2024/1760 of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859. *Official Journal of the European Union*, L. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760

15 European Union (2022): DIRECTIVE (EU) 2022/2464 of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting. *Official Journal of the European Union*, L322/15. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2464

16 European Union (2024b): REGULATION (EU) 2024/3015 of 27 November 2024 on prohibiting products made with forced labour on the Union market and amending Directive (EU) 2019/1937. *Official Journal of the European Union*, L. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32024R3015

17 European Union (2023): REGULATION (EU) 2023/1115 of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010. *Official Journal of the European Union*, L150/206. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R1115

18 European Commission (2025o): Commission simplifies rules on sustainability and EU investments. Available at : https://finance.ec.europa.eu/publications/commission-simplifies-rules-sustainability-and-eu-investments-delivering-over-eu6-billion_en; European Council (2025c): European Council conclusions on competitiveness, European defence and security and migration. Available at: https://www.consilium.europa.eu/en/press/press-releases/2025/03/20/european-council-conclusions-on-competitiveness-european-defence-and-security-and-migration/

19 European Parliament (2025): Sustainability and due diligence: MEPs agree to delay application of new rules. *Plenary Sessions Press Release.* Available at: https://www.europarl.europa.eu/news/en/press-room/20250331IPR27557/sustainability-and-due-diligence-meps-agree-to-delay-application-of-new-rules

20 Horn, M.L. & Korn, F. (2025): Hätte, hätte, Lieferkette. IPG-Journal, 27.02.2025. Available at: https://www.ipg-journal.de/rubriken/wirtschaft-und-oekologie/artikel/haette-haette-lieferkette-8121/

21 CDU, CSU & SPD (2025): Verantwortung für Deutschland. Koalitionsvertrag zwischen CDU, CSU und SPD. Available at. https://www.spd.de/fileadmin/Dokumente/Koalitionsvertrag2025_bf.pdf

22 See also Jackson, S. (2025): Getting Clean Trade Partnerships Right. NewClimate Institute Blog, 20.02.2025. Available at: https://newclimate.org/news/getting-clean-trade-partnerships-right-a-win-for-the-eu-and-developing-countries

views of (some) governments and companies with those of progressive forces and social partners, as well as overlooking differences between different instruments, for example conflating the carbon border tax with corporate due diligence legislation, which is viewed more positively.

These blind spots undermine the effectiveness of the new partnership approach as a means to ensure strategic autonomy and secure future-oriented supply chains for Germany and the EU in the longer term in a context of geo-economic competition. Instead, sticking to the status quo entails risks that the EU and Germany may (again) be accused of hollow promises by key partners in the Global South that the EU and Germany depend on for their own economic fortunes. In turn, the new partnership approach may therefore fail to deliver resilient alliances for the decades ahead, especially in competition with China and other geo-economic powers.

To address these risks, this paper analyses how trade and supply chain policy can contribute more effectively to sustainable and mutually beneficial transformation partnerships between key regions and the EU or Germany. In doing so, we draw on a joint Friederich-Ebert-Stiftung (FES) and German Trade Union Confederation (DGB) project in which a series of workshops were organised with experts, policymakers, and trade union representatives in Latin America, Asia, and Africa as well as with civil society representatives in Berlin and Brussels between 2023 and the end of 2024. We analyse existing instruments of transformation partnerships, report these key progressive partners' demands vis-à-vis the EU and Germany, and distil policy recommendations to reform existing instruments to foster more resilient international partnerships.

We argue that overcoming the weaknesses in today's partnership policy requires a more credible policy turn and more coherence between instruments in the fields of international cooperation, trade policy, and supply chain regulation than is evident to date. There is much prominent language and many high-level diplomatic efforts promising to move beyond neo-colonial relations towards what are termed mutually beneficial and inclusive partnerships. So far, however, the actual partnership instruments remain largely legally non-binding, underfinanced, and thus ineffective as a means to attain these high ambitions. Furthermore, several other, more powerful instruments affect economic relationships with partners in an uncoordinated and sometimes contradictory way: binding policy instruments (i.e. trade and investment agreements) can contradict (and legally supersede) stated transformation partnership goals. Likewise, rolling back binding legislation to ensure sustainable practices by MNCs in partner states contradicts stated partnership goals, ignores MNC's vast potential contribution to and responsibility for sustainable development, and undermines demands of key progressive partners for a just transition that includes workers.[23] Progressive partners favour more corporate due diligence, value Europe as a partner for human rights and environmental protection, and would see a rollback of these efforts as undermining the EU and Germany's credibility as partners for their sustainable development.

To make transformation partnerships more effective in reaching their stated goals, we highlight and discuss four main recommended areas of reform:

a) integrating external policy instruments coherently into the new partnership approach
b) strengthening partnerships' local value creation through specific industrial policy tools
c) legitimising and securing partnerships over time through inclusion and participation
d) protecting human and environmental rights through appealing measures to ensure resilient partnerships.

To arrive at these recommendations, the paper first introduces and provides an empirical overview of international transformation partnerships involving the EU and Germany. Section 3 subsequently shows how existing trade and supply chain policy instruments also affect the goals of transformation partnerships. Section 4 reports and summarises perspectives and demands from progressive partners in three key world regions concerning the EU and Germany's new partnership approach. Section 5 develops policy recommendations for Germany and the EU, based on our analysis of existing instruments, in light of the partnerships' stated goals and key progressive partners' views and demands.

23 See International Labor Organization (2015): Guidelines for a just transition towards environmentally sustainable economies and societies for all. Available at: https://www.ilo.org/publications/guidelines-just-transition-towards-environmentally-sustainable-economies

2. International Transformation Partnership Instruments in Germany and the EU

The EU and its Member States are economically dependent on and vulnerable to the rest of the world in their efforts to achieve a socio-ecological transformation. The EU does not produce sufficient inputs itself and cannot do so affordably. That holds true in particular for critical raw materials needed on a massive scale to electrify the economy, green hydrogen to decarbonise industrial processes, renewable energy per se, and affordable clean tech like solar panels. In addition, geoeconomic vulnerabilities to countries that are increasingly unreliable and sometimes outright hostile continue to abound in existing fossil value chains, for example for (liquefied) natural gas from Russia or the US, as well as semiconductors and clean tech from China. The EU and Germany cannot maintain their wealth and achieve sustainable economic success in a decarbonising world economy without trading partners from the rest of the world.

In response to this realisation, both the EU and Germany have developed a set of instruments that aim to build international partnerships for the socio-ecological transition. Since 2021, the EU institutions and the German government have stated explicitly that these partnerships should be based on different principles of mutual benefit and equality than was the case in historical economic relations. They claim that this will ensure the resilient supply of inputs and diversified trading partners that is vital for successful socio-ecological transformation within the EU.

2.1 The New International Partnership Approach in EU and German Foreign Policy

As the European Commission recently summarised officially, "there has been a paradigm shift in the way the EU approaches its international partnerships beyond the EU's immediate neighbourhood. This shift derives from a recognition that we must move away from donor-recipient dynamics and position ourselves more boldly in an increasingly contested international environment. The new international partnerships complement other forms of structured economic engagement – e.g. trade, energy, climate". It is perhaps the EU's global public investment initiative Global Gateway that most markedly "embodies the conceptual shift towards mutually beneficial partnerships of equals and serves a double imperative: resilience abroad and at home".[24]

Importantly, these partnerships are said to follow a different logic at the intersection of trade and development policy, allegedly providing sustainable mutual benefits. The messaging emphasises that other policy tools, even in areas outside the EU development cooperation portfolio, also follow and contribute to this new partnership approach. This concerns in particular efforts to source raw materials critical to the EU's green transition, as well as renewable energy engagements across the globe, which are framed in the same language (see In Brief 1).

The last German government (2021–2025) adopted a similar response and rationale in its international partnership approach. The defining twofold promise of diversified trade partners and secure resources for Germany *and* sustainable development for its partners is explicitly mentioned in recent strategy documents on securing raw materials, hydrogen imports, and policy towards China (see In Box 1).

Box 1:

Recent EU and German Partnership Pledges in Official Policy Documents

From the EU's 2023 CRMA Communication:
"International trade is key to supporting global production and ensuring the diversification of supply [of critical raw materials]. EU actions include using trade agreements to secure and diversify trade in critical raw materials, expanding the EU's network of strategic partnerships with a value chain approach and strong sustainability dimension, [and] using the Global Gateway for soft and hard infrastructure to deploy projects along the raw materials value chain and support connectivity".[25]

"Through strengthened international engagements, we will work with our partners to diversify and integrate sustainable supply and value chains. [...] While these partnerships should contribute to the diversification of the EU's raw materials supply chain, they should equally enhance the sustainability and value addition in the production of these resource rich developing and emerging countries. [...] The EU will pursue these objectives in cooperation with third countries to en-

24 European Commission (2024a): Building Sustainable International Partnerships as Team Europe, p.1. Available at: https://international-partnerships.ec.europa.eu/document/download/1e8e8afb-64eb-493c-9494-7e2e10796bf3_en?filename=joint-communication-building-sustainable-international-partnerships-as-team-europe_en

25 European Commission (2023c): Critical Raw Materials Act. Available at: https://single-market-economy.ec.europa.eu/sectors/raw-materials/areas-specific-interest/critical-raw-materials/critical-raw-materials-act_en

sure mutually beneficial partnerships, with a view to promoting their own economic development in a sustainable manner while also creating secure, resilient, affordable and sufficiently diversified value chains for the EU”. [26]

From the European Commission’s 2022 External Energy Communication:
The EU is “determined to [...] engage with partners across the globe to encourage partner countries to enhance their climate ambition and define their pathways to climate neutrality, but also to establish long-term relationships that are mutually beneficial, in particular in the area of energy. The EU will continue and step up its engagement around the world through dedicated partnerships. This can be done by financial support, assistance, technology transfers, and/or enhanced trade relationships”. Pursuing this approach entails “facilitating long-term sustainable investment, including through the Global Gateway” as well as to steps to “implement the joint energy transition partnership with South Africa and explore the scope to forge other global partnerships along this model.”[27]

“The EU is committed to strengthening its energy security, while supporting a clean and just global energy transition”.[28]

From the German Federal Ministry for Economic Affairs’ 2023 update of Germany’s 2019 Raw Materials Strategy:
Germany seeks to diversify partners and secure resources through “a holistic approach which also focuses on the demands of countries where extraction occurs. Partnerships shall be designed such that they yield [...] long-term incentives for partner countries (e.g. through the promotion of local value creation) and contribute to strengthening their own industrial basis and to the development of emission-neutral industry in the long term”. [29]

From Germany’s 2023 Hydrogen Import Strategy:
The “goal is to create value chains and economic framework conditions to build up local green hydrogen economies” in partner states through a new public investment fund and leveraging of private investment. “In line with development cooperation principles, the focus is on strengthening local protagonists who can contribute to decarbonisation of the local economy. In additional, the goal is to contribute to diversification of extra-European suppliers of hydrogen and its derivates, to strengthen political dialogue, and to provide information about the added value of German products”.[30]

From Germany’s 2023 China Strategy:
The “Federal Government will ensure that its raw materials partnerships benefit all countries involved. The objective is to support our partners in keeping more value creation in their own countries. Through this policy, we not only promote prosperity in the countries of origin, but also boost the long-term competitiveness of their companies, which can acquire expertise and innovations, over and above mere extraction of raw materials. Our raw materials partnerships are thus helping to diversify our supply chains, promote relations with third countries in a spirit of partnership, and strengthen environmental, social, and governance standards”.[31]

The “Federal Government will ensure that its raw materials partnerships benefit all countries involved. The objective is to support our partners in keeping more value creation in their own countries. Through this policy, we not only promote prosperity in the countries of origin, but also boost the long-term competitiveness of their companies, which can acquire expertise and innovations, over and above mere extraction of raw materials. Our raw materials partnerships are thus helping to diversify our supply chains, promote relations with third countries in a spirit of partnership, and strengthen environmental, social, and governance standards”.

2.2 Existing International Transformation Partnership Instruments in the EU and Germany

In recent years, several types of international partnership agreements have been negotiated between partner states and the EU or Germany as instruments to implement this new approach. These declare shared political goals for the socio-ecological transformation and detail agreed actions and instruments to achieve these objectives going forward.

26 European Commission (2023b): A secure and sustainable supply of critical raw materials in support of the twin transition. Available at: https://circabc.europa.eu/rest/download/7ce37e41-1d9a-4f96-a24b-4f89207700bf

27 European Commission (2022a): EU external energy engagement in a changing world, p. 1,2, 13. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022JC0023

28 European Commission (2022b): EU External Energy Engagements. Available at: https://energy.ec.europa.eu/topics/international-cooperation/eu-external-energy-engagements_en

29 BMWK (2023a): Eckpunktepapier – Nachhaltige und resiliente Rohstoffversorgung Deutschlands. Bundesministerium für Wirtschaft und Klimaschutz, p. 9. Available at: https://www.bmwk.de/Redaktion/DE/Downloads/E/eckpunktepapier-nachhaltige-und-resiliente-rohstoffversorgung.pdf

30 BMWK (2024): Importstrategie Wasserstoff. Bundesministerium für Wirtschaft und Klimaschutz, quotes from p. 30, 32. Available at: https://www.bmwk.de/Redaktion/DE/Publikationen/Energie/importstrategie-wasserstoff.pdf

31 Auswärtiges Amt (2023): China-Strategie der Bundesregierung, p.36. Available at: https://www.auswaertiges-amt.de/resource/blob/2608578/810fdade376b1467f20bdb697b2acd58/china-strategie-data.pdf

Taking the form of Memoranda of Understanding, they constitute declarations of political will rather than binding instruments under international law. They explicitly state that the parties do not engage in legal commitments by signing these agreements.[32] However, the partnerships can be flanked by public investment commitments or specific projects financed by public funds to implement their agreed goals.

- **Just Energy Transition Partnerships (JETPs).** Since 2021, the EU has supported JETPs (a G-7 initiative) with four countries in Africa and Southeast Asia (South Africa, Senegal, Vietnam, Indonesia). These JETPs provide significant pooled investment and development funding to support the energy transition away from fossil fuels in emerging economies, with a view to lowering global emissions, implementing the Paris Climate Accords, and contributing part of the Global North's pledged goal of providing 100 bn USD annually for global climate finance, increased to 300 bn USD at last year's COP 29 in Baku. The US under President Trump left the initiative this year and will not contribute funding going forward.

- **Energy & Climate Partnerships.** The EU has signed partnerships more broadly since 2021 (following a 2016 precursor with India), concluding agreements with other countries in Africa, Latin America, and Asia that focus on renewable energy, green hydrogen, the climate, or green policies. There is no direct public funding attached to these partnerships, which instead represent primarily political instruments for dialogue that record both sides' intentions of cooperating towards shared goals in (legally non-binding) Memoranda of Understanding.

- **Raw Material Partnerships**. Given Europe's dependency on raw materials critical to the ecological and digital transitions, Germany and the EU maintain various raw materials partnerships with countries in Asia, Africa, and Latin America.[33] The previously overlooked vulnerability of raw material value chains, where China plays an especially dominant role, has become apparent due to the shock of the supply chain crises triggered by Covid-19 and the war in Ukraine;[34] in the wake of this realization, commitment in this area has further increased with the updated German Raw Materials Strategy (2023)[35] and the EU's Critical Raw Materials Act (CRMA/2024).[36] Some EU raw material partnerships are explicitly connected to (pre-existing) Global Gateway funding (e.g. Rwanda, Zambia, DR Congo). In March 2025, the Commission selected the first strategic projects under the CRMA: 47 projects in 13 EU Member States, aimed at strengthening European sovereignty.[37]

- **Germany's Energy & Climate Partnerships.** Over and above the EU's ties, Germany has maintained hydrogen partnerships since 2021 with countries such as Namibia, Egypt, and Saudi Arabia to support production of green hydrogen in these countries, also for export to Germany.[38] Since 2022, agreements known as Development and Climate Partnerships with a joint total annual budget of 350 million Euro have been concluded between Germany and countries in Africa, Asia, and Latin America. In addition, Germany also has longer standing energy partnerships with many countries across Africa, Asia, and Latin America. Since 2011, Germany has entered into raw material partnerships with Mongolia and Kazakhstan in Asia, as well as with Peru and Chile in Latin America. These types of partnerships addressing energy and raw materials have no direct public investment funding attached; they are primarily political dialogue instruments that include technical cooperation projects to develop the renewable energy and mining sectors.[39]

The public investment component of all EU international partnership instruments comes from the EU's Global Gateway programme.[40] Global Gateway is the EU's counteroffer to China's Belt and Road Initiative. It is a global infrastructure investment initiative that uses various EU budget items, as well as pooled development funding from EU Member States (acting together as Team Europe), to channel funds into partner countries, as well as leveraging these funds through blended finance or guarantees for public and private investments to support development priorities.

32 For example, the memoranda with Zambia and Chile state that "the partnership is not intended to create rights or obligations under international or domestic law".

33 Korn, F.; Gohla, V. & Dünhaupt, P. (2024): Raw Material Partnerships. Navigating Industrial Transformation, Human Rights and Economic Sovereignty. *FES Analysis*. Bonn: Friedrich-Ebert-Stiftung. Available at: https://library.fes.de/pdf-files/international/21540.pdf

34 As late as 2020, the German government took the view that there was no need for further raw material partnerships to support German industry (see Deutscher Bundestag (2020): Rohstoffpartnerschaften Deutschlands. Available at: https://www.bundestag.de/webarchiv/presse/hib/2020_02/684398-684398)

35 BMWK (2019): Rohstoffstrategie der Bundesregierung. Bundesministerium für Wirtschaft und Klimaschutz. Available at: https://www.bmwk.de/Redaktion/DE/Publikationen/Industrie/rohstoffstrategie-der-bundesregierung.pdf

36 European Commission (2025l): Raw Materials Diplomacy. Available at: https://single-market-economy.ec.europa.eu/sectors/raw-materials/areas-specific-interest/raw-materials-diplomacy_en

37 See European Commission (2025e): Selected Strategic Projects under the CRMA. Available at https://single-market-economy.ec.europa.eu/sectors/raw-materials/areas-specific-interest/critical-raw-materials/strategic-projects-under-crma/selected-projects_en

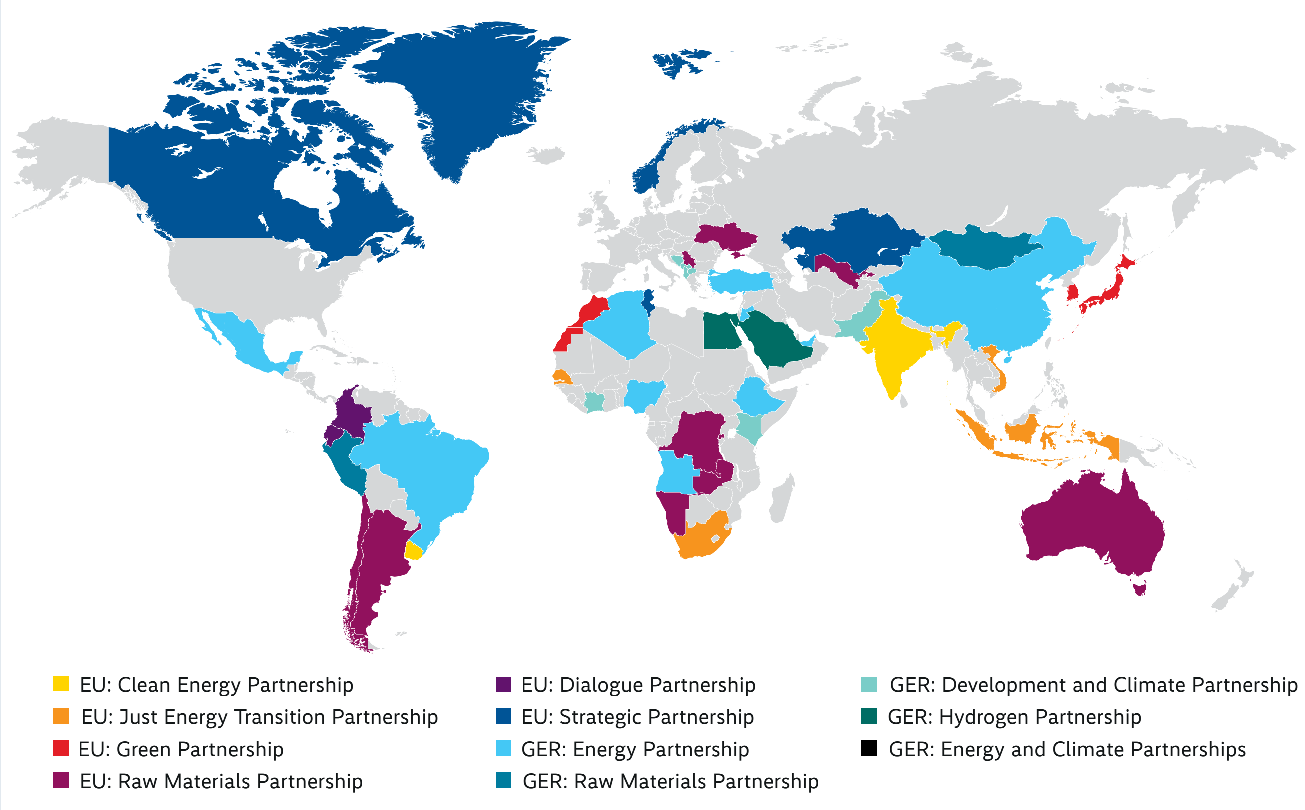
38 Quitzow, R.; Mewes, C.; Thielges, S.; Tsoumpa, M. & Zabanova, Y. (2023): Building partnerships for an international hydrogen economy. *FES Diskurs*. Bonn: Friedrich-Ebert-Stiftung. Available at: https://library.fes.de/pdf-files/a-p-b/19921-20230215.pdf

39 See e.g. the resource partnership with Mongolia (GIZ (2023): Praxisnahe Ausbildung an der Deutsch-Mongolischen Hochschule für Rohstoffe und Technologie fördern. Available at: https://www.giz.de/de/weltweit/140148.html).

40 That initiative is financed by several tools in the EU budget (namely the Neighbourhood, Development and International Cooperation Instrument (NDICI)-Global Europe, the Instrument for Pre-Accession Assistance (IPA) III, the digital and international part of the Connecting Europe Facility, as well as Interreg, InvestEU and Horizon Europe, the EU research and innovation programme). See European Commission (2022c): Global Gateway: Sources of financing. Available at: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway_en

Fig. 1

Socio-ecological transformation partnerships of the EU and Germany (until end-2024)



It focuses on infrastructure in a range of sectors, including most prominently the green transition, and investment projects financed by Global Gateway are sometimes explicitly connected to the above partnership types.

Figures 1–3 provide an empirical overview of these transformation partnerships, drawing on publicly available information from the European Commission and Germany ministries up to the end of 2024. The figures make clear that transformation partnerships with the EU and Germany encompass a plethora of recent but fragmented and only partly funded initiatives and agreements. A wide variety of designations are used to describe these measures, which now cover large areas of the globe and include varying sectoral coverage and contents. While Germany had already begun signing partnership agreements in 2006, the EU's activities have picked up pace, especially since 2021. Most partnerships do not involve official budgets but are focused on political cooperation and technical assistance projects. However, since 2021 certain partnerships (namely the JETPs and Germany's Climate and Development Partnerships, as well as its Hydrogen Partnerships) come with significant public funding attached.[41] Especially in the EU, Global Gateway funding linked to partnerships to the tune of around 0.1 percent of EU GDP per year makes up a significant share of funding relative to the bloc's total annual official development assistance (ODA) of around 0.5 percent of EU GDP annually and its target of 0.7 percent of EU GDP by 2030.[42]

These figures on the public investment underlying partnerships must be contextualised by the figures from the private sector and multinational companies. After all, the volume of private-sector investment (FDI) dwarfs official development assistance for most states and is roughly equivalent to all public-sector aid received, even for the African continent which receives most aid globally.[43] Recent data from the *Financial Times* cited in a 2024 IMF report[44] shows that what is dubbed Green FDI for transformation sectors has exploded in recent years and that between

41 Unfortunately, however, data about Global Gateway funding is tricky to disentangle and not available publicly on the country or programme level. Individual projects under this initiative in transformation sectors that are not connected officially to international partnerships would thus be in addi the budgets calculated for the EU's partnerships in Figure 3.

42 European Commission (2022d): Team Europe's Official Development Assistance reaches €70.2 billion in 2021. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_22_4532

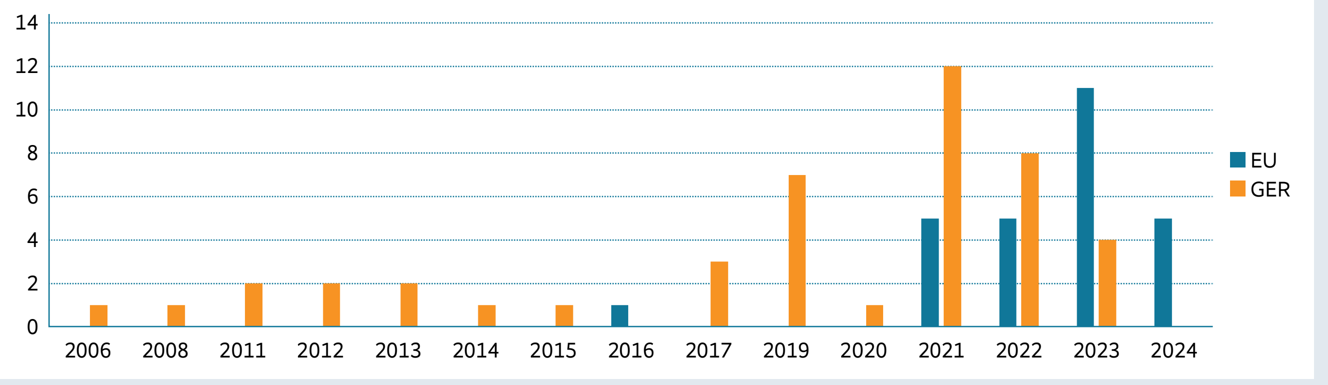
43 UNCTAD (2024): Foreign direct investment: Inward and outward flows and stock, annual. Available at: https://unctadstat.unctad.org/datacentre/dataviewer/US.FdiFlowsStock; ONE (2025). Overview: Official Development Assistance (ODA). *One Data*. Available at: https://data.one.org/analysis/official-development-assistance

44 Jaumotte et al. (2024): Policies to Foster Green FDI: Best Practices for Emerging Market and Developing Economies. IMF Staff Climate Notes, 2024/004. Available at: https://www.imf.org/en/Publications/staff-climate-notes/Issues/2024/10/08/Policies-to-Foster-Green-FDI-Best-Practices-for-Emerging-Market-and-Developing-Economies-555062

2018 and 2022 firms from EU states contributed the largest share globally (around 35 billion USD) of green FDI in emerging markets and developing economies (EMDEs) (see Figure 4). Expressed as a share of GDP to allow for comparison with the aforementioned sums, this amounts to more than 0.2 percent of EU GDP (over five years), with total green FDI flows continuing to rise since 2022. FDI by MNCs thus already represents an almost equally large financial lever to pursue the goals of transformation partnerships and could be linked more strongly to them through political incentives and conditionalities.

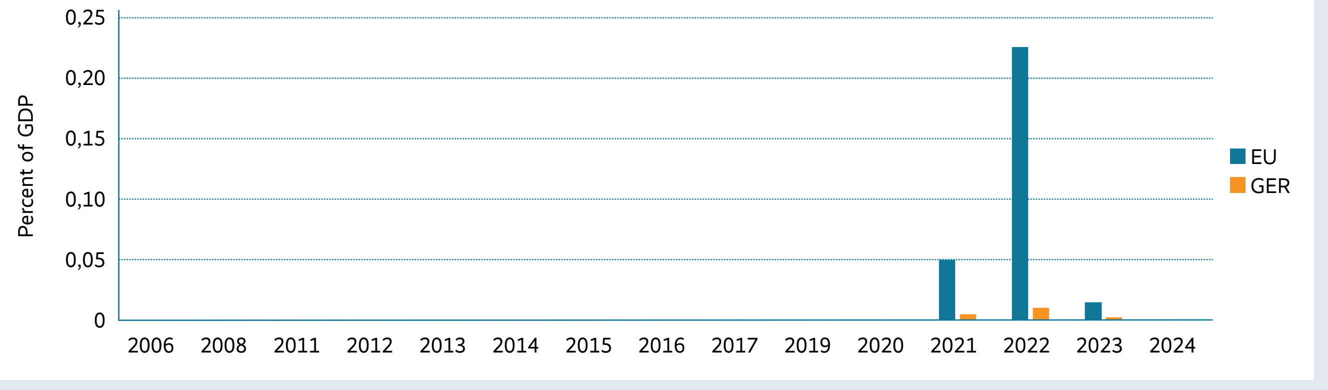
Number of socio-ecological transformation partnerships signed

Fig. 2



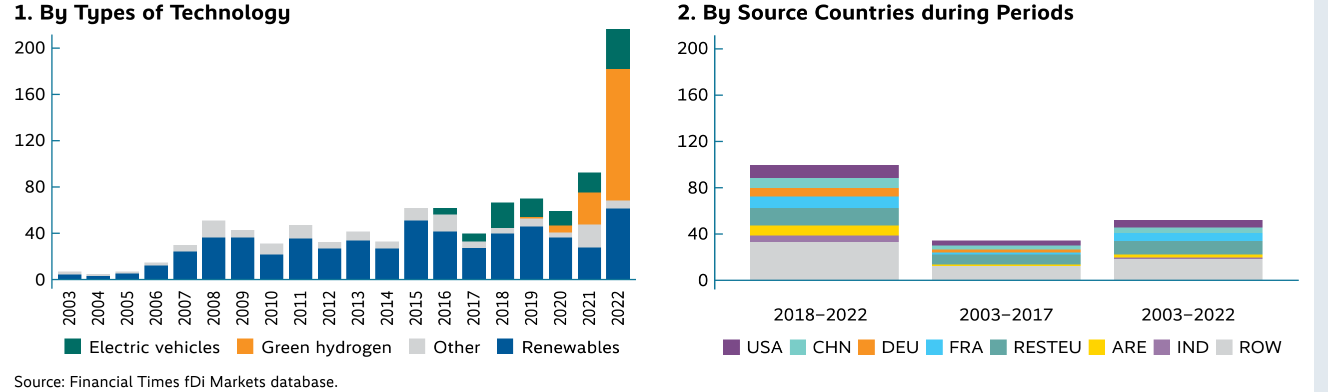
Socio-ecological transformation partnership budgets

Fig. 3



Green FDI inflow to EMDEs in USD billion

Fig. 4



Source: Financial Times fDi Markets database.
Note: The database records project announcements and deletes entries that did not materialize after some years, thus data for recent years might be overstated.
Data labels in the figure use International Organization for Standardization (ISO) countrycodes. FDI = foreign direct investment;
EMDEs = emerging market and developing economies.

3.
Other External Economic Policy Instruments Relevant to International Partnerships

The new partnership approach for the socio-ecological transition and its instruments described in Section 2 is positioned at the intersection of two other foreign economic policy instruments, which together shape partners' relationship with the EU and Germany: a) Trade and investment agreements between states that establish rules for private sector protagonists in partner countries; and b) Single Market legislation, such as due diligence provisions for MNCs operating in the EU that affect their supply chains globally. We discuss these instruments in more detail below and illustrate their relationship to the goals of international partnership agreements based on recent legislation.

3.1 Trade and Investment Agreements

Trade and investment policy forms a second set of policy levers with which the EU (and Germany as a Member State) has an impact on the goals of transformation partnerships.

On the one hand, the EU has Economic Partnership Agreements (EPAs) in place with several regions of the Global South as part of its broader policy towards former colonies (the 2020 Post-Cotonou Agreement).[45] Unlike traditional trade agreements, all EPAs are based on asymmetric trade liberalisation. In addition to many regulatory clauses, through EPAs the EU immediately grants quota-free, duty-free market access to almost all partner exports and in return requires partial and gradual liberalisation of partner markets for EU exports. For developing countries, the EU additionally offers a tiered system of preferential trade conditions (under its Generalised Scheme of Preferences (the GSP and GSP+ rules);[46] all states in this category are exempt from around two-thirds of EU tariffs, with further tariff reductions for states that also comply with global good governance standards. For least-developed countries, the EU in addition offers complete unilateral trade liberalisation under its Everything but Arms (EBA) policy.[47]

In parallel, the EU maintains an extensive web of trade and investment agreements with partner states and regions. In contrast to partnerships per se, these treaties are binding under international law and give rise to rights and duties for the contracting parties. Firms and consumers operating under them thus have access to legal protection, upheld and enforced by the WTO's Dispute Settlement Mechanism, the European Court of Justice, partner countries' legal systems, or by public arbitration courts which may adjudicate trade and investment agreements (since the controversial TTIP and CETA agreements, the EU has turned away from private arbitration panels for investor protection and uses a reformed public adjudication system in its (new) investment agreements).[48]

Since 2011, the EU has included social and environmental standards for trade between partners in these agreements in Trade and Sustainable Development (TSD) chapters. While the commitments in these chapters are in principle binding, their enforceability remains limited. In general, TSD chapters do not enjoy access to the inter-state dispute resolution mechanisms safeguarded by (inter-)national courts that govern the trade chapters of agreements. Breaches instead result in either voluntary consultations between signatories or the establishment of an expert panel with the authority to issue a non-binding report on the matter. Based on that report, the parties should subsequently discuss appropriate remedial action on a voluntary basis. Since 2022, a new approach communicated by the European Commission[49] claims to seek to extend the inter-state dispute settlement to the TSD chapters of its (new) trade agreements, also proposing trade penalties as a remedy of last resort should parties continue to breach agreed commitments.[50]

Together with the introduction of TSD chapters, stakeholders such as trade unions, business stakeholders, and civil society organisations (CSOs) have started to play a more

45 European Commission (2020): Post-Cotonou: Negotiators reach a political deal on a new EU/Africa-Caribbean-Pacific Partnership Agreement. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2291

46 European Commission (2025h): Generalised Scheme of Preferences (GSP). Available at: https://trade.ec.europa.eu/access-to-markets/en/content/generalised-scheme-preferences-gsp

47 European Commission (2025g): Everything but Arms (EBA). Available at: https://trade.ec.europa.eu/access-to-markets/en/content/everything-arms-eba

48 European Parliament (2017): Von der Schiedsgerichtsbarkeit zur Investitionsgerichtsbarkeit. Available at: https://www.europarl.europa.eu/RegData/etudes/IDAN/2017/607251/EPRS_IDA(2017)607251_DE.pdf

49 European Commission (2022e): The power of trade partnerships: together for green and just economic growth. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0409

50 European Parliament (2023b): Trade and sustainable development in EU free trade agreements. Available at: https://www.europarl.europa.eu/RegData/etudes/BRIE/2023/754613/EPRS_BRI(2023)754613_EN.pdf

prominent role in monitoring implementation of agreements. Since the EU–Korea Trade Agreement in 2011, all TSD chapters have established civil society mechanisms for follow-up, advice, and monitoring of the commitments made in this chapter; this involves a domestic advisory group (DAG) made up of representatives from business, trade unions, and NGOs for each of the contracting parties and an annual transnational civil society meeting.[51]

Against this backdrop, some EU trade and investment agreements now contain binding elements related to the socio-ecological transformation. Sometimes these build on previous partnership agreements for raw materials, renewable energy, or climate action more broadly or they mirror these partnerships and their public investment component under the legal framework of trade policy. As the following examples illustrate, many diverse approaches exists today, depending on the specifics of each agreement and the negotiating approaches of the EU and partners. As the examples below reveal, it is not uncommon for more binding trade instruments to run counter to the objectives of partnership agreements, such as local value creation and sustainable development.

- → As the first of its kind, the new approach to enforceable TSD commitments is included in the **2023 EU-New Zealand Trade Agreement**[52] and allows for interstate dispute settlement and ultimately trade sanctions should either party fail to uphold their commitments; these include e.g. the ILO's fundamental principles and rights at work and the Paris Climate Agreement.

- → Binding raw materials provisions are included for the first time in a dedicated chapter in the **2023 EU-Chile Advanced Framework Agreement,**[53] building on the previous raw material partnership.[54] Under the new framework, legal limits are placed on the Chilean practice of dual pricing and interstate dispute settlement, and ultimately trade penalties, can be sought in case of breach. Such provisions limit earlier commitments instead of continuing to develop the previous partnership's objective of creating local added value in areas like processing and manufacturing to foster social and economic development and increase domestic revenue in Chile. The new approach communicated by the Commission concerning dispute settlement arrangements for provisions in the TSD chapter is not included.

- → Similarly, the **2020 EU-UK Trade and Cooperation Agreement**[55] already incorporated a short binding provision on raw materials that prohibited higher export pricing (and thus lower domestic pricing) under interstate dispute settlement provisions. The Agreement contains enforceable commitments on trade and sustainable development, with a view to maintaining high employment and social rights standards, as well as the environmental and climate standards in force in the UK and EU when the agreement was signed. Rebalancing measures can be implemented in case of significant divergences that adversely affect trade. In addition, the DAGs received a more prominent role, monitoring implementation of the whole agreement rather than just the TSD chapter.[56]

- → There is no dedicated raw material chapter in the new **EU-Mercosur Agreement signed in late 2024**,[57] though export duties are prohibited as part of the export taxes agreement for most critical raw materials, with a few exceptions negotiated by Brazil.[58] The TSD chapter contains binding commitments on labour and environmental rights including deforestation, but its dispute settlement mechanism is again separate from the trade chapters and uses an expert panel with non-binding reports. However, as part of the final agreement, the EU vowed to deploy an 'enhanced cooperation fund' of 1.8 billion Euro of (pre-existing) resources (which had been committed in 2023 as part of the EU-LAC Global Gateway Investment Agenda).[59] This funding is intended to help Mercosur states adapt to the agreements' changed standards, as well as to develop sustainable raw material and renewable energy value chains in the region, in line with the goals of transformation partnership agree-

51 See Martens, D.; Potjomkina, D. & Orbie, J. (2020): Domestic Advisory Groups in EU Trade Agreements. *FES Study*. Bonn: Friedrich-Ebert-Stiftung. Available at: https://library.fes.de/pdf-files/iez/17135.pdf

52 European Commission (2024g): EU-New Zealand Agreement. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/new-zealand/eu-new-zealand-agreement/text-agreement_en

53 European Commission (2024c): EU-Chile Agreement. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/chile/eu-chile-agreement/text-agreement_en

54 European Commission (2023f): Memorandum of Understanding EU-Chile. Available at: https://single-market-economy.ec.europa.eu/document/download/26f21445-246b-4f67-90ee-bdd6db3d34c2_en?filename=MoU_EU_Chile_signed_20230718.pdf

55 European Union (2021): Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part. *Official Journal of the European Union*, L149/10. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22021A0430(01)

56 DAGs can submit observations about UK and EU governments' adherence to level playing field commitments and can highlight concerns if they are not being respected, but cannot however trigger investigations into violations of these commitments.

57 European Commission (2024e): EU-Mercosur Agreement – Overview. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercosur/eu-mercosur-agreement/text-agreement_en

58 European Commission (2023d): EU-Mercosur Partnership agreement - Enhancing trade and investment in critical raw materials. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercosur/eu-mercosur-agreement/factsheet-eu-mercosur-partnership-agreement-enhancing-trade-and-investment-critical-raw-materials_en

59 European Commission (2023a): A New Agenda for Relations between the EU and Latin America and the Caribbean. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023JC0017

ments.[60] At the same time, through what is known as the rebalancing mechanism, partner countries can challenge measures that adversely affect trade (e.g. legislation not fully implemented when the Agreement negotiations were concluded). Such measures might include the Corporate Sustainability Due Diligence Directive (CSDDD), the Carbon Border Adjustment Mechanism (CBAM), and the Regulations on deforestation or forced labour . Under this procedure, the parties would need to reach "a mutually satisfactory adjustment, including by means of compensation". Through its own trade agreement, the EU may thus undermine several existing (and future) corporate responsibility and climate initiatives or trigger compensation claims from a regional trade partner.

→ Binding raw materials provisions are also included in the **new EU-Mexico Agreement,** currently awaiting ratification after being agreed in January 2025,[61] and subject to the standard interstate dispute settlement. Again, instruments (such as dual pricing or certain export taxes) that would allow local value creation in the raw materials sector are prohibited. Furthermore, a dispute settlement mechanism using a panel of independent experts similar to the pre-2022 status quo was agreed for the TSD chapter's commitments on labour and environmental rights.

→ The EU's first-of-its-kind **Sustainable Investment Facilitation Agreement (SIFA) with Angola, signed in 2023,** aims at attracting investment including in socio-ecological transformation sectors.[62] In addition, its investment and sustainable development chapter contains commitments to promote labour and environmental rights, including in export processing zones, as well as corporate social responsibility standards. All its provisions are covered by a public dispute settlement system in which an arbitration panel renders a judgment based on which the awarded party can adopt proportionate compensatory measures in response.[63] At present, Angola is also preparing to join the EU-SADC EPA, which does not explicitly cover investment. In this case, a positive improvement upon the existing EPA's baseline seems apparent due to the partnership agreement. As noted in the official Sustainability Impact Assessment commissioned by the EU for both agreements,[64]the SIFA mandates a "dialogue with civil society" which goes beyond the existing standard of EPAs. While the language remains vague,[65] this is still more than the existing EPAs offer: they contain no dedicated TSD Committee and no DAG mechanism to monitor commitments and strengthen the role of civil society in trade.

3.2 EU Single Market Legislation Affecting Multinational Companies' Global Value Chains

A further political instrument that impacts international partnerships is (unilateral) European legislation which aims to ensure compliance with human and environmental rights, as well as bringing about emissions reductions in global supply chains. Examples for such provisions include the EU's CSDD, the Corporate Sustainability Reporting Directive (CSRD) or the European Regulation on Deforestation-Free Products. This legislation imposes various due diligence obligations on multinational companies, which in turn are monitored by state authorities and allow opportunities for trade unions and civil society to participate. As a result, these instruments influence corporate behaviour in global value chains and the way in which producing and purchasing countries do business.

As this legislation encompasses all areas within the ambit of the EU Single Market, it includes sectors relevant to the socio-ecological transformation, such as raw material extraction, energy production, and other inputs to decarbonise the economy. That means that due diligence regulations create obligations that can be used to protect and strengthen workers' position and help protect the environment when partner countries export to the EU from socio-ecological transformation sectors, even if partnership agreements and trade or investment agreements do not include binding and enforceable commitments on labour rights or environmental standards within green economy sectors. In addition, since these standards also strengthen partners' economies, by preventing a "race to the bottom" among producing countries, boosting productivity, and favouring long-term development over short-term extractivism. These instruments thus influence the EU's partnership approach as they target similar developmental, social, and environmental aspects.

60 European Commission (2024i): Questions and answers on the EU-Mercosur partnership agreement. Available at: https://ec.europa.eu/commission/presscorner/detail/en/qanda_24_6245

61 European Commission (2025c): EU-Mexico Agreement. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mexico/eu-mexico-agreement_en

62 European Commission (2024h): EU's first Sustainable Investment Facilitation Agreement enters into force with Angola. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_24_4462

63 European Commission (2023h): Sustainable Investment Facilitation Agreement between the European Union and the Republic of Angola. Available at: https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/a17ccfe1-ce36-428f-bc7f-76bcb902c36a/details?download=true, p.40

64 See European Commission (2021a): Sustainability Impact assessment (SIA) in support of trade negotiations with Angola for EU-SADC EPA accession, Final Report, December 2021. Available at https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/f9babf9b-6d05-475f-a322-1bfc4e5c9982?p=1&n=10&sort=-modified_DESC, p. xii

65 See European Commission (2023h): Sustainable Investment Facilitation Agreement between the European Union and the Republic of Angola. Available at: https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/a17ccfe1-ce36-428f-bc7f-76bcb902c36a/details?download=true, p.49

Four main provisions of this kind with external effects on partner countries stand out:

- **CBAM.** This is a tariff levied by the EU for goods entering the Single Market, equivalent to the carbon price that would be paid within the EU's Emissions Trading Scheme (ETS) for producing the same good. Instead of paying this tariff, exporters to the EU can prove that a carbon price has already been paid during production of the goods (e.g. in their home market). CBAM is intended to prevent carbon leakage, in other words, cases in which production moves outside the EU or EU-produced goods are replaced by more emission-intensive imports in response to the EU's increasingly stringent climate regulations. In addition, it is intended as an incentive for other countries and regions to adopt carbon pricing schemes, also to avoid the need for their exporters to pay the CBAM tariff to enter the EU's Single Market. Most prominently, India has announced the launch of its own carbon pricing system for 2026 in response to the EU's CBAM legislation[66] and to ongoing high-level discussions between India and the EU on implementation and compliance questions.[67] Since 2023, CBAM has been in a transitional phase before entering fully into force; during this phase, the intention is for exporters to the EU to build up their reporting capacities, while some especially carbon-intensive goods and precursors gradually fall within the scope of CBAM. It will enter fully into force in 2026, at which point firms will have to pay the tariff or prove that an equivalent carbon price was paid. CBAM currently covers carbon-intensive industries such as cement, steel, and fertilisers and will be gradually extended to other sectors, such as chemical products and manufactured goods.

- **German Supply Chain Act.** The German Supply Chain Act, which came into force in January 2023, represents a paradigm shift away from voluntary self-commitments from multinational companies to a legal obligation on their part to respect human rights in global value chains. It applies to all companies with more than 1,000 employees that have a registered office in Germany. The law protects human rights in general terms as laid down in the Core Labour Standards of the International Labour Organization (ILO) and the two International Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights. To protect these rights, a due diligence obligation is formulated that applies to the first supplier and, in case of substantiated knowledge of risks, to the entire supply chain, i.e. to all steps required to manufacture products and provide services, from the extraction of raw materials to delivery to the end customer, whether at home or abroad. A public authority monitors compliance with due diligence obligations and can take action in the event of justified complaints from individuals affected. In case of violation, fines can be imposed and a company can also be excluded from awards of public contracts for up to three years. This legislation means that rights holders – including trade unions – can submit complaints to the company directly or to the competent authority.

- **EU Supply Chain Legislation (CSDDD).** Building on German and other national due diligence laws (e.g. in France or Norway), the CSDDD aims to ensure that all large companies operating on the European market have the same obligations regarding human rights and environmental protection in their global supply chains. The Directive relies on binding due diligence obligations, which can be monitored and sanctioned in the event of non-compliance. Companies will now have to carefully examine their production paths and supplier relationships. Where there are risks of violations, companies will have to prioritize addressing these and take appropriate countermeasures. In the best-case scenario, damage to people and the environment will be prevented before it occurs. Compared to the German Supply Chain Act, the CSDDD covers more risks and strengthens the role of trade unions in corporate due diligence processes. The directive also provides effective access to legal protection for those affected by human and environmental rights violations. Its new liability regime enable individuals affected to sue companies for damages if the companies in question could have prevented the damage but failed to act. The CSDDD was adopted in 2024 and must be transposed into national law by EU Member States at the latest by mid-2027.

- **European Regulation on Deforestation-Free Products.** The main driver of deforestation is the expansion of agricultural land linked to the production of commodities like cattle, timber, cocoa, soy, palm oil, coffee, rubber, and some derived products, such as leather, chocolate, tyres, or furniture. In 2023, the EU, as a major economy and consumer of these commodities, agreed to take responsibility for the negative effects of deforestation on the climate and biodiversity.[68] Under the Regulation, any operator or trader who places these commodities on the EU market or exports such commodities from the EU must be able to prove that the products do not originate from recently deforested land and have not contributed to forest degradation. After heated discussions in EU Member States, entry into force, originally scheduled for 2025, was recently postponed by at least one year.

66 Velev, Vasil (2025): India to Launch Carbon Market in 2026, Says Power Minister. Carbon Herald, 24.02.2025. Available at: https://carbonherald.com/india-to-launch-carbon-market-in-2026-says-power-minister/

67 European Commission (2024d): EU-India advance cooperation on CBAM. Available at: https://taxation-customs.ec.europa.eu/news/eu-india-advance-cooperation-cbam-2024-07-05_en

68 European Commission (2023g): Regulation on Deforestation-Free Products. Available at: https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en

In addition to these four instruments, there are further EU provisions on sustainability and due diligence in companies' global supply chains. However, via an Omnibus procedure, which allows the EU to rapidly amend multiple pieces of existing legislation, the European Commission is now planning far-reaching changes to some key EU legislation on sustainability and corporate responsibility. Specifically, this involves the CSRD, the CSDDD, CBAM, the InvestEU Regulation, and delegated acts on EU taxonomy. The European Commission defines its aim as reducing bureaucratic hurdles and easing the burden on companies, in particular by reducing regulatory obligations by up to 35 percent. The Commission argues that this is necessary to promote growth and competitiveness as well as to attract investment.

The implications for the CSDDD are that components like civil liability or the binding nature of companies' climate plans are now once again up for discussion. The CSDDD's entry into application has already been postponed by one year, from 2026 to 2027.[69] The new German government's coalition agreement supports these initiatives. Similar discussions on reducing bureaucracy for multinational companies are currently taking place in Germany and France with regard to national due diligence legislation. While it is necessary to address double reporting obligations for companies, the current proposals would also significantly water down companies' due diligence obligations and thus diminish the necessary protection for employees.[70]

Several changes to CBAM have also been proposed in the Omnibus procedure. These include increasing the threshold of emissions for firms' products to be covered by CBAM, more standardised calculation of indirect emissions calculations, and delayed introduction in 2027. The new German government's coalition agreement supports these initiatives. It also demands a compensation solution for EU exporters that use imported parts or products that fall within the scope of CBAM, as these firms fear competitive disadvantages in export markets.[71] As the higher threshold would reduce implementation burdens on small and medium-sized firms while still ensuring that 99% of emissions are covered, these proposals currently do not seem to substantially water down CBAM's ambitions of stopping carbon leakage, including in the eyes of German trade unions. Their main thrust instead appears to be attaining greater precision in design of the mechanism and more practicable implementation for EU firms.

69 European Commission (2025o): Commission simplifies rules on sustainability and EU investments. Available at : https://finance.ec.europa.eu/publications/commission-simplifies-rules-sustainability-and-eu-investments-delivering-over-eu6-billion_en

70 Horn, M.L. & Korn, F. (2025): Hätte, hätte Lieferkette. IPG-Journal, 27.02.2025. Available at: https://www.ipg-journal.de/rubriken/wirtschaft-und-oekologie/artikel/haette-haette-lieferkette-8121/

71 CDU, CSU & SPD (2025): Verantwortung für Deutschland. Koalitionsvertrag zwischen CDU, CSU und SPD. Available at. https://www.spd.de/fileadmin/Dokumente/Koalitionsvertrag2025_bf.pdf

4. Key Progressive Partner Views on Transformation Partnerships with Germany and the EU

With a view to gaining a better understanding how the EU and Germany's new partnerships for socio-ecological transition can work in practice, FES and DGB organised three workshops with progressive partners in 2024. These discussed how different partnership approaches are perceived, how they interact with local and regional development strategies, and the demands in response to these new approaches.

The first was held in June 2024 in Seoul, South Korea. It brought together experts and trade union members from India, South Korea, the Philippines, Thailand, and Vietnam to address a range of scenarios in terms of trade relations with the EU and global trade unions. A second regional workshop was held in Fortaleza, Brazil, in July 2024 in the margins of the Labour 20 Summit (L20) with trade unionists and policymakers from Latin America (Argentina, Brazil, Chile, Colombia, Mexico, and Uruguay) as well as European and global trade unions. A third regional workshop was held in October 2024 in Accra, Ghana, with experts from nine countries (DR Congo, Ethiopia, Ghana, Kenya, Morocco, Namibia, Nigeria, South Africa, Tanzania) chosen for their importance in regional green value chains of raw materials, energy, and the automotive sector. Drawing on reports by local experts for each workshop, we summarise the main points raised at these gatherings below and synthesise their main take-aways for policymakers.

4.1 Latin America and the Caribbean

The relationship between Europe and Latin America and the Caribbean (LAC) has been characterised since the colonial period by a long history of extractivist exploitation, but also investment and exchange. This brought about a growing and diversifying trading relationship that however also remains persistently asymmetric to this day. Latin America long served predominantly as an exporter of raw materials and agricultural products with lower value-added, even though around one third of its exports are manufactured goods. In contrast, the EU exports almost exclusively manufactured products with higher value-added.[72] In today's geoeconomic context, LAC countries are also deeply integrated with the US market and its firms; the US dominates as a trade partner not only for Mexico but also for Central America and the Caribbean. Furthermore, trade relations with China have grown massively in recent decades and it now forms the primary trade partner of countries in South America, ahead of the US and the EU (though the EU remains the biggest foreign investor in Mercosur, for example).[73]

In this context, partners agreed that there is a window of opportunity today to establish a new chapter in the relationship between Europe and LAC. For progressives from Latin America, this discussion of a "possible new model" of cooperation on the part of the EU presents an opportunity to begin rebalancing historical asymmetries. This can be achieved by recognising the unequal levels of development, the unequal contribution of each region to the climate crisis, and differing capacities to finance the transition. It is imperative that the EU ensures "fair but not equal" negotiating conditions if a potential transition is to be just, meaning that adjustments to foster equitable policies must be made to take account of power and wealth asymmetries between the two regions. This could even confer advantages compared to other geoeconomic competitors of the EU seeking to partner with Latin American states. Building on this, the next stage could assume several forms according to participants, including 1) some form of reparations for the historical inequalities faced by LAC; 2) a win-win scenario, in which both regions benefit; 3) some form of cooperation in newer areas and sectors where neither region has accumulated experience and asymmetric advantages.

Progressive partners from Latin America emphasised that today the EU and LAC share socio-ecological transformation challenges within democracies that have been weakened by past neoliberal policies. In response, creating decent jobs emerges as a crucial factor for both regions to

72 European Commission (2024k): European Union, Trade in goods with Latin American Countries. Available at: https://webgate.ec.europa.eu/isdb_results/factsheets/region/details_latin-american-countries_en.pdf

73 European Parliament (2023a): EU trade with Latin America and the Caribbean. Available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2023/751413/EPRS_STU(2023)751413_EN.pdf; ECLAC (2024): United States Trade Developments – Briefing Notes. Available at: https://www.cepal.org/en/notes/united-states-trade-developments-2024-briefing-notes; European Commission (2024f): EU-Mercosur Agreement. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercosur/eu-mercosur-agreement_en

preserve democratic systems. In this context, the EU could even gain a competitive advantage over the EU's geoeconomic rivals by upholding specific cooperation principles, namely the promotion of fair trade, the central importance of employment, and promotion of social dialogue. The added value relative to China or the US lies in cooperating with a "social Europe" that is democratic, and defends peace, decent employment and human rights – and also demands the same standards from its corporations operating in LAC.

Importantly, LAC's regional integration is a prerequisite for mutually beneficial cooperation with the EU. LAC needs to agree on a common agenda for its bi-regional relations and to make headway on its intra-regional production and trade integration. LAC regional integration has the potential to enhance the scope of cooperation with the EU and expand trade opportunities. It should therefore also be encouraged within the context of the bi-regional relationship, building in part on growing cooperation, including within the WTO framework.

A rebalanced relationship in the transition must address the need to (re)industrialise in LAC, transferring technology, and adding complexity to regional production chains. If the objective is to maintain LAC in its historical role as a supplier of raw materials, a just transition is not feasible. Two paths lie ahead: one in which LAC's dependency is deepened – and democracy further declines – and another in which the region makes a leap forward in its right to development and strengthens its democracies, which would benefit the strategic interests of both LAC and the EU.

However, LAC's endemic debt burden precludes scope for industrialisation and transition without external financing and an expanded fiscal space. In LAC "we are environmental creditors of our financial creditors". Both the region's indebtedness and its main environmental challenges are inextricably linked to its historical geopolitical subordination and economic dependence as a supplier of raw materials to developed countries. Transforming or overcoming these asymmetries also means reforming international financial institutions to end corporate capture and advance fiscal justice.

Existing instruments underpinning the bi-regional economic relationship are seen as ambivalent about these goals. Free trade agreements (FTAs) in general are judged harshly especially by trade union experts, who see the old trade liberalisation approach as deepening existing dependencies and inequalities between the regions, rather than offering a path to more value-added and sustainable development for Latin America. The EU-Mercosur Agreement, the main current trade deal with the region (still under negotiation when the workshop was held), drew vigorous criticism especially for its opaque mode of negotiation and lack of parliamentary or civil society oversight. Ahead of the final round of revisions (agreed in December 2024), Latin American participants criticised the unbalanced nature of the agreement even beyond its foundational framework of mutual liberalisation, While the EU's additional sustainability demands were incorporated into the negotiated agreement, Mercosur's demands, such as for greater EU investment or protection of public procurement from liberalisation beyond WTO levels, were not accepted in return. More generally, such agreements should have a stronger political cooperation and dialogue component, in part to mitigate such risks in future.

EU Single Market regulations with external effects were likewise judged ambivalently. CBAM in particular is harshly criticised as a unilateral and protectionist measure that did not involve partners in Latin America prior to its introduction. Adopting and implementing CBAM without consideration for the effects on partners negatively impacts how other instruments are evaluated, as well as undermining broader trust in the EU's concern for fairness towards the region. In contrast, due diligence laws and mechanisms are widely appreciated. Participants emphasise the need for civil society and trade unions to play an active role to ensure effective enforcement and implementation of such laws and mechanisms. In general terms, the provision of complaints mechanisms and tools for organisations is acknowledged. A binding United Nations (UN) Agreement on Business and Human Rights is considered an appropriate instrument to guarantee labour and environmental rights as a worldwide level playing field for multinational companies.

Based on these perspectives, there were calls for a model of cooperation that is more people-centred and less profit-driven. This requires a comprehensive reassessment of the underlying rationale for negotiating agreements – abandoning the path of FTAs and overcoming their predominantly commercial dimension – moving instead towards an approach that prioritises equity in dialogue and forges alliances for broader cooperation, promotion of human rights and decent employment, environmental protection, and defence of democracy. Cooperation agreements must incorporate political and social dialogue and thus encompass multiple protagonists, including governments, trade unions, parties, businesses, academia, and other stakeholders within society. Cooperative relations occur at all levels.

4.2 Africa

The economic relationship between the EU and the African continent has similarly deep colonial roots of extraction and exploitation, followed by growing investment and exchange, but also persistent asymmetries in the post-independence period. Today, the trade relationship likewise remains marked by asymmetry, as around two-thirds of African exports to the EU are still commodities, while the EU exports predominantly manufactured goods with higher value-added. Nonetheless, some African countries have become important assembly and production sites for EU manufacturing firms, including for re-export into the EU. The geoeconomic context of most African states is likewise affected by the exponential increase of China's importance as an investment and trading partner in recent decades, including under its Belt and Road initiative. While the US market remains important too and is governed by the African Growth and Opportunities (AGOA)'s unilateral trade liberalisation policy, its size by value is around a quarter of the EU's goods trade with the continent.[74]

The African partners' perspectives and demands regarding partnerships with Germany and the EU focussed on moving beyond extractive trade relationships and fostering sustainable, locally driven economic growth. African experts emphasize the need for partnerships that prioritize industrialization, adding value, and economic diversification rather than perpetuating a cycle of raw material exports and foreign-dominated manufacturing. The African Union (AU)'s Agenda 2063 outlines a vision for the continent to emerge as a competitive player in global markets, underpinned by technological advances, strong manufacturing industries, and regional economic integration.

One of the key concerns raised by African experts is the EU's approach to trade, particularly its EPAs, which – though asymmetric in design – ultimately mandate market liberalization for European goods. These agreements often conflict with development objectives stipulated in the continent's Agenda 2063 and the African Continental Free Trade Area (AfCFTA) by opening African markets to European competition, thereby limiting opportunities for local industries to grow. African leaders and trade unions call for a reassessment of these agreements to align with Africa's industrialization goals, allowing protective tariffs and investment in productive capacities to nurture domestic industries. They also criticise the way that the EU negotiates and signs trade deals with individual African states, thereby undermining incentives for regional integration and the AfCFTA's added value.

The EU's climate policies, such as CBAM and the CSDDD, present additional challenges for African exporters. While these initiatives are intended to promote sustainability as well as to protect workers and the environment, they impose compliance costs that many African economies are not yet equipped to meet. The workshop participants argued that these policies should be accompanied by financial and technical support to facilitate a just transition, ensuring that African countries are not disproportionately burdened. A proposed solution includes a CBAM Adjustment Fund, possibly financed by revenues from the mechanism itself, to support African industries in upgrading their infrastructure and adopting greener technologies.

Another critical demand is for local value creation through technology transfer, infrastructure development, and investment in African manufacturing. Although Africa possesses abundant natural resources essential for green technologies, the bulk of value-added activities, such as refining and processing, take place outside the continent. Participating African experts saw positive aspects in some existing partnerships, such as the Hydrogen Partnership between the EU and Namibia. More generally, however, they advocated for local content requirements in EU-funded projects to ensure that African workers and businesses benefit from economic partnerships. European corporations operating in Africa should also be encouraged to establish production facilities within the continent, fostering skills development, job creation, technology transfer, and long-term economic stability.

Trade unions play a vital role in ensuring that workers' rights are upheld in these partnerships. However, African trade unions often lack the resources and institutional backing needed to influence trade negotiations effectively. That also applies to their response to the German Supply Chain Act as well as to upcoming EU corporate due diligence legislation. Trade unions are in favour of this legislation, but need capacity support when it comes to implementation so that they can make active use of the instruments. African representatives advocate for increased funding for trade union capacity building, as well as the inclusion of trade unions in advisory bodies such as DAGs. Such mechanisms would provide a platform for workers to participate in shaping trade policies and ensuring that agreements align with labour rights and fair working conditions.

Finally, African experts stress the importance of transparency in trade negotiations. Many trade agreements between the EU and African nations are drafted with limited public consultation, leaving civil society and workers' organisations without a voice in decision-making. Ensuring that trade agreements are made publicly accessible and subject to democratic scrutiny from the start of the negotiation process would enhance accountability and allow African nations to negotiate from a position of greater strength. It could also help avoid risks, for example to human rights, which could be anticipated through ex-ante impact assessments.[75]

Overall, African partners envision a partnership with Germany and the EU that is rooted in mutual benefit, equitable growth, and long-term sustainability. By addressing structural inequalities in trade policies, investing in Africa's industrialisation, and supporting fair labour practices, the EU can contribute to a future in which Africa is an active,

74 Eurostat (2022): Archive: Africa-EU – international trade in goods statistics. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?oldid=554854; Office of the US Trade Representative (2025): Africa Trade Summary. Available at: https://ustr.gov/countries-regions/africa; Luke, D. (2023): *How Africa Trades.* London: LSE Press. Available at: https://press.lse.ac.uk/site/books/e/10.31389/lsepress.hat/

75 MacLeod, Jamie, Friedrich-Ebert-Stiftung (2022): Human Rights and the African Continental Free Trade Area. *FES Report*. Geneva: Friedrich-Ebert-Stiftung. https://library.fes.de/pdf-files/bueros/genf/19225.pdf

competitive participant in global value chains rather than a passive supplier of raw materials.

4.3 Asia

Economic relationships between the EU/Germany and countries in Asia assume diverse forms due to the range of different economies represented in this world region. For example, Vietnam and South Korea already have FTAs with the EU, while such FTAs are being discussed in India and Thailand. While economic heavyweights such as India and South Korea have maintained close relations with the EU for years, the importance of Thailand and Vietnam as trading partners has only increased more recently.

Asian countries are also embedded in a complex geoeconomic context characterised by both collaboration and competition among major global powers. Ongoing geopolitical tensions between the United States and China significantly influence global trade and value chains. Countries in Asia are often caught in the crossfire and must navigate their economic policies carefully to strike a balance in relations with both major powers. The EU, particularly Germany, is seen as a vital partner due to its advanced technological capabilities, economic strength, and commitment to sustainable development. However, the EU must also contend with the influence of other geopolitical heavyweights in the region.

Trade agreements were the first main instruments that experts discussed and critiqued in the regional workshop in Asia. Their objectives and impact were addressed, particularly regarding the inclusion of labour and environmental standards. Some argued that imposing European standards on Asia raises many questions, given the economic, social, and technological disparities between the regions and in particular the question of whether this strategy creates a substantial burden for the political, economic, and social systems of countries in Asia and hinders their sustainable development. While trade union representatives in particular argued in favour of instruments such as sustainability chapters to balance power between workers and MNCs or investors, others contended that trade agreements should primarily focus on economic aspects. There was scepticism about whether the EU is genuinely concerned about the labour situation in Asian countries; it was suggested that these standards may instead represent a backdoor means of protecting EU markets.

In terms of due diligence mechanisms, new legislation in Germany and the EU was seen as a welcome instrument to ensure human rights and environmental standards. It has the potential to strengthen global framework agreements between MNCs and global trade union federations to ensure more effective protection of labour rights as defined by the ILO's Core Labour Standards. Discussions at the workshop emphasised that the standards set by European due diligence legislation reflect ILO conventions, which should be the bedrock of any economic activity in order to balance power between capital and people. In fact, government failure to implement ILO conventions could be mitigated by such due diligence legislation.

However, it was underlined that due diligence legislation will only be accepted in producing countries when safeguards ensure companies do not simply withdraw from countries where human rights violations occur. Instead, companies, especially MNCs, need to assume responsibility and must contribute to ensuring that such violations do not occur. In contrast to the multilateral ILO principles underlying the CSDDD, the question of who sets the standards was raised, especially regarding unilateral EU measures like CBAM or the Regulation on Deforestation-Free Products. Participants pointed out that unilateral, monopolistic adoption and imposition of standards provokes resistance in developing countries and there was agreement that the Western world should not be the sole rule-maker.

Communication and training needs to be tailored to the needs of the partner countries to ensure that national and European supply chain legislation is used effectively. This includes publicising the instruments and capacity building to ensure that the legislation can also be applied. Compared to multinational companies, trade unions in producing countries do not have the human and financial resources to manage this on their own.

Furthermore, the EU is losing credibility in its efforts to promote sustainability and human rights worldwide. Changing messages from Brussels are causing confusion and frustration among representatives from trade unions, politics, and business. Many find it incomprehensible that the EU first enacts numerous laws, such as the CSDDD, and subsequently amends them substantially before they come into force. Participants also gave this feedback for the German Supply Chain Act. This means that the EU is losing credibility in its efforts to promote sustainability and human rights worldwide. Autocratic countries can also use the change of course against trade unions and their right to freedom of association and assembly.

4.4 Summary: Progressive Partner Demands Towards the EU and Germany

The new aspirations of international partnerships with the EU and Germany are widely welcomed in principle among key partners in Latin America, Africa, and Asia with whom the DGB and FES discussed the topic. Across world regions, there are vigorous calls for a globally just transition and the EU and Germany are in principle seen as attractive partners when it comes to a joint approach to handling the challenges of transformation in coming decades. At the same time, partner countries are well aware that the EU and Germany are dependent on them for the green value chains of the future and of their coveted role as partners, with parallel offers especially from China and the US. This makes partner countries more confident, also in asserting that economic relationships based predominantly on free trade, with asymmetric benefits for the richer global North, are no longer deemed acceptable if they lack long-term sustainable development pathways,. Instead, if the EU and Germany are remain attractive partners in coming decades, it is viewed as essential across all three world regions to overcome the historical injustices that have arisen as a result of the previous colonial and neoliberal globalisation phases, the asymmetric gains of FTAs, as well as economic dependencies due to extractivist development models.

At the same time, the new approach and most of its instruments remain less widely known and so far the new lofty rhetoric has been viewed with scepticism, not least due to historical experience and contradictions with more powerful external economic policy instruments. Experience warns potential partners of Europeans' ultimately self-interested and often hypocritical policy in practice, both historically but also during the Covid-19 pandemic. Potential partners want the EU and Germany to deliver on their stated promises of a new kind of partnership and express limited tolerance for hypocrisy and double standards. In that spirit, all partners emphasised contradictions between the new partnership approach, partners' perception of the EU and Germany, and the factors that dominate the reality of economic relations on the ground: existing trade and investment agreements and multinational companies' practices in partner states. Ignoring the more powerful instruments of legislative provisions on trade, investment, and global value chains while claiming a new spirit of partnership for the socio-ecological transformation is not an option for progressive partners across all three world regions.

Progressive partners also emphasised that offers based primarily on the EU's need for quick deals with individual states whose governments are eager for short-term gains can undermine local efforts at inclusive governance. Rather than incentivising executive control especially in corruption-prone resource and energy sectors, the EU and Germany should thus use their leverage to incentivise transparent, inclusive governance. Wherever partners' political systems allow, the EU should demand greater transparency and more meaningful inclusion of parliaments and civil society in partnership negotiations to support local struggles for more sustainable and inclusive development pathways. Of course, this would require the EU itself to pursue parliamentary participation in these negotiations in the first place, as we discuss later.

Partners' own (often regional) development strategies and demands for (re-)industrialisation must form the core of new partnerships to ensure these are durable and resilient. Rather than designing partnership offers based on the need for resources and energy in the EU and Germany, this requires considering how partnerships can contribute to preexisting development pathways and receiving access to goods and services coveted by the EU and Germany in return. Rather than incentivising division and competition within partner regions for links to the EU based on sustainable value chains, it is essential to pursue more regional rather than national offers, especially where regional integration projects are a key part of development strategies (for example the AU's Africa 2063 or ASEAN's ten-year development strategies). Industrialisation of the continent, including in future-oriented sectors, is an essential plank for the AU strategy, as is re-industrialisation in the Latin American context. These demands form the goals against which new partnerships are measured.

5.
Reform Needs for Competitive Transformation Partnerships in the EU and Germany

Partnerships for the socio-ecological transformation are essential for efforts on the part of Germany and the EU to decarbonise their economies and achieve strategic autonomy for future-oriented sectors. Their stated policy goals break with existing economic relationships based on free trade enforced by the asymmetric power that the EU and Germany wield in practice. Instead, Germany and the EU declare that partnerships should address the demands and needs of partners proactively, including efforts to strengthen value-added among partner countries and more inclusive governance for both negotiation and implementation of agreements.

The following sections develop reform reform recommendations to pursue these goals more effectively going forward, based on the stated goals of partnerships and on the views and demands of progressive partners from key regions reported above.

5.1 Integrating External Policy Instruments Coherently into the New Partnership Approach

Contrary to far-reaching promises, existing partnership agreements remain legally weak, fragmented, and underfunded. To date, these instruments do not contribute convincingly to the dual goal of securing critical raw materials, energy, and clean tech for the EU *while also* strengthening local value creation and sustainable development in partner states. Strengthening partnership agreements is however not trivial; ensuring more legally binding provisions is difficult as these agreements are usually run by development agencies (or DG INTPA in the European Commission) that lack authority to enact binding commitments on private firms (as this is within the purview of economics ministries or DG TRADE in the European Commission). More generally, the EU holds exclusive authority over trade matters, meaning that national ministries cannot sign binding agreements under trade and investment law. Instead, non-binding memoranda of understanding or partnership agreements can be made more effective mainly by the classical international cooperation policy tool of including more concrete financial commitments by the EU and Germany (as well as from multinational companies standing to benefit from them).

Substantially greater financial resources therefore need to be invested by the EU and Germany to ensure partnership agreements deliver on their promises and to reap their returns. The current Global Gateway budget of 53 billion Euro in public guarantees over seven years and across all partner states[76] is vastly insufficient in that regard. The Global Gateway hopes to generate up to 300 billion Euro in final investment by crowding in private investors via the European Investment Bank(EIB)/the European Bank for Reconstruction and Development (EBRD) and national development banks.[77] However, it remains unclear whether it is realistic in practice to leverage funds to this extent and the blended finance approach is criticised from a development perspective; funds spent directly as ODA grants are viewed as preferable, since they do not add to already high debt burdens.[78] Of course, fiscal resources are scarce and international cooperation budgets are under especially harsh attack recently in the EU and globally. However, private actors are unable to provide the investments needed to achieve partnership promises under market conditions; investment risks are higher in third states and the transformation sector still requires public support to pull needed private investments forward and deliver decarbonisation on schedule to meet global climate commitments. Such public investments do however pay off. When done well, they offer high returns both for the EU in general and for Germany, as well as for companies involved in implementing projects that gain footholds in key future markets. In addition, within the Global Gateway's Team Europe approach, the EU and Germany have an increasingly effective financial toolbox to use scarce public resources efficiently. The EIB/EBRD and national development banks can leverage small grants and guarantees in the EU budget in financial markets to de-risk more private investments in partner states. Expanding use of this approach by increasing the public funds at the heart of the Global Gateway is therefore crucial to plug existing gaps between partnerships' promises and their financial ability to deliver them. Increasing these

76 European Commission (2023e): Global Gateway Overview. Available at: https://international-partnerships.ec.europa.eu/policies/global-gateway/global-gateway-overview_de#finanzierungsquellen

77 Tagliapietra, Simone (2024): The European Union's global gateway: an institutional and economic overview. *The World Economy*, 47(4), 1326-1335.

78 Eurodad (2024): Who profits from the Global Gateway? The EU's new strategy for development cooperation. Available at: https://assets.nationbuilder.com/eurodad/pages/4589/attachments/original/1728405785/01_EU-GG-report-2024-FINAL.pdf?1728405785

funds is ultimately a political decision in the EU budget negotiations starting this year. As CSOs have criticised,[79] these funds should not replace development budgets per se, given that Global Gateway's purpose differs from poverty reduction, has clear financial returns for EU firms, and offers a geostrategic benefit in terms of the EU's own decarbonisation efforts.

In addition, it is vital to reduce existing contradictions vis-à-vis binding but more traditionally free-trade-oriented trade and investment agreements. Within the European Commission, this requires updating negotiation mandates for DG TRADE in line with the new partnership approach currently pursued by DG INTPA, which lacks authority to conclude binding instruments. A joint taskforce under the joint leadership of the Commission and Council Presidents (possibly supported by the European External Action Service) should explore and propose (in consultation with the European Parliament, trade unions, and civil society experts) how non-binding commitments from signed transformation partnership agreements could be transposed effectively into binding trade and investment legislation. Scheduled reviews and ongoing diplomatic discussions with partners who have trade and investment agreements as well as EPAs with the EU should be used to insert updates into these agreements in line with transformation partnerships' dual goals of trade *and* sustainable development.

The EU and Germany should likewise minimise contradictions between the new partnership approach and EU Single Market legislation with external economic effects. Much discontent has been caused by non-involvement of partners and lack of compensation regarding CBAM as well as by the EU's 2023 deforestation legislation, which complicated the parallel EU-Mercosur Trade Agreement negotiations. Continuous dialogue with partners including earlier feedback on the design of EU Single Market provisions with external effects is crucial to alleviate this problem. Similarly, the eventual deal resolving the EU-Mercosur dispute points to a sufficiently legitimate way out in the eyes of partners; the rebalancing mechanism agreed with Mercosur states stipulates that "a mutually satisfactory adjustment, including by means of compensation" shall be implemented for future EU legislation with adverse trade effects. When funding is made available to help cover implementation costs, progressive partners indicate readiness to implement and accept EU sustainability legislation, which they welcome in principle. Similarly, a CBAM adjustment fund demanded by our African partners points to compensation mechanisms as key. Greater focus on partner concerns during the EU's ongoing Omnibus procedure would be appropriate to ensure that CBAM – which EU companies need to ensure a global level playing field and which business groups thus support – can be implemented in practice without punishing and alienating essential partners. To mitigate this risk, a share of future CBAM revenues could be used to help finance, for example, green production upgrades in partner states like Mozambique whose steel-dominated exports to the EU are particularly threatened by CBAM.

Improved administrative coordination with shared responsibility between trade and development portfolios is needed to achieve coherence and prevent hollow partnership promises in the future. Currently there is a risk that either development agencies lack access to effective tools or trade-minded bureaucracies that are in charge counteract development agencies' goals in practice. In the EU, this applies to DG TRADE and DG INTPA (or DG NEAR in the EU's closer neighbourhood), with authority and responsibilities to enact partnership goals divided unhelpfully between the Directorates-General. In Germany, responsibilities are similarly split between the Ministry for Economic Affairs and the Ministry for International Cooperation, rather than uniting the partnership portfolio under joint coordination. Integrating international transformation partnerships under the aegis of a single body would recognise how deeply trade and development are in fact linked today and underscore that they are indistinguishable in the eyes of partner societies. Integrating policy in these fields would enable the EU and Germany to use its full toolbox to shape partner relations more effectively.

The upcoming CTIPs under the Clean Industrial Deal[80] represent a particularly promising opportunity to develop the EU and Germany's partnership approach more coherently. As part of the new European Commission's work plan until 2029, a recent agreement to launch negotiations with South Africa for a CTIP centred in part on sustainable aviation fuel as well as battery manufacturing and EVs represents the first attempt to build further on the transformation partnership approach. While currently these commitments are secured only through a joint leaders' statement,[81] in future the binding legal basis of EU trade agreements should be combined in these sectoral agreements with the partnership principles upheld in EU development cooperation. Administratively, this requires joint ownership within the European Commission by DG TRADE, which is currently responsible, led by Commissioner Šefčovič, and by DG INTPA, led by Commissioner Síkela. Since Commission President von der Leyen and Council President Costa

79 Eurodad (2024): Who profits from the Global Gateway? The EU's new strategy for development cooperation. Available at: https://assets.nationbuilder.com/eurodad/pages/4589/attachments/original/1728405785/01_EU-GG-report-2024-FINAL.pdf?1728405785

80 European Commission (2025f): The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation. Available at: https://commission.europa.eu/document/download/9db1c5c8-9e82-467b-ab6a-905feeb4b6b0_en

81 European Council (2025b): EU - South Africa Summit Declaration. Available at: https://www.consilium.europa.eu/media/i40na1ze/published-8-eu-south-africa-joint-declaration.pdf

announced CTIP negotiations with South Africa in March 2025,[82] there is an opportunity for a joint taskforce, under their leadership and spanning DGs, to pursue and implement these agreements. Financially, the CTIPs build on the existing Team Europe approach to finance Global Gateway projects. Using this method, a smaller scale 300 million Euro grant from the EU budget could be leveraged through the EIB and member states' development banks into 4.7 billion Euro of final investment for South Africa.[83] In a time of constrained budgets and pressure on development funding, this structure can help to achieve shared goals at the intersection of trade and development policy. However, more public funds at the heart of this structure remain necessary in the next EU budget from 2028 onwards to ensure sufficiently concessional finance for partners rather than development funding being used to subsidise EU firms' investments abroad.

5.2 Strengthening Partnerships' Local Value Creation through Specific Industrial Policy Tools

Specific industrial policy tools are needed as part of the external economic policy instruments deployed by the EU and Germany to ensure partnerships contribute effectively to delivering their key promise of greater local value creation in partner states:

Industrial policy clauses can be offered in trade and investment agreements or partnership agreements strengthened through a binding legal basis (as could be the case for the new CTIPs).[84] In parallel to the EU's industrial policy on clean tech investment from China[85], this includes local content rules mandating a share of locally or regionally produced inputs and services in the sectors targeted by transformation partnerships. In addition, binding provisions on knowledge and technology transfers can be included through clauses which demand local workforce training requirements, mandatory R&D branches or joint ventures with local firms when EU companies engage in FDI in partner states, if necessary with technical cooperation and public funding support from development budgets. In this context, trade and investment agreements must continue to offer scope for strategic use of public procurement by partner states to nurture local infant industries that will eventually be able to capture greater value in green value chains, rather than insisting on liberalisation of public procurement to provide greater access to these markets for EU firms. In addition, dual pricing clauses can contribute to cheaper access to (parts of) raw material and energy production for firms in partner states to make up for competitive disadvantages with EU firms. Here, lessons can be drawn from the recent EU-Chile Raw Material Partnership and the subsequent Association Agreement (see Section 3). Finally, strategic subsidies to incentivise research, innovation, and ecological transformation of local firms, as well as export taxes to finance such measures, must remain part of the toolbox for partner states, rather than being ruled out in trade and investment agreements as trade distortions.

In addition, conditionalities for public investment can be used more effectively to support local value creation in partner states, especially within a strengthened Global Gateway. Companies implementing Global Gateway projects should adhere to a set of socio-ecological conditionalities to receive public funds from the initiative, in order to ensure they contribute to local industrial policy strategies rather than subsidising extractive operations of EU firms abroad. The aforementioned industrial policy tools, including local content rules and knowledge and technology transfers, can play an effective role in strengthening local value creation. In addition, in parallel to the conditionalities used for a decarbonisation subsidy tool that Germany uses, Contracts for Difference,[86] social criteria relating to decent work should be an indispensable part of Global Gateway funding rules. This would entail building up effective local works councils, ensuring local workforce development and guaranteeing worker rights, as formulated in the ILO's fundamental principles.

Equity stakes for partner states in new investment projects can contribute effectively to sustainable revenue streams for partners and incentivise sustainable development. Equity shares can be offered as part of partnership negotiations to enable ownership and local public influence on key future-oriented sectors and prevent these from ending up in foreign companies' hands due to privatisation. As stable revenue streams from green sectors, they would enable industrial policy measures and incentivise transformation away from legacy fossil sectors. It would be possible to offer equity stakes on the one hand within trade and investment agreements or in binding partnership agreements (as the CTIPs may become in future) as mandatory clauses for private-sector FDI in the policy area in question. Local equity stakes can however also be a condi-

82 European Council (2025a): EU-South Africa Summit. Available at: https://www.consilium.europa.eu/en/meetings/international-summit/2025/03/13/

83 European Commission (2025d): EU-South Africa Global Gateway Investment Package. Available at: https://international-partnerships.ec.europa.eu/document/download/18662c9d-6666-4089-952f-f012eb535d0a_en

84 See Herr, H.; Scherrer, C.; Baah-Boateng, W.; de Conti, B.; Goyal, M.; Jha, P.; Karatepe, I.D.; Nyarko Otoo, K. & Welle, A. (2021): *Trade and industrial policy: implications for development and international labour standards.* Geneva: IndustriAll Global Union. Available at: https://admin.industriall-union.org/sites/default/files/uploads/documents/Publications/trade_report_en_v7.pdf, p. 36

85 Leichthammer, A. (2024): Welcoming Chinese FDI with open arms – and a clenched fist. *Jacques Delors Centre Policy Brief.* Available at: https://www.delorscentre.eu/en/publications/detail/publication/how-to-deal-with-chinese-fdi

86 IndustriAll Europe (2024): The Carbon Contracts for Difference in Germany. A new funding instrument for the transition with the respect of social conditionalities. Available at: https://news.industriall-europe.eu/documents/upload/2024/7/638554482875183634_The_Carbon_Contracts_for_Difference_in_Germany._A_new_funding_instrument_for_the_transition_with_the_respect_of_social_conditional_(2).pdf

tionality for Global Gateway funding that de-risks private projects. Where corruption risks from such revenue are high, dedicated entities administered by the EU (or Germany in bilateral partnerships) can help ensure that revenues flow into earmarked sustainable development budgets rather than executives' coffers.

5.3 Legitimising and Securing Partnerships over Time through Inclusion and Participation

The EU and Germany should push for more inclusive governance and participation of trade unions and civil society at all stages and levels of transformation partnerships in order to ensure that local value creation and sustainable development pathways can be identified effectively and implemented in practice:

Greater parliamentary participation, as well as more civil society and trade union participation is essential in the full negotiation cycle for trade and investment agreements, with incentives for partner governments to mirror this structure. Contrary to the status quo, negotiation mandates for the European Commission should be formulated by the Commission together with the European Parliament, including consultations with trade unions and CSOs, in order to develop more balanced and thus resilient offers. To that end, EU institutions can build on and develop the existing mechanism of tripartite DAGs to monitor implementation of TSD chapters. The mandate for DAGs should be extended beyond the current status quo:[87] it should involve advising the European Parliament, which in turn should receive a role in formulating the negotiation mandate together with the Commission and monitoring its implementation already during the negotiation process. Less secrecy and greater societal involvement in crafting mutually beneficial agreements would increase the chances of ratification in the EU (in contrast to the unclear status of the EU-Mercosur Agreement due to resistance inter alia in the French and Polish parliament). It could also introduce greater concern for sustainable development impacts and partner priorities into negotiations from the outset; failing to do this at an early stage could otherwise hamper negotiations down the road once agreements become politicised in partner states. While partner governments cannot be expected or forced to use the same negotiation structure as the EU, positive incentives to do so could use the EU's leverage constructively. For example, the European Commission's negotiation mandates could offer greater Single Market opening or longer time spans for partner market opening, as well as greater access to compensation measures in return for using the DAG structure in the negotiation process.

Trade union and civil society participation should likewise be strengthened in the EU's Global Gateway and critical raw materials governance to ensure successful projects and resilient partnerships. Currently, the Global Gateway Board steering the initiative is made up solely of high-level officials from the European Commission and several groups are supposed to advise the Board, with civil society including trade unions as one stakeholder that is represented.[88] In practice, however, business access to information and decision-making about Global Gateway through the 'Business Advisory Group' predominates, with less attention given to the separate 'Civil Society and Local Authorities Advisory Platform', as European and global trade unions have criticised.[89] More transparency and involvement in the initiative's programming and in monitoring its implementation for civil society is needed to remedy this problem, perhaps drawing on the tripartite structure of the DAGs rather than the current two-tiered Global Gateway Board. The EU should also invest more in incentivising civil society and trade union participation among partner states by offering positive rewards. More access to Global Gateway funding or larger equity stakes for partner states in projects it funds could provide an effective lever to that end. Even greater shortcomings in representation haunt the Critical Raw Materials Board (CRMB), which is tasked with supporting implementation of the CRMA including its strategic raw material projects and partnerships abroad. The CRMB consists of Member States' representatives and the European Commission, while the European Parliament only has permanent observer status and civil society representatives, including trade unions, can only be invited as observers. Until now, civil society and trade union monitoring is only actively foreseen in a separate sub-group on public knowledge about critical raw material supply chains.[90] In contrast, the CRMB meetings that discuss specific project design and implementation have to date been held without any civil society and trade union participation to date.[91] Greater inclusion and participation of civil society and trade unions is also needed in CRMB meetings to ensure scrutiny that extends beyond EU self-interest at an early stage. This ensures more resilient projects as higher standards reduce the risk of social backlash from partner states. This risk is starkly illustrated by the 2024 mass protests against a Serbian lithium mine that reopened in response to the EU's raw material partnership with the country and

87 See Martens, D.; Potjomkina, D. & Orbie, J. (2020): Domestic Advisory Groups in EU Trade Agreements. *FES Study*. Bonn: Friedrich-Ebert-Stiftung. Available at: https://library.fes.de/pdf-files/iez/17135.pdf

88 European Commission (2025i): Global Gateway Governance. Available at: https://international-partnerships.ec.europa.eu/policies/global-gateway/governance_en

89 See https://www.etuc.org/en/document/adopted-resolutionindustrial-policy-quality-jobs-trade-and-industrial-policy; ITUC (2023): Trade unions call on the EU to increase the support to social dialogue and to the labour dimension of the SDGs. Available at: https://www.ituc-csi.org/hlpf-2023-Trade-unions-call-on-the-eu-to-increase-the-support-to-social-dialogue-and-to-the-labour-dimension-of-the-sdgs?lang=en

90 See European Commission (2024j): Sub-Group S29500/6 on Public Knowledge on the Critical Raw Material Supply Chains. Available at: https://webgate.ec.europa.eu/circabc-ewpp/d/d/workspace/SpacesStore/7425c613-a077-47b2-bc2f-a987ba4d0215/file.bin

91 See European Commission (2025a): Agenda of the 19-20 February 2025 CRM Board meeting. Available at: https://webgate.ec.europa.eu/circabc-ewpp/d/d/workspace/SpacesStore/cb27dc37-25fb-4bc3-8f69-b4f71b275861/file.bin

under consideration to become a Strategic Raw Material Project under the CRMA.[92]

Finally, partner states should be involved at an earlier stage in designing partnerships and their investment components, which means there is a need for permanent regulatory dialogue institutions and Global Gateway reform. To date, new partnerships signed often announce investment projects that have long been programmed by international cooperation agencies at EU and Member State level in close consultation with the EU businesses implementing them (as the governance arrangements discussed above underscore). In contrast, to honour the EU's pledge of relationships on an equal footing, negotiations with partners should identify development priorities for which an existing but flexible pot of Global Gateway funding can subsequently be offered for financing and implementation. This requires regular regulatory dialogue institutions within which partners can discuss with the EU. The recently announced CTIP with South Africa is supposed to involve this kind of regulatory dialogue platform,[93] while in some cases existing fora such as the EU-India Trade and Technology Council or the EU-CELAC Summits can provide starting points to serve this purpose. Ensuring robust parliamentary, civil society, and trade union participation in these fora is essential to strengthen the legitimacy of negotiations conducted by government representatives and ensure that these negotiations deliver widely supported and thus resilient partnerships.

5.4 Protecting Human and Environmental Rights through Appealing Measures to Ensure Resilient Partnerships

Protecting human and environmental rights in partner countries is indispensable for sustainable development and **makes the EU and Germany more attractive than geo-economic competitors.** At the same time, pushback, including from partner governments, on some recent EU sustainability legislation, such as CBAM and protection mechanisms in response to deforestation e.g. in the EU-Mercosur Agreement, shapes a narrative that claims that EU standards are neocolonial tools or green protectionism. In contrast, progressive partners across world regions have more nuanced views and welcome efforts to protect human and environmental rights in principle, as we reported above. However, these goals must be pursued by means of appealing formats that respond to partner needs and demands to overcome resistance and enable the successful partnership agreements that the EU and Germany need. To that end, the following avenues are recommended going forward:

Corporate due diligence regulations are appreciated by progressive partners and protect their concerns via effective participation, low implementation costs and safeguards against withdrawal. The EU's CSDDD as well as national due diligence legislation that is already in force are seen as long overdue instruments to regulate multinational companies' actions worldwide. Based on globally negotiated standards (e.g. of the ILO and the Paris Agreement), they provide workers and trade unions influential access points to prevent much-criticised MNCs from exploiting natural and human resources in their countries. Due diligence laws are essential for trade unions to uphold their rights, which are under attack worldwide, such as freedom of association and the freedom of assembly.[94] The legislation provides for meaningful participation, ensuring that trade unions' expertise is involved in many aspects of corporate risk management. The CSDDD is viewed as an important step towards a level playing field and legal certainty for companies in the EU. In order to ensure that the laws are accepted in partner countries, safeguards are crucial to assure partners that MNCs will help shape the necessary changes. The legislation meets this requirement by stipulating that withdrawal from countries should be a last resort (empowerment before withdrawal). Experience also shows that this has been successful so far, as companies did not withdraw from partner states in response to national legislation, such as that adopted in German or France. It also means that costs are not outsourced to suppliers at the beginning of the supply chain. Nonetheless, the EU and/or Germany must boost its efforts and offer greater capacity-building resources for rightsholders to support implementation and upgrading of practices on the ground in order to further secure standards within partnerships and ensure that these instruments are used successfully. This also means that the EU must adopt a coherent course. The current Omnibus proposal largely deconstructs the CSDDD, removing its most important penalties and other legal means that ensure proper implementation. These current developments in the EU are leading to confusion and a loss of credibility for many protagonists.

The sustainability chapters of trade and investment agreements are likewise valued by progressive partners but may require development safeguards and compensation tools to make binding rules acceptable. Binding and enforceable sustainability chapters with a strong link to trade issues (e.g. through being applied to the trade chapters too, with access to the same dispute settlement

92 European Commission (2024b): EU and Serbia sign strategic partnership on sustainable raw materials, battery value chains and electric vehicles. Available at: https://enlargement.ec.europa.eu/news/eu-and-serbia-sign-strategic-partnership-sustainable-raw-materials-battery-value-chains-and-electric-2024-07-19_en;
Dragoljo, S. (2024): Commission Urged not to Designate Serbia Lithium Mine as 'Strategic Project'. *BalkanInsight*, 27.12.2024. Available at: https://balkaninsight.com/2024/12/27/commission-urged-not-to-designate-serbia-lithium-mine-as-strategic-project/

93 European Council (2025b): EU - South Africa Summit Declaration. Available at: https://www.consilium.europa.eu/media/i40na1ze/published-8-eu-south-africa-joint-declaration.pdf

94 ITUC (2024): Global Rights Index. Available at: https://www.ituc-csi.org/global-rights-index?lang=en

mechanism) remain an important tool to strengthen trade's sustainable development effects and should remain the target wherever possible. Progressive partners across world regions support more binding sustainability rules for trade, provided that care is taken to avoid negative development risks. In this regard, appropriate compensation mechanisms for future EU legislation with an external impact can be an important addition to sustainability chapters – as is the case in the aforementioned rebalancing mechanism in the recent EU-Mercosur trade agreement, which successfully secured the acceptability of (globally negotiated) deforestation protection standards in Latin America. In turn, the EU depends on partner states protecting forests to avoid undermining its efforts in the global fight against climate change, which today already costs EU Member States vastly more than any potential compensation scheme for partners. However, moving away from standards in order to increase trade flows is not acceptable.

Finally, investor obligations analogous to value chain provisions stipulated in the EU Single Market or trade law are a promising, underexplored sustainability instrument without direct costs for partner states. To date, the EU's large web of bilateral investment treaties has focused most prominently on investor *rights* vis-à-vis partner states. More recently, however, arbitration cases have increasingly recognised that investment treaties also contain obligations for investors and have ruled to respect these more explicitly in disputes.[95] Building on this, more explicit investor obligations could be enshrined in new EU investment agreements such as the recent EU-Angola Agreement (see Section 3), in order to secure sustainable development in partner states.[96] Similarly, ongoing efforts by the EU to set up a multilateral investment court[97] should provide more rigorous safeguards to ensure that investor obligations are respected, with a view to creating legitimacy in the eyes of partners in the Global South[98] and a level playing field for all companies, also beyond the EU Single Market.

95 See Abel, Patrick. (2022): *International investor obligations: towards individual international responsibility for the public interest in international investment law*. Nomos Verlag

96 See e.g. International Institute for Sustainable Development (IISD) (2016): A Sustainability Toolkit for Trade Negotiators. Available at: https://www.iisd.org/toolkits/sustainability-toolkit-for-trade-negotiators/5-investment-provisions/5-3-investor-and-home-state-obligations/5-3-1-investor-obligations

97 Croisant, G. (2024): Multilateral Investment Court. Jus Mundi, 24.12.2024. Available at: https://jusmundi.com/en/document/publication/en-multilateral-investment-court

98 Alvarez Zarate, J.M. (2024): Ensuring a Balanced Approach for the Global South in UNCITRAL Working Group III. *South Centre Investment Policy Brief*, 26. Available at: https://www.southcentre.int/wp-content/uploads/2024/09/IPB26_Ensuring-a-Balanced-Approach-for-the-Global-South-in-UNCITRAL-Working-Group-III_EN.pdf

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About the Authors

Dr. Cédric Koch is an independent researcher and policy advisor on EU economic policy, globalisation, and democracy. Previously, he was a policy advisor on European and international economic policy at the Friedrich-Ebert-Stiftung in Berlin, Germany, where he covered EU finance and trade policy. Prior to this, he was a doctoral and post-doctoral researcher in international political economy at Social Science Center Berlin (WZB) and has worked for the German Development Cooperation Agency (GIZ) in Malawi and Berlin.

Franziska Korn is an advisor on business, human rights, and decent work worldwide in the Global and European Policy Department of the Friedrich-Ebert-Stiftung (FES) in Berlin, Germany. She previously headed the FES office in Bangladesh/Dhaka. She studied political science and South Asian studies in Berlin, London, and Dhaka. Her focus is on globalisation, workers' rights, and corporate due diligence.

Miriam-Lena Horn is the German Trade Union Confederation's (DGB) Head of Division for International Value Chains. She has previously worked as a policy advisor on international trade and development policy at the European Parliament. She studied European studies and international development policy in Maastricht and Kaiserslautern. Her focus is on German and European legislative initiatives on human rights due diligence and how these translate into improved workers' rights.

Nora Rohde is a policy officer for international trade policy and public services at the German Trade Union Confederation (DGB). She previously worked on trade policy issues in various NGOs and for the Heinrich Böll Foundation in Washington, D.C. and Berlin, addressing global economic governance issues. Nora Rohde studied Spanish literature and linguistics, as well as Latin American studies in Leipzig and Oxford.

Competitive International Partnerships

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International partnerships play a vital role in securing necessary resources, energy, and inputs for the socio-ecological transformation in Germany, EU and worldwide. This study analyses existing partnership instruments and views collected from progressive and trade union partners in workshops across three world regions to evaluate how international partnerships are implemented in practice. It demonstrates that promises of greater local value creation – welcomed in principle by progressive partners across all regions – have so far largely not been underpinned by agreements that are legally binding and sufficiently financed, while contradictions remain with more impactful trade and investment agreements. Progressive partners are additionally concerned that the promise of resilient transformation partnerships will be further undermined by impending moves to retreat from due diligence regulation of multinational companies' (CSDDD) in the name of 'competitiveness'.

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The study develops recommendations for reform to address these shortcomings when implementing the new partnership approach and to build resilient partnerships for the socio-ecological transformation more successfully in a context of geo-economic competition for partners and their supplies. The recommendations for more competitive partnerships are centred on four main policy areas: a) Integrating external policy instruments coherently into the new partnership approach; b) Strengthening partnerships' local value creation through specific industrial policy tools; c) Legitimising and securing partnerships over time through inclusion and participation; and d) Protecting human and environmental rights through appealing measures to ensure resilient partnerships.

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These recommendations for more competitive partnerships that do not risk alienating crucial partners for the EU and Germany are especially relevant today. There is an opportunity in the new EU and German legislative periods to build on the new partnership approach and overcome its previous flaws, inter alia by factoring in the perspective of key partners around the globe. This opportunity arises particularly given imminent negotiations with the European Parliament on a potential repeal of European due diligence regulation, the new European Commission's current initiative on Clean Trade and Investment Partnerships, and the recently elected German government's commitment to forging ahead with partnerships.

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