



# **Response to the Commission's Consultation Note on the Review of EU Trade Policy**

**A renewed trade policy for a stronger Europe**

**2020**

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## 1 About the National Board of Trade

The National Board of Trade is an independent Swedish government agency responsible for international trade, the EU internal market and trade policy. We provide the Swedish Government with analysis, reports and policy recommendations. Our mission is to promote free trade with transparent rules, free movement in the EU internal market and a strong multilateral trading system. Our analysis takes into account the views of consumers, businesses of all sizes as well as sustainable development perspectives. We also contribute to developing countries' integration into global trade by strengthening their capacity.

Before answering the questions posed in the Commission's consultation note in greater detail, we provide some general comments on the EU trade policy review. The answers and comments in this contribution are our own and do not necessarily represent the position of the Swedish Government.

## 2 General comments on the review of EU trade policy

Like other areas of external EU action, EU trade policy must be guided by the principles and objectives for external action as laid out in article 21 of the Treaty on European Union (TEU). Among these principles and objectives are democracy, human rights, the rule of law, international law, sustainable development, multilateral cooperation and “the integration of all countries into the world economy, including through the progressive abolition of restrictions on international trade”.<sup>1</sup>

Any review of EU trade policy must also begin with the objectives of the Common Commercial Policy, as established in the Treaty of the Functioning of the European Union (TFEU):

” the Union shall contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and on foreign direct investment, and the lowering of customs and other barriers.”<sup>2</sup>

A central question for the review is therefore how the Union can contribute to the harmonious development of world trade, as well as to

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<sup>1</sup> Art 21.2 TEU.

<sup>2</sup> Art 207 TFEU.

the progressive abolition of restrictions on international trade and on foreign direct investment.

## 2.1 Future-proofing our trade policy

To a large extent, the Commission's consultation note is about future-proofing EU trade policy. In our view, the following areas are particularly important to focus on from this perspective.

- **Reduce global protectionism**

As the economist Joan Robinson once observed, we should not “drop rocks into our own harbour because other nations have rocky coasts”.<sup>3</sup> Robinson's advice has seen renewed relevance for the EU in light of recent protectionist trends in major economies such as the US and China. For several years, we have witnessed an increase in global protectionism that creates uncertainty in world trade.<sup>4</sup> In line with Treaty objectives of abolishing restrictions on trade and investment, EU trade policy should focus on reversing that trend. At home, the EU should abstain from introducing unilateral measures that are discriminatory or unnecessarily trade restrictive. We should also avoid reintroducing external barriers that were temporarily removed during the COVID-19 pandemic.

- **Promote sustainable development**

Both the Marrakesh agreement establishing the WTO and the Treaty on European Union identify sustainable development as an important trade policy objective. The 2030 Agenda for Sustainable Development furthermore concludes that international trade is an engine for inclusive economic growth and poverty reduction, and it contributes to sustainable development.

The COVID-19 pandemic poses a unique challenge to the achievement of the sustainable development goals (SDGs). For some SDGs, such as poverty elimination, the pandemic could reverse decades of progress.

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<sup>3</sup> Joan Robinson (1937), *Beggar-My-Neighbour Remedies For Unemployment*, in *Essays in the Theory of Employment*. PP. 210-230. Macmillan: London.

<sup>4</sup> Simon J. Evenett and Johannes Fritz (2019), *Going It Alone? Trade policy after Three Years of Populism*. <https://www.globaltradealert.org/reports/48>  
National Board of Trade, (2016), *Protectionism in the 21<sup>st</sup> Century*.  
<https://www.kommerskollegium.se/en/publications/reports/2016/protectionism-in-the-21th-century>

Consequently, EU trade policy should be updated with a renewed focus on delivering on the SDGs as well as the Paris Agreement.

A sustainability perspective in our trade and industrial policies furthermore requires coherence. For example, we cannot pursue a credible development agenda with a reshoring strategy for economic resilience at home. To extract the full benefits from open markets, trade policy must also be complemented by domestic reforms that support inclusive growth and sustainable development. Another important sustainability priority is a trade policy that ensures that women and men have equal opportunity to participate in and benefit from international trade.

- **Advance technological development**

The fourth industrial revolution is spurred by digital innovation that allows firms to further automate and specialise production. Many observers expect this development to determine future industrial competitiveness. It is also regarded as fundamental for the transformation to a climate-neutral and digital economy. The EU should therefore liberalise trade in goods and services that could help EU firms remain at the forefront of technological development. Access to imported digital goods and services would contribute to increased firm-level productivity and ultimately to sustainable economic growth in Europe. At home, the EU should design transparent regulation that supports technological development while avoiding regulatory designs that are discriminatory or unnecessarily trade restrictive. Legal uncertainty in the EU standardisation system must also be resolved swiftly in order to ensure that standards meet market demands and support competitiveness.

- **Liberalise trade in services**

Trade in services is becoming increasingly important both in its own right and as part of product packages that involve both goods and services. This is particularly true for productive EU firms that have positioned themselves in the control tower of global value chains.<sup>5</sup> To a large extent, services are also dependent on cross-border data flows. At

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<sup>5</sup> National Board of Trade (2016), *The Servicification of EU Manufacturing - Building Competitiveness in the Internal Market*.

[https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2016/publ-the-servicification-of-eu-manufacturing\\_webb.pdf](https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2016/publ-the-servicification-of-eu-manufacturing_webb.pdf)

the same time, services liberalisation is underdeveloped in both the GATS and in EU free trade agreements. Consequently, the EU should increase its efforts to liberalise trade in services, including commitments on the movement of data. Since women are overrepresented in most service sectors, liberalising trade in services would also contribute to gender equality.

## 2.2 Multilateral, unilateral and regional avenues of trade policy

Another key question is *how* the EU can best promote the Treaty objective of progressive abolition of restrictions on international trade and on foreign direct investment. Here, we see the following priorities.

- **Prioritise multilateral and plurilateral solutions**

A key question is *how* the EU can best promote the Treaty objective of progressive abolition of restrictions on international trade and on foreign direct investment. Multilateral or plurilateral agreements have the widest reach and come with the added benefit of non-discrimination.

Multilateral or plurilateral solutions also contribute to a diversified EU supply structure, which means that we don't put all our eggs in the same geographic basket. Consequently, and in line with the Treaty principles for external action, multilateral or plurilateral solutions are our preferred trade policy option. Because of its economic size and commitment to multilateralism, the EU should lead efforts to reform the WTO.

- **Liberalise imports unilaterally**

The EU could contribute to the Treaty objectives by liberalising remaining import tariffs for raw materials and intermediate goods unilaterally. Canada has already done this,<sup>6</sup> and research shows that liberalisation of intermediate goods improves firm-level productivity, strengthening competitiveness.<sup>7</sup> In order for trade policy to support climate neutrality, the EU should also liberalise climate-related goods unilaterally.<sup>8</sup> During a time when the US and China are reluctant to

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<sup>6</sup> [https://www.wto.org/english/news\\_e/news10\\_e/nama\\_29apr10\\_e.htm](https://www.wto.org/english/news_e/news10_e/nama_29apr10_e.htm)

<sup>7</sup> Halpern, László, Miklós Koren and Adam Szeidl (2015), *Imported Inputs and Productivity*. American Economic Review, 105:12, December 2015. <https://www.aeaweb.org/articles?id=10.1257/aer.20150443>

<sup>8</sup> The Board has compiled a list of such goods available in our recent study, See annex I (pp. 30-32) National Board of Trade (2020) *Trade Barriers to Goods and Services Important for Climate Action*.

embrace open trade policies the Commission should analyse how unilateral EU liberalisation could strengthen Europe's position as the hub of global trade.

- **Build coalitions to deepen and diversify the EU's network of Free Trade Agreements**

Another option if multilateralism fails is to continue to deepen and diversify our network of FTAs and to make them more interregional. When the US, China and India all struggle to embrace multilateral liberalisation, an attractive option for the EU is to use bilateral and regional negotiations as multilateral stepping stones. Just like the GATT started out with just 23 countries, a multilateralism for the 21<sup>st</sup> century could be built 'inside out' from a solid base of like-minded countries. The EU-Mercosur agreement could become one such multilateral stepping stone. Efforts to link up the EU with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) would serve a similar strategic purpose.

## 2.3 Additional general considerations

- **The importance of imports**

EU trade policies should build on the recognition that societal benefits from trade typically come via imports. From a macroeconomic point of view countries export in order to import. Moreover, while exports can contribute to better paying jobs with high labour standards, imports allow specialization, strengthen competition and give us access to technology that enhances productivity. For recent calculations on EU gains from imports, see DG Trade's latest chief economist note.<sup>9</sup>

- **What do we mean by open strategic autonomy?**

Trade is fundamentally about cooperation and mutual exchange. When used in a trade policy context, the term 'open strategic autonomy' can therefore sound confusing and contradictory. Specifically, it is important to determine whose autonomy we want to promote. Is it the autonomy of

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[https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-barriers-to-goods-and-services-important-for-climate-action\\_webb.pdf](https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-barriers-to-goods-and-services-important-for-climate-action_webb.pdf)

<sup>9</sup> Section 2.2 in *Trade policy reflections beyond the COVID19 outbreak*:

[https://trade.ec.europa.eu/doclib/docs/2020/july/tradoc\\_158859.07.01%20Chief%20Economist%20Note%202020%20Final.pdf](https://trade.ec.europa.eu/doclib/docs/2020/july/tradoc_158859.07.01%20Chief%20Economist%20Note%202020%20Final.pdf)



EU firms and consumers or is it the autonomy of governments, including the EU, to impose restrictions on international trade? Our view is that EU trade policy must primarily seek autonomy for EU firms and consumers. After all, one purpose of trade agreements is to limit states' freedom to impose protectionist measures. The current non-harmonious trend in world trade is not a consequence of too little policy space for governments. It is a consequence of the COVID-19 pandemic and broader protectionist trends. It is also notable that the concept has no obvious connection to the Treaty principles and objectives governing EU trade policy.

- **Use evidence-based trade policy**

In order to be evidence based, the EU trade policy review should draw on up-to-date research on international trade. Besides traditional trade theory and empirical evidence, it is important that recent developments in trade theory are taken into account. In this line of research, scholars have shown that productivity in the domestic market is stimulated through trade openness both at the firm and industry level. The reason is that trade filters out the most productive firms, while at the same time creating incentives for productive firms to expand their operations abroad. A further key insight from this research is the important role played by fixed trade costs – a particularly important hurdle for small and medium-sized enterprises.

### **3 Specific comments on the review of EU trade policy**

#### **Question 1**

How can trade policy help to improve the EU's resilience and build a model of open strategic autonomy?

- **Build economic resilience through economic integration**

An open trade policy that allows for cost-effective sourcing from different parts of the world provides EU firms with greater flexibility during economic disruptions. When aggregated to the entire EU economy, firm-level flexibility with respect to sourcing supports the open strategic autonomy objective.

By contrast, a reshoring approach provides fewer opportunities for firms to adjust. A reshoring approach would also reduce employment and

increase poverty in developing countries, undermining important sustainability development goals. A reshoring strategy for resilience would furthermore affect the EU negatively over time as other countries follow our example and adopt their own strategies for greater self-sufficiency. Under such a scenario EU exports would fall, both because EU production factors are increasingly allocated to domestic production and because our trading partners close their markets. Finally, a reshoring approach would hurt EU efforts to reform the WTO.

For a more comprehensive analysis of possible trade policy strategies for improved resilience, we refer to our earlier contribution to the consultation process.<sup>10</sup>

- **Negotiate a plurilateral trade agreement for health-related goods and services**

Building on Sweden's trade for health initiative, the EU proposal to facilitate trade in health-related goods sets out to eliminate tariffs and to limit non-tariff barriers, including export restrictions, on medical, pharmaceutical and other health-related products. In this context, harmonised technical requirements and mutual recognition of testing and certification are particularly important.<sup>11</sup> Beyond its current proposal, the EU could seek to liberalise a wider range of health-related goods and should seek to facilitate trade in healthcare services, including the movement of natural persons essential to trade in health-related products.

- **Restrain export restrictions and export duties**

Restraining export restrictions and export duties could help firms improve the resilience of their supply chains, since it reduces one element of uncertainty with respect to the flow of supplies. The EU is already using the possibility to limit the use of export duties in FTAs, for instance in Mercosur, but we should also aim to strengthen multilateral - or plurilateral - rules in this area as well as to promote better compliance with multilateral transparency commitments.

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<sup>10</sup> National Board of Trade (2020), *Improving economic resilience through trade – should we rely on our own supply?*

<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/improving-economic-resilience-through-trade.pdf>

<sup>11</sup> Until 8 May 2020, two-thirds of all notifications/communications submitted by WTO members on COVID-19 are related to standards and regulations, see WTO Information *Standards, regulations and COVID-19 – What actions taken by WTO members?* 20 May 2020, p.1.

- **Modernise, update and develop free trade agreements**

Free Trade Agreements are increasingly important to improve resilience and diversification. However, they need to be modernised, adapted and developed to fit to modern global and regional value chains. This implies, when deemed necessary, renegotiating or reviewing old agreements in order to deepen and broaden economic integration with our trading partners. This should include a greater degree of liberalisation for trade in goods and services, stronger rules that provide long-term reliability in key areas such as services, data flows and competition as well as improved harmonisation of technical regulations and conformity assessment procedures. They should also continue to provide for increased market access in public procurement markets and protection of intellectual property rights.<sup>12</sup> Moreover, sustainability and SME-aspects should be more integrated in all chapters of FTAs.

- **Analyse potential interregional FTAs**

Region-to-region FTAs could contribute to the objective of an open strategic autonomy. For instance, the EU-Mercosur agreement would connect Europe with a region that is not part of the two other global supply chain hubs - Asia-Pacific and North America. Efforts to deepen ties with ASEAN countries and link up the EU with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) would serve a similar strategic purpose. Experiences from the negotiations on the revised pan-euro-Mediterranean convention could be useful in such an assessment.

- **Encourage the use of international standards and the mutual acceptance of conformity assessment results**

When trading partners use the same standards more products would be available worldwide and on the EU market. There are already examples of FTAs that encourage cooperation between standardisation bodies, for instance between EU and Japan and EU and Mercosur.

Moreover, provisions in FTAs strengthening the acceptance of results from conformity assessment provide a higher degree of resilience as it

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<sup>12</sup> In this report the National Board of Trade gives guidance on appropriate level of ambition as regards intellectual property rights chapters in FTAs in relation to different categories of countries. National Board of Trade (2019), *One-size-fits-all? – immaterialrättsregler i frihandelsavtal*.

<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2019/rapport-immaterialrattsliga-regler-i-frihandelsavtal.pdf>

would fasten the process to place products on the market and save costs. This approach should be followed in negotiations and renegotiations of FTAs.

## Question 2

What initiatives should the EU take – alone or with other trading partners – to support businesses, including SMEs, to assess risks as well as solidifying and diversifying supply chains?

- Provide firms, including SMEs, with as much flexibility as possible with respect to supply decisions during economic disruptions

Beyond a trade policy that allows for cost-effective sourcing from many parts of the world and provides firms with flexibility during economic disruptions, we have some specific proposals.

The EU could help support knowledge sharing platforms to identify best practices, mitigate risks and build resilience. It could also support firms in developing stress tests for their supply chains. At the same time, such efforts should be limited in scope and not shift responsibility for supply chain resilience from firms to governments.

- Support Responsible Business Conduct for firms to build more long-term value and resilience

Responsible Business Conduct (RBC) strategies and instruments, such as due diligence, can increase firm's awareness of vulnerabilities and risks in their value chains, and thereby be a tool to increase resilience in supply chains. OECD-studies find that firms that have applied RBC policies and conducted a structured due diligence, show a much higher adjustment capacity in face of disruption caused by the COVID-19 crisis.<sup>13</sup>

More on RBC see question 9.

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<sup>13</sup> OECD, COVID-19 and Responsible Business Conduct, OECD Policy Responses to Coronavirus, 16 April 2020.

### Question 3

How should the multilateral trade framework (WTO) be strengthened to ensure stability, predictability and a rules-based environment for fair and sustainable trade and investment?

- Continue to put the WTO at the centre of the EU trade policy

Because of its economic size and commitment to multilateralism, the EU should lead efforts to reform the WTO. The EU has an important and often decisive role in the WTO, its action - and lack of action - affect the entire multilateral trading system.

It is therefore crucial that the EU plays an active and constructive role in the modernisation of the WTO and the reforms of its rulebook. This could contribute to trade policies better adapted to the reality of trading companies (e.g. digitisation, servicification, AI) and more supportive of the sustainable development goals and the need to reduce environmentally harmful measures. Being constructive also implies that we should avoid internal reforms that damage the prospects of WTO reform and multilateral solutions, for instance with respect to fisheries subsidies.

The WTO dispute settlement system is essential for the promotion of open and rules-based international trade. While the multi-party interim appeal arrangement is a reasonable solution in the short term, the EU must now focus on repairing the WTO dispute settlement system. Besides restoring a fully functioning Appellate Body, the dispute settlement system should be improved by streamlining procedures and increasing transparency. Within the framework of overall WTO reform, it is also important to improve the functioning of WTO negotiations and the work of its regular bodies.

Special and differential treatment (SDT) is an integral part of the WTO system. It is important to find solutions to ensure that SDT is used as an instrument to promote the integration of developing countries into the international trading system. Therefore, flexible solutions that promote the participation of developing countries in international trade are better than general exceptions from commitments that risk leading to the opposite of integration.

In terms of multilateral negotiations, the EU should be constructive and contribute to the finalisation of the negotiations on fisheries subsidies, aiming at eliminating subsidies to illegal fishing and to prohibiting subsidies that contribute overcapacity and overfishing, as well as the outstanding issues of the Doha Round.



Furthermore, it is important that the EU supports ongoing work to mainstream gender at the WTO (see question 13).

- Engage in plurilateral agreements where multilateral negotiations have stalled, or are unfeasible

Seeking multilateral solutions to trade policy issues should always be the first option. However, where multilateral negotiations have stalled, the EU should engage in ongoing plurilateral negotiations as well as explore resuming or initiating new plurilateral negotiations, preferably under the auspices of the WTO, addressing issues such as climate change, digitisation, the increasing role of services in value chains and the resilience of the trading system:

- *Liberalise trade in environmental goods and services*

The EU should promote the liberalisation of trade in environmental goods and services. This could be done plurilaterally through renewed negotiations on an environmental goods agreement (EGA) under the WTO with a broader product coverage, or by joining the Agreement on Climate Change, Trade and Sustainability (ACCTS) (see question 8).<sup>14</sup>

Given that trade in environmental goods is often tied to related services, negotiations should also cover liberalisation of trade in services as well as non-tariff barriers.

Furthermore, as trade remedies increase the costs for environmental goods<sup>15</sup>, the EU could promote a pledge, for example in a ministerial decision or in a plurilateral agreement, to avoid targeting climate-relevant goods with trade remedies and ensure that national policies for trade remedies allow for solid climate considerations.

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<sup>14</sup> National Board of Trade (2020), *Trade barriers to goods and services important for climate action - and opportunities for reform*.

[https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-barriers-to-goods-and-services-important-for-climate-action\\_webb.pdf](https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-barriers-to-goods-and-services-important-for-climate-action_webb.pdf)

<sup>15</sup> National Board of Trade (2016), *Targeting the Environment*

<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2016-och-alldre/targeting-the-environment.pdf>

- *Finalise the ongoing negotiations on e-commerce to achieve trade rules reflecting the reality of current trade flows*

The e-commerce negotiations are an opportunity to modernise the WTO rules and make sure they are fit for purpose in an increasingly digitised world economy. To do this, the EU should engage constructively in the ongoing negotiations to find solutions to remove unnecessarily trade-restrictive measures such as digital performance requirements, not the least concerning source code, and restrictions on data flows since this is of great importance to business in all sectors. Moreover, paperless procedures should be promoted. Furthermore, market access for relevant goods and services should be a key component of the e-commerce negotiations as well as expanded participation in the ITA. A focus on market access is important both to ensure connectivity and to facilitate e-commerce.

- *Negotiate an ITA III to support digital innovation and infrastructure*

The Information Technology Agreement, reflected in ITA I and ITA II, is an example of successful plurilateral negotiations under the WTO. As part of our efforts to support digital innovation and industrial development in Europe, the EU should promote the expansion of the ITA with new products and countries. In order to support innovation, an expansion of the ITA should also lock in tariff-free treatment of future IT goods. EU should moreover encourage developing countries to participate in ITA and its expansion in order to reduce the digital divide and create an enabling environment for investment.

- *Resume and continue services negotiations*

Improved conditions for trade in services is a key part of future proofing of EU trade policy. The EU should therefore work to resume the TiSA negotiations. Furthermore, it is important that the EU takes an active role in finalising negotiations on domestic regulation and investment facilitation.

- *Negotiate a plurilateral agreement for health-related goods and services (see question 1).*
- *Initiate plurilateral negotiations to discipline fossil fuel subsidies, preferably under the auspices of the WTO (see question 8).*

- Strengthen the existing rules under the WTO/SCM Agreement and transparency on industrial subsidies

It is imperative that the legitimacy and effectiveness of existing WTO-rules governing industrial subsidies are restored. In particular, the *Agreement on Subsidies and Countervailing Measures* (ASCM) needs to be adapted to better address today's trade practises. The Board therefore welcomes the initiative by the EU, US and Japan to propose such changes.<sup>16</sup> We share the concerns expressed in the Trilateral Statement and the conclusion that new types of prohibited subsidies should be considered. Amendments to the current rules should be preceded by thorough economic analysis and be evidence based. We also believe that improving transparency by strengthening the notification requirements in ASCM, would facilitate a more efficient application of the current requirements.<sup>17</sup>

The Board shares the Commissions view that existing regulations – on international and at EU level – currently cannot deal fully with certain situations of distortions caused by subsidies. This is described as a problem in the EU's internal market but should be considered as a global problem. A multilateral or plurilateral solution is therefore most effective and has the greatest chance of gaining general legitimacy.

If we move forward with a unilateral instrument to address trade-distorting industrial subsidies, it should be designed with the aim of leading to a multilateral framework. Any new unilateral instruments must also be preceded by a careful analysis of the subsidies and the magnitude of the distortion they create in the single market. A new instrument should be designed to address only significant distortions of competition in the single market. It should not unnecessarily hamper investment and other activities in the EU.

- Pave the way for multilateral or plurilateral negotiations by mapping of industrial subsidies

Methods for measuring and mapping subsidies for agricultural goods were established by the OECD in the 1980s and were later used in the Uruguay Round. There is still no corresponding effort by international

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<sup>16</sup> Joint Statement of the Trilateral Meeting of the Trade Ministers of Japan, the United States and the European Union

[https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc\\_158567.pdf](https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc_158567.pdf)

<sup>17</sup> National Board of Trade (2020), *The Use of Industrial Subsidies by Major Economies*.

<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/the-use-of-industrial-subsidies-by-major-economies.pdf>

organisations to map industrial subsidies. While the OECD has begun sectoral work on industrial subsidies, this work is far from comprehensive. As a way to improve transparency and pave the way for constructive plurilateral or multilateral negotiations to limit trade-distorting subsidies, the EU could encourage the mapping of industrial subsidies by non-governmental actors in accordance with established OECD methodology.

#### Question 4

How can we use our broad network of existing FTAs or new FTAs to improve market access for EU exporters and investors, and promote international regulatory cooperation – particularly in relation to digital and green technologies and standards in order to maximise their potential?

- Focus on importers in partner countries in order to increase preference utilisation in the EU's free trade agreements

EU-exporters benefit from free trade agreements to a lesser degree than exporters in our partner countries.<sup>18</sup> The reason is that EU-importers use EU's free trade agreements to a higher degree than importers in partner countries. Tariff preferences are always requested by importers, not exporters. Furthermore, importers directly benefit from the duty savings but also face the risk that preferences might be denied and that duty savings have to be reimbursed.<sup>19</sup> If partner country importers are unable to use free trade agreements in an effective way, this will also harm EU-exporters. Consequently, an increased use of EU FTAs by partner country importers should be promoted as it will generate a positive impact on EU-exporters.

- Implement FTAs effectively in EU member states with the help of road maps

In order to draw full benefit of all chapters in an FTA there is a need of more structured cooperation between the member states and the Commission when an FTA is signed and ready to implement. With implementation we mean a number of different actions including legal

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<sup>18</sup> National Board of Trade (2018) *The Use of the EU's Free Trade Agreements: Exporter and Importer Utilization of Preferential Tariffs*.  
<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2018/publ-the-use-of-the-eus-ftas.pdf>

<sup>19</sup> National Board of Trade (2019) *Who Uses the EU's Free Trade Agreements: A Transaction-Level Analysis of the EU-South Korea Free Trade Agreement*.  
<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2019/publ-who-uses-the-eus-free-trade-agreements.pdf>

incorporation and building up infrastructure e.g. in the field of Technical Barriers to Trade (TBT). The Board observed that certain parts of FTAs have become more complex and often need to be accompanied by legislative acts in order to become operational. It is therefore important to realise that implementation and enforcement not only consists of monitoring the partner country fulfilling its obligations. It is just as important that member states and their authorities know what to do when implementing and applying the provisions in an FTA. Therefore, implementation road maps would be helpful.<sup>20</sup> A cross-reference table could be used to specify implementation measures for each chapter. Effective implementation in both partner countries *and* EU member states should also be the focus of the new EU Chief Trade Enforcement Officer (CTEO).

- Adopt negative listing as our standard approach to service negotiations in FTAs

Services is a key component of trade, and it is becoming even more important due to recent trends in servicification (see also question 10).<sup>21</sup> In line with our general recommendation to increase efforts to liberalise trade in services, the Board proposes that the EU adopts negative listing as our standard approach to negotiating services in FTAs. Our more recent agreements, such as the EU-Japan agreement, applies negative lists for service liberalisation. In order to achieve a higher degree of service liberalisation, we should make negative listing our standard approach to service negotiations in FTAs.

- Adapt rules of origin to modern trade and production

The Board recently presented ideas on how rules of origin (RoO) can better fit the way we produce and trade today and how they can be adapted to our digital reality.<sup>22</sup> For instance, in order to include the embedded value of services (delivery ‘mode 5’) when determining origin, the EU could add a ‘significant value addition’ option in its

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<sup>20</sup> *EU trade agreements – How can we improve benefits for EU firms and citizens?* - Comments by Sweden, WK 3142/2020 INIT.

<sup>21</sup> National Board of Trade (2019), *The Fourth Industrial Revolution – changing trade as we know it*.

<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2019/publ-the-fourth-industrial-revolution.pdf>

<sup>22</sup> National Board of Trade (2020), *Rules of Origin for the 21<sup>st</sup> Century – Including Services, Digitalisation, Sustainability and a More User-friendly Approach*. <https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/rules-of-origin-in-the-21st-century.pdf>



preferential RoO, or add the development of software as a technical requirement that automatically qualifies a good for origin. As part of overall efforts to future-proof our trade policy, it is furthermore important that the EU develops electronic origin certificates.

Moreover, sustainable production and consumption could be stimulated by rules of origin. One way would be to use a single transformation rule for remanufactured or recycled fabrics in textile products. Another idea would be to use special RoO provisions, such as cumulation, tolerance or product-specific rules, for a certain category of sustainable goods.

- **Reduce focus on GIs in FTA negotiations**

The current focus on geographical indications (GIs) in EU FTA negotiations should be balanced against other interests, both within and outside the agricultural sector. Other intellectual property rights are more important from an economic perspective than GIs. The EU also has considerable interests in non-GI agri-food trade. Rather than focusing on limited economic benefits from GIs, EU FTA negotiations should prioritise economy-wide benefits.

- **Negotiate ambitious digital chapters in FTAs and promote regulatory cooperation on digital issues**

Digital issues are central for any trade agreement given the increasing economic importance of e-commerce and the movement of data for trade in both goods and services.<sup>23</sup> In order to future-proof e-commerce and digital trade with our FTA partners, digital chapters, annexes or separate agreements must adopt the highest standards with a view to supporting digital trade. Furthermore, regulatory cooperation on digital technologies like AI, 3D-printing and cybersecurity should be promoted within FTAs.

- **Promote regulatory cooperation in green technologies, embracing goods, services and servicification**

Regulatory cooperation could systematically identify barriers to trade in climate-relevant goods and services. Reducing trade barriers could strengthen the spread of new green technologies. Regulatory cooperation could also contribute to promote technical rules for the circular economy.

Barriers to trade in services affect the renewable energy sector. Our analysis shows that there are restrictions affecting services that are indispensable for trade in renewable energy goods in several countries.

While these restrictions also affect other economic sectors, renewable energy goods are disproportionately affected.<sup>23</sup>

- Continue including ambitious rules in FTAs on mutual recognition of conformity assessment and market surveillance

Mutual recognition of conformity assessment results and the promotion of international standards are already building blocks in EU:s FTAs. Furthermore, stronger cooperation in market surveillance can lead to an increased impact of agreements overall as government to government and agency to agency communication would develop trust for the other party's system.

### Question 5

With which partners and regions should the EU prioritise its engagement? In particular, how can we strengthen our trade and investment relationships with the neighbouring countries and Africa to our mutual benefit?

The EU should continue to deepen and diversify our network of FTAs, with the ultimate purpose of creating steppingstones for multilateral trade liberalisation.<sup>24</sup>

- Finalise ongoing FTA negotiations

In the near term, a deep and comprehensive FTA with the UK is the Board's top priority. The EU should also prioritise continued integration with neighbouring economies such as Norway (as part of the EEA) and Switzerland, promoting trade facilitation, free movement of persons and trade in agriculture as well as further extending technical harmonisation.

It is furthermore essential that we finalise agreements with Mercosur, Mexico, Chile, Indonesia, Australia and New Zealand as well as the revised Pan-Euro-Mediterranean convention. We should also promote continued EU integration and eventually EU membership for Western Balkan countries.

<sup>23</sup> National Board of Trade (2020), *Trade Barriers to Goods and Services Important for Climate Action – Opportunities for Reform*, [https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-barriers-to-goods-and-services-important-for-climate-action\\_webb.pdf](https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-barriers-to-goods-and-services-important-for-climate-action_webb.pdf)

<sup>24</sup> National Board of Trade (2018), *Free Trade Agreements and Countries Outside*, <https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2018/publ-free-trade-agreements-and-countries-outside.pdf>

When there is credible commitment from our partners, negotiations with the US, India, Tunisia, Morocco and the remaining ASEAN countries should be resumed.

- **Fully implement existing association agreements and FTAs**

Furthermore, we should give priority to the implementation of existing association agreements (Ukraine, the western Balkans, pan-Euromed countries) and FTAs, particularly recent FTAs such as Japan, Ceta and Vietnam.

- **Consider new regional or interregional agreements**

Beyond interregional agreements with Mercosur and the ASEAN countries, the EU should explore a partnership with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).<sup>25</sup> The EU should continue to support African regional integration through assistance in the African Continental Free Trade Area (AfCFTA) negotiations. In the long term, AfCFTA could pave the way for a strategic partnership between the EU and Africa. The EU should also seek renewed momentum in negotiations and implementation of Economic Partnership Agreements, particularly in Africa.

## **Question 6**

How can trade policy support the European renewed industrial policy?

- **Observe coherence between trade policy and other policies**

Trade policy must be regarded in a broad context for industrial policy, for the Single Market and for global development in order to avoid conflicts of interests and to create policy coherence.

The EU industrial strategy has three overall priorities: climate neutrality, digital transition and the competitiveness of EU firms. An open trade policy supports all these objectives. For example, access to inputs and the possibility to grow internationally, through open trade, contributes to the strengthening of competitiveness of EU businesses.

Furthermore, free movement is crucial for the competitiveness of the EU industry. Strengthening and deepening the Single Market, through compliance with existing rules, integration and removal of barriers is therefore key. In order to ensure its proper functioning, and to gain

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<sup>25</sup> See our answer under question 1.

resilience, it is however important not to have a narrow approach to the Single Market and only regard it as a “springboard to compete globally”<sup>26</sup> as it is described in the EU industrial strategy. A strategic approach is called for, where the Single Market is treated also as a political, peacekeeping integration project that creates value for the European economy and society in its own right. This is particularly important in the light of the current crisis and the economic recovery.

- Upgrade the value of imports to EU economic productivity and competitiveness

As DG Trade’s chief economist unit has shown recently in an analysis of the post-COVID recovery, imports are as important as exports for EU economic prosperity.<sup>27</sup> In line with this observation, it is important that the trade review is based on the insight that openness is an important objective in itself for EU competitiveness. If the US and China choose a different path, we would benefit also in relative terms by staying open for business.

In the absence of broader initiatives to reduce import tariffs for input goods, the EU’s system with tariff suspensions is an important tool to ensure that EU companies get access to duty-free inputs for further processing within the EU. As it is also vital for companies with predictability and stability in their access to essential inputs, the Board proposes that decisions on tariff suspensions for certain sensitive goods should always be valid for at least two years rather than one. Inward processing is another important tool to promote the competitiveness of EU firms. To make the tool more useful, the examination of the economic conditions should be removed.

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<sup>26</sup> EU industrial strategy, p.5.

<sup>27</sup> *Trade Policy Reflections Beyond the Covid 19 Outbreak* Chief Economist Note 2:2020.

- Strengthen and evaluate the EU standardisation system

The EU should take the role as a global standard setter and not a standard taker. Hence, the continuous efforts the Commission takes to promote European standards are vital. However, there are challenges with the European standardisation model following case law from the Court of Justice of the European Union.<sup>28</sup> Industry organisations and standardisation organisations express serious concerns regarding the European standardisation system as being restrictive, slow and inefficient. The current situation has also created legal uncertainty where the lack of harmonised standards renders it difficult for the industry to demonstrate conformity with EU law. This is costly and may in the long run undermine the functioning of the internal market. Swift action need to be taken to resolve these issues so that the EU system for technical harmonisation can continue to match market needs, support new innovation, favour global competitiveness and continue to be a global benchmark. The Board recognises that a well-functioning European standardisation system is vital in order to set global standards and encourage competitiveness on the global stage. Therefore, we welcome future work to continue to strengthen the European standardisation system and would also encourage efforts to evaluate the system with respect to continuous changes in trade environment. We look forward to a European standardisation system that can, in the long run, provide the flexibility and enhanced support that is needed in terms of effectiveness, uncertainty, national security and global geopolitical challenges.

- Assess member states work on digitalisation in relation to security and resilience

Acknowledging the boost digitalisation provides our economy in terms of effectiveness and connectivity, it also creates serious vulnerabilities to our society. In times where uncertainty and health crisis go hand with geopolitics and protectionism EU policymaking should, as far as possible, to a greater extent take into account work carried out on member state level in the field of crisis, security and resilience.<sup>29</sup>

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<sup>28</sup> Judgement of the Court of 27 October 2016 in case C-613/14 James Elliott Construction Limited v Irish Asphalt Limited; Judgement of the General Court of 26 January 2017 in case T-474/15 Global Garden Products Italy SpA (GGP Italy) v European Commission.

<sup>29</sup> National Board of Trade (2018) *The Cyber Effect - the implications of IT security regulation on international trade*.  
<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2018/the-cyber-effect.pdf>



### Question 7

What more can be done to help SMEs benefit from the opportunities of international trade and investment? Where do they have specific needs or particular challenges that could be addressed by trade and investment policy measures and support?

- **Improve certainty for business by creating a transparent regulatory environment**

Trade policy regulations should aim to create the best possible conditions for companies to participate in the global market by ensuring simple, transparent and predictable rules.

- **Improve information to companies**

Companies need information that is easy to understand and to use. They often report language difficulties for example webpages that are linking to foreign sites (example Epa Japan). Companies should have a possibility to pose questions and get direct answers instead of receiving general information which often needs more clarification.

Furthermore, the EU's own information channels like the Market Access Database (now A2M) should be evaluated. The EEN<sup>30</sup>-network in its ambitions to help SME:s to benefit from FTA:s should be promoted. Moreover, the EU could assist partner countries in building up information channels like A2M and translation.

Further develop help desks that can help companies within the EU to obtain relevant laws and concrete information in English.<sup>31</sup>

- **Make FTAs more SME-friendly and easy to use**

To achieve a greater diversification the role of free trade agreements becomes increasingly important. The SME-perspective could be strengthened throughout FTA chapters and their sector annexes. Online tools to guide SMEs in their origin calculation as well as electronic origin certificates could be developed.<sup>32</sup>

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<sup>30</sup> European Enterprise Network.

<sup>31</sup> EU helpdesks such as the EU China IPR SME helpdesk is useful in providing assistance to SMEs. <http://www.iprhelpdesk.eu/china-helpdesk>

<sup>32</sup> National Board of Trade (2020), *Rules of Origin for the 21st Century – including services, digitalisation, sustainability and a more user-friendly approach*. <https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/rules-of-origin-in-the-21st-century.pdf>

Moreover, SMEs to a greater extent than larger firms use intermediate actors such as wholesale firms, platforms etc., rather than direct export in order to reach international markets. Analysing how to further facilitate this mechanism of internationalisation could be especially valuable for SMEs.

### Question 8

How can trade policy facilitate the transition to a greener, fairer and more responsible economy at home and abroad? How can trade policy further promote the UN Sustainable Development Goals (SDGs)? How should implementation and enforcement support these objectives?

- Adapt EU trade policy to a new reality and exacerbated sustainability challenges through an increased focus on trade-related policy objectives

The 2030 Agenda for Sustainable Development concludes that international trade is an engine for inclusive economic growth and poverty reduction, and contributes to the promotion of sustainable development.<sup>33</sup> The challenges for EU trade policy to facilitate an international trade that fulfils this task are substantial and have been exacerbated by the detrimental effects of the COVID-19 pandemic. This crisis poses an unprecedented challenge to the global economy and affects the capacity to implement all seventeen SDGs. UN data shows that even before the COVID-19 pandemic, the world was not on track to reach all the SDGs.<sup>34</sup> The pandemic has not simply caused disruption in the implementation of the SDGs but in some cases even turned back decades of progress.<sup>35</sup>

This global economic decline contributes to increased poverty and unemployment, food insecurity and deepened inequalities. Studies estimate between 70 and 140 million people falling into extreme poverty during 2020.<sup>36</sup> The ILO predicts a greater impact on employment than

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<sup>33</sup> Paragraph 68, Transforming our world: the 2030 Agenda for Sustainable Development.

<sup>34</sup> The Sustainable Development Goals Report - 2020, <https://unstats.un.org/sdgs/report/2020/The-Sustainable-Development-Goals-Report-2020.pdf>

<sup>35</sup> The Sustainable Development Goals Report - 2020, <https://unstats.un.org/sdgs/report/2020/The-Sustainable-Development-Goals-Report-2020.pdf>

<sup>36</sup> The Sustainable Development Goals Report - 2020, <https://unstats.un.org/sdgs/report/2020/The-Sustainable-Development-Goals-Report-2020.pdf> and D. Laborde, W. Martin and R. Vos, *Poverty and food insecurity could grow dramatically as COVID-19 spreads*, IFPRI Blog: Research Post, 16 April 2020

that of the 2008-9 financial crisis<sup>37</sup>, estimating a rise of global unemployment between 5.3 and 24.7 million.<sup>38</sup> The pandemic is also causing additional challenges to reach gender equality and women's economic empowerment. Women and girls face additional barriers to economic participation, such as increased domestic violence and additional burden of unpaid care work.<sup>39</sup>

Simultaneously, the world is facing a climate crisis. The international community has agreed to keep global warming to well below 2 degrees Celsius (°C), and to pursue efforts to limit it to 1.5°C, to avoid disastrous effects on living conditions. This requires reaching net zero emissions globally by 2050. However, current trend shows continued high emissions internationally. In 2019, the world had already reached 1.1°C warming, and the global temperature is increasing by approximately 0.2°C per decade.<sup>40</sup>

These facts underscore the need for stronger and more urgent policy action. If trade is to deliver on the expectation to contribute to the SDGs, both globally and within the EU, as well as to the Paris Agreement, EU trade policy must be updated, designed and implemented in a way that adapts to this new reality, with an even more ambitious approach to the inclusion and promotion of trade-related (or non-trade) policy objectives.

- Increase Aid-for-trade efforts to support economic recovery in low-income countries, with a specific focus on LDCs

The effects of the COVID-19 pandemic are not equally distributed. On the contrary, they tend to exacerbate existing inequalities and affect the world's poor and vulnerable groups the most.<sup>41</sup> Even though the economic recession is global, it is the poorest and most disadvantaged countries that are hit the hardest.

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<https://www.ifpri.org/blog/poverty-and-food-insecurity-could-grow-dramatically-covid-19-spreads>

<sup>37</sup> ILO, *COVID-19: Impact on trade and employment in developing countries*, Policy Brief, August 2020 [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_753207.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_753207.pdf)

<sup>38</sup> ILO, *COVID-19 and the world of work: Impact and policy responses*, International Labour Organization Note, 2020, [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms\\_738753.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_738753.pdf)

<sup>39</sup> The Sustainable Development Goals Report - 2020, <https://unstats.un.org/sdgs/report/2020/The-Sustainable-Development-Goals-Report-2020.pdf>

<sup>40</sup> IPCC, 2018.

<sup>41</sup> The Sustainable Development Goals Report - 2020, <https://unstats.un.org/sdgs/report/2020/The-Sustainable-Development-Goals-Report-2020.pdf>

Already in 2019, before the COVID outbreak, the decline in value of LDC exports was larger than the decline in value of world exports. This is in direct contrast to the sustainability goal to significantly increase exports of developing countries, with a specific aim to double LDCs share of global exports by 2020.<sup>42</sup> In terms of export, LDCs are generally dependent on a limited range of products and concentrated to a few markets, which makes them even more vulnerable to demand fluctuations. Top destination markets for LDCs include some of the countries which have been hit the hardest by the COVID-19 pandemic.<sup>43</sup> The WTO expects the downturn in trade in 2020 to be more severe for LDCs than the global average.<sup>44</sup> In addition, there is a rapid deflation of reserves and shortage of liquidity in financial institutions, making access to trade finance increasingly difficult, primarily hitting SMEs in developing countries.<sup>45</sup>

The combination of an economic recession, decreased export earnings, decreased ODA flows, and decreased remittances, leaves low-income countries in general, and LDCs in particular, with even less resources, and at an even higher disadvantage to reach their sustainability goals and to partake in international trade. The EIF conclude that there is a real risk of LDCs falling out of GVCs and become left out of the international trading system.<sup>46</sup>

International trade and investment have to be crucial components in all recovery plans.<sup>47</sup> The EU therefore has an imperative to step up its relationships with low-income trade partners. The EU should increase its development cooperation and trade related aid in support of economic recovery in partner countries, for example through an update of the Aft strategy in the light of this new reality.

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<sup>42</sup> SDG 17.11.

<sup>43</sup> 19 I.e. China, France, Germany, India, Italy, Spain, the United Kingdom and the United States. WTO, The COVID-19 pandemic and trade-related developments in LDCs, information note, June 2020.

[https://www.wto.org/english/tratop\\_e/covid19\\_e/lcds\\_report\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/lcds_report_e.pdf)

<sup>44</sup> WTO, The COVID-19 pandemic and trade-related developments in LDCs, June 2020.

[https://www.wto.org/english/tratop\\_e/covid19\\_e/lcds\\_report\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/lcds_report_e.pdf)

<sup>45</sup> EIF, COVID-19 is exacerbating the global trade finance gap, by Violeta Gonzalez, Anisse Terai / in Op-ed, August 2020, <https://trade4devnews.enhancedif.org/en/op-ed/covid-19-exacerbating-global-trade-finance-gap>

<sup>46</sup> EIF, COVID-19 is exacerbating the global trade finance gap, by Violeta Gonzalez, Anisse Terai / in Op-ed, August 2020, <https://trade4devnews.enhancedif.org/en/op-ed/covid-19-exacerbating-global-trade-finance-gap>

<sup>47</sup> EIF, COVID-19 is exacerbating the global trade finance gap, by Violeta Gonzalez, Anisse Terai / in Op-ed, August 2020, <https://trade4devnews.enhancedif.org/en/op-ed/covid-19-exacerbating-global-trade-finance-gap>

Future EU AfT policy needs to focus both on mitigating harmful effects in partnering countries, with a specific focus on LDCs, as well as on the reconnection to GVCs and integration to international trade. It should increase focus on reducing the global trade finance gap and intensify support for sustainable results over time. For example through long term capacity building, regulatory reform and technical assistance to create strong national institutions needed to participate in international trade. Previous thematic focus areas, such as economic diversification, eliminating trade obstacles, trade facilitation, gender equality and digitalization, are still important focus areas to include in an updated strategy. In addition, coordination efforts are critical to ensure maximum effect of support. Cooperation with the private sector is especially important to create synergies between efforts to reboot the labour market.

- Use Aid for Trade more strategically to encourage private sector contribution to financing sustainability reforms

The long-standing target in international aid is that official development assistance (ODA) should amount to 0.7% of donors' gross national income. This means that during times of economic recession, ODA can also be expected to decline, causing cutbacks in international aid flows and as a source of revenue for low-income countries. In addition, the World Bank expects remittances to low-and middle-income countries to fall by 20 per cent by 2020.<sup>48</sup>

Against this background, the strategy for strategic use of ODA to catalyse financial resources from other sources, both public and private. The Addis Ababa Action Agenda adopted in 2015 to addresses the necessary means for delivering the 2030 Agenda for Sustainable Development emphasises the importance of international trade and private sector investment as means of implementation alongside Official Development Assistance (ODA).<sup>49</sup> The idea was picked up and developed by the EU Aid for Trade Strategy in 2017.<sup>50</sup> The Strategy makes a direct reference to the need for engaging the private sector in supporting the sustainable trade agenda. More explicitly, it speaks about

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<sup>48</sup> <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>

<sup>49</sup> UN, Addis Ababa Action Agenda of the Third International Conference on Financing for Development, July 2015,

[https://sustainabledevelopment.un.org/content/documents/2051AAAA\\_Outcome.pdf](https://sustainabledevelopment.un.org/content/documents/2051AAAA_Outcome.pdf)

<sup>50</sup> European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Achieving Prosperity through Trade and Investment*. Updating the 2007 Joint EU Strategy on Aid for Trade, COM(2017) 667 final, Brussels, 13.11.2017, p.5.



a shift of focus towards using Official Development Assistance more strategically as a catalyst to mobilise other public and private financial flows with private investment becoming an integral part of EU support to trade and productive capacity needs.

- Use the upcoming GSP-reform as an opportunity to push for stronger implementation of sustainability commitments, as well as a possibility to increase preferences and market access for beneficiaries

The GSP-system is a concrete way for EU trade policy to use both positive and negative conditionality as a tool to contribute to sustainable development. The upcoming review of the GSP-system is an opportunity to both push for stronger implementation of global sustainability commitments in all dimensions of sustainability, as well as maintaining an inclusive and generous preference system with a continuation of the present regime (standard GSP, GSP+ and EBA).

In the review, it should be kept in mind that the main purpose of the GSP is to support the integration of developing countries into the world economy, based on the WTO principle of special and differential treatment of developing countries. Consequently, the standard GSP should remain an important part of the scheme, especially since a large group of countries is expected to graduate from the EBA within the years to come, but also in order to counter the negative effects of the COVID-19 pandemic.

In addition to promoting economic sustainability, the GSP-review is also an opportunity to strengthen the links to other sustainability goals, for example through targeted expansion of preferential access.

The possibility to use positive conditionality to promote SDGs can be increased through the addition of international conventions to the list that underpin GSP+ that beneficiaries have to comply to, while simultaneously increasing tariff preferences for the remaining beneficiaries of the GSP-schemes, thereby increasing market access for low-income countries. The Paris Agreement is a priority among potential international conventions to be added to the GSP+ list. The goal should be to include in the reformed system the most updated list of relevant conventions on sustainability, taking into considerations the developments taking place during the reform process. In this context, the EU ought to avoid designing the GSP-schemes in a way where the EU places much stronger requirements or sustainability expectations from

beneficiary countries within the scheme, than commitments required from FTA partners.

The negative conditionality, meaning the opportunity to suspend or remove these increased preferences, could also be developed, e.g. through a more transparent monitoring and evaluation process.

In addition, the GSP-reform should include provision on cooperation with civil society in beneficiary countries in order to make the GSP-system more inclusive and strengthening its possibility to contribute to sustainable development.

### ***Making EU trade policy contribute to the SDGs***

- Aim for policy coherence when designing new policy for sustainable development

Trade policy contributes to inclusive growth and sustainable development when complemented by national reforms (e.g. structural reforms, access to finance, investments in infrastructure, tax systems education and research). Policy coherence is therefore crucial to be able to strengthen EU member states' possibility to benefit from open markets, as well as for EU partnering countries to benefit from the EU market.

- Explore possibilities of pursuing sustainability objectives in FTAs beyond TSD chapters

The EU should extend efforts to explore the opportunities to streamline sustainability considerations in all relevant FTA chapters.<sup>51</sup> This work could be inspired by the work done by the OECD on greening RTAs.<sup>52</sup> Examples for sustainability issues can already be found in existing agreements, e.g. cooperation on animal welfare and antibiotic resistance under the SPS chapter. Dialogue with the civil society on the content and results of such cooperation would be important. Sustainability Impact Assessments could be used to identify the most important chapters to

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<sup>51</sup> National Board of Trade (2017), *Possible Tools for Strengthened Implementation of Sustainable Development Provisions in FTAs*.  
<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2017/publ-possible-tools-for-strengthened-implementation-of-sustainable-development-provisions-in-free-trade-agreements.pdf>

<sup>52</sup> Yamaguchi, S. (2020), *Greening regional trade agreements: Subsidies related to energy and environmental goods*, OECD Trade and Environment Working Papers, No. 2020/01, OECD Publishing, Paris.

address during negotiations, e.g. for environmental, climate and social goals such as gender equality. More on gender equality see question 13.

- Increase importance of Sustainability Impact Assessments (SIAs) to ensure results have a real impact on the negotiation of FTAs

Sustainability Impact Assessments are a key tool for identifying and analysing sustainability implications of negotiated trade agreements. If the results of SIAs are to be effectively reflected in negotiation processes and future trade agreements, SIAs need to be developed and published earlier. Negotiations and agreements should not be able to be completed until the results of SIA have been published.

The current SIA process should be complemented with *ex post* evaluations of the actual sustainability impacts of the agreements, which includes an assessment of whether or not the measures integrated in the FTA to manage the SIA results have been effective, or if complementary measures are needed.

- Strengthen implementation and enforcement of sustainability chapters in FTAs

With the adoption of the 15-point action plan to make the implementation of trade and sustainable development chapters more effective and the establishment of a post of the Chief Trade Enforcement Officer, the EU has taken promising steps towards improving the enforcement of sustainability chapters in FTAs. The renewed trade policy needs to ensure continuation of this process. The EU efforts on trade and sustainable development are under constant scrutiny by stakeholders at home and in our partner countries. It is important to deliver on the sustainability commitments and to increase the level of ambition in order to show that, even in the time of crisis, the EU is determined to conduct responsible trade policy, which contributes to global sustainable development. The involvement of civil society in this respect is key.<sup>53</sup>

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<sup>53</sup> See also National Board of Trade (2019), *TSD-Handbook – Implementation of the Chapter on Trade and Sustainable Development in the Trade Agreement between the EU and Ecuador*. <https://www.kommerskollegium.se/en/publications/guides/tsd-handbook/>

- Intensify efforts to phase out fossil fuel subsidies both in the EU and globally

Fossil fuel subsidies are one of the most detrimental policies for the environment as well as for trade and countries' economies.<sup>54</sup>

Nevertheless, fossil fuel subsidies increased globally in 2019, to USD 178 billion.<sup>55</sup> In the European Green Deal, the removal of fossil fuel subsidies is mentioned several times. The EU should actively phase out fossil fuel subsidies in place in Member States, and in connection to the potential introduction of a Carbon Border Adjustment Mechanism, investigate the opportunities to phase out subsidies within the EU Emission Trading Scheme (ETS). Furthermore, the EU should initiate negotiations for an international agreement to discipline fossil fuel subsidies, preferably under the WTO, or join the ongoing negotiations for an Agreement on Climate Change, Trade and Sustainability.<sup>56</sup>

- Design a Carbon Border Adjustment Measure in a way that both complies with WTO rules and fulfils environmental objectives

When the Commission develops a proposal for a Carbon Border Adjustment Mechanism (CBAM), it needs to be carefully designed in order to comply with WTO rules and fulfil its environmental objectives. The purpose of a CBAM must be to prevent carbon leakage, not to shield EU firms from competition. The choice of goods should be kept narrow, with a focus on goods with the highest risk for carbon leakage and with simple value chains. Furthermore, the CBAM should be connected to the EU ETS. Further criteria and recommendations can be found in our report.<sup>57</sup>

- Liberalise trade in environmental goods and services

Trade barriers to environmental goods and services are not only detrimental to the environment and the climate, but also to the EU

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<sup>54</sup> <http://www.oecd.org/environment/governments-should-use-covid-19-recovery-efforts-as-an-opportunity-to-phase-out-support-for-fossil-fuels-say-oecd-and-iea.htm>

<sup>55</sup> <http://www.oecd.org/fossil-fuels/data>

<sup>56</sup> <https://www.mfat.govt.nz/en/trade/free-trade-agreements/climate/agreement-on-climate-change-trade-and-sustainability-accts-negotiations/>

<sup>57</sup> National Board of Trade (2020), *Border Carbon Adjustments- Trade related aspects and the way forward*.

[https://www.kommerskollegium.se/contentassets/7a09d4cdb83a46feaf0c6ae6e5b02fff/border-carbon-adjustments\\_final\\_.pdf](https://www.kommerskollegium.se/contentassets/7a09d4cdb83a46feaf0c6ae6e5b02fff/border-carbon-adjustments_final_.pdf)

economy as they increase the cost of achieving EU climate and environmental goals.

The EU should prioritise further liberalisation of trade in environmental goods and services. This could be done plurilaterally through a renewed environmental goods negotiation under the WTO with a broader product coverage, or by joining the ACCTS.<sup>58</sup> Given that trade in environmental goods is often tied to related services, negotiations should also cover liberalisation of trade in services as well as non-tariff barriers. If plurilateral initiatives are deemed a too complex way forward, the EU should consider unilateral liberalisation of intermediate goods. The selection of goods and services to liberalise should include those that can contribute to large emission reductions or provide significant environmental benefits. The selection should not be based on competitiveness concerns. A starting point for selection of good and services could be those listed in our report.<sup>59</sup>

- **Introduce new HS subheadings needed for climate relevant goods**

Several climate relevant goods and technologies are not separately identified under specific HS-codes. The Board's work on compiling the list of goods for cleaner transport<sup>60</sup> suggests that this is the case for e.g. some essential goods in the value chains for electric vehicles and that there is a need for more specific HS-codes for goods important for the green transition. The EU should therefore engage in the ongoing review of the HS nomenclature to ensure that climate relevant goods can be better targeted in trade negotiations and trade analysis.

- **Design Rules of Origin to promote trade in environmental goods**

As mentioned above under question 4, there are several ways to stimulate sustainable production and consumption through RoO. One way would be to use special RoO provisions, be it cumulation, tolerance or product specific rules, for certain categories of sustainable goods such as

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<sup>58</sup> Agreement on Climate Change, Trade and Sustainability

<sup>59</sup> One of the most concrete examples of this is the fact that a majority of the countries the Board has examined still makes imports of renewable energy goods and cleaner transport goods more expensive by applying MFN tariffs on them. National Board of Trade (2020), *Trade barriers to goods and services important for climate action - and opportunities for reform*.

[https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-barriers-to-goods-and-services-important-for-climate-action\\_webb.pdf](https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-barriers-to-goods-and-services-important-for-climate-action_webb.pdf)

<sup>60</sup> See fn 7.

environmental goods.<sup>61</sup> For example, the EU could use a single transformation rule for remanufactured or recycled fabrics in textile products. Such initiatives should be weighed against the potential cost of creating more administrative burden for companies.

- **Ensure coherence between the circular economy and trade policies**

Trade and trade policy can facilitate the transition to a circular economy. However, if these policy areas are not mutually supportive, circular economy policies can act as barriers to trade, and trade policies can obstruct the transition to a circular economy. The EU should map and analyse policies that obstruct the possibilities to use the advantages of trade for efficient repair, reuse, refurbishment, remanufacturing or recycling of goods. Furthermore, new trade policies should be customised to enable circular material flows.

### Question 9

How can trade policy help to foster more responsible business conduct? What role should trade policy play in promoting transparent, responsible and sustainable supply chains?

- **Support and incentivise responsible business conduct (RBC) focused on transparency and risk-awareness in a post-COVID-19 reality**

Reaching the SDGs and the Paris Agreement will require partnerships and policy coherence. Companies that apply RBC policies and conduct structured due diligence<sup>62</sup>, show a higher adjustment capacity in face of disruptions, such as the COVID-19 crisis. This primarily due to increased transparency and risk awareness linked to the implementation of RBC standards and principles.<sup>1</sup> Consequently, the EU should support and incentivise the private sector to implement the 2030 Agenda and building sustainable value chains.

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<sup>61</sup> National Board of Trade (2020), *Rules of Origin for the 21st Century – including services, digitalisation, sustainability and a more user-friendly approach*. <https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/rules-of-origin-in-the-21st-century.pdf>

<sup>62</sup> E.g. in accordance with international guidelines and principles such as UN Global Compact, UN Guiding Principles on Business and Human Rights, OECD MNE Guidelines, OECD Due Diligence Guidance for Responsible Business Conduct, and ILO Social policy principles for multinational enterprises.

- **Develop an EU Action Plan for responsible business conduct**

Trade policy should encourage companies to participate in global trade in an environmentally and socially responsible way and to build resilient and sustainable value chains. A future EU Action Plan for RBC should set out clear priorities and a cohesive approach to RBC both in the internal market and international trade.<sup>63</sup> One of its objectives should be to create opportunities, especially for SMEs, to connect to GVCs in a both profitable and sustainable way.

Trade policy should also consider the ongoing process to reform regulation on non-financial reporting by large companies.<sup>64</sup>

- **Encourage private sector participation in the implementation and enforcement of sustainability commitments in EU trade policy, such as TSD-chapters**

Sustainability challenges tend to contain issues of joined public and private interest where the two sectors have their different knowledge, capacity and possibility to act, channels of interaction and politically acceptable room for manoeuvre. If coordinated and streamlined, their joint efforts may help address the most difficult challenges and achieve synergies in maximising sustainability gains both in the EU and in trade partner countries.

- **Encourage the creation of platforms to enable cooperation between different stakeholders**

The EU should encourage the creation of platforms to enable cooperation between different stakeholders, e.g. private sector organisations, unions, and civil society. This would allow the exchange of information, for instance related to supply chain risks as well as create opportunities for collaboration in mitigating them. One concrete example of this could be to establish formal structures for cooperation with civil society in countries that benefit from the GSP-system, in line with the Domestic Advisory Groups already established in existing EU FTAs. Another means of creating or supporting such partnerships is through Aid for Trade.

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<sup>63</sup> National Board of Trade (2017) *Trade and Social Sustainability. An overview and analysis*.

<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2017/publ-trade-and-social-sustainability-webb.pdf>

<sup>64</sup> <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12129-Revision-of-Non-Financial-Reporting-Directive>



### Question 10

How can digital trade rules benefit EU businesses, including SMEs? How could the digital transition, within the EU but also in developing country trade partners, be supported by trade policy, in particular when it comes to key digital technologies and major developments (e.g. block chain, artificial intelligence, big data flows)?

- Create predictability and certainty for new and upcoming technology in existing agreements and legislations, e.g. in relation to 3D-printing, artificial intelligence and data transfers

The Board released a comprehensive report to build a solid ground of understanding of how the “Fourth Industrial Revolution” will change trade and production over the decades to come. As trade will change, we also need to raise the question whether current trade rules facilitate or hinder new technologies and whether they address possible risks and challenges.<sup>65</sup> Technical rules are often not adapted to changes in production methods which often includes services (such as 3D-printing or AI). To ensure that new rules do not create trade barriers, international cooperation is necessary.

Closely connected to recent technological developments is the so called servification of the economy, meaning services and goods are increasingly bundled together. This means that the focus should be on “goods *and* services”, not “goods or services” as it is still too often the case. Trade policy should adjust to this type of current business realities as one step towards modernizing global trade rules. In turn, this can help create growth and economic development.<sup>66</sup>

- Lack of transparency is a barrier to digital trade

Information about laws, regulations, procedures and methods affecting e-commerce often lack transparency and is difficult for businesses to understand. Hence, an important step towards more open cross-border e-commerce is to make such information more easily-interpreted and transparent for businesses.<sup>67</sup>

<sup>65</sup> National Board of Trade (2019), *The Fourth Industrial Revolution – Changing trade as we know it*. <https://www.kommerskollegium.se/publikationer/rapporter/2019/4ir/>

<sup>66</sup> National Board of Trade (2019) *The Fourth Industrial Revolution – changing trade as we know it*. <https://www.kommerskollegium.se/publikationer/rapporter/2019/4ir/>

<sup>67</sup> National Board of Trade (2012), *E-commerce – New Opportunities, New Barriers – a survey of e-commerce barriers in countries outside the EU*. <https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2016-och-alldre/report-e-commerce-new-opportunities-new-barriers.pdf>

- Look at individual policy areas and see where new technologies can be utilized

New technology can contribute to reaching policy goals. One example from a recent study is the potential of blockchain technology and proving origin.<sup>68</sup> In another study we show an example where digital tools could contribute to making it easier to reuse batteries from electric vehicles for new purposes.<sup>69</sup>

- Update the rules on e-commerce to reflect the reality of current trade flows

The EU should engage constructively to find solutions to remove unnecessary trade barriers such as digital performance requirements, not the least concerning source code, and restrictions on data flows since this is of great importance to business in all sectors. Furthermore, market access for relevant goods and services should be a key component of the e-commerce negotiations. A focus on market access is important both to ensure connectivity and to facilitate e-commerce. This is particularly relevant concerning the WTO e-commerce negotiations, see question 3.

- Negotiate more ambitious digital chapters in FTAs

Digital issues are central for any trade agreement given the increasing economic importance of e-commerce and the movement of data. Given the businesses' need for certainty when transferring large quantities of data cross-border<sup>70</sup>, more possibilities to upgrade FTAs in respect to dataflow and e-commerce should be explored. There are already examples of FTAs between other countries containing provisions on requirements for certain content on consumer protection, e.g. the *Pacific Alliance Framework Agreement* requiring partners to standardise the information to be provided to customers. The agreement between

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<sup>68</sup> National Board of Trade (2020), *Rules of Origin for the 21st Century – including services, digitalisation, sustainability and a more user-friendly approach*. <https://www.kommerskollegium.se/en/publications/reports/2020/rules-of-origin-for-the-21st-century/> and National Board of Trade (2019) *Trade and gender gaps – can trade policy contribute to gender equal value chains?* <https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-and-gender-gaps.pdf>

<sup>69</sup> National Board of Trade (2020), *Trade barriers to goods and services important for climate action - and opportunities for reform*. [https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-barriers-to-goods-and-services-important-for-climate-action\\_webb.pdf](https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-barriers-to-goods-and-services-important-for-climate-action_webb.pdf)

<sup>70</sup> National Board of Trade (2015), *No Transfer, No Production – a report on cross-border data transfers, global value chains, and the production of goods*. <https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2016-och-alldre/no-transfer-no-production-a-report-on-crossborder-data-2015.pdf>

Australia and Chile goes even further and specifies a set of rules on what information companies must provide, including information on the company, the product or service they sell, and on delivery terms and costs. Such cooperation would be important for securing consumer protection in the future.

### Question 11

What are the biggest barriers and opportunities for European businesses engaging in digital trade in third countries or for consumers when engaging in e-commerce? How important are the international transfers of data for EU business activity?

- **Work against measures disturbing the global value chains of businesses**

Companies interviewed earlier by the Board<sup>71</sup> highlighted forced localisation and restrictions on cross-border data transfers, including export restrictions, as two central types of measures affecting cross-border data movement. Additionally, governmental intrusion and censorship is seen as a central obstacle. Another central aspect for manufacturers is the existence of robust digital infrastructure. The transfer of large amounts of data and the installation of security measures - to counter public and private intrusions - mean that sufficiently developed digital infrastructure is a parameter of growing concern for companies and can affect GVC set-up.

- **International transfers of data are essential for EU Businesses**

As highlighted in previous reports by the Board, dataflows are key to enable both international trade, but also production. This makes it an important part of FTAs. Forced localisation and restrictions on cross-border data transfers are two central types of measures negatively affecting cross-border data movement which ought to be addressed.<sup>72</sup>

<sup>71</sup> National Board of Trade (2016), *No Transfer, No Trade*.

[https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2016-och-alldre/no\\_transfer\\_no\\_trade\\_webb.pdf](https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2016-och-alldre/no_transfer_no_trade_webb.pdf)

<sup>72</sup> National Board of Trade (2015), *No Transfer, No Production – a report on cross-border data transfers, global value chains, and the production of goods*.

<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2016-och-alldre/no-transfer-no-production-a-report-on-crossborder-data-2015.pdf>

- Find a solution after the Schrems II ruling

The so-called Schrems II ruling invalidated the Commission's adequacy decision for the EU-US Privacy Shield Framework. The absence of a functioning adequacy framework that supports digital trade with the US effectively becomes an obstacle to our own digitalisation. This sheds light on the fact that not only does the EU need to find a solution to ensure the free flow of data between the EU and the US, but also to the broader issue of how cross-border data flows can be facilitated. Possibilities to include provisions that facilitate the free flow of data in FTAs or separate agreements, while ensuring high standards of personal data protection, should therefore be explored. Given the limitations imposed by the EU principle of privacy on FTAs, it is also important for the Commission does not neglect the adoption of additional adequacy decisions similar to those in place with a dozen third countries.

### Question 12

In addition to existing instruments, such as trade defence, how should the EU address coercive, distortive and unfair trading practices by third countries? Should existing instruments be further improved or additional instruments be considered?

- Before moving ahead with new unilateral TDIs, a more thorough analysis of the magnitude of the distortions created by unfair trading practices in the single market is required

The Board has previously found that current EU trade defence instruments (TDIs) mainly benefit other exporters to the union rather than those targeted, and make union industry less competitive in world markets.<sup>73</sup> As an alternative, the EU should aim to negotiate reliable rules on trade and competition with our trading partners.

Given our assessment of the cost-effectiveness of TDIs, it is important that the EU conducts a thorough analysis of the magnitude of the distortions created by foreign subsidies, state-owned enterprises or price dumping in the single market, before moving ahead with new unilateral instruments. Today, such comprehensive, fact-based evidence regarding the magnitude of the problem is missing.

Given a more thorough analysis of the distortions caused by unfair trade practices, the Board believes that competition could be strengthened by

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<sup>73</sup> National Board of Trade (2012), *Do EU Producers and the EU Economy Really Benefit from Anti-Dumping Policy?*  
<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2016-och-aldre/do-eu-producers-really-benefit.pdf>

TDIs in certain cases. For instance, the Netherlands recently presented a paper on extending the scope of certain parts of EU Competition law and State Aid law in ways which could deserve more analysis.

Another option could be to redesign the union interest test in antidumping and anti-subsidy investigations to better facilitate and improve undistorted competition in the internal market.

- **Proposed changes to the Enforcement Regulation need to be WTO compatible and should be carefully analysed**

In view of the troubled state of the multilateral trading system, there must be no doubt that changes to the EU trade enforcement framework be compatible with our WTO obligations. An important focus of EU trade policy in this area should therefore be to improve discipline via a restored WTO dispute settlement system.

There is also room for improving the dispute settlement system by speeding up and streamlining procedures and increasing transparency.

A new enforcement instrument should furthermore recognise that countermeasures by the EU primarily hurt EU importers. The suggested expansion of the range of available EU countermeasures should therefore be carefully considered and be preceded by careful analysis and a thorough impact assessment. Such an impact assessment should analyse the effectiveness of existing and proposed countermeasures, as well as the feasibility of countermeasures in the areas of trade in services and intellectual property rights. If the idea is to deny third-country nationals to register intellectual property rights, this could have large negative implications for trading partners, but also have negative consequences for the EU innovation and investment climate. There could also be legal barriers to imposing such measures, as the EU is bound by international conventions.

The impact of any proposed changes to the EU trade enforcement framework concerning outdated bilateral treaties should also be carefully considered and analysed. The first option should be renegotiating existing agreements. We are also doubtful if dispute settlement with smaller developing countries will be constructive in light of political and economic instability, such as in the case of Algeria.

- Use investment screening only on the grounds of “security or public order”

EU regulation on the screening of foreign direct investments states that the legal grounds for screening investment is “security or public order”.<sup>74</sup> Using investment screening for other purposes, such as creating a level playing field, would risk escalating protectionism in a way that could harm the investment regime. The level of openness for inbound investment is regulated by the WTO and the OECD as well as in many of our FTAs and bilateral investment treaties. If we violate those commitments, it would not only harm our own investment climate but could also potentially hurt EU investors abroad.

- Avoid trade barriers in public procurement towards third countries

The purpose of the proposed International Procurement Instrument (IPI) is to create a level playing field in third countries’ public procurement markets by raising trade barriers towards these countries. However, due to global supply chains, an instrument that at first sight targets foreign firms could also affect EU goods and services. The primary effect of such regulation would moreover be to restrict procurement and competition within the EU. That would contradict the purpose of public procurement, which is to promote competition and get maximum value for taxpayer money.

### Question 13

What other important topics not covered by the questions above should the Trade Policy Review address?

The Trade Policy Review should address gender equality:

- Create equal opportunity for women and men to participate in and benefit from international trade

Gender equality and the human right not to be discriminated against based on sex, is a fundamental EU value, as well as a specific sustainable development goal (SDG 5). Achieving gender equality and women’s economic empowerment (WEE) also has vast opportunity for economic growth. Currently, there are trade related gender-gaps in employment, entrepreneurship and consumption, for example, fewer women than men

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<sup>74</sup> EU Regulation 2019/452.

are in employment connected to trade.<sup>75</sup> The gender wage gap is bigger at high-income levels, indicating a higher GWG in trading sectors than non-trading sectors.<sup>76</sup> Businesses owned or led by men are much more likely to engage in international trade – export and import - than those owned or led by women.

Considering this, a gender responsive trade policy that addresses these gender-gaps and creates equal opportunity for women and men to participate in and benefit from international trade should be prioritised in the Trade Policy Review. Below are some ideas for how to mainstream gender into EU trade policy.<sup>77</sup>

- Build upon new knowledge on the correlation between trade and gender, initiatives to collect sex-disaggregated data, and new methodologies for integrating a gender lens to trade policy

Recent years have seen a surge in knowledge on the connections between trade and gender equality, especially following the Buenos Aires Declaration of 2017, leading to an increased understanding that trade is not gender neutral even though trade rules may be gender neutral in their design.<sup>78</sup> This realisation has induced new analytical instruments and initiatives, enabling increased access to both sex-disaggregated data and recently developed methodology to measure gender responsiveness.<sup>79</sup> This can help when integrating a gender-lens to EU trade policy.<sup>80</sup>

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<sup>75</sup> European Commission Chief Economist Note (2019), *Female Participation in EU Exporting Activities: Jobs and Wages*.

<sup>76</sup> National Board of Trade (2020), *Trade and gender equality – The role of trade policy*.  
<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-and-gender-equality.pdf>

<sup>77</sup> National Board of Trade, *Trade and gender equality – The role of trade policy* (2020)  
<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-and-gender-equality.pdf>

and National Board of Trade (2019), *Trade and gender gaps – can trade policy contribute to gender equal value chains?*  
<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-and-gender-gaps.pdf>

<sup>78</sup> This primarily connected to barriers to participate in and benefit from international trade, which disproportionately women suffer from.

<sup>79</sup> See e.g. recent work from ITC <https://www.intracen.org/publication/mainstreaming-gender-FTA/> and work co-published by the World Bank and the WTO [https://www.wto.org/english/res\\_e/publications\\_e/women\\_trade\\_pub2807\\_e.htm](https://www.wto.org/english/res_e/publications_e/women_trade_pub2807_e.htm); as well as UNCTAD Trade and Gender Tool Box, <https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1877>

<sup>80</sup> See e.g. recent work from ITC <https://www.intracen.org/publication/mainstreaming-gender-FTA/> and work co-published by the World Bank and the WTO [https://www.wto.org/english/res\\_e/publications\\_e/women\\_trade\\_pub2807\\_e.htm](https://www.wto.org/english/res_e/publications_e/women_trade_pub2807_e.htm); as



The continuous and extended collection of sex-disaggregated data needs to be a priority. Considering the lack of it, data related to gender-gaps in consumption is especially interesting. The collection of sex-disaggregated data should be complemented by the support for an ISO International Workshop Agreement on a global definition of women-owned business. Such definition would facilitate comparable data on gender gaps in entrepreneurship and the possibility to create procurement schemes beneficial to female entrepreneurs e.g. quotas for WOB, should that be desirable.

In addition, applying the method recently developed by the ITC on how to measure gender responsiveness, onto all EU FTA's could be a concrete way of taking advantage of new methodology, benchmark the current level of gender responsiveness of EU FTAs and let these results guide future negotiations.

- Continue contributing to the momentum to integrate a gender-lens to the work of the WTO

There is currently a momentum to integrate gender into the work of the WTO which the EU should continue to support, e.g. through active participation in the Informal Working Group on Trade and Gender established in September 2020. This is especially important in order to contribute to continuous capacity building.

Additional actions could be to promote that gender is included as standard content in the Trade Policy Review Mechanism, including the report from the Secretariat; advocating that a gender impact analysis should be conducted for potential new WTO agreements; applying a gender lens to ongoing relevant negotiations, such as e-commerce.<sup>81</sup>

- Give priority to treat gender as a market access issue in bilateral and regional trade negotiations

Treating gender as a market access issue enables a wider inclusion of gender in the entire FTA instead of just the TSD-chapter. This means applying a gender-lens to what sectors, products and services that are

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well as UNCTAD Trade and Gender Tool Box,

<https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1877>

<sup>81</sup> National Board of Trade, *Trade and gender equality – The role of trade policy* (2020)

<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-and-gender-equality.pdf> and National Board of Trade (2019), *Trade and gender gaps – can trade policy contribute to gender equal value chains?*

<https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2020/trade-and-gender-gaps.pdf>

liberalised and placing priority on those that will contribute to gender equality. Since this requires a case-by-case analysis, it also means expanding the Sustainability Impact Assessment conducted in FTA negotiations to systematically include a broader gender impact analysis. The removal of gendered tariffs should be a priority, as well as the liberalisation of services.

- Consider additional gender specific obligations in ongoing and future FTA negotiations

Gender provisions in FTAs could be references to additional international obligations on gender equality, cooperation activities, voluntary guidelines etc. One useful exercise could be to evaluate the potential application of the model clauses on trade and gender developed by the ITC, into EU FTAs.<sup>82</sup>

Elements promoting gender equality can be integrated into many FTA-chapters, not just those covering market access and sustainable development. For example, chapters on Transparency, SME:s and trade facilitation all have the potential to reduce barriers to trade disproportionately affecting women.<sup>83</sup>

- Apply a gender-lens for unilateral trade instruments

For trade instruments, such as the GSP-system and all Aid for Trade projects, a gender analysis should be conducted and appropriate policy considerations, e.g. on product coverage, should be made based on the results.

- Ensure policy coherence and seek synergies with other policies aiming to reduce barriers to participate in international trade

Ensure policy coherence with supporting policies and private initiatives, such as Responsible Business Conduct initiative, aimed at reducing the barriers primarily women face in order to participate and benefit from international trade. The promotion of female entrepreneurship in trading sectors would be important, e.g. through the support of activities increasing access to finance, to information and to trade-related networks.

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<sup>82</sup> ITC (2020), *Mainstreaming gender in Free Trade Agreements*, <https://www.intracen.org/publication/mainstreaming-gender-FTA/>

<sup>83</sup> See fn 73.

This memorandum has been decided by Director-General Anders Ahnlid in the presence of Heads of department Michael Koch, Christofer Berg, Pernilla Trägårdh, Agnès Courades Allebeck, Cecilia Parkert, Chief economic adviser Patrik Tingvall, Chief legal adviser Jonas Jeppson, Senior advisers Per Altenberg, Ulf Eriksson, Kristina Olofsson, Sara Sandelius, Karolina Zurek and Advisers Amelie Kvarnström, Isaac Ouro-Nimini, Åsa Sandström, Sophia Tannergård, Christopher Wingård and Senior legal adviser Anna Sabelström, rapporteur. Senior advisers Nesli Almufti, Anna Egardt, Maria Johem, Malin Ljungkvist, Heidi Lund, Camilla Prawitz, Annika Widell and Advisers Fredrik Gisselman, Jonas Hallberg, Hannes Jägerstedt, Anders Karlsson, Neil Swanson and Felinda Wennerberg have also contributed to the memorandum.

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