



Ministry for Foreign Affairs
Department for International Trade Policy and the
EU Single Market

Making trade a tool for sustainable development and green transition

Introduction

We need a free, fair and sustainable international trade policy that supports global growth, underpins our climate and environmental goals, facilitates the participation of developing, in particular least-developed, countries and benefits women and men equally. International trade is a tool to implement the 2030 Agenda and the Sustainable Development Goals, the Paris agreement and to support a green transition and a recovery from the Covid-19 crisis that is sustainable in all dimensions – economic, social and environmental. As a cornerstone of competitiveness and sustainable growth, a well-functioning EU Single Market is vital for the future resilience and the transition towards climate-neutral solutions and a rapid recovery of Europe after the Covid-19 crisis. We also need effective global rules for green export finance to ensure the future competitiveness of sustainable EU exports and investment.

Below are some of our priorities on how trade policy can be developed to contribute to sustainability and green transition.

Enhancing the Environment and Climate Agenda in the WTO

Sweden's objective is to strengthen the environment and climate agenda in the WTO and supports the important work initiated in preparation for the next WTO Ministerial Conference, MC12. Our goal would be to have a launch of a trade and environment/climate declaration in advance of MC12, possibly already during 2020, that could guide the work ahead. Therefore, we encourage that the EU actively supports the FAST-group's work to this aim and also that the EU work is accelerated in this matter. We welcome the structured discussions proposed by the EU which could also include the establishment of a WTO informal working group for trade and environment.

Eliminating Tariffs on Green Goods and Services

International trade policies can contribute to low-emission development and green transition by promoting increased international trade in emission reduction technologies and services. Our aim is that tariffs and other trade barriers should be eliminated on green goods and services. There is now a momentum for a new start in negotiations in this field, as the current economic crisis further highlights the need for global access to green goods, services and technology. The growth created by the new trade opportunities can also provide resources for improved environmental policy measures and help countries to fulfil their obligations according to the Paris Agreement. Sweden would therefore like to see the Commission take concrete action to launch an initiative on multilateral negotiations in this field.

Labour rights and enhanced social dialogue

The trade agenda, in particular when it comes to the EU free trade agreements, must be accompanied by strong labor right provisions with the ILO's fundamental principles and rights at work as a basis. The provisions should include occupational health and safety and efforts to enhance social dialogue. Social partners should be provided with opportunities to be involved in discussions about and in trade agreements. Dispute resolution mechanisms should be strengthened and social partners should be an integral part of those mechanisms. Sweden stresses the importance of promoting the Global Deal partnership in order to highlight the potential of sound industrial relations and enhanced social dialogue as a means to achieving decent work in global supply chains, quality jobs and increased productivity and, by extension, greater equality and inclusive growth.

Sustainable Development in EU Free Trade Agreements

EU Free Trade Agreements provide useful tools for advancement of sustainable development and green transition, which should be further developed.

Sweden encourages further developing the provisions in FTA's on implementation of and cooperation on the Paris Agreement, as well as further analysis on the monitoring and functioning of the Paris Agreement as an essential element in FTA's.

Furthermore, in order to strengthen and develop sustainability in FTAs, we propose to investigate how FTA's could further support and provide incentives to sustainable development when it comes to respect for human rights, labour rights and environment. Other important sustainability matters are improved

animal welfare and reduced use of antibiotics in animal production to combat antimicrobial resistance. In this context, we should increase our support to capacity building (e.g. development of country specific TSD-handbooks). Sectors, products and services that have positive gender impacts must also be given priority in trade negotiations.

Effective implementation of the sustainability chapters are key. The appointment of a Chief Trade Enforcement Officer is an important step in strengthening the EUs implementation agenda.

Sustainability Impact Assessments (SIAs) in relation to FTA's

We encourage the Commission to improve and develop the use of the SIA's during the FTA negotiation processes. The SIA should preferably be initiated already before entering into negotiations and concluded early during the negotiation process. We also propose to include a shortlist of critical areas to revisit during the implementation monitoring process and to use the findings of the SIA as areas for enhanced dialogue and cooperation within the FTA framework. A gender analysis must also be part of SIA's conducted in connection with trade negotiations.

Fossil Fuel Subsidy Reform

One of our main priorities in the EU Green Deal is to phase out fossil fuel subsidies. We therefore propose to consider the inclusion of cooperation on fossil fuel subsidy reform as a component in all Free Trade Agreements.

Circular Economy

Enhancing circular economy is a key component of green transition, both within the EU and globally. Sweden will continue to support the Commission's work to include circular economy in FTA's since it creates opportunities for increased engagement between the EU and its trading partners. Our aim is to have a trade policy which supports circularity of goods and materials and facilitates trade with recycled materials.

Sustainability criteria in public procurements We commit to the vision that all procurement generated by EU official development assistance (ODA) will normally contain sustainability criteria by 2030.

The promotion of green procurement may have a major impact on the environment as it will influence procurement made by public bodies; from the procurement of office material to large scale infrastructure projects. Within the

EU, Sweden promotes green solutions in procurement by using the criteria for the Most Economically Advantageous Tender (MEAT), which allows contracting authorities to take into account criteria that reflect sustainable aspects of the tender submission as well as price. Green procurement should also be promoted on multilateral level, within the WTO, in FTA negotiations, as well as in specific legislation on public procurement, including the proposal for an International Procurement Instrument (IPI).

Carbon Border Adjustment Mechanism (CBAM)

If designed and implemented efficiently, a CBAM could provide an important tool to avoid carbon leakage and to contribute to the reduction of global CO₂ emissions. Any such mechanism must be compatible with WTO rules and coordinated with other measures in the Green Deal (i.e. ETS and ETD). Furthermore, such a mechanism must be designed based on climate objectives, and not lead to further protectionism.

Curtail Climate Protectionism

The EU has substantial trade defence instruments against some environmentally friendly goods, such as components of solar panels and wind turbines, biodiesel, bicycles and electric bicycles. These defensive instruments increase the price of these goods, creating obstacles to green transition and making the Agenda 2030 goals more distant. We therefore encourage the Commission as well as EU Member States to make clearer environmental and climate considerations when deciding on trade defence instruments.

Aid for Trade

Increased focus on Aid for Trade should become a key element of the Building Back Better agenda, in particular as developing countries are among the worst affected by the collapse of global value chains and international trade due to the Covid-19 crisis. AfT contributes to a sustainable development in all its dimensions. As stated in the EU Green Deal, by building on the EU's expertise in green regulation the EU can assist developing countries' transition to low carbon and climate resilient economies. Sweden will therefore put emphasis on the greening of Aid for Trade. Sweden will continue to promote women's economic empowerment as a priority for, and inherent part of, Aid for Trade. Further, working in an integrated way with development cooperation and trade promotion and engaging the entire resource base, is a way to build broad, long-term and sustainable relationships between donor and partner countries and contribute to the Sustainable Development Goals. Sweden will continue to develop this working method (Broader relations).

Generalised Scheme of Preferences (GSP)

EU's Generalised Scheme of Preferences (GSP) reduces or removes import duties from products coming into the EU market from developing countries, with the purpose of supporting these countries' economic and social development through trade, while promoting international values and principles. The current GSP regulation expires in December 2023. Sweden will take an active part in the work to ensure a GSP system that is as open and inclusive as possible and that sustainability in all its dimensions, climate and greening of the economy is at the forefront.

Feminist trade policy

Trade agreements must benefit women and men equally. To this end, a gender analysis must be applied to all trade agreements. Sweden will also request a gender analysis of all new legislative proposals presented by the European Commission. A gender perspective must be integrated into all policy areas to help maintain the global competitiveness of the single market.

Green Export Finance

The EU must take the lead in engaging key trading nations in reforming the international regulatory frameworks for export credits and other public trade financing, to bring them into line with the Paris Agreement and Agenda 2030. We must aim for regulations with global coverage, which include an ambitious policy to tackle the climate change issue and avoid locking in fossil dependence. A first step by the EU could be to agree on banning export credits for investments in coal exploration and extraction as well as appropriate incentive mechanisms for sustainable projects. European companies need effective global rules to ensure the future competitiveness of their sustainable solutions.

Responsible Business Conduct

We expect all companies to act sustainably and responsibly by working for human rights, gender equality, good working conditions, the environment, climate and to combat corruption and to promote and implement the international guidelines for sustainable business. We support initiatives to step up European cooperation on responsible business conduct (RBC) to ensure a coherent and harmonized policy and to achieve the greatest impact. We would encourage all EU Member States to develop national action plans on business and human rights as recommended in the UN guiding principles on business and human rights. Furthermore we call on EU members that have not done so, to adhere to the OECD guidelines for multinational enterprises and establish National Contact Points (NCPs). The OECD RBC due diligence guides, some

of them sector-specific, are valuable tools and provide good guidance, especially since global value chains are becoming more sector-specific.

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