



Consultation response from the Stockholm Environment Institute to the European Commission's Trade Policy Review

The Stockholm Environment Institute is an international non-profit research and policy organization that tackles environment and development challenges. Headquartered in Sweden, the institute has centres in Estonia, Thailand, Kenya, UK, US, and Colombia.

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As an independent and science-based research institute, the Stockholm Environment Institute (SEI) does not take positions or views on EU trade policy as such, but, given our expertise in the natural, social, and policy sciences, we are thankful for the opportunity to contribute to the European Commission's Trade Policy Review in an evidence-based manner.

Based on our research, we agree that European imports and exports, as governed by trade policy, are increasingly important tools in the climate and sustainability transitions that the EU's climate and Agenda 2030 commitments outline. Reducing the EU's environmental footprint caused by imports is important for several reasons: to reduce environmental pressures on critical global commons as well as enhance local environmental resources and ecosystems, to use EU purchasing power to improve sustainability practices among suppliers (through direct regulations or through private, voluntary standards adopted by EU-based importing companies), and to build EU credibility as a responsible sustainability leader and leverage commitments by other countries and regions in international negotiations. Exports from EU-based companies can also raise environmental standards and practices worldwide, including by introducing environmentally friendly goods and technologies to new markets, facilitating competition and innovation.

As the EU seeks to facilitate a green economic recovery from the COVID-19 crisis, we want to highlight two issues where the EU can play a key role in advancing sustainability through its trade policy, and where SEI knowledge and tools are available to support in that endeavor.

First, the **transparency of supply chains** is identified as a key issue for ensuring more sustainable and responsible supply chains (question 9). We note that in the study of due diligence practices among companies referred to in the consultation paper (footnote 13), only one-third of company respondents practice due diligence and that lack of transparency is seen as a major hurdle. SEI and Global Canopy have together developed a data platform for 'radical transparency' of supply chains related to commodities associated with forest risk (e.g. soy, beef, palm oil) and aim to cover 70% of the traded volume of these commodities by 2021, available online at www.trase.earth. This groundbreaking advance in transparency can have a transformative effect, levelling the playing field among companies, suppliers, investors, civil society and governments by providing comprehensive and reliable information. Policy development to improve supply chain sustainability should include robust provisions on transparency, relying on this and other tools to help consumers and other actors in the supply chain make more sustainable decisions.

Relevant Resources:

<https://trase.earth/>

<https://trase.finance/>

Second, in the wake of the COVID-19 crisis, policy debates regarding ‘**resilient supply chains**’ have become increasingly critical, not least as states and firms attempt to produce and secure life-saving medicines and personal protective equipment. As stated in the consultation paper: *“for supply chains, improving resilience will require a combination of measures, depending on a fact-based analysis of our vulnerabilities and the public policy objectives pursued. These can range from diversification of supply at country and company level, strategic reserves and stockpiling, as well as shortening of supply chains or increased domestic production. Increasing sustainability in supply chains can further contribute to increasing their resilience”* (p. 3). The fact-based analysis is critical here, particularly as the EU aims to pursue multiple potentially conflicting goals in parallel. For example, if domestic production is promoted as a way of building *resilience* (i.e. securing supply), this may create costs – or benefits – for *sustainability*, depending on place-specific environmental conditions and the type of good being produced. Strengthening resilience by securing supplies might imply autonomy and self-sufficiency when it comes to production of critical goods. A different perspective is that resilience to shocks in supply (whether induced by a pandemic or climate change) is best strengthened by diversifying supply and spreading risk, as well as building peace and stability in international relations through high and dense economic interconnectedness and trade.

Turning to sustainability as a policy goal, imposing stronger environmental standards on less-wealthy trading partners can have adverse economic effects, leading to the loss of livelihoods for already vulnerable communities. There are inherent tensions between the environmental, social and economic dimensions of sustainability, when looking at export opportunities for developing country trading partners.

European trade policy should be carefully considered alongside the EU’s sustainability commitments and aspiration to support development cooperation around the globe; the pursuit of increased trade should not come at the expense of these other important agendas. Overall, our research suggests that it is essential to consider how multiple policy objectives can be pursued in tandem, addressing potential goal conflicts in a systematic and transparent manner.

Relevant Resources:

<https://adaptationwithoutborders.org/knowledge-base/transnational-climate-impacts/climate-resilient-trade-and-production>

<https://www.sei.org/publications/sdg-synergies-factsheet/>

Finally, we want to highlight our existing research on **carbon border adjustment**, as a policy instrument for domestic and international climate mitigation policy, and key design options (produced with Climate Strategies) (see [brief](#) from 2017, [report](#) from 2018 and [journal article](#) from 2019). We also wish to highlight our research and policy recommendations on how **trade agreements can be used to tackle fossil fuel subsidies** (see [brief](#) from 2017 and [journal article](#) from 2019). Tackling such subsidies is critical to enable ambitious and coherent climate policy and trade policy is one avenue for incentivizing action within and outside of Europe.

For more information about the Stockholm Environment Institute, please go to www.sei.org. This consultation response was submitted and approved by Research Director Åsa Persson.