



***TPN roundtable on Trade and sustainability***

**In honour of Laura Lane, EVP and Chief Corporate Affairs and Sustainability Officer, UPS**

**with**

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**Moderator: Dan Michaels, Brussels Bureau Chief, Wall Street Journal**

**Note:** *This is a generic summary of a TPN roundtable discussion held under the Chatham House Rule, which sets an expectation of non-attributability for any comments made.*

**Introduction**

The roundtable offered an opportunity to discuss progress with policy approaches to trade and sustainability viewed from a number of perspectives, US, EU transatlantic, and global, and to look at some learnings identifiable from recent decades. China's accession into the WTO was a key threshold moment for the evolution of the global trade system. We also covered sometimes differing US and EU approaches to climate change policy based on similar motivations. With a business presence and participation, we were also able to assess corporate contributions to sustainability and business priorities for action for sustainability.

**Key points and learnings from the discussion**

## **Business challenges**

Large emitter companies can often be dependent on sustainability gains elsewhere in the supply chain, for example, if forecast sustainable aviation fuel supply is not sufficient, then the ambition to drive down emissions intensity past carbon neutrality to net zero is not going to be achievable. This also argues for a technology-neutral approach to outcome ambition. The private sector can be a valued partner with the public sector in meeting global challenges – the pandemic is an example where UPS was able to get vaccines to locations globally, and the same partnership is needed to combat climate change together.

## **State of play US EU relations**

US EU relations have recovered significantly and there is general mutual confidence on views and a shared ambition on climate; greater alignment on risks posed to the green supply chain by over dependency on China, and a robust structure for detailed ongoing work with the EU US Trade and Technology Council – although it has tended more towards the tech agenda than to the trade dimension.

Areas of ongoing potential for conflict include IRA, CBAM and Steel/aluminium dispute resolution, but on closer examination there are some difficult but identifiable landing zones, and for example CBAM's effect on US industry may be more modest than imagined. Progress towards agreement on steel aluminium is difficult but there is progress towards use of common tools and measurement techniques.

Conflicts come not from different ambitions but more because of the different policy mix habitually deployed by transatlantic partners – for example with IRA subsidies v CBAM instrumentality driving different approaches for transition to sustainability.

IRA will play against a backdrop where existing comparative prices for carbon (EU ETS v notional US prices) are very different and much higher in the EU. With the EU comparatively more exposed to the global trade system, the WTO and WTO rule architecture and compatibility are less important eg to how the US frames the IRA as a US first initiative.

## **Priorities for delivering behind sustainability ambition and for transatlantic collaboration on trade**

- Harmonization of reporting requirements and agreement on taxonomies and measurement methodologies
- Technology neutral policy approaches
- Supportive global policy framework eg resumption of efforts towards WTO Environmental goods and services agreement – with increased US ambition the biggest likely game changer available
- Alignment on subsidies deployment – not in terms of common approaches but just to ensure unintended consequences are managed eg with a Critical Minerals Agreement
- Alignment on how to manage carbon measures and leakage for the trade system – with prospects for plurilateral incremental initiative not to be discounted.

- Advancing deployment of environmental goods and services trade rules – with a full supply chain sensibility to avoid artificial divisions that could price ‘up’ key inputs in the overall mix to deliver sustainability. Also consciousness of potential consequence of strengthening Chinese market access for green goods and inputs.
- Strong focus on trade facilitation agenda as a set of generally achievable ambitions recognising that advancing tariff differentiations eg for environmental goods and services, is politically much more complex.
- Digitalisation of trade and e-commerce is a driver for sustainability and an extension to the e-commerce moratorium and a modus operandi on GSIs at the WTO is important
- Maintenance of strong intellectual property protection as the key link and platform enabling innovation, and as demonstrated in the pandemic with vaccine development.
- Embracing social policy aims for a trading system that recognises labour and gender and LGBT+ issues as relevant dimensions, not just for building out political relevance but for trade system improvement
- Ambition to strengthen institutional ‘shock absorbers’ to strengthen resilience of transatlantic relationship are worthy but will always be up against the reality of politics as the decisive and variable compass.

## **WTO**

Attention is turning towards MC 13 due to take place in UAE 26 February 2024.

Even though there is stronger US technical contribution at Geneva progress on eg dispute resolution will be difficult and the US pre-election backdrop on WTO/trade won’t help.

Potentially should there be exploration of a structure where only a certain type of issues/cases could be brought to highest level adjudication eg security type questions? EU commitment to the WTO led global trade rules environment will at some point wane if progress doesn’t come.

## **Economic security**

Don’t let the security conversation dominate, don’t assume that China is going to change, and so work on outcomes that go with the grain of likely realities – and potentially play into mutual interests eg in climate change mitigation, but given experiences with WTO accession etc, insist upon institutional guarantees that can stand behind

Export control topic is developing to reflect the need for coherence and guidance from the centre in Brussels but in a way that recognises the fundamental of Member state competence. With outbound controls on trade and investment in prospect, this and the export control topic needs wide discussion.

## **Conclusion**

Embrace incrementalism and persistence and consider use of devices like economic and trade DMZs built on issues where countries can come together.