

# A Trade Policy Roadmap

## – Sweden, EU and the UK



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# Foreword

Sweden and the UK, along with most other European countries, are building a large part of their economy on trade. In fact, the relative prosperity of Europe is fundamentally based on the open exchange with each other and the rest of the world.

Although after Brexit, the UK is no longer part of EU's common trade policy, its fundamental interests in the trade area remain very similar. This includes safeguarding and developing open global trade in the context of rising geopolitical tensions and protectionist measures, as well as to develop trade strategies and multilateral trade rules to be fit for purpose for key drivers such as the ongoing sustainability and digital transitions.

In order to have an impact globally, we believe it to be essential that the EU and the UK coordinate their trade policy decisions in these regards. Therefore, the Confederation of Swedish Enterprise and the Institute of Directors have commissioned this report to identify concrete proposals where there is joint interest for trade policy co-ordination or cooperation.

We hope that the resulting policy roadmap can be of help to decision makers in the EU and the UK and stimulate further discussion about how Sweden, the EU and the UK post-Brexit best can pursue their common interests in shaping the future conditions for global trade.



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# Summary of Key Proposals

## **A cooperation agenda for expanding open, rules-based trade**

Deepening trade and the rules that underpin it are not mutually exclusive but rather go hand in hand, particularly when the rules are being updated and agreements modernised to increase reliability and accessibility for firms. Transparency and dialogue to ensure state actions are open and minimise trade barriers – both in terms of proactively reducing them and cooperation to track hurdles to trade – are essential. Joint action is needed to progress the following:

- Extending the accession and coverage of WTO agreements such as the Information Technology and Pharmaceutical Agreements
- Using the UK-EU trade agreement e-commerce baselines to progress the e-commerce plurilateral initiative
- Commit to minimum timeframes for notifying all trade restrictive measures and new authorisation requirements to the WTO and ensuring timely review periods for export controls
- Updating WTO rules on subsidies, and potentially using the EU-UK Trade and Cooperation Agreement (TCA) to cement new baselines in preferential trade agreements
- Closer cooperation and domestic implementation on legislative developments that affect trade

## **Maintaining openness in the digital transition**

As digitisation gathers increased speed in the wake of the pandemic, it is important to ensure our collective competitiveness does not wane in the pursuit of autonomy and regulation to underpin it. Interconnectedness should be a reason to preserve openness, rather than seeking to simply restrict or increase oversight in order to keep pace with technological transformation. The legacy of UK-EU market integration is pronounced in the digital sphere, and cooperation to prioritise continued interoperability is a key shared priority in the following ways/areas:

- Joint declarations to be expanded to the G7, G20 and beyond on action against forced technology transfers, web blocking and preventing data localisation requirements
- Teaming up at the OECD to find constructive global consensus on digital tax rules while reviewing or halting the national collection of such taxes in the meantime
- Expanding international cooperation on data flows (to secure the free flow of data to the largest extent possible), AI and digital regulation
- Incorporating TCA baselines on data flows and emerging technologies into trade agreements and plurilateral/multilateral negotiations
- Cooperation between regulators on data protection rules and fintech bridges/sandboxes

### Using trade policy to achieve sustainable outcomes

Trade as part of the solution, a fix rather than a fault, to delivering more sustainable outcomes across a range of areas has been explicitly recognised by the UN. As such, it is imperative the UK and EU lead both together and by example in consolidating this mutually reinforcing link. With Britain hosting global summits including the UN's Climate gathering, and the EU doubling down on its commitments to the green transition, there is ample opportunity to ensure trade is used as a positive building block for sustainability.

- The Trade and Environmental Sustainability Structured Discussions initiative at the WTO is a key opportunity for both sides to agree common positions and communications that can spur global agreement
  - Relaunching negotiations for an environmental goods agreement, particularly around tariff reduction and product coverage, is a key element of this workstream
  - Collective action on reducing environmentally harmful subsidies, both multilaterally at the WTO and unilaterally through notification in extending the Subsidies and Countervailing Measures (SCM) framework to environmental subsidies
  - Exploring accession to the Agreement on Climate Change, Trade and Sustainability (ACCTS)
  - Regional interoperability and interlinking of energy infrastructure systems
  - Developing collective guidelines for any carbon border taxes/adjustment mechanisms
  - Driving consensus on WTO agreement to tackle fisheries subsidies
  - Using trade policy regimes and agreements to improve developing country market access
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# Introduction

As the UK and EU find themselves at respective geopolitical crossroads amidst a pandemic, the need for a longer term outlook on fundamental issues of competitiveness and cooperation is essential. The two entities may now be legally autonomous, but instead of encouraging unilateral autonomy, it should foster a climate of collective problem-solving. Instead of cooperation by legal compulsion, autonomy must mean cooperation by consent.

Sweden and Britain, two countries close in economic outlook, orientation and trade itself, should position themselves to push for greater UK-EU engagement, not only bilaterally but in shaping trade policy at a global level. For businesses and consumers alike, particularly in the UK and Sweden, economic development continues to be inexorably tied to trade.

Their prosperity, indeed the relative prosperity of Europe as a whole, is fundamentally based on the open exchange of goods, services, capital and indeed people with each other – and the with the rest of the world. The trade-to-GDP ratios of Sweden, Britain and the wider EU are all in significant figures. And while geographic proximity drives much of this, our collective prosperity also depends on looking ever further afield.

In order to have an impact globally, we believe it is essential the UK and EU as independent actors join forces together to lead others in creating coherent trade policy decisions and shared outcomes to this end. This is why the Confederation of Swedish Enterprise has joined forces across borders with the UK's Institute of Directors to commission a report identifying concrete areas and proposals for such an agenda. Shared bilateral interests can help spur multilateral progress.

This report seeks to identify areas and proposals for the UK and EU to cooperate on, both leading by example and extending the example across and beyond our borders. Some require action in concert, while others call for coordinated unilateral action, reflecting that there is work to do both at home and abroad. The aim should be to deepen the opportunities for trade and illustrate how doing so can help tackle our collective challenges together.

Although after Brexit the UK is no longer part of the EU's common trade policy, both of their fundamental tenets and goals should remain broadly the same. They include safeguarding and developing open, global trade in the context of rising geopolitical tensions and protectionist measures. This means developing trade strategies and multilateral trade rules to be fit for purpose for key drivers like ongoing sustainability challenges and digital transitions.

Where others cast aside international norms to act unilaterally in the name of protection, our respective policymakers must recommit to and extend the rules-based architecture underpinning trade to make it more comprehensive, reliable and accessible. Where others resist the accelerating pace of innovation and digitisation or use it for illiberal and restrictive means, we must embrace it to respond to our shared challenges. And where others pit trade and sustainability against one another, our state actors should lead the way in showing how they not only positively interact but fulfil each other's needs.

These three areas and themes –furthering open rules-based trade through multilateralism, digitization and sustainability form the basis for the following proposals on closer cooperation and coordination. This need not mean a harmonised straightjacket on internal and external policy, but a similar direction of travel that treats trade as a fix rather than a fault.

In conclusion, the common-sense win-win cooperation that this report’s proposals encourage our respective policymakers to pursue must be comprehensive – looking to lead the way to solve problems and compete by ensuring we remain open to competition and the world. If the UK and EU seek only to pursue a level playing field, we run the risk of abandoning the playing field altogether to our global competitors. Trade should be fair, but it must also continue to be free.

## Section One –

# Open, Rules-Based Trade for Growth and Stability

Sweden and the UK have long been champions of advancing open trade through multilateral fora, and are committed to ensuring that the WTO does not simply become a forum for dispute resolution. For many decades, this has been manifested through their respective memberships of the EU, however the UK's newly independent trade negotiating position provides an opportunity for renewed collective efforts in this space.

Britain and the EU already have some experience of working independently together in Geneva to reach a joint consensus (namely on splitting tariff rate quotas). The challenge and opportunity is to apply this to longer term objectives to drive wider multilateral collective action. The full implementation and expansion of WTO agreements, updating rules to ensure trade remains open as new products and services come to market, and coordinated unilateral action to lead at home are but some of these priority areas.

The pandemic may have wrought new challenges for multilateralism, but it has also underlined the policy space where agreement is feasible and indeed an answer to the problems we are currently seeing. What may previously have seemed low-hanging fruit is now overly ripe for action. The impetus provided by the pandemic to see trade as inexorably linked to public health should encourage more binding and permanent action on cutting tariffs and transparency in preventing future problems for supply chains.

In addition to updating the WTO's regulatory frameworks and expanding the scope of its agreements, joint and coordinated unilateral action can lead by example to minimise barriers to trade and improve market access. Regulatory cooperation, facilitated by the recent UK-EU trade agreement, is a key lever in this regard, while respective trade agreements can create a wider level playing field for subsidies and competition.

All in all, creating more open trade and deepening market access is compatible with cooperation in consolidating the rules-based system at all levels. There are synergies between unilateral and bilateral action and plurilateral/multilateral progress, rather than being seen as mutually exclusive siloes. Far from being foes, the UK and EU have key shared interests and are key actors in driving this forward.

### **Implementing and expanding WTO agreements**

There are a number of sectoral WTO agreements the UK and EU should collectively lead the charge to advent, implement and further expand, particularly in light of the coronavirus pandemic and digital transformation changes it has accelerated.

The UK has now positively responded to calls to join the Ottawa Group (which includes the EU), a grouping of like-minded countries responding to the pandemic with WTO reform proposals, advocating for a global Trade and Health Initiative. Joint UK-EU cooperation commitments in these areas, including under the Brexit deal's engagement structures, would help spur forward wider third country progress.

These include but are not limited to:

### **Information Technology Agreement**

First implemented in 1996, 82 signatories to the ITA have now undertaken commitments to fully remove tariffs on a slew of ICT products, with 53 subsequently committing to expand this on a further 201 tariff lines in its most recent 2015 revision. A number of developing nations have opted not to join the agreement, which limits the potential for cutting costs throughout cross-border supply chains and innovation to spur productivity.

Studies of countries such as Cambodia, Kenya and Pakistan, who have now joined both the original ITA and its expansion, show that tax revenues from new economic growth arising from their participation have easily outweighed that lost from tariff cuts.<sup>1</sup> **Therefore, including as part of their trade for development agendas, the UK and EU should lead the charge within the WTO for a new round of accession to and extension of the ITA.**

It is imperative for global representatives of the ICT industries to be included in any preliminary workshop discussion of feasibility for this initiative to understand which IT products are in the greatest need and demand for this expansion as a result of pandemic responses.<sup>2</sup> Delegations should aim to ensure representatives from SMEs within these industries are included to reflect the needs of supply chains from end to end.

### **Pharmaceuticals Agreement**

While the EU, and in turn the UK, have facilitated the unilateral temporary removal of tariffs on medical equipment, **further action is needed both to extend this effort to other countries and expand the participants in, and scope of, the WTO's 1994 Pharmaceuticals Agreement.** A collective push to do both could be pursued under the aegis of the Agreement.

At present there are only 34 members of this agreement, including EU countries, meaning much of the world is left uncovered by its provisions at a time where cross-border supply chains are being stretched by conflicting protectionist measures and demand for vaccines outstripping production capacity. The last update was more than a decade ago, and medical supplies and PPE remain outside its scope.

Given a number of G20 countries still retain tariffs alone on medicines of over 8%, a productive starting point would be to use the next G20 summit to underline a commitment to expanding this agreement at the WTO level. Italy as the summit host is already a participant through its EU membership. Future G7 summits (all of the G7 plus the EU are signatories), particularly if countries such as India, Australia and South Korea -not members of the agreement but who form the "D-10"- are invited, should be used to reinforce a benchmark towards this expansion – starting with the 2021 summit the UK is hosting.

Keeping the product coverage under review is also a priority area for [unilateral] coordination and collective cooperation. Under its new autonomous tariff regime in place since 1st January 2021, the UK has committed to scrapping duties on medical supplies to match the list of

1 <https://itif.org/publications/2017/05/22/how-joining-information-technology-agreement-spurs-growth-developing-nations>

2 [https://www.wto.org/english/news\\_e/news20\\_e/ita\\_05nov20\\_e.htm](https://www.wto.org/english/news_e/news20_e/ita_05nov20_e.htm)

products regularly updated by the WHO as critical to fighting the pandemic.<sup>3</sup> **The EU and broader WTO agreement should similarly commit to keeping pace with the WHO's list in its updates and expansion to tariff cuts and scope of coverage.**

Finally, the Trade and Cooperation Agreement (TCA) between the UK and EU maintains tariff-free, quota-free trade in goods, and contains an annex on medicinal products, but the dispute settlement provisions do not apply to this annex. Under the TCA's engagement and committee structures,<sup>4</sup> both sides should further commit to ensuring any retaliatory tariff and safeguard measures exclude medical supplies. The two sides should further propose for future WTO Ministerial conferences to add this as a supplement to the Pharmaceuticals Agreement and/or wider Trade and Health Initiative

### **E-commerce plurilateral initiative – streamlining and a rose between thorns approach**

While the UK and EU have now submitted their own texts for the WTO's plurilateral negotiations on e-commerce, the UK's additions have been narrower in favour of supporting other existing streamlined textual proposals.

However in many other areas, from telecommunications to e-verification, forced data localisation and protection from unsolicited messaging, there is ample common ground between the UK and EU approaches. The UK government should take advantage of the opportunity this unprecedented set of negotiations brings to act as a bridge between the US, EU and Asian approaches, on data transfers in particular. This will help counter those with more state-centric views in the talks and find common ground to help present a united front on the part of those with more liberalising perspectives.

**One way this may be possible is by the UK and EU leveraging certain e-commerce baselines in their TCA deal to integrate into consolidated texts of the e-commerce agreement, particularly the novel text around free-flow-of-data and safeguard provisions.** Another is to develop consensus around the general exceptions clauses (and sector-specific commitments, exclusions, and named public policy objectives) in the text relating to personal data for business purposes, instead of a full sweeping carveout.

**Critically, it is imperative the EU and UK vociferously stand shoulder to shoulder on a permanent customs duty moratorium on electronic transmissions.** This is one essential provision to giving e-commerce commitments teeth and creating a stable environment for cross-border digital commerce to flourish in. It will also be one of the issues that will likely attract as much support as it will opposition, and so joining forces to create a critical mass is essential.

### **Tackling distortive subsidies**

While UK and EU moves to facilitate closer monitoring and review of foreign subsidies are welcome, too much unilateral corrective action could trigger retaliation and disputes from other countries. **Joint commitment to put this in the multilateral arena to update WTO (and preferential trade agreement) rules is a bigger priority and will lead to more lasting comprehensive change.**

The UK is currently consulting on its new regime for subsidy control, which under the TCA it has committed to establish. Several fundamental principles will underpin it which arise from the TCA and Joint Declaration on Subsidy Control Policies. While there is

<sup>3</sup> <https://www.gov.uk/government/news/hmg-suspends-import-tariffs-on-covid-19-products-to-fight-virus>

<sup>4</sup> Namely the Working Group on Medicinal Products, under the supervision of the TCA's Trade Specialised Committee on Technical Barriers to Trade

no ex ante requirement obligation to notify under the TCA (although this may established domestically under the UK's new regime) and EU state aid terminology references do not appear, there are some parallels with the old system.

The provisions include rules around transparency, restrictions against unlimited state guarantees among eight categories of aid prohibited or subject to specific conditions, and restructuring plans for failing economic actors.

Taking this new starting point -which goes beyond the WTO's SCM agreement- into account, the UK and EU have a clear interest in clubbing together to drive forward progress on wider international agreements to tackle industrial subsidies which create market distortions. **In light of the areas where these are either excluded or conditions attached under the TCA, a renewed and expanded push to extend the definition of subsidies at the multilateral level could gather pace.**

With the UK now acting as its own actor at the WTO level and a US administration re-committed to working with like-minded allies to push these longstanding issues into focus, the time for action is now. **A new joint statement to follow on from that agreed between the US, Japan and the EU in January 2020, with a greater number of participants, could be produced from the forthcoming G7 summit, indeed with the wider D-10 group too.**

**Additionally, enhancement and enforcement of transparency/notification requirements -as well as sanctions for non-compliance with commitments- are key provisions to be incorporated into a proposal for new WTO rules. The EU and UK should join forces in pushing this proposal forward.**

### **Transparency on trade**

The outbreak of Covid-19 led to numerous export restrictions related to dealing with the projected shortage of medicines and related products critical for responding to the pandemic. While temporary mitigations may deal with domestic shortages, they interrupt integrated cross-border supply chains on which many domestic products rely and hamper global cooperation. Short-term pressures however could lead to longer term and wider progress on improving transparency on unilateral trade policy moves.

Already a priority for those committed to the rules-based system for supporting international trade, the pandemic and responses to it have urgently increased the need for timely and transparent reporting of trade policy measures. **The WTO is the first place the UK and EU should look to redouble their efforts in notifying trade restrictive measures in particular and therefore upholding their obligations as WTO members.** The WTO can also help business weather the storm globally by acting as a central, updated repository where business can access real time information to expand and make adjustments to supply chains.

Not only have there been lags in reporting [quantitative] restrictions, many have not been notified to the WTO at all. **As members in their own right, the UK and EU should together be leading this transparency agenda -including by example- given the G20's collective commitment in this regard at the 2020 summit.**<sup>5</sup> The EU's move towards export authorisation provisions, both for PPE and on vaccines, makes this ever more pressing. It also highlights the need for Sweden and EU member states to form part of this endeavour, as the actions taken also revolve around domestic transparency, from notification to legislation. National customs authorities have a key role to play in ensuring timely information and reporting is relayed.

<sup>5</sup> "G20 Trade and Investment: Ministerial Statement". 30th March 2020  
[https://www.wto.org/english/news\\_e/news20\\_e/dgra\\_30mar20\\_e.pdf](https://www.wto.org/english/news_e/news20_e/dgra_30mar20_e.pdf)

**The European Commission and UK government should both commit to a timeframe of no more than 48 hours in notifying the WTO of all quantitative restrictions as well as new/ revised authorisation requirements (including when they are withdrawn) for exports once agreed -not simply from the point of implementation. This includes the adding/removal of new pharmaceutical products to export ban lists, where the UK in particular should move towards review periods every 60 days to justify the continued need for these to be on the lists.**

### **Minimising legislative and regulatory distortions to trade**

The intersection of domestic and EU law with distorting effects on trade, markets and competition is well known. In the UK, minimum alcohol pricing legislation in Scotland was found by the EU Court of Justice (CJEU) to be a trade restriction that distorted competition under EU law.<sup>6</sup> The CJEU suggested that recourse to other less trade-restrictive measures such as increased taxation would be more compliant. More recently, the US government has launched investigations into the [alleged] discriminatory treatment of digital services taxes (DST) in several European countries, including the UK.<sup>7</sup>

Studies have been published about the impact of national laws which pose barriers to intra-EU trade, including by Sweden's National Board of Trade<sup>8</sup> and for the European Parliament's Internal Market Committee<sup>9</sup> (IMCO). There is notably less emphasis on the extraterritorial impact of EU and domestic rules on trade with non-EU markets. The issue did however feature in the EU's push for greater regulatory cooperation/coherence during TTIP negotiations following concerns over the extraterritorial reach of US financial regulation.<sup>10</sup>

**More pre-emptive action is needed before and as legislation and regulation is being drawn up to cut down on retrospective trade disputes.** There are three principal means through which the UK, Sweden and the EU should explore doing so. **Firstly, committing to closer cooperation in international fora.** While the TCA's engagement structures will help manage regulatory cooperation [and divergence] bilaterally, a shared focus on the overarching development of standards is needed at a higher global level.

This includes but is not limited to: the Codex Alimentarius Commission, the International Standards Organization, the World Customs Organization and through cooperation between respective accreditation bodies at the World Accreditation Forum. Representation from the UK, Sweden, EU and other European countries should endeavour to arrive at common/joint positions and papers in advance of summit meetings. The British Standards Institute and Swedish Standards Institute should also develop a joint memorandum of understanding to undertake closer cooperation on the work of CEN, CENELEC and ETSI, facilitated by and extending to relevant supporting sectoral and cross-sectoral business organisations.

**Secondly, the UK and EU should collectively improve transparency in further extending notice rule and comment approaches to trading partners when negotiating preferential trade agreements.** This type of approach to regulatory cooperation means ensuring that, as regulations and legislation of contracting parties develop, stakeholders beyond just state actors from either side are afforded the opportunity to comment before law is finalised.

6 <https://curia.europa.eu/jcms/upload/docs/application/pdf/2015-12/cp150155en.pdf>

7 "Section 301 Investigation Report into the United Kingdom's Digital Services Tax". January 2021. <https://ustr.gov/sites/default/files/files/Press/Releases/UKDSTSection301Report.pdf>

8 "Online Trade, Offline Rules: A Review of Barriers to E-commerce in the EU". May 2015 <https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2016-och-aldre/publ-online-trade-offline-rules.pdf>

9 [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/658189/IPOL\\_STU\(2020\)658189\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/658189/IPOL_STU(2020)658189_EN.pdf)

10 [https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_IDA\(2015\)559494](https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_IDA(2015)559494)

Requiring executives and/or agencies to take into account and respond to any concerns will help minimise trade disputes and provide greater regulatory coherence and competitiveness across borders. This goes beyond the WTO's TBT Agreement's transparency provisions in expanding the scope of those able to provide comment. Moreover, the UK and EU should seek to incorporate the type of engagement and committee structures (plus working groups) established under the TCA into subsequent preferential trade agreements with other trading partners.

Finally, unilateral action from all sides is needed to proactively ensure the trade impact of legislation and regulation is considered and properly reflected before it is finalised. **The European Commission and governments in Sweden and the UK should ensure all have a “trade check” principle comprehensively applied to legislation affecting business and that impact assessments account for the potential trade effects in draft, amended and final proposals.** Industry and enterprise (across borders) need a clear understanding and assessment of the compliance and trade impacts of legislation as it develops, as do those shaping it.

An approach that by default considers the extraterritorial reach of all legislation and regulation will ensure outcomes that are as least trade restrictive and distortive as possible.

### **Limiting anti-dumping measures in trade agreements**

As argued by Sweden's National Board of Trade in a 2013 report, **the increasing use of binding competition rules should be a means through which the EU and UK seek to minimise and eliminate anti-dumping measures in their future trade agreements.**<sup>11</sup>

Unfortunately, despite continuing with zero tariff zero quota trade in goods, the UK-EU TCA is a missed opportunity to limit the inclusions of such provisions. It is a precedent that has been set in agreements between countries like Australia and New Zealand, Canada and Chile, and between the EU and EFTA among other entities. While some preferential arrangements rely on competition provisions, others are linked to harmonisation and/or alignment policies which the UK Government resisted in negotiations with the EU.

Even however in agreements where anti-dumping and countervailing measures are precluded, the possibility of safeguard action is still permitted. **The UK and EU should at least consider exploring this graduated step-down approach for future PTAs,** although Australia-New Zealand arrangements which eliminate all should act as the gold standard.

In different respects, moving towards this approach serves the interests of both the UK and EU. The UK Government has signalled it intends to approach future agreements through a “values-based” lens in the spirit of open, free trade with like-minded democracies.<sup>12</sup> The starting point for many partners is therefore likely to mean a predisposition towards those with similar liberal rules-based systems who not only adhere to strong competition rules but also are less likely to undercut one another.

The EU meanwhile can rely on precedent in its regional trade agreements with EFTA, San Marino and Andorra to extend the common competition rules underpinning its Internal Market to other preferential arrangements. Further harmonisation or alignment provisions, which countries outside the UK are willing to consider, could also shore up support and confidence in moving towards the elimination of anti-dumping measures in EU PTAs.

<sup>11</sup> [https://unctad.org/system/files/non-official-document/ditc\\_ted\\_03042014Kommerskollegium.pdf](https://unctad.org/system/files/non-official-document/ditc_ted_03042014Kommerskollegium.pdf)

<sup>12</sup> “Chatham House speech: Liz Truss sets out vision for values-driven free trade”. 29th October 2020.

<https://www.gov.uk/government/speeches/chatham-house-speech-liz-truss-sets-out-vision-for-values-driven-free-trade>

Finally, given the TCA is seen by many as a starting point for a new trade relationship between the UK and EU, both sides should aim to move towards more liberalising arrangements which only maintains the use of safeguard provisions in future. At present, while there is continuity in avoiding tariffs and quotas, both sides are now free to apply anti-dumping and countervailing measures to each other. This is a significant shift in the UK-EU trade relationship in that it only applies the bare minimum WTO agreements on trade remedies. It may be where tariffs end up being applied more frequently rather than through the rebalancing mechanism or temporary remedies for level playing field non-compliance.

Given the existing integration of both markets, the effect of any AD/CVD measures would be significantly amplified and deleterious to inward investment. Minimising the scope for this is essential, particularly given any aversion to activating the LPF dispute mechanism may increase the likelihood of reaching for anti-dumping measures instead.

### **Avoiding forced reshoring/decoupling**

The coronavirus pandemic has rightly triggered conversations that extend beyond borders about supply chain resilience. However, policymakers must avoid directly or indirectly moving towards using this as a pretext tool for pressuring companies to relocate domestically or decouple entirely from foreign countries writ large.

Similarly, import and export diversification to widen and proliferate market access opportunities through positive trade policy measures are to be encouraged, but self sufficiency and relocation decisions must remain the preserve of companies to choose. UK and EU supply chains (particularly Sweden's) are intricately and deeply woven across borders, both their own and wider international ones.

This means the aim to sweepingly onshore production, whether for political or economic reasons, remains largely impractical. Tackling national supply challenges should not come at the expense of forcibly displacing economic activity nor amount to deglobalisation. **The UK and EU as well as the Swedish government should actively consult enterprise and industry in creating transparent stockpiling/reserve strategies and action plans.**

Increasing domestic production and working with other countries to make it easier or more attractive to adjust and diversify supply chains is understandable. Pressure on companies to divest from entire countries retrospectively or to onshore creates an unstable operating environment for companies. **Preferential rules of origin should not be used as a restrictive means of encouraging onshoring/divestment.**

**The UK and EU should partner together and with other democracies within the G-7, D-10, and working with the Ottawa Group, to exchange best practice on building supply chain resilience and diversification opportunities.** A collective aim should be to help companies better compete in countries like China rather than push for commercial decoupling.

Acceding to the CPTPP for the UK and cooperation with ASEAN can also create space for learning and dialogue in these areas. This would constitute a more positive agenda than unilaterally exerting pressure on companies to change or overhaul their operations and supply chains. The exchange of best practice should also incorporate industry into these discussions, with these multi-state forums ideally launching dialogues for such public-private cooperation.

## Section Two –

# Trade and Digital Openness

As innovations in technology and digital advances continue to gather pace, policymakers are grappling with how to respond to a rapid shifting of business practices and consumer behaviours into the online sphere. The pandemic has accelerated these trends at lightning speed. This has only increased the need for an agile, innovation-friendly and principle-based approach to regulation to support the digital tools businesses need for adapting to new ways of working. And regulation in this space should start from the principle of technological neutrality.

But concerns over protections for companies and consumers online as well as the ethics of rolling out large scale tracing apps using personal data mean there is pressure to come up with solutions that give confidence to operating in an ever-increasing digitally connected world. The challenge here is to ensure these solutions are not simply pre-emptive, and identify market failures [to correct] instead of just regulating as new markets develop.

It is critical for policymakers not just to regulate for its own sake to appear to be keeping pace with digital transformation, or focus on exporting regulatory standards, but work -including across borders- to safeguard an open digital economy. An overly precautionary approach will fragment the internet just at a time when interoperability at all levels is needed most.

Finally, besieged economies need regulatory agility and flexibility to maximise productivity gains in our current new normal. Far from suggesting this means there is no role for the state, it speaks to the need for a dynamic, engaged and responsive approach from regulators. Instead of simply focusing on new frameworks for digital trade, they should see themselves as the means to unlocking reforms that respond to collective action challenges.

### **Less strategic autonomy, more interoperability**

Pursuing and projecting technological sovereignty should not be the leading priority for the UK or EU. “Made in the EU” for example should not be the framework through which its digital and industrial policies are consolidated. Instead of simply seeking to project European social values through regulatory standards to export to the rest of the world, the EU should find common cause with countries that already share its approach to fundamental values and create coalitions around these starting principles.

### **Benchmarking declaration with unilateral commitments**

The EU, UK and US along with many others do not believe in forced technology transfers, and while the EU and China may have recently signed an investment agreement agreeing rules to prevent this, enforceable action here matters. So taking further steps to create benchmarked standards that can be enforced between a coalition of the willing, enhanced cooperation in the EU’s own lexicon, would help entrench the open, liberal rules-based order in the digital sphere.

**Instead of just agreeing such rules, committing to translate them into domestic enforceable legislation with independent oversight would be one way to consolidate true interoperability with teeth and provide business with a predictable level playing field across borders.**

**A declaration committing to domestic and European legislation to transpose these principles should not be limited to banning forced technology transfers but could also include commitments against web blocking and preventing data localisation among others.** It could also commit executives to public-private dialogues on consumer protection online and exchange of best practice by launching more formalised collaboration on standards in areas like artificial intelligence.

G7 summits, starting with the 2021 one hosted by the UK and extending an invite to other leading democracies to attend, could be an ideal forum at which to undertake such collective commitments. Far from being an alliance to repudiate or isolate China, this would be a step towards aligning approaches to drive existing rules and standards of digital openness and liberalisation ever higher.

### **E-commerce negotiations**

Expanding the wider legislative commitment declaration initiative to the D-10, G20 and the plurilateral group of countries from the WTO undertaking e-commerce negotiations<sup>13</sup> to bind these provisions into national legislative commitments would be the next step up. Provisions in the EU-UK TCA deal may also provide a more comprehensive starting point for these commitments, particularly since they constitute some of the more advanced obligations to openness in EU agreements.

### **Cooperation on digital taxes**

Digital [services] taxes have become a major triangulation issue of contention between the US, UK and a number of EU countries. Given the latterly two have seen significant push-back and provisional trade retaliation from the US, **the UK and EU should cooperate in international fora on corporate tax rules and proactively ensure any digital taxes are minimally distortive to competition and trade.**

**Both sides should further commit to suspending the collection of digital taxes until a global solution is found, or – if this turns out not to be possible - review the design of existing and proposed levies.**

At a multilateral level, consolidating an informal bilateral UK-EU alliance (with a view to expanding) in OECD work in this space, including on BEPS rules, could help avoid retaliatory tariffs. While the US has moved to propose a global minimum tax rate beyond just the digital sphere, the UK and EU should focus on emphasising the work of Pillar 1 in the OECD work stream instead. A global minimum tax rate would impinge on fundamental sovereignty, will not result in a fair distribution of tax revenues, and reduce basic competition. In the meantime, the EU should resist introducing a unilateral digital levy.

### **Strengthening international cooperation on AI**

While artificial intelligence remains a sensitive area for both domestic development and cooperation, finding common ground around certain baselines between like-minded open, liberal economies is essential. Doing so becomes a pathway to research and development across borders, as well as helping to ensure any global rules are proportionate, ethically sound and receptive to genuine innovation.

<sup>13</sup> <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1974>

There are a number of areas where national and cultural traditions may complicate transnational agreement, however the EU and UK should be working in concert with others to cement these baselines. Some level of international coordination and integration is essential to ensure the full potential of AI is reached without creating undue barriers to its diffusion or seeing it exploited for illiberal purposes.

While the UK has a deserved reputation for being innovation friendly, it is also becoming a leader in developing ethical guidelines for AI use. Given the EU's predisposition to concern in this area, **cooperation between respective high level AI expert working groups should be prioritised.**

To create a fully transatlantic dialogue, the **US-UK cooperation declaration on AI and Research Development should be expanded to include the EU.** Similarly, the **transatlantic agenda on AI recently proposed by the European Commission should invite UK participation,** creating a strong cohort for cooperation to build on within the G7.

### **UK-EU cooperation on digital regulation and the TCA**

While the UK and EU are now sovereign legal entities, both have vested interests as well as collective interests in maintaining close cooperation on digital and technology standards as their respective regimes independently develop. The integrated nature of their digital markets and [expanding] infrastructure -particularly with respect to Sweden- means continued interoperability between these regimes is essential.

While the TCA erects new market access barriers between the EU and UK in a number of areas, it does contain a full standalone and advanced digital chapter as a reflection of the two's shared desire to achieve a high level of ambition in this space. Its contents and inclusion mark something of a first for the EU. Among other things, it creates a positive obligation in favour of cross border data flows rather than a more restrictive approach seen in other EU trade agreements.

Crucially, the chapter also creates a number of positive obligations for both sides to cooperate on a range of areas, including on emerging technologies as well as review clauses so that this section of the agreement can be dynamically updated. These provisions are crucial for proactive engagement rather than just defensive competition as seen elsewhere, and the spirit of this joint ambition must be preserved and engaged as soon as possible. **These positive, liberalising obligations should be incorporated into future UK and EU respective trade agreements, and could be used within the WTO e-commerce plurilateral initiative to launch a cooperation dialogue for wider global participation.**

Cooperation to support research and development, data protection regimes, and compatible market rules is essential to creating independently-agreed common positions. This is vital, not only to help ensure new products and services can continue to be sold easily in each other's markets, but also to building consensus around these positions in external global and plurilateral fora - particularly around e-commerce.

The projected cooperation makes it essential for the TCA's Specialised Committee on Services, Investment and Digital Trade to meet as soon as possible. The EU's rulebook continues to evolve, notably the European Commission's recently proposed Digital Markets Act (DMA). The UK Government has also now established a taskforce on regulatory reform in the wake of the Brexit transition period ending,<sup>14</sup> which may well have existing digital regulation

<sup>14</sup> <https://www.gov.uk/government/publications/taskforce-on-innovation-growth-and-regulatory-reform>

brought into its scope. While the TCA preserves a number of cross-border standards which the UK is obliged to retain, the potential for amendments to existing legislation warrant coordinated exchange as these processes develop.

**To this end, as authorised to do, the aforementioned Trade Specialised Committee should establish a Working Group on Digital Trade and/or E-Commerce in order to provide regulators the opportunity to coordinate closely on legislative changes.** The TCA's obligation to promote interaction between their respective DAGs<sup>15</sup> also provides a forum for business groups to contribute to and engage more directly in this cooperation exercise.

Finally, there is a clear need for continued cooperation between regulators in all jurisdictions on rules and matters relating to personal data and data transfers. The TCA provisions committing to regulatory dialogue and information exchange on digital trade envisaged in DIGIT.16 excludes this issue. This is not sustainable given the integration of UK/EU markets, proliferation of cases handled by Data Protection Authorities (DPAs) across these borders, and existing deep regulatory overlap.

The GDPR's One-Stop-Shop Mechanism for handling cross-border processing of cases and complaints now no longer applies to the UK, meaning the Information Commissioner's Office (ICO) is no longer part of this regulatory collaboration. Companies involved in processing data transfers between the UK and other EU countries will accordingly have to deal with DPAs in more than one jurisdiction. This will rapidly add unnecessary bureaucracy and cost to everyday electronic business.

**A bridging mechanism to allow the ICO to continue as part of the OSS should be a priority to supplement the European Commission's intended decision to grant data adequacy to the UK. Additionally and ancillary to this, the UK should seek observer status on the European Data Protection Board it previously sat on** in order to facilitate continued cooperation and continued convergence in standards governing personal data as EU and UK regimes continue to evolve autonomously.

### **Fintech bridge cooperation**

The UK has created a number of "fintech bridges" with other countries, as a means of helping British companies enter new markets and influencing international rules relating to the fintech sector.

These bridges employ the sandbox approach, agreements signed between governments to create space for regulators and businesses to engage and cooperate across borders, allowing policymakers to adapt and respond in a flexible manner. Regulators create clear entry and exit rules for new market entrants, providing clear but also often eased regulatory requirements, minimising barriers to market access and innovation.

The UK, having pioneered the sandbox approach with its Financial Conduct Authority, has a number of fintech bridges and related cooperation agreements with other countries,<sup>16</sup> but none with wider Europe. While the Netherlands have introduced a similar regulatory sandbox, Sweden's Financial Supervisory Authority decided against the idea, preferring instead to create an Innovation Center to create a more informal dialogue-centred approach to engaging fintech companies.<sup>17</sup>

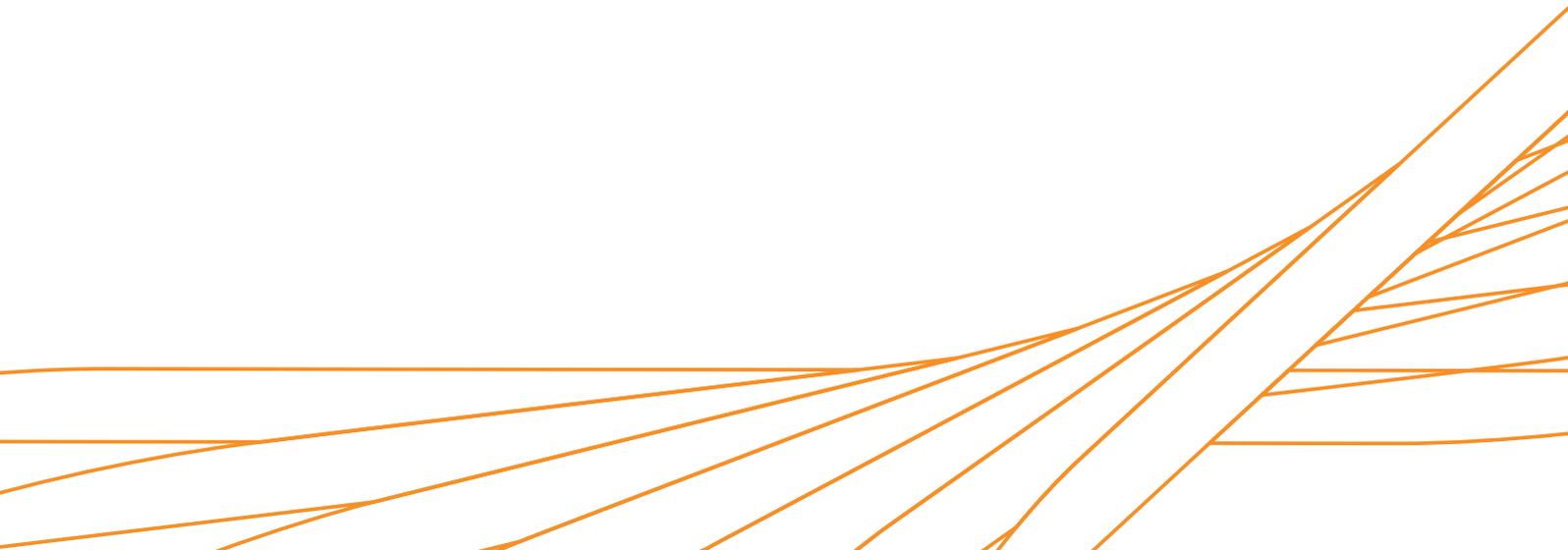
<sup>15</sup> Article INST.7(4) [https://ec.europa.eu/info/sites/info/files/draft\\_eu-uk\\_trade\\_and\\_cooperation\\_agreement.pdf](https://ec.europa.eu/info/sites/info/files/draft_eu-uk_trade_and_cooperation_agreement.pdf)

<sup>16</sup> <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/uk-aims-to-shape-global-fintech-regulation-as-it-bridges-eu-divorce-8211-experts-60800247>

<sup>17</sup> [https://www.fi.se/contentassets/d3cd30fe473d4a7995f0c38209ddb7f1/fintech\\_report\\_engny.pdf](https://www.fi.se/contentassets/d3cd30fe473d4a7995f0c38209ddb7f1/fintech_report_engny.pdf)

The interaction between EU law, institutions and member state competence for enforcing and supervising financial markets makes both an EU regulatory sandbox and bilateral cooperation agreement at UK-EU level complex. But the lack of meaningful inclusion of financial services in the TCA makes cooperation essential, particularly for emerging digital technologies like fintech in light of UK-EU market integration. So as part of developing the MoU recently agreed between the two sides, a **UK-EU financial markets regulatory dialogue similar to the US-EU FMRD must be rapidly established. To maximise the scope of cross-border cooperation, the US-EU and UK-EU FMRDs should also meet trilaterally twice a year.**

**A commitment to facilitate bilateral fintech bridges/corridors between the UK and EU countries should be included, with support and monitoring from EU regulatory and supervisory authorities. Sweden and the UK should move to explore creating such a bilateral initiative.**



## Section Three –

# Trade for Sustainability

For too long, old arguments have centred around seeing trade and sustainability as inherently opposing forces rather than as complementary and mutually reinforcing ideals. The path back to prosperity, building back better after the pandemic, must take account of how trade and cooperation are levers to reach more sustainable outcomes - economic, social and environmental.

Instead of focusing on where trade hinders progress towards sustainability goals, the priority must be to identify where its contribution is greatest and can be enhanced. A holistic approach is needed. Instead of lip service to elevate the gender equality, development and environmental agendas, action to improve market access and trade opportunities in these areas is needed. Addressing harmful and wasteful subsidies, including on fisheries, is also a key area for joint action and a positive tool for progress on sustainability.

The benefits of trade can make it easier to address social needs across different communities, helping to reduce poverty and create inclusive prosperity – lowering prices for products and enabling more direct control over commercial, cross-border relationships at all levels of society. The intersection between trade and mobility facilitates wealth creation and giving back to communities for all income levels.

It grows the pie for many flourishing diaspora communities, who create new trade linkages and supply routes between home and host countries. These are the kinds of areas to focus on helping trade foster more sustainable social outcomes, rather than using trade agreements to wade into national debates about resource allocation and distribution issues.

### **Trade policy and the green transition**

The UK's focus on trade policy as a means to also contribute to furthering values and sustainable outcomes presents opportunities to unite with the EU on areas that are of shared wider interest, particularly on ambition to move towards a green transition and making it easier to reduce carbon emissions. Action on trade is a key building block in this agenda.

Ambitious policies on climate and the environment do not only need to bring with it costs for enterprise, although state actors must be mindful to find ways to reduce them and create incentives at the same time. Both the UK and EU have committed to reducing carbon emissions to zero by 2050, with Sweden also pledging progress towards 100% renewable energy and free of fossil fuels by 2045.

There are a number of ways in which the UK, EU and Sweden can work together, particularly in international fora but also unilaterally in concert with others, to advance this agenda. **The structured discussions on trade and environmental sustainability (TESSD), following the initiative launched by 53 WTO members, also provide an opportunity for the UK and EU to work towards future joint communications in the below areas, with the UK's COP 26 hosting role an opportunity to further cement progress.**

### **Relaunching the Environmental Goods Agreement**

Firstly, both parties should redouble efforts to progress a new Environmental Goods Agreement (EGA) which expands the scope of products covered for tariff-free treatment, even if with a smaller group of like-minded ambitious countries. This could be discussed in the margins of the G7 and be launched arising from the WTO's next Ministerial Conference, as did the plurilateral E-Commerce initiative.

A joint EU-UK submission to this effect could help spur commitment from the US, as the new Biden administration has been encouraged by bi-partisan groups and committees to relaunch EGA negotiations. Given the UK's recent TESSD submission makes a commitment to this effect, clubbing together with the EU could also be expanded to include Canada and Switzerland, who also called for resumption of EGA talks. Australia, South Korea and Singapore have also issued a joint TESSD submission in this respect, although it also extends this to services.

**To maximise progress and compromise with others, in the first instance a joint communication from the UK and EU could focus on the product scope and tariff commitments, and subsequently expanded to explore technical barriers to trade and services.** Moreover, given the failure of the last series of EGA negotiations, it should be taken forth as an exclusive plurilateral as opposed to an open one, in order to limit the consequences of “freeriding”.

**In the meantime, the UK and EU should aim to lead by example in collectively committing to reducing or temporarily scrapping tariffs on environmentally friendly goods.** The UK has already taken steps to do so in liberalising duties on 104 items, but a joint commitment and/or submission would spur EU action and wider multilateral progress. In addition, the UK (and EU) can go further by cutting tariffs on electric hybrid vehicles among other areas.

### **Limiting environmentally harmful subsidies**

Thirdly, unilateral and/or joint pledges to limit state support for economic activity that is damaging to the environment are critical to ensuring consistency and progress towards the green transition. Leading by example here is key, and concrete action is needed to reduce subsidies for industries and practices that are environmentally damaging. This is not to restrict the ability of such industries to operate, but rather to wind down disproportionate state aid for these sectors, to at least a level playing field for renewable energy to compete and similarly thrive.

There are numerous ways and fora to take forward such commitments, some overlapping. The United Nations Climate Change Conferences could be a vehicle for driving progress at the multilateral level via a principle-based approach, even if in the margins as a plurilateral initiative. Starting at a smaller scale, potentially with the G7 and/or D10 countries, may be preferable, however there is clearly sufficient commitment from both the UK and EU at least to put renewable energy subsidies on an even keel with state support for fossil fuels if not limit new investments into the latter altogether.

While sweeping ex-ante notification regimes for all foreign subsidies may not be realistic, at least there should be transparency about notifying them when it comes to those relating to fossil fuels. **The UK and EU should, leading the way through unilateral action, lead a joint and wider push to include such [self] notification via the WTO Trade Policy Review mechanism, to facilitate upwards discussion in the SCM Committee.**

Finally, plurilateral and bilateral/regional trade initiatives provide an innovative forum to go further in legally enforceable commitments. **Both the EU and UK should commit to exploring acceding to the Agreement on Climate Change, Trade and Sustainability (ACCTS).**

Currently being negotiated between Costa Rica, Iceland, Switzerland and New Zealand among others, it provides a potential pathway to multilateral efforts in linking subsidies to their impact on climate change.

Moreover, a draft text in the now-revamped Trans-Pacific Partnership referring to APEC's voluntary commitments on phasing out inefficient fossil fuel subsidies could provide the basis for environmental chapters in EU and UK trade agreements. This could extend to include APEC's reporting mechanism, while building upon the EU-Singapore deal's unprecedented (but not legally binding) provisions. A supplementary direction may also be to use the EU-Vietnam free trade agreement's precedent in actively creating policy space in trade agreements for permitting environmental subsidies.<sup>18</sup>

### **Interoperability between EU and UK energy infrastructure systems**

Fourthly, there is an acute and urgent need for the UK's post-Brexit energy infrastructure to have both integration and interoperability with the EU, particularly around emissions trading schemes. Such international linking is critical not only to enhance regional competitiveness and progress towards combatting emissions, but also to spurring on further coordinated global action. **The 2020 agreement between Switzerland and the EU to link their respective emissions trading schemes provides a precedent for the UK and EU to build upon and potentially create a comprehensive regional interlinking system.**

### **Carbon pricing**

Furthermore, given the TCA's commitment that both sides should cooperate on carbon pricing,<sup>19</sup> the UK and EU should lead the push for global coordination in this space in light of the UK's 2021 hosting of the UN's Climate Change Conference. A plurilateral initiative could emerge from COP 26 given the difficulties of creating global agreement around carbon market rules, and the two sides would be well placed to lead this charge.

Given the difficulties of such global agreement, it is inevitable that this push may take the form of carbon border taxes/adjustment mechanisms or consumption levies, which the EU has already consulted on and UK has refused to rule out. It is imperative for any such moves to be designed in a WTO-compatible way to ensure they do not become a lightning rod for new trade disputes, and so **the UK and EU should use the forthcoming G7 meeting to create and take forward the outlines of agreement on guiding principles to underpin it.**

These guidelines should include but are not limited to:

- a singular focus on reducing emissions and not simply protecting domestic companies
- taking into account other countries' climate policies
- allowing for deductions for imported goods already subject to carbon pricing in production countries
- open transparency on all aspects of the process

<sup>18</sup> See Article 10.4(2)(d) <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2020:186:FULL&from=EN#page=101>

<sup>19</sup> Article 7.3 states, "The Parties shall cooperate on carbon pricing. They shall give serious consideration to linking their respective carbon pricing systems in a way that preserves the integrity of these systems and provides for the possibility to increase their effectiveness".

### **Domestic incentives**

Finally, our respective national governments and the EU should commit to assist companies both with the costs and market buy-in to consolidating environmental sustainability. Rather than simply looking to create tax levies to penalise enterprise, tax systems should be used to incentivise the green transition. Collective acknowledgement of the need to provide incentives and coordinated independent unilateral actions in the same direction, particularly around state aid restrictions and/or exemptions, will help industries across borders move at the same speed – particularly SMEs.

### **Multilateral agreement on fisheries subsidies**

Rather than putting this thorny issue in the “too difficult” box, the UK’s newly independent voice (at the WTO and on fisheries policy) should be an impetus to spur fresh multilateral progress on tackling fishing subsidies. Given the UK and EU’s continued regional interests in this space, common positions at the WTO should be a focal aim.

While bilateral negotiations will continue over fishing rights, both the UK and EU are collectively committed to reducing overfishing as a policy goal. While unilateral action speaks louder than words, collective action on ending illegal fishing and harmful subsidies is more than possible.

Both sides have prioritised the conclusion of an agreement in 2021 on ending harmful fishing subsidies at the WTO under the new Director General, who has made it one of her top priorities. As an important part of the UN’s Sustainable Development Goals, **creating new WTO disciplines on fisheries subsidies should be a common declared position between the UK and EU**, as well as with other like-minded countries.

More specifically, **the UK and EU should adopt a common position with respect to a draft consolidated text that limits carveouts, prohibits illegal, unreported and unregulated, fishing, and a ban on subsidies for overfished stock as determined at least by domestic authorities.** The UK and EU should also explore using an objective set of criteria as baselines for scientific evidence in reaching such a determination, not just those which national authorities may selectively recognise.

### **Trade for development priorities**

While the UK has largely transitioned the EU’s Generalised Scheme of Preferences for least developed countries (LDCs) in the interim following the end of the Brexit transition period, it is expected the UK and EU approaches will eventually diverge once. There are however ways in which this can be done without creating too much trade diversion that would negatively impact on the world’s poorest. Cooperation if not coordination to guard against this should be a focus of dialogue between the UK and EU through the TCA engagement structures, as there is equal scope for the EU to improve its unilateral offerings as well. An aligned approach would be preferable but competition to do so may also yield similarly beneficial outcomes. Above all, trade preferences for development warrant a stable, predictable regime.

That the UK has sought to replicate the effects of the EU GSP’s scheme in the first instance is to be welcomed, as policy certainty especially in continuing the list of countries covered is critical. So too is ensuring that any eligible countries where EU preferential trade agreements are not rolled over will be covered under the UK’s new scheme. In the medium to longer term however, there are a number of amendments that could be made and followed in principle by the EU to improve preferences.

First, increasing the preference margin for products eligible under GSP could improve market access for developing countries. This could be done while simultaneously avoiding erosion of preferences for those under Everything But Arms (EBA) by targeting the margin increase in sectors that are of less importance to those benefitting from EBA.<sup>20</sup>

Second, focusing on creating more liberal rules of origin to accompany tariff preferences would make a substantial difference, one that is not always extended by other developed nations. Simplifying these while allowing for self-certification wherever possible as well as for better cumulation across the rest of Africa (and other LDCs) would ensure the poorest can actually take advantage of preferences in practice rather than just on paper.

Finally, last but not least, staggering graduation periods when countries' eligibility status changes between different countries' categories within GSP schemes is essential to deliver stability. The UK's new GSP scheme commits to at least 3 years before countries are removed from the relevant framework, while the EU's most recently amended GSP regime in 2014 limits this to at least a year. As the EU will soon be consulting on a new regime with the current one due to end in 2023, it should move towards a similarly elongated transition period.

It is also important to recognise and facilitate the role of trade in promoting gender equality. In doing so, we must think about meaningful action which reflects and furthers female participation in cross-border economic activity rather than political declarations pledging further visibility in trade policy.

The intersection here with trade for development is notable. The EU and UK should make commitments for their trade agreements and unilateral GSP schemes to reflect the particular market access needs of sectors where women have high occupational representation. Doing so also provides a practical opportunity to harness the power of statistics gathered on women in the labour force, benefitting those both in business and workers alike. Such commitments would act as extra incentives and levers to drive forward trade liberalisation in various traditionally sensitive sectors, to make inroads for the purposes of sustainable outcomes as well as economic growth.

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<sup>20</sup> Article 7.3 states, "The Parties shall cooperate on carbon pricing. They shall give serious consideration to linking their respective carbon pricing systems in a way that preserves the integrity of these systems and provides for the possibility to increase their effectiveness".

# Conclusion

The new relationship between the UK and EU has seen challenges for trade, but a longer term approach is now needed to focus on navigating collective challenges by pursuing opportunities for cooperation and action in concert together. Coordinated independent action around shared interests will enhance prosperity across borders (with and beyond each other), while spurring progress at a more global level on the policy values that still bind after Brexit.

Updating and expanding multilateral and plurilateral agreements is a key area where joint coordination can help provide a new impetus for such progress. Far from simply being mired in conflict after Brexit, a newly independent UK trade policy actor joining forces with the EU to expand rules to keep trade free, fair and liberalising would be a powerful force for change as we exit the current pandemic.

As the UK government has often spoken of its aim to be a positive new actor on the world stage, leading by example with the EU to create a dynamic regional force in spurring global progress on championing sustainability is an easy win-win. Collectively using trade policy levers to encourage the green transition and ensure digitisation remains an open rather than restrictive process is crucial for both sides.

Transparency on trade, subsidies and domestic legislation are among the many areas where collective action is essential for competitiveness, growth and stability. The trade agreement between the UK and EU provides an important new framework to build upon, not only bilaterally, but also in setting various benchmarks for deepening and extending trade and cooperation beyond our regional borders.

Progress on keeping trade free and fair, based on a rules-based system will not happen on its own. Cooperation may be led by state actors, from the Swedish and British governments to EU policymakers and legislators, but it needs the support and encouragement of industry and civil society. In this, it is perhaps uniquely championed most loudly from both in our respective territories. Our businesses and citizens remain integrated and committed to preserving cross-border ties and underlying values despite, and indeed because of, Brexit.

While Sweden continues to be a vocal champion inside the EU for free and sustainable trade, it is now joined by the UK on the outside with a new set of policy levers to work towards this outcome. Our collective interests in this space have not changed, only the various means of delivery. As Europe as a whole emerges from the pandemic, a reshaped regional bloc can be a powerful force for leveraging global progress.

This report is but one step towards building a roadmap for UK-EU engagement and cooperation. As the two sides adjust to new ways of working, a long term focus on enhancing positive trade and trade policy outcomes is essential. The world is in a state of flux; our market integration and proximity mean cooperation is the only way forward to steady the ship and navigate the waters ahead together.



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The Confederation of Swedish Enterprise (Svenskt Näringsliv) is Sweden's main business federation representing 50 member organizations and 60 000 member companies with over 1.6 million employees.

It was founded in 2001 through the merger between the Swedish Employers' Confederation (SAF, founded in 1902) and the Federation of Swedish Industry (SI, founded in 1910).

[www.swedishenterprise.se](http://www.swedishenterprise.se)

The Institute of Directors is a non-party political organisation, founded in 1903, with approximately 20,000 members. Membership includes directors from right across the business spectrum – from media to manufacturing, professional services to the public and voluntary sectors. Members include CEOs of large corporations as well as entrepreneurial directors of start-up companies.

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