Five key elements will drive the growth of sustainable trade, says new Commerzbank report

- Report, titled “Five drivers of sustainable trade: understanding the magnitude of change”, suggests that while sustainable trade is still in its infancy, it is an area that will grow in the years to come if substantial obstacles can be overcome
- Joint project with Oxford Analytica

Regulation, new patterns of global demand, supply chain trends, alliances, standards, and labels, as well as innovative finance, are the five key drivers which will shape the future of sustainable global trade over the next 10 to 15 years, says a report released by Commerzbank.

The new report sets out to bring clarity to the topic of sustainable trade and how it is likely to transform the global economy, given that there is currently wide divergence on what a sustainable approach to international trade should constitute. As such, this lack of clarity will constrain corporate commitment and action to some extent, and will almost certainly create challenges for governments wanting to put in place coherent, relevant regulation.

Speaking at the Berlin launch of the report, Pascal Lamy, former Director-General of the World Trade Organization, said: “The future of international trade, and the social and economic benefits that this drives, relies on the business, financial and political worlds coming together to agree on a sustainable way forward that is viable for all. Therefore, initiatives such as Commerzbank’s report are vital in encouraging progress in this area and bring us closer towards reaching global agreement on how sustainable trade practices should be implemented.”

Regulatory competition and protectionism is outlined by the report as the first key driver of sustainable practices – particularly in the EU, where regulation in this area is most advanced. However, considerable scope also exists for the abuse of sustainability concepts for reasons relating to protectionist measures rather than concern for ‘people’ or the ‘planet’.

The second driver relates to new patterns of global demand and identifies the huge growth in the global middle class which is increasing demand for tradable goods and services, placing considerable
strain on natural resources. As such, global demand patterns will have a major impact on sustainable trade.

In addition, with supply chains becoming more complex and geographically diverse, firms will increasingly need to be proactive about uncovering potential sustainability-related risks in their supply chains with increased emphasis on transparency. The sustainable trade agenda will therefore become ever more closely aligned with cost efficiencies and security of supply of inputs.

The report’s fourth driver concerns alliances, standards, and labels; focusing on how corporations will partner more frequently with their stakeholders in order to find opportunities for improving sustainability.

Finally, with increasingly stringent requirements on firms engaged in trade to demonstrate sound strategies for sustainability-related risk exposure, the report suggests that it will become necessary for firms to evaluate their sustainability performance in order to obtain financing. Innovative finance and the role of the banks are therefore noted as a key driver of the sustainable trade agenda.

Commenting on the report, Christof Gabriel Maetze, Member of the Executive Management Board of Commerzbank, responsible for Financial Institutions and CMIB, said: “The question is not whether the role and profile of corporate sustainability is rising, but what forces are driving this as well as the direction and form that it might take. As such, we hope this report will serve as a useful base for a higher level of discussion on the subject.”

Maetze continued: “Sustainable trade is a topic that we at Commerzbank have become increasingly engaged in and it is something that is going to become more and more important, not just to our business, but to the financial sector in general. In order to finance the trade of products and services in the field of clean energy and clean technology, we have been working with our partners for a long time, and we include high standards of sustainability among our lending criteria in all of the trade-related transactions in which we are involved.”

The report can be downloaded here: www.commerzbank.com/Report/Sustainabletrade

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