



Position Paper on EU Review of Trade & Investment Policy (Consultation Response)

In light of the European Commission's review of its trade and investment policy, the EEA is hereby providing responses to the relevant consultation of 16 June 2020 on behalf of its membership.

As the EEA and on behalf of our membership, we welcome the intentions of the European Commission to review its trade and investment policy, including the launch of the relevant consultation which as stated in the Commission's [note](#) seeks to provide "political direction for EU trade and investment policy in the years to come". Also, as mentioned in the note, "trade has also been particularly important for our SMEs. They represent 87% of all EU exporting companies and are a driving force for EU export performance." Within this context, below are responses on behalf of the EEA and its membership to the questions set out in the consultation.

QUESTION I: How can trade policy help to improve the EU's resilience and build a model of open strategic autonomy?

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QUESTION VI: How can trade policy support the European renewed industrial policy?

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QUESTION XIII: What other important topics not covered by the questions above should the Trade Policy Review address?

The EEA supports the perception that the EU needs a more resilient and renewed industrial policy. The need thereof has been even more evident during the Corona pandemic, and disruptions in global supply chains demonstrated the volatility of Europe's economy in light of its dependence on third countries for vital resources. The dependence can vary from pharmaceutical supplies to raw materials necessary to have a successful green transition based on a strong European economy. This should especially include an independence from Asian raw materials and a re-shoring of activities to shorten supply chains.

We therefore support initiatives put forward by the European institutions including the Action Plan on critical raw materials - [Critical Raw Materials Resilience: Charting a Path towards greater Security and Sustainability](#) - and the European Investment Bank's "[commitment to a European battery industry to boost green recovery](#)" which expects over EUR 1 billion for a pan-European battery industry. This and other ongoing relevant initiatives are strongly welcomed but are not sufficient. To build a more resilient Europe, these actions should be coupled with re-shoring activities. Re-shoring activities would allow for a diversification of supply sources and improve the EU's competitiveness as well as mitigate risk.

Many companies operating in third countries face less regulatory restrictions. It is therefore important to keep in mind that EU policy should focus on providing less burdens and red tape, especially for SMEs, also with a view of increasing competitiveness thereof. Indeed, a successful trade policy will be determined by a parallel focus on tackling disproportionate regulatory burdens.

QUESTION II: What initiatives should the EU take – alone or with other trading partners - to support businesses, including SMEs, to assess risks as well as solidifying and diversifying supply chains?

In addition to re-shoring activities, there is a strong need for the EU to support research and innovation. Research and innovation are key to developing a more effective use of raw materials in case they might be less prevalent on European soil rather than in third countries, or indeed in identifying new sources of raw materials.

Furthermore, the EU should continue or strengthen its dialogue with like-minded third countries such as Japan and the US. This provides political and economic basis to counteract dependencies from countries like China and allow for more effective action at the multi-lateral level, namely the World Trade Organisation.

Again here, we would like to re-emphasise the need to improve the regulatory environment for businesses in the EU, including evaluating unnecessary and disproportionate regulatory burdens on companies, especially SMEs.

QUESTION III: How should the multilateral trade framework (WTO) be strengthened to ensure stability, predictability and a rules-based environment for fair and sustainable trade and investment?

As the basis of any approach, it is pertinent to restore and guarantee a level playing field in international trade. Therefore, we support the strengthening of the WTO, especially with a view of providing the right tools to fight unfair global competition. For example, the current subsidies prohibited under the WTO are no longer sufficient, as provided in a trilateral statement by the US, the EU and Japan in January 2020. The trilaterally proposed [extension of new types of unconditionally prohibited subsidies](#) under the WTO Agreement on Subsidies and Countervailing Measures include certain direct forgiveness of debt and unlimited guarantees, as well as subsidies to an insolvent or ailing enterprise in the absence of a credible restructuring plan. Supporting these proposals would be beneficiary to providing a level playing field in international trade, as such allowing for EU businesses to remain competitive.

QUESTION IV: How can we use our broad network of existing FTAs or new FTAs to improve market access for EU exporters and investors, and promote international regulatory cooperation-particularly in relation to digital and green technologies and standards in order to maximise their potential?

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QUESTION VIII: How can trade policy facilitate the transition to a greener, fairer and more responsible economy at home and abroad? How can trade policy further promote the UN Sustainable Development Goals (SDGs)? How should implementation and enforcement support these objectives?

As the EU is a global powerhouse in international trade as importer and exporter, it has the possibility through FTAs to push for EU norms and international regulatory coherence. The EEA supports the creation of such coherence in principle such as has been the effect of the Comprehensive FTA between the EU and Ukraine, considering, for example, competition law. Nonetheless, we believe that in an immature global trade environment where there is no consensus on the form and content of obligations for certain economic areas such as green and digital technologies, we call for the EU to be vigilant when exporting obligations that are still under discussion at the EU policy, political and legislative levels.

QUESTION V: With which partners and regions should the EU prioritise its engagement? In particular, how can we strengthen our trade and investment relationships with the neighbouring countries and Africa to our mutual benefit?

The EEA believes that strengthening of relationships with the Eastern Partnership region through economic policy should be a priority. As our membership includes employer organisations from the Ukraine and Belarus, we understand the benefits of strengthening economic ties, including the development of labour markets, customer markets, and strengthening of supply chains, implying a potential diversification from certain dependencies to Asian markets. The Deep and Comprehensive FTAs with countries like the Ukraine, Georgia and Moldova have demonstrated benefits, especially for SMEs. At this point we would like to remark that, with a view to the future in light of political stabilisation in Belarus, the EU should re-visit the current agreement it has with the country to take further steps in fostering economic and regulatory integration and coherence.

QUESTION VII: What more can be done to help SMEs benefit from the opportunities of international trade and investment? Where do they have specific needs or particular challenges that could be addressed by trade and investment policy measures and support?

SMEs do not have the same access to global markets compared to larger enterprises, due to various reasons such as limited resources, small-scale mobility, negotiation positions vis-à-vis suppliers, and access to digital technologies. We therefore look forward to an EU trade and investment policy which provides the necessary tools, capital, and security to access markets in third countries. The Commission's DG Trade should also have a strong role to play in rapid response capacities to changing market conditions.

In full compliance with WTO regulations, the EEA supports the following initiatives to be taken into account in a new trade and investment policy framework:

Square de Meeûs 38-40
1000 Brussels

Belgium Enterprise Number:
0733.737.395

EU Transparency Register:
329556137684-27

enterprisealliance.eu

- (1) Subsidies for the promotion and marketing of SMEs which are not limited to geographic areas or similar criteria (as is sometimes the case under the current EU Multi-Annual Financial Framework).
- (2) Insurance for letters of credit available for exporting SMEs in light of their limited capital available.
- (3) The EU to act as a guarantor for contracts concluded by SMEs with non-EU countries.
- (4) The establishment of grants and/or preferential loans for SMEs seeking to export.

QUESTION IX: How can trade policy help to foster more responsible business conduct? What role should trade policy play in promoting transparent, responsible and sustainable supply chains?

As the EEA we believe that a responsible business conduct, also considering a responsible and sustainable supply chain is a very positive and important ambition. Nonetheless, also here it is essential to keep in mind that limited resources and other concerns of SMEs to conduct a healthy and successful business do not necessarily permit for these to engage in the same level of responsible business conduct as larger enterprises. Often decisions on supplies/sources are based on the ability to compete and in many cases survive. We therefore suggest that a dedicated instrument within the framework of the EU Green Deal to promote responsible and sustainable supply chains be developed. This would allow for a bigger choice for SMEs in sourcing the necessary supplies, in essence also diversifying the supply chains and allowing for more bargaining power.

QUESTION X: How can digital trade rules benefit EU businesses, including SMEs? How could the digital transition, within the EU but also in developing country trade partners, be supported by trade policy, in particular when it comes to key digital technologies and major developments (e.g. block chain, artificial intelligence, big data flows)?

As highlighted in our previous position papers, including the [Digital Services Act](#) and on [Artificial Intelligence](#), as well as above, we believe that digitalisation is an important growth factor for SMEs, but it is nonetheless important to not unnecessarily burden SMEs, including through disproportionate administrative burdens.

QUESTION XI: What are the biggest barriers and opportunities for European businesses engaging in digital trade in third countries or for consumers when engaging in e-commerce? How important are the international transfers of data for EU business activity?

E-commerce is an essential element of European business, not least for SMEs which regularly encounter unfair commercial practice and other factors of a non-level playing field. The reasons thereto include unfair subsidies, unfair tax practices, and the outdated system of the UN-agency's Universal Postal Union which are taken advantage of by third-country companies, very often from China. Market distortions can be avoided by several actions, including incentivising European exporters through providing insurance for letters of credit and foreign exchange, development of an IT system under e-administration for the payment of customs duties, and by the European Union providing support to Member States to change UPU rates.

QUESTION XII: In addition to existing instruments, such as trade defence, how should the EU address coercive, distortive and unfair trading practices by third countries? Should existing instruments be further improved or additional instruments be considered?

We support the development of new instruments, such as the 17 June 2020 White Paper on levelling the playing field as regards foreign subsidies, as it is our view that current instruments either in force or in the pipeline are not sufficient to tackle the relevant distortions.