



TRADE -Roadmap for the European Commission

In the last 15 years we have witnessed dramatic changes in the way we live and the way we do business. The digital revolution made the world smaller and more connected. New business opportunities were created and new markets emerged.

Globalisation of the supply chains is one of the most important changes with direct impact on Trade. Production is organised to an increasing extent by international or global value chains. Goods and services are not produced in a single location, but are the result of a combination of tasks executed in different countries.

This change puts additional pressure on the EU, as well as other trading partners, to finding ways of supporting global value chains. The worldwide elimination of tariffs and non-tariff barriers, and facilitation of trade and investments are the right answers to this new international trading environment.

The EU is adjusting to this challenging environment and remains the world's largest trading block representing around 16% of the World's Imports and Exports. In spite of the decrease in the World's Investment share the EU continues to rank first in both inbound and outbound international investment flows. This gives a good indication of how open to the world the EU economy is and how important an ambitious Trade agenda is to ensure that the European economy remains competitive.

In the coming years the European Union will have to improve access to worldwide markets accelerating its external trade agenda in a spirit of reciprocity, as a way to boost competitiveness, job creation and investment, stimulating a sound industrial and services base in Europe.

An ambitious trade agenda should cater to the interests of SMEs and support them to be more active in international markets. This would lead to new market opportunities for a greater portion of our companies that remain absent from the global scene.

Recently business is also being confronted with the increasing political role of Trade. Trade is being used more and more as a foreign policy tool. This is constructive when leading to economic and political stability in sensitive and unstable areas but it also brings an element of uncertainty as trade is increasingly dependent on geopolitical constraints. Even more worrisome is the growing trend of dissociating Trade from the economic reality, using it only to pursue political objectives (e.g. recent public debate on ISDS).



a) Bilateral Trade Negotiations

✚ **TTIP- conclude the negotiations ensuring a high level of ambition and maintaining a deep and comprehensive scope in the agreement**

The transatlantic economy is already the largest market in the world, and the most integrated one both in terms of trade as well as investment. The dominant size and wealth of the transatlantic economy implies that the relationship between the EU and the US also shapes the global economy as a whole

TTIP- Transatlantic Trade and Investment Partnership is a unique opportunity for the EU and US to give the world a strong signal that growth and wealth can be achieved through free trade and investment. Furthermore, TTIP should reinforce the long standing political and strategic ties between the EU and the US.

Tariffs are only one of the existing barriers that hinder transatlantic trade and investment from reaching its full potential as they are often replaced by more complex barriers resulting from divergent regulations, different standards, complex custom procedures, investment limitations, local content requirements, etc. Regulatory obstacles, including in services or procurement, are particularly important for SMEs and they should be suitably addressed in TTIP to generate real market gains for our companies. This will lead to more prosperity by bringing new opportunities for small, medium and large companies through a better access to each other's markets (e.g. procurement), regulatory cooperation and trade facilitation.

This is why an ambitious and comprehensive agreement has to go beyond the elimination of tariffs in order to overcome these existing barriers and prevent new ones from being created. The agreement should ultimately aim to establish a more integrated and balanced transatlantic market including a chapter or specific provisions on Energy that address existing export restrictions in the US.

This will not only reduce the costs of doing business and further enhance trade and investment on both sides of the Atlantic but it will also potentially lead to the establishment of world class rules and standards in a number of areas including product safety, environment, social, investment, public procurement, IPR, etc.

Given the scope and ambition of the EU/US negotiations and the normative influence of the US and the EU on third countries, it is important that the negotiations allow for developing and improving common work and approach in certain key areas (e.g. raw materials, energy, counterfeiting and new technologies).

In BUSINESSEUROPE we believe TTIP should remain a far reaching agreement, one that can set high level standards on a global scale, including on Investment Protection and ISDS- Investment to State Dispute Settlement Mechanism. We are confident the EU and the US will be able to design an ISDS that is well balanced, responding to legitimate concerns expressed by civil society, at the same time providing businesses a well-defined investment framework able to respond to 21st century challenges.



✚ Canada- the agreement should be approved in its present comprehensive form paving the way for an extended EU-North American market in the future

This is the most ambitious and comprehensive agreement ever negotiated by the EU or by Canada and the first the EU concludes with a Western economy. The negotiation results are overall very positive for the EU side with important gains in key areas like: **(a)** Public Procurement with engagements of clear importance to the EU made possible thanks to provinces being sitting at the negotiating table; **(b)** Geographical Indications with the EU managing to obtain an unprecedented level of protection in a GIs adverse culture; **(c)** Ambitious and high quality intellectual property outcome, particularly for the innovative life sciences industry; **(d)** Good and balanced market access results both for industrial goods, services and agriculture. In many of these areas CETA could be a standard for the on-going TTIP negotiations.

CETA also includes an Investment chapter with provisions on investment protection comprising ISDS- Investment to State Dispute Settlement Mechanism. The agreement was negotiated within the mandate given to the European Commission by Member States.

The EU should avoid at all cost reopening the negotiations to exclude parts of the agreement, like ISDS. This would destroy the negotiation balance in CETA that took 5 years to achieve. Such a decision would also be detrimental to the image of the EU as a reliable and credible negotiating partner.

✚ Japan- ensure the FTA addresses existing Non-Tariff Barriers and that we find a long lasting solution to avoid future problems

The FTA with Japan should both remove classical barriers to trade and also be forward-looking. An ambitious result means a balanced agreement with specific, substantive and non-discriminatory measures to open markets.

The focus of the negotiations must be given to the removal of non-tariff barriers such as divergent standards or supplementary testing requirements. The agreement should also lead to liberalisation in services, investment and public procurement markets both at central and sub-central levels addressing long standing issues like the Operational Safety Clause.

Furthermore it is important that tariff liberalization and the removal of non-tariff barriers are closely connected as tariffs are not equally distributed on both sides.

In order to avoid future problems long lasting solutions need to be found. This is why BUSINESSEUROPE wants to include a mechanism in the agreement which prevents risks of future regulatory differences and facilitates an on-going dialogue between public authorities as well as business on both sides.



+ China- *the Investment Agreement should be far reaching both in terms of market access as well as protection of investors (e.g. ISDS)*

BUSINESSEUROPE strongly supports the negotiations launched in 2013 for a Bilateral Investment Agreement, which would enhance legal certainty for both sides. To make it effective provisions should include a broad definition of investment, covering pre-establishment (market access) and post-establishment (investment protection, particularly against expropriation) for all sectors of business. Furthermore, to guarantee the agreement's effectiveness, relevant enforcement mechanisms such as an investor-to-state dispute settlement system must be included.

Additionally we must not overlook other important aspects that have an impact on the EU-China trade and investment relations - e.g. the accession of China to WTO's Government Procurement Agreement, and we must ensure the business environment in China is conducive to foreign trade and investment.

+ India and Mercosur- *these important negotiations are in a standstill for different reasons and we need to make sure that progress is made considering the importance of the markets*

Negotiations with India have been stalled for some time. Nonetheless it remains a key EU trade partner due to its large population and its emergence as a global player. Therefore it has an impact on global trade and can also serve as model for other countries.

BUSINESSEUROPE supports an ambitious EU-India Free Trade Agreement, provided it delivers significant market access and investment improvements for European businesses. In this context we urge the European Commission to engage with the new Indian government to solve outstanding trade issues European companies are confronted with at all levels (national and local).

The new political situation in India might be a good opportunity to re-launch bilateral dialogue to discuss key areas such as tariff reduction / elimination, non-tariff barriers, investment, opening up of services markets, procurement, and IPR in particular.

On Mercosur BUSINESSEUROPE continues to be very much engaged in the successful conclusion of a free trade agreement. In the meantime we favour a comprehensive assessment of our trade and investment relations focusing on Argentina and Brazil. This would allow the EU to define a road-map with concrete actions aimed at improving the business environment for EU companies in the short to medium term independently of the free trade negotiations outcome.

+ ASEAN- *advance the current negotiations with individual ASEAN countries also trying to bring to the negotiating table key countries like Indonesia*

Today the ASEAN region is already a key trade and investment destination for European companies. In the years to come the area will become even more important



with the expected economic growth of some of its most dynamic markets. Concluding comprehensive and ambitious free trade and investment agreements with individual ASEAN countries should remain a priority with the final goal of promoting an EU-ASEAN enhanced trade and investment area.

✚ ***AFRICA- is becoming an important trade and investment destination for the EU***

The EU should follow suit with the negotiations on the Economic Partnership Agreements (EPAs) at the same time encouraging further regional integration among African countries through the elimination of tariff and non-tariff measures as a way to enhance trade and investment in the region.

✚ ***Review process- adjusting older FTAs to a new trade and investment reality***

The EU is currently negotiating a new generation of bilateral trade agreements that take into account the changes in world trade. It is desirable that in parallel the European Union starts the process of reviewing old FTAs in order to adapt them to this new reality (e.g. Chile, Mexico).

b) Eastern Europe/ Russia/ Mediterranean countries- ensure the EU has a trade and investment policy that promotes the economic development and political stability in the countries in the vicinity of the EU (East, Mediterranean and Northern Africa)

✚ ***Eastern Europe- BUSINESSEUROPE trusts the signature of Deep and Comprehensive Free Trade Agreements between the EU and Eastern Partnership (EaP) countries will contribute to the promotion of economic growth in the area and in the long term lead to increased political stability.***

Improving the overall business climate and stimulate bilateral investments in the area is key to promoting social cohesion and establishing closer ties with the EU.

Due to the importance of those relations BUSINESSEUROPE is an active supporter of the Eastern Partnership Business Forum which provides a platform for business and political leaders to exchange views on how to best promote the Eastern Partnership, through strengthening bilateral and inter-regional trade and economic relations.

Considering the current political situation in Ukraine and to maximise the positive outcome of the DCFTA we view the on-going consultations between EU, Ukraine and Russia as a way to ensure the agreement will be implemented in a more efficient and swift manner.



- ✚ **Russia- the EU should maintain open dialogue with the aim of solving increasing trade problems and disputes at WTO level including with the Eurasian Customs Union**

As Russia does not implement certain WTO rules and adopts measures which are non-WTO compliant we need to find ways to address the problems effectively without jeopardizing the overall trade and investment relations with Russia. To complement WTO's accession Russia is also expected to join the Government Procurement Agreement.

Trade and economic relations have also been under additional pressure due to the difficult political situation. BUSINESSEUROPE recognizes the challenging political environment in the EU-Russia relations and hopes a viable solution is found rapidly. As business representatives, we will keep the communication channels with Russian business open.

- ✚ **Mediterranean countries- the EU should conclude the on-going negotiations to establish deep and comprehensive free trade agreements.**

It is important to ensure political and economic stability in the countries in the region, that a deep and fully fledged Euro-Mediterranean Free Trade Area is in place. Deeper economic and industrial integration in the region is needed and the implementation of the Pan-Euro-Med system of cumulation of origin is of paramount importance to this end.

- c) Multilateral Trade Negotiations- *WTO would be the preferred option to ensure an overall improved access to markets***

- ✚ **Effective implementation of the Trade Facilitation Agreement**

BUSINESSEUROPE very much welcomed the conclusion of the Trade Facilitation Agreement as it provides concrete and substantial benefits for both developed and developing countries and has strengthened the WTO as an institution. Now a lot depends on its effective implementation that should not be conditioned to other aspects of the Bali package. WTO members should commit to an ambitious implementation calendar limiting the number of provisions that will be excluded or implemented at later stage.

Reaching a deal on the outstanding core Doha issues, such as improved market access for industrial and agricultural goods, services or subsidy rules remain an important and challenging task, irrespective the successful agreement of the Bali package.



- ✚ **Give WTO a more pro-active agenda- being through a revival of the Doha Agenda or through the adoption of a new agenda/work program that takes into account the new trade and investment world environment**

Today global production is organized by international or global value chains and this puts pressure on the WTO to find answers on how these supply chains can be better supported- competition and state-owned enterprises, export restrictions and access to raw materials or investment and government procurement are becoming increasingly important and should be addressed multilaterally. A trend has taken place to shift from the multilateral approach to the negotiation of bilateral and plurilateral agreements. These facts need to be taken into consideration when re-defining the WTO work program to ensure it addresses today and tomorrow's trade and investment challenges.

At global and regional level, comprehensive elimination of tariffs and non-tariff barriers, and facilitation of trade and investments are the right answers to this new international trading environment.

- ✚ **Better coordination between different Bilateral and Plurilateral Agreements and the WTO market access strategy**

Currently WTO members are negotiating in parallel major bilateral (TPP, TTIP, EU-Japan, China-Japan-Korea) and plurilateral trade agreements (TISA-Services, ITA-Information Technology, EGI-Environmental Goods). The successful conclusion of these agreements is expected to bring substantial trade liberalisation. This is a positive step towards more open world markets and we hope it can impact positively multilateral trade negotiations. Therefore better coordination between the different agreements is essential.

d) Market Access Strategy

- ✚ **Ensure that market access problems are effectively addressed even in those countries that are not negotiating a bilateral agreement with the EU**

In countries with which the EU is not negotiating FTAs, European companies face market access problems. In this case, bilateral consultations should be further reinforced and international rules provided by the WTO and/or the OECD could be used as additional leverage.

To ensure that the Market Access Strategy is a truly results-oriented mechanism, different solutions should be pursued for FTA and non-FTA partners of the EU.

BUSINESSEUROPE supports the European Commission's Market Access Strategy but it is important to improve it and make it more relevant to challenges European businesses are facing abroad.

More specifically, BUSINESSEUROPE believes that the Commission's efforts should be further concentrated on the effective removal of market access barriers, through



closer cooperation between the different players (Business, Commission and Member States) both in the EU and Third Countries and ensuring that resources are effectively allocated to this task both by the Commission as well as Member States. Special emphasis should be given to problems that affect in particular SMEs preventing them from entering new markets (e.g. complex customs procedures and rules, duplication of tests).

Monitor the implementation of the increasing number of Trade Agreements

The EU is currently negotiating several Trade Agreements which are expected to enter into force in the coming years. In order to avoid or remove new barriers and provide efficient solutions a transparent and efficient mechanism to monitor the implementation of those agreements should also be further developed.

e) Sustainability and Responsible Sourcing

Industry is increasingly engaging in CSR activities and in ensuring that production and sourcing is done in a sustainable manner however, this has to take into account existing business realities and cost factors in particular for SMEs

BUSINESSEUROPE overall welcomes the EU initiative on responsible sourcing but has some concerns regarding its practical implementation. The comprehensive nature of the initiative should be reaffirmed through concrete actions on the ground, effectively integrating trade with development, security and good governance policies. This means also ensuring full coherence with other plurilateral initiatives such as the OECD Due Diligence guidance on conflict minerals. Improving cooperation with other trading partners that play an important role in the mineral supply chain is also essential in order to achieve viable solutions.

The EU initiative should furthermore recognize and accept complementarity with existing schemes (binding and voluntary) in order to help business, especially SMEs, comply with responsible sourcing requirements without having to multiply their efforts and dedicate more valuable resources. European business is also concerned by the fact that the obligations for responsible importers under the EU initiative go beyond international standards, for instance as regards third-party auditing requirements, which may significantly increase implementation costs. .

The performance clause of the Commission's public procurement procedures is also potentially problematic for European companies. It is understandable that the measure seeks to boost the uptake of the EU initiative by importers. However, this constitutes an extremely complex and costly product-based approach that requires the origin of minerals to be retracted over the entire supply chain and any sourcing country due to the unclear definition of "*conflict zone*". As the original intention of the EU was to get round these approaches, which were particularly criticized after the adoption of the Dodd Frank Act section 1502, we would seek more clarifications from the part of the



Commission on how this measure would help incentivize companies and how SMEs would be further supported in this context.

✚ **The Sustainability Chapter is increasingly important in Trade and Investment Agreements but its scope should not jeopardize the main aim of the agreements**

BUSINESSEUROPE believes that trade liberalization furthers the objectives of sustainable development, for instance through job creation or the easing of transfer of environment-friendly technologies. However, as the central goal of FTAs is to promote the liberalization of trade and investments, one should be careful to strike the right balance between trade liberalization on the one hand, and social and environmental provisions contained in the FTAs Sustainability Chapters on the other. BUSINESSEUROPE agrees that States should commit not to weaken or reduce existing protection level in order to attract investments, and maintain their autonomy to regulate in the area of social affairs and the protection of the environment. The structure of the sustainability chapter in the EU's FTA should also be clearly defined.

f) A rules based system- *the EU should have a state of the art framework to address anti-competitive practices from Third Countries*

In order to fight unfair trading practices by third countries reliable and effective trade defence instruments in full respect of WTO rules are essential.

The previous European Commission presented a proposal to modernise the EU Trade Defence Instruments based on three pillars, i.e. Basic Laws, Guidelines and practical self-help especially for Small and Medium sized companies. Irrespective of the final outcome of the modernisation process, BUSINESSEUROPE believes that the proposal as it stands should be seen and adopted as a package to ensure that all interests are equally taken on board and the final outcome is supported by all relevant parties.

g) Customs- *effective implementation of the Union Customs Code (UCC) with real simplification for companies*

Following the adoption of the Union Customs Code in 2013, focus is now that its effective implementation through the UCC Implementing & Delegated Acts leads to significant simplifications for business operators. Key issues are workable rules of non-preferential origin, more facilitation for trustworthy companies (AEOs), no changes to customs valuation, and simpler and streamlined customs clearance procedures including centralized clearance and self-assessment. A successful implementation can translate into less administrative burden and costs for companies especially SMEs.



***BUSINESSEUROPE** is the leading advocate for growth and competitiveness at European level, standing up for companies across the continent and campaigning on the issues that most influence their performance.*

A recognised social partner, we speak for all-sized enterprises in 33 European countries whose national business federations are our direct members.

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