

## Our position

# A trade policy agenda for EU attractiveness



AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €3.7 trillion in 2022, directly supports more than 4.9 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

## Executive summary

An open, free, rules-based EU trade policy agenda is essential to support competitiveness and growth, and to support the green and digital transition. The EU should continue promoting a multilateral trading system based on a reformed World Trade Organisation (WTO) that is fit for today's changing global economy. In order to safeguard the attractiveness of its market, the EU should leverage an open trade agenda, while also carefully balancing economic security. The priority should be on advancing and finalising bilateral Free Trade Agreements (FTA) along with the effective implementation and enforcement of existing FTAs. Lastly, on the side of FTAs, the EU should be open to exploring new channels of cooperation with reliable partners and more sectorial agreements and partnerships as well.

## Introduction

International trade is critical for economic growth and competitiveness globally. Over the years statistics show that trade raises the living standards and benefits societies as a whole. Global value chains and trade liberalisation contribute to economic growth, job creation and positive technology spill overs through increased commercial opportunities, investment and innovation, while also broadening the productive base through private sector development. Enhanced market access through the removal of non-tariff and tariff barriers brings significant benefits for consumers, companies, workers, and increases supply chain resilience.

The recent escalation of geopolitical tensions in the aftermath of the COVID-19 pandemic, and Russia's unjustified and brutal invasion of Ukraine, have resulted in raised trade restrictions.<sup>1</sup> We have witnessed the adoption of more aggressive industrial policies in the name of economic or national security, supply chain disruptions and higher trade policy uncertainty.

The geoeconomic fragmentation created by these crisis have highlighted the importance of secure and diverse supply chains, the relevance of global collaboration, multilateralism, and the continuity of essential services. By contrast, go-it-alone trade and economic measures have proved to be economically and socially detrimental.

In this context, the American Chamber of Commerce to the EU (AmCham EU) would like to share recommendations on the crucial role that an open EU trade policy agenda can play in supporting economic growth, societal development, supply chains resilience, green and digital transition and competitiveness.

## A multilateral trading system

A rules-based international trade order, with the WTO as its arbiter, is the only way to ensure a stable international environment that fosters commerce and safeguards the global economy from fragmentation. The multilateral trading system opened international markets and raised standards globally. The WTO is the guarantor for governments and companies in global markets. However, in its current form, it is not fit for the 21<sup>st</sup> century challenges. Two of its main functions, the dispute

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<sup>1</sup> Confronting Fragmentation Where It Matters Most: Trade, Debt, and Climate Action. (2023, January 16). IMF. <https://www.imf.org/en/Blogs/Articles/2023/01/16/Confronting-fragmentation-where-it-matters-most-trade-debt-and-climate-action>

resolution mechanism and the negotiation function, are in crisis because of disagreement among the members about its way of functioning. Reforms are needed to overcome present challenges and to return confidence to the multilateral trading system.

AmCham EU recommends:

- **Promotion of open, free and rules-based trade.**
- **Encourages a conclusion of the ‘E-Commerce’ plurilateral negotiations.** Among other things, the EU should press for strong outcomes to ensure the open cross-border flow of data while enabling governments to protect personal privacy in the least trade-restrictive manner.
- **Fosters a review of how developing countries are classified** so that members can not characterise their own level of economic development.
- **Promotes reforms to make the WTO more efficient at all levels.** Its negotiating function needs to be revitalised, notably by allowing countries that are willing to move forward via ‘open’ plurilateral talks to do so (eg Joint Statement Initiative on E-Commerce, on Services Domestic Regulation, on Investment facilitation, Environmental Goods). Moreover, the monitoring role of the Secretariat has to be reinforced (in particular the system of notifications and trade policy reviews) and the dispute settlement mechanism has to be reformed to restore trust among and respect by all WTO members.

## EU trade policy, competitiveness and economic security

### An open trade agenda to boost competitiveness

The EU’s trade policy has played a crucial role in contributing to support and increase competitiveness in the European continent. By fulfilling its main objective (opening and maintaining of third-country markets abroad) it has secured trade opportunities for EU companies of all sizes, which in turn have led to job creation, investments, taxes paid, adding value to the EU economy and benefiting citizens. According to the latest figures<sup>2</sup>, between 2000 and 2019, exports boomed: EU exports grew by 130% and export-related jobs increased by 75%. EU exports currently support 38 million jobs, up by two thirds from 2000.

However, nowadays, a volatile global economy has put pressure on and challenged companies’ supply chains. At the same time, new ‘trade-expanding initiatives’<sup>3</sup> directly impacting trade policy (such as Carbon Border Adjustment Mechanism [CBAM], Deforestation Regulation, Corporate Sustainability Due Diligence Directive [CSDDD] and Forced Labour Regulation) have been developed. These initiatives could pose burdens on the business side and create tensions with other key trade partners.

Additionally, EU industry is experiencing tremendous pressure to digitalise and decarbonise to achieve the ambitious goals of the Green Deal and remain competitive. While we support the aims of such

<sup>2</sup> Rueda Cantuche, J., Pinero Mira, P. and Kutlina-Dimitrova, Z., EU Exports to the World: Effects on Employment, EUR 30875 EN, Publications Office of the European Union, Luxembourg, 2021, ISBN 978-92-76-42684-4, doi:10.2760/245264, JRC126534.

<https://publications.jrc.ec.europa.eu/repository/handle/JRC126534>; [https://policy.trade.ec.europa.eu/analysis-and-assessment/statistics/trade-and-jobs\\_en](https://policy.trade.ec.europa.eu/analysis-and-assessment/statistics/trade-and-jobs_en) and (2) EU Trade EU sur Twitter : "Between 2000 and 2019, the export sector boomed. ↗93% of all EU-exporters are small and medium-sized companies. ↗EU exports grew by 130% ↗Export-related jobs increased by 75%" / Twitter, viewed on 24 May 2023.

<sup>3</sup> European Commission. (31 October 2022). *Opening remarks by Executive Vice-President Dombrovskis at the press conference of the informal Foreign Affairs Council on Trade* [Press release]. ([https://ec.europa.eu/commission/presscorner/detail/en/speech\\_22\\_6486](https://ec.europa.eu/commission/presscorner/detail/en/speech_22_6486))

actions, EU trade policy needs to be strengthened for it to continue bringing benefits to EU companies. In this sense, we welcome the European Commission's recognition of the essentiality of an open trade agenda for the EU competitiveness in its Green Deal Industrial Plan,<sup>4</sup> and we encourage policymakers to take into account the following recommendations:

- **Maintain the EU market open for imports** to ensure that EU businesses are able to source their raw materials from different suppliers and at reasonable cost instead of becoming dependent on a few ones. An open market provides agility and flexibility to EU businesses, which are key to increase resilience against external shocks. Moreover, it promotes access to new technologies, which is crucial for industries to remain competitive and innovative.
- **Open new markets to EU exports** by reducing tariffs and non-tariff barriers gives EU businesses the opportunity to tap into economic growth taking place in other parts of the world. It expands consumer markets, promoting economies of scale, efficiency gains and, overall, boosting the competitiveness of the EU industry.
- **Keep working towards the creation of an enhanced business environment and stronger Single Market**, which is essential to safeguard its attractiveness. This can be achieved for instance through better customs facilitation (eg digitalisation of trade and customs clearance) and better coordination with like-minded countries of their respective industrial policies in order to guarantee level playing fields.

## Economic security and trade openness

Global trade disruptions have raised concerns over the resilience of supply chains and have re-sparked discussions on economic security. Reshaping global value chains in response to said concerns has become extremely important. The EU itself, through the implementation of its open strategic autonomy strategy, aims to protect its Single Market from unfair trading practices or weaponisation of trade measures from other countries. However, this risks trade fragmentation and could lead to higher costs of doing trade for both businesses and society.

The ongoing debate on the need for a 'European Economic Security Strategy' highlights the importance of economic de-risking instead of decoupling, limiting vulnerabilities in strategic sectors and risky economic exposure while promoting diversification and stronger trade relations with different strategic partners. The recent measures taken by the EU, the US and other countries to bring production home (reshoring) or sourcing inputs exclusively from suppliers in allied trusted countries (friend-shoring), are not an appropriate manner to address the EU's legitimate concerns regarding resilience. The reshoring of economic activities comes with the risk of having to choose sectors, which distorts the market and leads to economic inefficiencies. Moreover, it is questionable whether the shortening of supply chains does result in increased resilience, industries would stand to lose access to raw materials and new technologies and EU consumers would lose in terms of product diversification and market competition. AmCham EU does not support friend-shoring either as a valid approach to strengthen supply chain resilience. Instead, we should focus on stronger ties with reliable partners, as mentioned by DG TRADE Director General, Sabine Weyand.<sup>5</sup>

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<sup>4</sup> Communication: A Green Deal Industrial Plan for the Net-Zero Age | European Commission. (n.d.-b). European Commission. [https://commission.europa.eu/document/41514677-9598-4d89-a572-abe21cb037f4\\_en](https://commission.europa.eu/document/41514677-9598-4d89-a572-abe21cb037f4_en)

<sup>5</sup> Packroff, J., & Packroff, J. (2023). Commission trade chief: EU cannot only trade with "like-minded countries." [www.euractiv.com. https://www.euractiv.com/section/economy-jobs/news/commission-trade-chief-eu-cannot-only-trade-with-like-minded-countries/](https://www.euractiv.com/section/economy-jobs/news/commission-trade-chief-eu-cannot-only-trade-with-like-minded-countries/)

In addition, it is equally dangerous to take unilateral trade-distorting actions and adopting restrictive measures in the name of national security without the inclusion of business stakeholders or a careful assessment of the potential negative impact on trade flows. Measures should be transparent, targeted, temporary and of last resort. A sense of proportion must be respected without leading to a ‘fortress Europe’. For this, it is necessary to:

- **Focus on economic de-risking instead of decoupling.**
- **Avoid a EU-first approach** and potentially protectionist practices, while strengthening trade relations with reliable partners.
- **Undertake a thorough assessment of the impact of restrictive and defensive measures on trade** and maintain these measures transparent, targeted, temporary and of last resort.
- **Avoid imposing additional tariffs on imported goods** that constitute inputs to the downstream EU industry when adopting trade defence or compensatory measures, as this offsets other initiatives to boost competitiveness.

## The EU’s FTAs agenda

In order to boost competitiveness, the EU must enhance its bilateral trade relations through the conclusion and enforcement of ambitious FTAs. These play a fundamental role in connecting the EU and businesses to important sources of growth and open new market opportunities. They also balance competition and ensure level playing field, reinforce the resilience of supply chains, limit risk through diversification of imports and exports as well as increase social and sustainability standards globally.

The EU can significantly improve market access for EU exporters and investors through ambitious measure to be included in its bilateral trade agreements. For instance, FTAs can support the growth, resiliency and sustainability of the EU’s economy by:

- **Improving the awareness of the content of existing FTAs by services exporters** through a specific ‘guide to services exporters’.
- **Highlighting the importance of trade in services** and boosting regulatory cooperation in services and in the field of cross-border data flows.
- **Ensuring that current and future bilateral FTA negotiations include a strong digital chapter** with provisions that are ambitious in terms of enabling the flow of data across borders, protecting critical Intellectual Property, and prohibiting forced technology transfers.
- **Simplifying and harmonising FTA provisions concerning rules of origin and origin certification** in order to significantly improve market access for EU exporters, including SMEs.
- **Separating the physical release of goods from duty and tax collection** to improve the processing times at the border and allow customs authorities to focus on safety and security.
- **Simplifying documentation, harmonizing data requirements and providing for paperless customs procedures** to reduce costs for business and authorities.
- **Maintaining commercially meaningful customs duty *de minimis* levels**, generating economic benefits by refocusing public revenue collection on more efficient revenue sources and reducing complicated procedures by streamlining duty and tax payment for low-value goods.
- **Continue to focus on SMEs** and include in its FTAs measures to facilitate trade for them.

The EU should also beef up its bilateral free trade agreements agenda with relevant third countries. We encourage the EU to:

- **Ratify FTAs with Mercosur, Mexico, Chile, and New Zealand during this institutional cycle**, meaning before the next European elections in June 2024.
- **Conclude negotiations for a FTA with Australia** in the coming months, as both parties have held a final formal round of negotiations in April 2023 and times are now mature to find compromise on mutual market access, especially for agricultural products.
- **Ratify the investment chapter of EU-Canada Comprehensive Economic and Trade Agreement (CETA)**. CETA has been provisionally applied September 2017. However, its provisions on investment protection and the settlement of investment disputes are excluded from the provisional application because the investment chapter requires ratification by all EU Member States. Thus, we call the Commission and the Parliament to increase pressure on those Member States whose national parliaments still need to ratify the agreement.
- **Make substantial progress on FTA with India**, especially by supporting continued customs facilitation to boost cross-border export and import of goods.
- **Make substantial progress on FTA with Indonesia**. Indonesia is a founding member of the Association of Southeast Asian Nations (ASEAN) and it is currently the fourth most populous country in the world with more than 270 million inhabitants. An EU-Indonesia FTA should facilitate and creating new market access, increase bilateral trade and investment and promote sustainable development. It should also contain a coherent, simplified and more transparent procedure.
- **Launch negotiations with Thailand as soon as possible.**
- **Reopen negotiations with Philippines and Malaysia.**
- **Work towards agreement with ASEAN countries**. Previously ratified trade agreements with Singapore and Vietnam have already opened the door for a long-envisaged EU-ASEAN agreement which holds enormous potential for businesses. There is increased potential for an EU-ASEAN FTA, considering that bilateral FTAs with ASEAN countries have already entered into force, and having in mind the increasing economic growth of the region.
- **Avoid the reopening of already concluded FTAs**, as this would greatly affect the EU's credibility as trading partner, like in the case of the Mercosur agreement.

Furthermore, effective implementation and enforcement of trade agreements already in force should also be a priority for the EU:

- **Existing trade agreements should remain effective over time.**
- The EU **should also confront non-tariff measures (NTMs)** and nullify the preferential market access benefits agreed upon and that have 'cost' some trade-offs during the negotiations. NTMs – for example in the likes of import and commercialisation bans or prohibitions, and burdensome and non-transparent regulatory hurdles – are increasingly shaping trade, influencing who trades what and how much. They increase information, compliance and procedural costs. Thus, the work of the Market Access Advisory Committee (MAAC) is extremely relevant. Here the European Commission, EU member states and business associations tackle all kind of trade barriers that are incompatible and not consistent with WTO and bilateral FTAs provisions.

Lastly, trade policy is increasingly considered and used by policymakers as the tool to achieve a wide range of objectives beyond the opening of market opportunities abroad, such as green transition and labour rights objectives. Nowadays, many talk about 'multipurpose trade' as a paradigm shift in the EU and beyond. At the EU level, this new approach to trade policy is justified because of the European Union exclusive competence in this area, which allows for faster policy action. There is increasing

pressure to use EU FTAs to advance many different policy objectives other than market access. Trade policy is an important tool to accompany, facilitate and accelerate change, for instance the green transition. However, a multipurpose trade policy and FTAs that include too much conditionality risk resulting in overcomplexity which can affect cross-border trade flows and slow down the stipulation of EU trade agreements. Thus, we recommend the EU to:

- **Avoid overloading FTAs with other policy objectives** as it may be a disincentive for trade partners and can hurt the EU economically. Trade partners should be given equal treatment.

## Sectorial trade agreements and other venues of cooperation

In addition to FTAs, the EU is now exploring less burdensome and binding ways to achieve its policy goals. This includes sectorial agreements, such as critical minerals deals or digital partnerships, as well as new venues of cooperation like the Trade and Technology Council (TTC) platforms or the creation of specific clubs with like-minded countries.

Even though comprehensive and ambitious trade agreements are preferable to *de minimis* agreements, sectorial agreements could constitute a good venue to explore to address specific common issues and increase supply chain resilience and cooperation on essential goods in more reasonable time.

Furthermore, new platforms of cooperation such as the TTC with the US or with India are key to engage on trade facilitation, establish an enhanced dialogue and improve common understanding and alignment with countries with whom the EU doesn't have an FTA yet. The TTC is also an opportunity to develop standards and joint solutions to shared challenges that could be then scaled-up at multilateral level.

Additionally, the European Commission's ongoing work to stipulate a strategic critical raw materials partnerships with relevant trade partners is a great step toward improve supply chain resilience and future-proof the green transition.

AmCham EU encourages the EU to:

- **Explore the possibility to expand its TTC network to other strategic countries.**
- **Stipulate critical minerals partnerships under the lead of the European Commission** with multiple like-minded third countries to promote Union coherence and preserve the integrity of the Single Market.
- **Eliminate export duties** on minerals used in battery production and **implement international labour standards** in mineral extraction and processing.
- **Develop joint extraction and processing ventures** with like-minded countries in strategic third countries through initiatives such as the EU Global Gateway project or the US/G7 Partnership for Global Infrastructure Investment.
- **Clarify the 'clubs' approach** and avoid setting up exclusive clubs of like-minded countries.

## Conclusion

AmCham EU's members have experience in numerous markets and sectors. They are driven by a shared interest in enhancing the EU market's attractiveness. Given the upcoming European elections

and the WTO Ministerial Conference in 2024, it is more urgent than ever for the EU to boost both its bilateral trade agenda through FTAs with reliable countries and improve the business environment in the EU as outlined in our recommendations, as well as to bolster its engagement at multilateral and plurilateral level to strengthen the international trading system.