

A renewed trade policy for a stronger Europe

A response to the Consultation Note by amfori

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

The Covid-19 crisis has shown that the EU relies strongly on imports; that it is not completely self-sufficient. Realistically, there will always be some reliance on imports from non-EU trading partners..

amfori is convinced open and sustainable trade will drive EU long term resilience and that it will be an essential component of post Covid-19 economic recovery. Global trade and its integrated value chains will remain a fundamental growth engine and will be essential for Europe's recovery. In the post Covid-19 world, EU businesses will, more than ever, need to source products efficiently and cost effectively. The vast majority will continue to rely upon overseas supply chains – 'reshoring' will not be an option in many sectors as production costs will be prohibitively high.

It is therefore essential that the EU makes particular efforts towards finalising negotiations on trade and investment agreements with third countries and get them implemented promptly. These must be ambitious; covering as many goods as possible with preferable duty rates becoming effective as soon as possible.

At the same time, it is important that meaningful sustainability chapters continue to be included and that third countries' commitments to these chapters are monitored closely; easing up trade should not result in easing up on sustainability. Therefore, we welcome the appointment of the Chief Enforcement Officer.

A similar attitude should be taken with the unilateral Generalised Scheme of Preferences. The preferential duties provide significant benefits to EU companies sourcing from the developing countries involved – and these benefits will be even more important post COVID-19. However, this must not detract from the fact that although the GSP certainly improves the poverty rates within those countries, there are also commitments to UN and ILO conventions related to workers' and human rights, and to environmental standards. Again, the EU must continue to monitor countries' adherence to those conventions to ensure that the rights of people are not diminished. It should not reject the notion of withdrawing preferences as a consequence of non-compliance – otherwise the credibility of the scheme is at risk – but this should only be done as a last resort.

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?

The underlying agreements within the WTO already offer predictability and a rules-based system and it is important that this mechanism remains. Therefore, the EU must do everything within its power to ensure that the WTO dispute mechanism remains. It is a crucial part of ensuring that the rules are adhered to, or that contraventions can be addressed.

Without a proper enforcement of international trading rules, legal certainty is no longer guaranteed. This would slow down the development of future trade agreements and create an unsettling operating legal and economic environment for businesses

Ultimately, the international trading system is only working if discipline can be enforced. Indeed, the further development and conclusion of free trade agreements relies on the existence of WTO rules and the possibility to enforce them. A paralysis of WTO legal remedy system would mean we are heading to more unilateral measures and take the risk of increasing rising protectionism.

Bilateral agreements may fill the void left by the appeal system but although pragmatic, this is not the panacea. The EU should also be careful to avoid the temptation to look into alternative dispute resolutions that are bilateral as this would jeopardise multilateralism.

Finally, beyond solving the immediate issue with trade legal remedies, the crisis has highlighted the need to look at a much wider reform of the WTO rules from 1996, so that they can better be aligned with the new realities of trade (i.e. the digital economy) and take into account sustainability and climate change concerns.

amfori therefore welcomes recent announcement from Commission VP Dombrovskis to launch a WTO Trade and Climate initiative focusing on green goods and services

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?

amfori believes existing FTAs afford some potential to provide a platform for dialogue to make improvements (e.g. removal of non-tariff barriers, and sustainability issues). The Commission could also improve its information and communication about those agreements. SMEs in particular may not be aware that such agreements, and preferential treatment exist.

Negotiations for new FTAs should come with pre-conditions that the third country eliminates its trade barriers.

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?

amfori believes that trade should be sustainable. That is why we support sustainability chapters within bi-lateral agreements and support the Commission when it takes a tough stance when countries do not fulfil their commitments under GSP. This enhanced engagement should come with assistance from the EU to get those countries to make the necessary improvements to social and environmental standards.

There is certainly some potential in the move to trading with Africa but for the foreseeable future, there is little evidence that Asia will lose its status as the major source of trade – especially imports, but also exports. Therefore, it would better if the EU revitalised negotiations with the ASEAN countries and put renewed efforts into completing the EU-China Investment Agreement. It is also important that negotiations with India are re-started and that those with Australia and New Zealand are concluded. However, it is crucial that those agreements contain high standards with the TSD chapters – and an adequate monitoring system to ensure those commitments are met.

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?

Many SMEs may not even be aware that such agreements exist. In this regard there needs to be better and wider promotion of such agreements and the advantages they include (e.g. lower duties). The EU should also compose more extensive guidelines on all of the agreements covering issues such as how to correctly prove origin. In addition, the European Enterprise Network could do more to provide SMEs with capacity building activities so that they may take real advantage of FTAs.

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?

amfori believes that trade can deliver social, environmental and economic benefits for everyone, and can contribute to meeting the SDGs. Trade agreements are a crucial instrument in this regard. To improve the sustainability credentials of its trade policy, the EU should: maintain a balance between economic and sustainability commitments; ensure the highest uptake of sustainability standards; promote women empowerment and unleash economic opportunities; develop broad partnerships for sustainability; and consult civil society on the implementation of all aspects of trade agreements. In particular, we believe that closing the gender gap will maximise the gains achieved through trade agreements. Promoting women empowerment at international level through trade instruments and engagement at the UN is therefore essential. We strongly believe that the EU can make a difference by including a gender lens in all of its policy making processes.

We support the EU Green Deal's commitment to greening Free Trade Agreements via mainstreaming sustainability considerations into FTAs. Specifically, on the environment, the EU institutions should develop the right regulatory framework to enable companies to adapt and take action to mitigate climate change and ensure a coordinated approach to reducing impact on climate and the environment by delivering on the Paris Agreement. amfori's [Business Environmental Performance Initiative](#) goes some way to achieving this as it sets up eleven areas, where producers in sourcing countries can improve their environmental impact (such as energy and water wastage, pollution, and the use of chemicals) that can be tracked by EU companies.

amfori also encourages the EU to make use of its trade instruments to strengthen the external dimension of its circular economy policies. By using international cooperation and working with local governments to build capacity, the EU can give further international momentum to circular economy and lead the work towards common standards which are essential for companies operating along complex and global supply chains like amfori's members. We call for greater policy coherence and the removal of barriers to businesses that affect their transition to a circular economy.

It would also be useful to promote awareness of these issues through a series of EU-wide Trade and Sustainable Development Days.

amfori has supported TSD chapters in EU free trade agreements from the beginning. They promote the uptake of international standards with the trade partners and include commitments to ratify international labour conventions and multilateral environmental conventions, such as the Paris Agreement. These chapters also allow the EU and the trade partner to prioritise key challenges relating to social and/or environmental matters and outline commitments to address these issues.

These have shown positive results, both before and after the ratification of FTAs. The impact that they have prior to the conclusion of an FTA can be seen in the EU-Vietnam FTA where the country implemented the commitments that it made in the agreement even before its entry into force by ratifying specific ILO conventions. The importance of the TSD chapters for monitoring the implementation of commitments can be seen in the FTA with Korea; the fact that it did not implement its commitment to ratify certain ILO Conventions has brought significant attention to the issues both globally and within the country. This has resulted in significant pressure on the government to pass the necessary legislation and the EU began dispute settlement proceedings.

In recent months, there have been arguments that FTAs can increase demand for agricultural products from the third country which in turn could result in negative effects on the environment – such as deforestation – as production is increased accordingly. amfori recognises these concerns and would urge the EU to take a lead role in cooperating with international partners on deforestation and degradation and, via its trade agreements and other political instruments, promote the sustainable management of forests. We call for a comprehensive policy framework that strengthens transparency and traceability of timber supply chains. Measures should be taken to encourage sustainable sourcing and enable a more efficient use of resources.

The EU is the best placed economic power to push a multi-stakeholder involvement in trade and sustainability on all levels, whether on the national, regional or global scale and amfori will continue support it in any way it can.

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?

Responsible Business Conduct, as mandated by the UN Guiding Principles on Business and Human Rights, is a crucial factor to ensure business relations are strengthened during a time of crisis, and after, and will contribute towards safeguarding human rights and enabling human prosperity across global value chains. Outside of EU, or international principles or legislation, individual schemes, such as the [amfori BSCI Code of Conduct](#), insist that parties (companies) accept their responsibility to influence social changes in their supply chains through their purchasing activities and commit to manage relationships with all business partners in a responsible way.

However, a more effective method is likely to be mandatory legislation for due diligence of human rights and environmental impact. This has already been introduced, or is under discussion, in several EU member states and is supported by many businesses. Mandatory legislation will increase legal certainty about the standards expected and the legal consequences if responsibilities are not met, encourage engagement and impactful actions between supply chain partners and consequently, effect actual improvements. Therefore, amfori certainly encourages the EU to move forward in this respect.

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?

The EU's anti-dumping and anti-subsidy legislation already sufficiently addresses unfair trading practices and is regarded as one of the most effective in the world. In addition, there is also an effective safeguard mechanism. Therefore, amfori does not consider that additional legislation is needed. However, there is a need to greatly improve the transparency of the anti-dumping and anti-subsidy investigations. amfori has for many years [advocated](#) for the introduction of a system similar to that which exists in the US whereby interested parties can have access to confidential material under terms of, in essence, a non-disclosure agreement – with penalties for any contravention.

About amfori

amfori is the leading global business association that promotes open and sustainable trade. We number over 2,400 importers, retailers and brand manufacturers, from over 40 countries and with a combined turnover of more than €1.7 trillion. Our membership includes large retailers, brands, importers and supermarket chains.

amfori supports our members' international business by providing information and solutions towards open and sustainable global value chains with 40 years of experience, amfori believes in "trade with purpose" and endeavours to facilitate the development of trade which is sustainable and leads to prosperity for all.

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