



FTA
Foreign Trade Association

Free Trade. Sustainable Trade.



Road Map for EU Trade Policy 2014 - 2019

Develop the Full Potential of EU Trade

FTA

FTA is Europe's premier association for trade policy and global supply chains. FTA represents retailers, importers and brand manufacturers in the political arena and in public to promote and defend free trade and supports their international business by providing information and practical solutions. The association supports its members to improve sustainability in the international supply chain.

Facts

- 1,392 member companies
- € 704 Bn combined turnover
- 3 million employees
- 12 national associations
- 30 countries

Foreword

The public debate about the nature, role and future orientation of the European Union (EU) has intensified in recent years and months, culminating in the 2014 election campaign for the European Parliament. Interestingly, much of this discussion was about the EU's trade policy, the openness of the internal market and economic relations with major trading blocs such as the USA and China.

This clearly shows that trade policy is of high importance not only for companies and businesses but also for political decision-makers, voters and consumers. Trade is rightly perceived as a powerful instrument to help Europe overcome the current difficult economic situation. The spotlight is also on the way international sourcing is organised and the role of the different economic operators along the supply chain.

Like any other business sector, the distribution sector is dependent on a favourable political environment and framework conditions for international trade. More than ever, globalised supply chains and rising economic interdependency challenge the capacity of legislators to keep pace with the changing business realities. To defend its position as the largest economic power in the world, the EU needs to put more efforts into shaping a business environment – both within Europe and at the global level – that makes it easier to exchange goods and services worldwide.

Today's global economic growth mainly happens outside Europe. This simple reality must lead to the conclusion that we need more trade with the world and less protectionism. The four objectives within this Road Map will help the EU to remain competitive and tap into fast international growth:

- Clear values and principles
- Ambitious trade negotiations
- Modernised trade rule book
- Free trade and sustainability working in tandem

This Road Map is a statement that reflects our principles and values underlying the slogan 'trade with the world'. With this document we present our vision for the coming five years and for a strong EU trade policy with ambitious goals. We truly believe that Europe stands to gain from free and sustainable trade.

June, 2014



Ferry den Hoed
President



Jan Eggert
Director General

EU Trade Policy 2009 - 2014: Success with Reservations

The main advances 2009 - 2014 from the retailer's perspective:

INTERNATIONAL LEVEL

- Strong EU support for the WTO Doha Development Round and signature of the WTO **Trade Facilitation Agreement**
- Several rounds for a plurilateral Trade in Services Agreement (**TiSA**)

BILATERAL NEGOTIATIONS

- Conclusion of **free trade agreements** with South Korea, Colombia, Peru and six Central American countries
- Conclusion (without application) of **free trade agreements** with Georgia, Moldova and Ukraine as well as Canada and Singapore
- **On-going negotiations** for free trade agreements with Vietnam, Thailand and Malaysia as well as Japan and the US
- Start of talks for **investment agreements** with China, Singapore and Myanmar

EUROPEAN LEGISLATION

- Meaningful reform of the **Generalised System of Preferences** (GSP)
- Reintegration of **Myanmar/Burma** into the GSP scheme and GSP+ preferences for Pakistan

However...

The situation is far from perfect. In many aspects, the EU external economic policy needs reorientation and more ambitious objectives in line with the principles of openness and transparency.

A closer look reveals **major shortcomings**:

- No end in sight for the WTO Doha Round
- Stalled trade talks with India, Mercosur and African countries and setbacks in negotiating an inter-regional agreement with ASEAN
- Failure of the long awaited modernisation of the EU trade defence instruments
- Continuous confusion and delay of the Modernised Customs Code (finally dropped)
- Parts of the proposed Union Customs Code's implementing and delegated acts are clearly business unfriendly

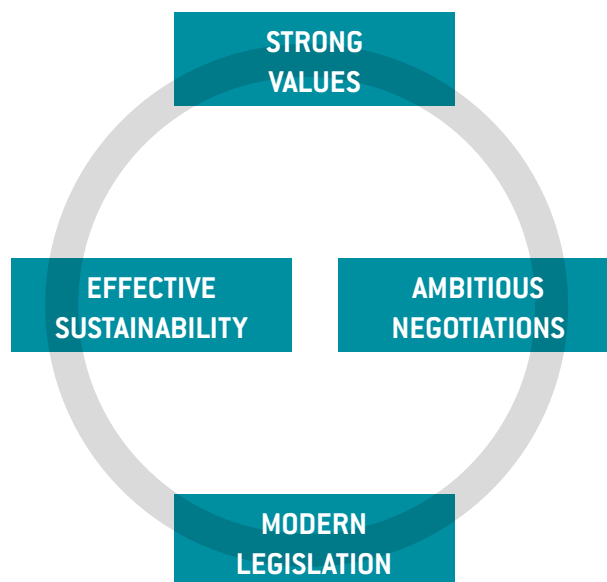
The Years Ahead: Free Trade is Key to Success

2014 is a year of political change in the EU with elections for the European Parliament and the nomination of a new European Commission. The Treaty of Lisbon granted more competences to the EU institutions, especially the European Parliament which is now on equal footing with the member states in most EU policy fields. For this reason, those institutions require closer scrutiny and greater cooperation than before.

The European **economy is still suffering from the financial and economic crisis** and trying to return to the growth path. The new European Parliament and European Commission, together with the EU member states, will have to find responses to the challenges of economic stagnation and high unemployment rates. The priority is to pursue the path of economic and political reform.

A part of the solution is obvious: International trade is an important growth-driver and should be a central element in the EU strategy to overcome the current crisis situation. We therefore call upon the EU decision-makers to commit themselves to a demanding EU trade policy agenda driven by the vision of open markets.

FTA VISION



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CLEAR VALUES AND PRINCIPLES

EU trade policy should be guided by values which best serve the objective of strong commercial relations with the world. Trade is essential for Europe's economic development.

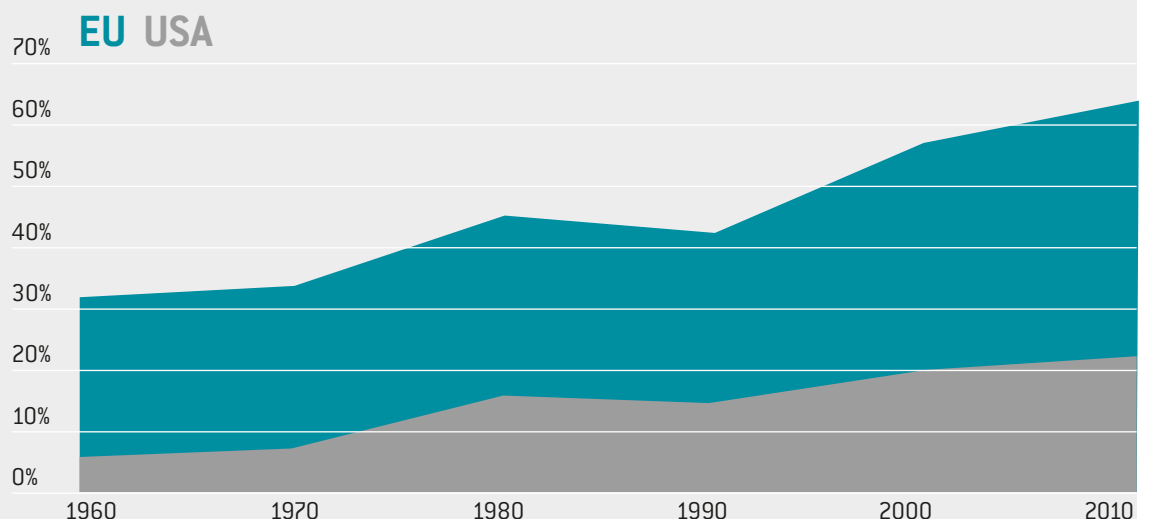
- **TRADE PLAYS A POWERFUL ROLE IN CREATING PROSPERITY**, employment and social development. Between 1980 and 2010, world commerce grew sevenfold to the advantage of all countries with open borders. Many European companies accepted the challenge of international competition and have become successful players in an ever more globalised environment. In this respect, it is crucial to note that profits and social gains are not concentrated on the side of Western companies but cover all economic operators along the supply chains, including producers and service providers in developing countries.
- **TRADE IS MADE OF IMPORTS AND EXPORTS**: The EU should acknowledge the importance of imports for the European economy. In times of global value chains,

imports and exports are interdependent – mercantilist policies are doomed to failure. In addition, today European consumers have easier access to a larger variety of products for lower prices than ever before.

- **PROTECTIONISM IS THE WRONG POLICY CHOICE**. Many economic sectors are trade-oriented and increasingly dependent on business partners outside the internal market. Protectionism at the EU borders will automatically trigger retaliation and close export and investment markets. Limiting imports would also lead to raised business costs and lower competitiveness for European companies. Consumers would have to pay higher prices, while limited in their choices.

Share of Trade in Goods in Total GDP

The export and import of goods is increasingly contributing to the total EU economy (from 31.7% of the GDP in 1960 to 64.5% in 2010). In fact, the EU is far more dependent on international trade than the US.



Source: World Trade Organization

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AMBITIOUS TRADE AGREEMENTS

Today's economic growth comes from outside Europe. An active policy of concluding trade agreements will facilitate economic exchange and help European companies to increase ties with business all around the world.

- **BUSINESS IS WAITING IMPATIENTLY FOR WTO**

PROGRESS: The World Trade Organization (WTO) is the ideal platform to meet the challenges of an ever more complex and internationalised economy. At the same time, the current WTO rulebook is not adequate to respond to the rapidly transforming business realities. The EU should continue working hard for the conclusion of the Doha Round. If that fails, the EU should envisage a completely new Round with new objectives and refreshed ambitions.

- **REDUCE TRADE COSTS THROUGH BILATERAL**

AGREEMENTS: Strong emphasis has to be given to finalising negotiations for ambitious free trade agreements, especially with emerging markets such as Vietnam, India and Thailand. The EU should also seek to progress in inter-regional talks with ASEAN as well as with the US. Against the background of limited resources, the EU should redirect manpower from stalled negotiation processes (e.g. Mercosur and Gulf region) to more important and relevant agreements. Finally, there is a need for strong implementation tools to enable economic operators to fully benefit from concluded agreements – experience shows that contract terms are not always fully respected by the signatories.

- **BRING RELATIONS WITH CHINA TO A HIGHER LEVEL:**

The trade sector is fully supportive of the on-going negotiations for an EU-China investment agreement. To further ease trade with China, the EU's second largest economic partner, a feasibility assessment for a free trade agreement should be carried out, taking into consideration experiences from Switzerland and Iceland.

Against the background of the slow progress of the WTO Doha Round, the EU is engaging in an increasing number of bilateral and regional trade talks.

WHAT DO EUROPEAN BUSINESSES GAIN FROM EU TRADE AGREEMENTS?

- **Tariffs:** lowering or abolishment of tariffs
- **Non-tariff-barriers:** reduction of technical obstacles to trade (e.g. standards)
- **Trade rules:** implementation of smooth legislation and IPR protection
- **Market access:** facilitation of investments and commercial presence

Trade agreements are powerful instruments to foster growth and create employment. But we should not misinterpret the impact of a free trade agreement.

WHAT DO FREE TRADE AGREEMENTS NOT DO?

- Impose legislation against the will of a signatory
- Interfere with the right of a country to pursue legitimate public policy objectives (e.g. labour rights, social affairs, animal welfare)
- Decrease health, environmental and product safety standards

MODERNISED TRADE RULE BOOK

Parts of the EU trade legislation are outdated and not adapted to the profound and accelerated transformation of world commerce. Therefore, an overhaul of EU trade law is needed. Legislation should facilitate trade, not hamper it.

- **A TRANSPARENT ANTI-DUMPING SYSTEM:** Serious change needs to be introduced to the current EU anti-dumping system which manifestly lacks transparency and predictability. Procedures often seem to be 'politicised' as the recent solar panels case demonstrated. The EU should introduce the principles of the so-called 'APO' (Administrative Protection Order) system, successfully adopted in the USA for more than 30 years. This system gives parties that are involved in anti-dumping investigations full access to files.
- **PROMOTE SIMPLE RULES OF ORIGIN:** The economic reality of global supply chains, condensed in the formula 'made in the world', should lead to a net simplification of EU rules of origin. Handling the current system, which is characterised by a high level of complexity, is burdensome and time-consuming. To drastically ease customs declarations and reduce costs, the systematic use of non-preferential rules of origin, where the last substantial transformation would be decisive, is recommended.
- **MORE ADDED-VALUE TO THE EU CUSTOMS UNION:** The new Union Customs Code will become applicable in June 2016. To make it an effective instrument, the Implementing Act should take up business needs. Dropping the current 'first sales principle' for imposing custom duties on royalties and licence fees would significantly hurt all companies relying on imports and exports. Furthermore, the Union Customs Code is still not providing major improvements to the concept of 'Authorised Economic Operator' (AEO) which lacks added-value. More generally, the EU should seek the integration of the European Free Trade Association (EFTA) into the Customs Union to allow the free circulation of third country goods between the EU and EFTA.
- **MAKE LEGISLATION PROPORTIONATE AND REALISTIC:** The trading sector is naturally committed to bringing only safe products onto the EU market. Efforts to make it easier to remove dangerous goods from the market are welcome. However, it is crucial to find the right balance between improving consumer and environmental protection and avoiding additional burdens and costs for economic operators. The potential gains should overshadow the detrimental effects – the 'Safer Products Package' failed because of its unbalanced character.
- **CONSIDER THE EXTERNAL FACE OF INTERNAL LEGISLATION:** Because of its market size, the EU indirectly imposes its system of standards, rules and technical procedures to many of its trade partners. But little attention is given to the external face of EU legislation – when the chemical regulation REACH was discussed no profound assessment was made regarding its effect on global supply chains. The EU should avoid building-up new technical barriers to importing to Europe but, in contrast, aim at a high level of harmonisation of standards and rules at the multilateral level.

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FREE TRADE AND SUSTAINABILITY WORK IN TANDEM

Sustainability is increasingly important to the competitiveness of companies – European retailers have lived up to this philosophy for many years. At the same time, it is worth repeating that sustainability can only happen where trade exists. Calls for binding responsibility measures and strict conditionality clauses are ill-considered.

- **TRADE GOALS FIRST:** Trade policy plays a pivotal role in the EU's overall strategy of shaping globalisation and promoting democracy, human rights and sustainable development. For some years, there has been a clear tendency – especially in the European Parliament – to put more emphasis on 'non-trade' topics such as social affairs, labour rights and environment than on genuine trade objectives. Whilst European trade policy should continue to promote dialogue so as to increase acceptance of sustainability goals in third countries, the EU should not lose sight of the fact that trade policy is mainly about facilitating trade and generating added-value for companies.
- **CSR SHOULD REMAIN VOLUNTARY:** The trade sector has a particular interest in corporate social responsibility (CSR) because of its long-standing and successful commitment to social and environmental compliance in the international supply chain. Altering

the nature of CSR by imposing binding rules and shaping an overarching legislation would reduce flexibility, increase administrative burdens and associated costs, and consequently diminish the positive impact of CSR in trade.

- **SUPPORT EXISTING SUSTAINABILITY INITIATIVES:** It goes without saying that business-led sustainability programmes by themselves are not sufficient to stimulate international development, even though this argument is sometimes made. The trade sector does believe, however, that free and intensified trade in combination with social compliance programmes play an important role in fostering growth and alleviating poverty in developing countries. The EU should therefore promote existing programmes and help improving the perception of what European companies do with regard to CSR.

Business Social Compliance Initiative



BSCI is a business-driven initiative for companies committed

to improving working conditions in the global supply chain.

BSCI unites some 1,300 companies, many of them being SMEs, around one common Code of Conduct and supports them in their efforts towards building an ethical supply chain. BSCI provides participants with a step-by-step development-oriented approach, applicable to all sectors and all sourcing countries.

www.bsci-intl.org

Business Environmental Performance Initiative



BEPI is a business-driven service for retailers, importers and

brands committed to improving environmental performance in supplying factories and farms worldwide.

BEPI offers a practical framework that can support all product sectors in all countries to reduce their environmental impact, business risks and costs through improved environmental practices.

www.bepi-intl.org



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FOREIGN TRADE ASSOCIATION (FTA)

Avenue de Cortenbergh 172
1000 Brussels
Belgium
Tel. +32 2 762 05 51
Fax +32 2 762 75 06
info@fta-intl.org
www.fta-intl.org