



## **Trade Policy Review 2020: Summary of contributions received**

*1<sup>st</sup> December 2020*

### **Part I: Introduction**

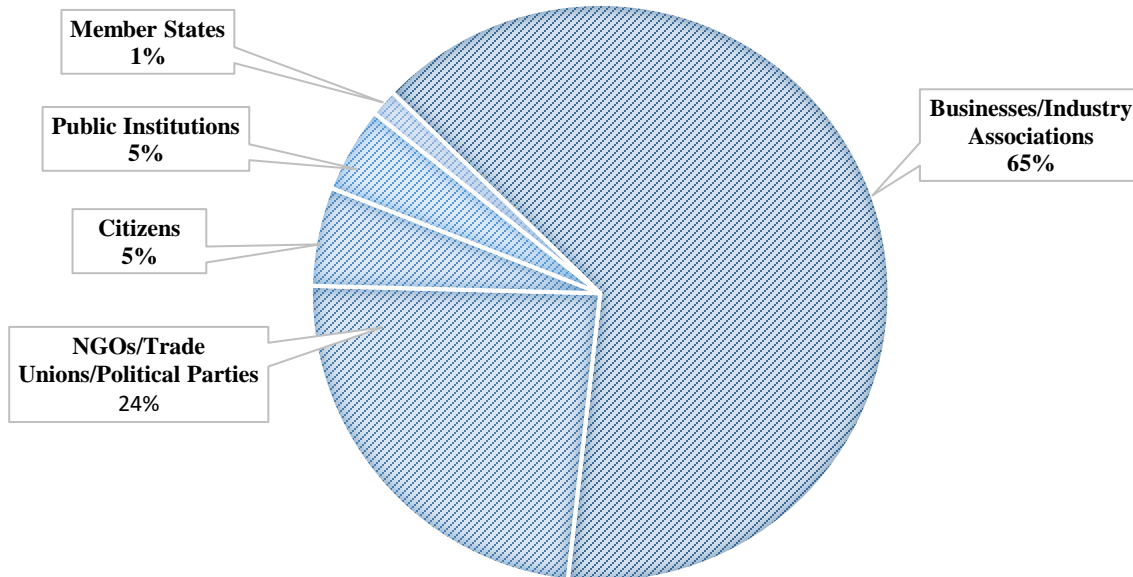
On 16 June 2020, the Commission launched a major review of the EU's trade and investment policy, including a public consultation seeking input from the European Parliament, Member States, stakeholders and civil society. The Commission's objective is to build a consensus around a fresh medium-term direction for EU trade policy, responding to a variety of new global challenges and taking into account the lessons learned from the coronavirus crisis. Against this backdrop, it put particular emphasis on the inclusivity of the process to ensure as broad of a participation as possible. To that end, it also extended the consultation period, initially planned until mid-September, to 15 November 2020.

During the five months of consultation, the Commission organised two dedicated Civil Society meetings, including with Executive Vice President Dombrovskis. The Commission also helped organise and participated in dedicated events in 22 different Member States. Altogether, there were more than 50 meetings during which the Trade Policy Review was discussed with external stakeholders.

With 414 responses received, the consultation underlines not only the general interest of stakeholders but also the importance of the topic as a means to guide the Union at a time of high uncertainty and through a volatile global environment.

Overall, respondents came from 24 MS across all professional spheres and backgrounds (Member States, industry associations, business, NGOs, political parties, unions, farmers, and citizens).

## BREAKDOWN OF TPR RESPONDENTS



The following sections try to synthesise the main trends and provide a factual overview of the range of views that emerged from the various contributions. Please note that these are neither exhaustive nor meant to anticipate the outcome of the consultation or the content of the forthcoming Commission Communication to be published in the first quarter of 2021. The Commission has taken good note of all individual submissions and their respective suggestions and will take them into due consideration as it is devising its new strategy. All individual contributions are also available online [here](#).

### **Part II**

#### **1) Building more resilience – internal and external dimensions**

*The Covid-19 crisis has brought a number of vulnerabilities to light, both globally and inside the EU immediate concerns arose with regard to the supply of medical and protective equipment: the crisis*



*highlighted the risks of being too dependent on one or a limited number of suppliers of critical goods and services in these sectors. This requires us to assess how we can improve our resilience. Against this background, section 1 invited stakeholders to share their thoughts on how trade policy can help to improve the EU's resilience. It also asked what initiatives the EU should take to support businesses, including SMEs to assess risks as well as solidifying and diversifying supply chains.*

This section attracted a particularly high level of attention. Across Member States and different interest groups, almost all respondents underlined they would like to see the EU continue defending an open, fair and sustainable international trade and investment system, many underlining that global value chains and international trade are a means to strengthen resilience. The EU's trade and health initiative was welcomed by many in this context.

At the same time, there was a consensus that the EU needs to increase its capacity for more resilience. The overwhelming majority argued this should include a better understanding and analysis of current vulnerabilities in our supply chains across different sectors and the identification of related over dependencies. Several said that European businesses have a key role to play in identifying and addressing vulnerabilities and dependencies in their value chains.

In general, most respondents made it clear that they would be against the principle of reshoring of production to the EU as such and rather recommended diversification and strategic stockpiling as first potential actions. However, some advocated for a reshoring approach as they considered the EU to be too dependent on foreign supply. Those sceptical about reshoring listed not only reasons of efficiency, economies of scale and risk diversification but also because of a wider commitment to openness, international cooperation and opportunities for sustainable economic development.

A few submissions suggested considering the reshoring of particularly strategic products or reducing overdependence on foreign suppliers for products such as medicine, PPE, certain raw materials or food. The concept of nearshoring was also mentioned by some respondents as an option worth exploring.

A few submissions flagged that the practical implications of the concept of 'Open Strategic Autonomy' would have to be spelled out in more detail and that it should be clarified that it does not imply increased protectionism or unilateralism by the EU.

## **2) Supporting socio-economic recovery and growth**

*The Covid-19 crisis is expected to lead to a deep global recession— with high levels of unemployment, rising public debts, lower private investment (at least -30% decrease in global FDI flows) - which could lead to a larger role of the state in the management of the economy.*



*As countries grapple with the aftermath of the crisis, there is a risk that their chosen policy mix will be more protectionist in nature, to the detriment of their own economy and consumers, and putting the global recovery at risk, and particularly exposing developing countries. There will be a particular challenge to ensure that crisis response and recovery measures that are warranted in the short term do not become the “new normal” in terms of permanent distortive state interventions and interference with the functioning of the global economy. In this context, the consultation document asked stakeholders for input on how the multilateral trade framework should be strengthened and how to best use our broad network of existing FTAs or new FTAs, with which partners and regions the EU should prioritise its engagement and how trade policy could support the European renewed industrial policy.*

Among respondents, there was clear consensus about the importance of trade for the socio-economic recovery and growth of the EU in the aftermath of the Covid-19 pandemic. The majority underlined the utmost importance of restoring the multilateral rules based-system and most expressed their preference for a multilateral approach to trade liberalisation in general. At the same time, many insisted that the bilateral agenda was an important complement, notably in light of the current deadlock at the multilateral level.

In general, there was broad support for the reform of the WTO and the EU's leading role in its process. Several submissions underlined the need to modernise WTO rules but also to broaden initiatives at the level of the WTO to include sustainability, food or health issues, for example. A few submissions called for a stronger role of the Secretariat. Some pointed to the need to bring in a broader perspective into the TBT and SPS agreements. Also, some contributors argued that there would have to be more of an international coherence agenda, calling for the WTO to work more closely with other international organisations such as the UN, WHO or ILO. Last but not least, a few respondents said the WTO should look at the space they provide to all actors of civil society in their statements and considerations.

At the bilateral level, the majority of respondents expressed their support for the conclusion of ambitious, sustainable and modern bilateral free trade agreements, which should include high EU standards for the environment, social protection and meet the demands and needs of EU citizens. For many this should include a commitment to the Paris Agreement as an essential element of EU FTAs. Several respondents emphasised that, at the same time, the EU must ensure that its efforts to set standards and promote EU standards do not have a negative impact on Least Developed Countries (LDCs). Some also called for an update of older FTAs to take into account the new state of the art. In addition, many respondents pointed to the increasing need for a strong digital chapter in EU FTAs. A few respondents did not consider the scope of the consultation to be broad enough and suggested a complete overhaul of the EU's trade policy in view of sustainability goals.



Regarding the geographical spread of trading partners, the overwhelming majority of submissions emphasised the importance of the transatlantic relationship and called for a close trade relationship with the UK at the end of the transition period. On the issue of China, some respondents called for a 'less lenient' approach. In terms of specific relationships it was clear that beyond the US and China, respondents saw a need for a specific focus on EU relations with Africa and the Southern and Eastern Neighbourhood because of their strategic value, as well as with other Asian countries.

On the issue of industrial policy, respondents underlined the need for the EU to find ways to strengthen the strategic autonomy of the EU and support the green and digital transition. Many respondents underlined the need for EU trade and industrial policy to be mutually reinforcing and that this should be achieved through an increased coherence between different EU policies. At the same time, as mentioned in the previous section, the overwhelming majority insisted this must be achieved without increasing protectionism.

### **3) Supporting SMEs**

*Small and medium-sized enterprises (SMEs) are the backbone of the European economy, providing millions of jobs and working at the forefront of innovation. Exporting for SMEs means first and foremost selling their goods and services to other EU countries. This is why this specific section invited stakeholders to share ideas on what more can be done to help SMEs benefit from the opportunities of international trade and investment. It also asked about specific needs or particular challenges that could be addressed by trade and investment policy measures in their support.*

A request to support SMEs figured prominently in many contributions, with respondents insisting they must not be treated as an afterthought but deserve special attention in their own right.

Most respondents flagged the information gap, which exists for European SMEs trading in third countries. There was broad consensus among contributors that insufficient information exchange is preventing SMEs from taking full advantage of trade agreements. Many called for an awareness-raising strategy at EU level, with a dedicated budget, to provide critical information about trade policy to SMEs, notably market opportunities, conditions, licensing procedures, documentation, and local regulation in third countries. The recently-launched Acces2Markets tool was welcomed as a step in the right direction. Several contributions argued that SME chapters should be added in all new trade agreements. A few submissions underlined the need for Member States to be more active.

The vast majority of contributors underscored the importance of openness and predictability to European SMEs, whilst acknowledging the need for stronger protection from unfair practices. Some



advocated increased market surveillance and customs controls, to ensure that imported products compete on a level playing field.

Many respondents called on the EU to simplify Rules of Origin, complemented by digitalised administration and more flexible access to finance.

Risk mitigation was a recurring priority for SMEs. Some posited that the EU should extend export control insurance to the sector, to facilitate SMEs gaining a foothold in riskier third countries.

Some advocated for structural reforms, such as the creation of a permanent committee on SMEs at the World Trade Organisation, and insisted on the need for binding SME Chapters in all future trade agreements. A small number of contributors highlighted the barriers posed by Sanitary and Phytosanitary (SPS) policies and Non-Tariff Barriers (NTBs) in third countries, and raised the prospect of EU-funded market analyses to measure their impact on SMEs. The removal of such market access barriers should be a key priority of the Commission's enforcement activities.

Contributors raised the need for specific support to SMEs implementing due diligence policies in third countries, and closer collaboration with SMEs in trade negotiations.

#### **4) Supporting the green transition and making trade more sustainable and responsible**

*The Covid-19 pandemic has not stopped climate change, biodiversity loss or unsustainable levels of resource use. On the contrary, addressing them remains a matter of priority. At the same time, there is a real risk that the focus on global economic recovery will neglect these issues. Against this backdrop, this section asked for input on how trade policy can facilitate the transition to a greener, fairer and more responsible economy at home and abroad as well as how trade policy can further promote the UN Sustainable Development Goals (SDGs). It also invited stakeholders to share their views on how implementation and enforcement should support these objectives and how trade policy can help foster more responsible business conduct.*

All in all, there was consensus among respondents that this part was of particular importance. Many underlined that sustainable development has become an integral part of EU trade policy and argued that in order for the EU to maintain its leading role, it should be more ambitious when it comes to the nexus between trade and sustainable development in all its dimensions. In particular, these submissions insisted the EU must ensure that trade does not contribute to or consolidate practices that have negative social and environmental impacts, including human rights violations, social dumping, child labour, deforestation, environmental degradation, greenhouse emissions. Some said they were unhappy



with the EU's track record in this field so far and called for fundamental improvements. Several respondents insisted on the need to ensure that imported goods comply with the same safety, social and environmental standards and regulations as those required for EU goods.

At multilateral level, many respondents insisted on the need for the WTO to work on matters of sustainability at large and contribute to the SDGs in particular.

At the bilateral level, many respondents flagged the need for stronger, more ambitious TSD Chapters and effective implementation thereof, including in the area of labour rights. This should become also a priority task for the Chief Trade Enforcement Officer. Most contributors argued that the Paris Agreement should be an essential element in trade agreements, some also referring to those being currently negotiated.

Several contributions asked to place TSD Chapters under the normal dispute settlement mechanism and asked for the possibility of trade sanctions in case of non-compliance with the commitments under the TSD chapter. Some also called for the establishment of a streamlined mechanism on the EU side that gives civil society the opportunity to lodge a complaint when third countries do not comply with the sustainability commitments in bilateral trade agreements.

The discussion about the introduction of a CO<sub>2</sub> border adjustment mechanism (CBAM) in the EU was welcomed by many as a positive step towards cutting global emissions, avoiding carbon leakage, also referring to implications for the competitiveness of European industry. Overall, respondents agreed this mechanism would be a very complex instrument. It was crucial to ensure its WTO compatibility and to minimise both the risk of protectionist abuses and the risk of creating more trade tensions with EU's trade partners. Under no circumstances should CBAM become a unilateral barrier to trade, the object or effect of which would be to undermine the free and rules-based multilateral trading system.

On the issue of biodiversity, a few respondents pointed to the need for dedicated impact assessments and to strengthen the biodiversity provisions of existing and new agreements. In addition, some posited the Commission should use regulatory cooperation and dialogues provided for in free trade agreements to promote SPS standards and animal welfare in force in the EU in order to minimise the risks of future epidemics and pandemics.

Responsible business conduct was another recurring theme. Many contributions asked the Commission to use due diligence legislation to make transnational supply chains economically, socially and environmentally sustainable. Several contributions however also pointed to the need to take into account the additional costs SMEs would need to bear to comply with the additional requirements, as well as difficulties for LDCs.



Several contributions also stressed the need for a gender sensitive trade policy. In addition to enhanced cooperation with trading partners on policy questions on trade and gender as well as improved data collection and impact assessments, recommendations in this category also included calls for equal representation of women and men in trade and investment policymaking and dispute settlement in MS, European institutions and the WTO.

### **5) Supporting the digital transition and technological development**

*The Covid-19 crisis has accelerated the digital revolution – e-commerce, e-learning, teleworking, and e-services have become staple elements of our society. While we may go back to previous practices in certain areas, many others will remain for good. The crisis has therefore highlighted the importance of digital trade, and its role in facilitating global value chains and developing innovative products and services, while reaffirming the need for an effective data privacy framework. Questions in this section included how digital trade rules can benefit EU business and how the digital transition, within the EU but also in developing country trade partners, can be supported by trade policy. It also invited stakeholders' views on the importance of international transfers of data for EU business activity and the biggest barriers and opportunities for European business engaging in digital trade or for consumers when engaging in e-commerce.*

This section, too, featured among the topics that most respondents identified as critical.

At the plurilateral level, respondents invited the EU to accelerate the joint initiative on e-commerce at the WTO. Many pointed to the need for free flow of data as a crucial factor to promote digital trade and the competitiveness of EU business. At the same time a recurring remark by lots of respondents was that no agreement or initiative should weaken people's privacy and data protection rights. Most advocated for a common framework for the enablers of e-commerce, such as digital payments, consumer protection, and data governance, while ensuring a high level of data privacy. Some contributors specified the priorities which should underpin the EU's negotiating position: prevention of data localisation, protection of source code, prohibition of tariffs on electronic transmissions, and trade facilitation measures for the physical movement of goods across borders.

The potential for a G20 Working Group on cross-border data flows was also deemed promising by respondents.

The prevention of data localisation requirements was a recurring priority for contributors. Some advocated banning the practice within trade agreements altogether. They stressed that trade policy





must ensure the free flow of data, in compliance with EU privacy rules. It was suggested by some that LDCs should be granted an exemption from this ban, to support indigenous innovation in those markets.

In addition, respondents cited digital traceability as an opportunity to strengthen supply chain resilience. Some called for the elimination of requirements for paper documentation. They argued that the digitalisation of cross-border processes would enable rapid movement of shipments through customs clearance.

There was wide recognition that businesses require support to adapt to digital disruption. To equip Europe's workforce for the digital transition, there was a call to support training in software and mechanical engineering, given how increasingly dependent both skills have become. Equally, some emphasised that European businesses should be equipped to deploy online promotional strategies, now that COVID-19 has made face-to-face selling unfeasible.

## **6) Ensuring fairness and a level playing field**

*A commitment to openness remains at the heart of EU plans for future growth, prosperity and competitiveness. However, this commitment must go hand in hand with efforts to ensure that our openness is not abused by unfair, hostile or uncompetitive trade practices. Against this backdrop, this section asked for views on how, in addition to existing instruments, the EU should address coercive, distortive and unfair trading practices by third countries. It also wondered whether existing instruments should be further improved or additional instruments be considered.*

Throughout the contributions, there was general support for the EU to be more assertive in pursuing its interest, however coupled with a general scepticism of protectionist measures. Contributors focused their responses on increasing trade competitiveness internally as much as externally. It was overwhelmingly agreed that new instruments are necessary to level the playing field. However, most underscored the need for a strategic approach which is proportionate and consistent with the EU's role as a defender of the open, rule-based trading system.

In this section, the appointment of the Chief Trade Enforcement Officer was widely welcomed, signalling a renewed focus on implementation and enforcement and proactive trade defence.

Many contributors recognised the need to continue the effective use of Trade Defence Instruments (TDIs). While several asked for strengthening the instruments beyond recent modernisation, a smaller number explicitly rejected any further changes, suggesting that the EU make more effective use of existing instruments, which have not been fully exploited. Many cautioned that new TDIs should be



proportionate, take account of all interests and be compliant with WTO rules, so as not to invite retaliatory tariffs.

Overall, unfair trading practices pursued by China were of particular concern in this regard. There were calls for safeguards against forced technology transfer perpetrated by Chinese actors, as well as greater reciprocity in public procurement, and market access. Some insisted that access to public procurement under the Agreement on Government Procurement (GPA) should be on a strictly reciprocal basis and called for the international procurement instrument to be finalised rapidly.

Most respondents welcomed the instrument for Foreign Direct Investment (FDI) and some respondents called for the establishment of an EU agency to reinforce screening of FDI.

A large number of respondents broadly supported the approach outlined in the Commission's White Paper on foreign subsidies in the internal market, and agreed that there was a regulatory gap that needed to be filled. Respondents cautioned that legislative proposals resulting from the White Paper should strike a delicate balance between deterrence and additional administrative burdens for EU companies. A small number of respondents expressed misgivings about any instrument that would contravene the WTO rulebook. Contributors also identified the need to strengthen the Enforcement Regulation to reflect the impasse at the WTO Appellate Body, and a few stressed the need for an operational anti-coercion instrument in the near future.

Several contributors referred to the general need of imported products to comply with the same requirements as producers inside the EU for level playing purposes, with some identifying a number of specific measures to level the playing field significantly. For example, harmonisation of Maximum Residue Limits (MRLs) between domestic and imported products, individual customs codes for EU GIs to facilitate easier detection of counterfeits, and measures to stabilise sectoral price crises. There was a general consensus on the need to enhance customs surveillance cooperation within Member States to avoid back-doors into the European market. A number of respondents insisted that new agreements should only be concluded with partners, which are compliant with the Core Conventions of the International Labour Organisation (ILO).

## **7) *General questions***

The last section invited stakeholders to share their views on any other important topics, which the Trade Policy Review should address.



There were relatively few submissions under this heading. Some respondents flagged that some of the priorities set out in 'Trade for All' remain just as relevant today as in 2015 and should still be part of EU trade policy. This was underlined, for example, with regard to efforts to further increase transparency in trade policy. Although there had been considerable progress on this front according to some respondents, it would be important to uphold and further these efforts.

Some respondents highlighted that the various initiatives and actions that were being proposed should be assessed in a coherent manner, rather than just viewed in isolation.

There were several calls to renew the Group of Experts on EU Trade Agreements, and recognition that similar groups have proven worthwhile in the past.

### **Next steps**

The Commission is analysing all submissions in detail, the result of which will feed into a European Commission Communication to be published in the first quarter of 2021. The Commission remains open to engage with stakeholders in different forms in the follow-up to this consultation and the Commission's communication.