Nota di Aggiornamento

CONFINDUSTRIA

"A RENEWED TRADE POLICY FOR A STRONGER EUROPE"

Contribution of Confindustria

September 2020

Question 1: How can trade policy help to improve the EU's resilience and build a model of open strategic autonomy?

The new European Trade Policy could represent a pillar for promoting resilient global supply chains, building on the measures taken to alleviate the wide-range impact of Covid-19, as well as longer-term actions that should be taken to support the multilateral trading system and expedite economic recovery. For a manufacturing economy such as Italy, the role of international trade is crucial in improving the resilience but also in the development of growth, jobs and innovation. Confindustria fully endorses the idea that in order to increase resilience and build a model of open strategic autonomy, the EU will have to act both internally and externally. At external level, EU should confirm itself as the main supporter of multilateralism and its commitment to trade and investment openness, by ensuring a stronger cooperation with its trading partners within the main international fora (namely WTO, G7, G20 and OECD). In order to avoid a disruption in global value chains, it implies promoting for instance a more efficient sharing information mechanism that ensure transparency, developing possible guidelines on export restrictions in case of future global crisis, as well as supporting further liberalization of trade. In this respect Confindustria endorses the European Commission's ideas for an international initiative to facilitate trade in healthcare products with a group of WTO partners as well as possible efforts to accelerate the digitization of trade.

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Question 2: What initiatives should the EU take – alone or with other trading partners - to support businesses, including SMEs, to assess risks as well as solidifying and diversifying supply chains?

Solidifying and diversifying supply chains amounts to strengthen the Europeans companies' access to the international markets. Over the past years, Confindustria has been a strong and vocal supporter of the EU's liberalization agenda and of the Free Trade Agreements signed with partners like Canada, Japan, Singapore and Vietnam. We are also firmly convinced that for the coming years increase the EU's network of FTAs can contribute tremendously to reinforce our company's participation to the global supply chains and increase their resilience. The main priority of the new strategy should include the adoption and ratification of the agreement with Mercosur, as well as negotiations with like-minded partners such as US, UK, Australia and New Zealand. At the same time EU should call for a set of global rules and standards that should be predictable and guarantee a level playing field for all. For that reasons, we endorse initiative such as the E-commerce Agreement as well as the reinvigoration of negotiations on an Environmental Goods Agreement currently under discussion in the WTO.

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Question 3: 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?

Over the last decades, multilateral trading system has provided the basis for economic growth around the world and for the lifting of hundreds of millions of people out of poverty. The WTO represents one of the cornerstone of multilateral governance and serves as the main bastion against protectionism. Confindustria and the entire Italian business community are strong supporters of the multilateral trading system and we firmly believe that the WTO is indispensable in ensuring fair and sustainable trade. Nowadays, the rules-based multilateral governance is facing its deepest crisis since its inception, whose roots are primarily in the inefficiencies of the current system. Confindustria - also as founding member of Businesseurope, B7 and B20 Coalitions - has reiterated its call for a general and ambitious reform of the WTO, aimed at improving the efficiency and effectiveness of the Organization. Ambitious improvements are necessary in areas such as dispute settlement system, subsidies, forced transfer of technologies, SOEs and investment in order to make the WTO more relevant and adaptive to a changing world. The EU should engage key stakeholders of the trading system, including the relevant international organizations, in a dialogue on the deficiencies and benefits of an effective, legitimate and inclusive multilateral trading system. The upcoming Italian presidency of the G20, with the support of the European institutions, could be a unique opportunity to adopt an agenda for the WTO's reform. The next WTO Ministerial Conference, will take place in June 2021, risks in fact to be the last chance to keep the multilateral trading system alive.

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Question 4: 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?

In conjunction whit what we argue on the point 2, Confindustria believes that implementation of the existing EU's work of FTAs should become a priority in the context of the Trade Policy Review. While the annual report recently published the Commission shows general progress in the utilization of FTAs, a lot remains to be done. For that reason, we welcomed the creation of the EU Chief Trade Enforcement Officer, responsible for monitoring and improving the compliance of trade agreement's partners. We hope that the CTEO should engage in a regular and structured dialogue with business community and that the level of ambition mentioned by Commission President Ursula Von der Leyen should be translated into a higher level of resourcing for this function.

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Question 5: 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?

Even in such a difficult and uncertain scenario, the new EU trade policy should maintain as a key priority its two main trading partners: US and China. As far as transatlantic relations are concerned, we believe that dialogue should prevail between allied such as the EU and the US, including in bringing an end to this long-standing disputes. Furthermore, EU and US trade relations can take to the next level by focusing on some key areas of common interest including reciprocal liberalisation of trade in industrial tariffs, regulatory co-operation, reform the WTO to tackle global challenges and level the playing field. At the same time, EU should become more assertive toward US in order to better protect its interests and companies. With reference to China, the real issue for the future EU trade policy is how to ensure a stronger and fairer economic partnership. In this respect, we must take note that our past means of engagement have not produced the desired results, and changes within China also prompt the EU to rethink its toolkit. Indeed, we do not argue the importance of China as partner for the Italian and for the European industry. But we call EU to engage China in a much more assertive, reciprocal, and conditional manner, based on our values and interests. On a multilateral level, there is a list of commitments from China's WTO accession protocol that have not been sufficiently addressed, in areas such as IPR, Public Procurement, Industrial subsidies, behavior of state-owned enterprises. Therefore, we need to keep on engaging China at WTO level and encourage market-based reforms. A closer cooperation in this field between EU, US and others likeminded partner is crucial. On bilateral level, concluding the negotiations on EU-China Comprehensive Agreement on Investment is a priority for European business. Another priority for the Trade policy review, is for sure the UK. Both European and UK's business communities called for a comprehensive and ambitious agreement in time to allow for ratification and entering into force by 1 January 2021. This would avoid chaos and ensure a smooth transition to the new EU-UK relationship. As far as Africa is concerned, the EU needs a mixed and farsighted strategy of economic diplomacy, development & economic cooperation, security and political stabilization. Renewing the Cotonou Agreement with a truly regional view and targeted financial tools to support private investments particularly in the manufacturing sector is crucial in this framework.

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Question 6: How can trade policy support the European renewed industrial policy?

Trade and industrial policies are two strictly interconnected pillars for supporting the European economic competitiveness. For that reason, different instruments should be complementary and mutually reinforcing. Investments in infrastructure, research and innovation should be the mainstream of the EU economic policy. Reviewing the M&A regulatory framework to favor "EU champions" would improve an equal footing in competition. A common FDIs screening scheme would help seizing interests in strategic assets, as well as particular attention should be paid to the foreign subsidies in EU public procurement procedures (a With Paper has been recently released), International Procurement Instrument and the Europe's efforts to go climate-neutral by 2050.

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Question 7: 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?

Italy is the leading country in Europe in the export of goods outside of the EU by value (47% of the total) and number of exporting SMEs (89%). SMEs are also the backbone of the national economy but large part of them don't have the capacity to operate worldwide yet. Increase their number by supporting their daily activity should be therefore a priority for the new European Trade Policy too. Trade rules, and in particular FTAs, should reflect the needs of SMEs, being clear and easy to implement. Even if it's goal is to reduce the cost of doing business, sometimes they create additional expenses for the exporting and importing companies. Rules of origin are a prominent example in this regard. Often are in fact too complex or expensive to implement, so the SMEs are not able to benefit from increased market access opportunities. Therefore, is crucial that any highly technical and legally demanding legislation is designed keeping in mind the SMEs needs and is accompanied by appropriate measures to support them to implement it.

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Question 8: 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?

Facilitate the transition to a greener economy and promote the UN Sustainable Development Goals should both represent targets of the EU trade policy. The new generation of FTAs signed by the EU already include specific chapters dedicated to these matters, covering issues related to the respect of human rights, the environment and climate change, as well as labor rights. In line with the European business community, Confindustria recognizes the role that they can play in promoting sustainable trade, by levelling the playing field through common standards, by improving relations between governments and the civil society or by encouraging business projects that contribute to the SDGs. At the same time, we should not forget the main goal of the FTAs, namely to create a more favorable market access conditions to third-countries for the European companies. Furthermore, we underline that also possible unilateral initiatives linking trade and climate/social policies should be fully WTO-compliant, in order to avoid any trade retaliation by our partner.

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Question 9: 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?

As argued in the previous point, also responsible business conduct is part of the EU's comprehensive Trade and Sustainable Development Chapters of EU FTAs. However, given the global nature of the GVC, any possible action aimed at creating a new legislative framework

should be adopted at multilateral level. For companies across the globe, responsible business conduct has become a key value and principle, putting integrity as one of the priorities on their agenda. For that reasons, since its foundation the B20 has created a dedicated Taskforce aimed at advancing the global anti-corruption agenda, touching upon key topics such as regulatory compliance, transparency and high standards of ethics and integrity. Its policy recommendations should be taken as platform for a future multilateral initiative.

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Question 10: How can digital trade rules benefit EU businesses, including SMEs? How could the digital transition, within the EU but also in developing country trade partners, be supported by trade policy, in particular when it comes to key digital technologies and major developments (e.g. block chain, artificial intelligence, big data flows)?

E-commerce offers unprecedented opportunities, especially for SMEs and start-ups, to access global markets. Furthermore, e-commerce and other tools of the digital economy have played a vital role in continuing economic activity during lockdown. European companies stand to benefit the most from e-commerce if there is a level playing field, adequate access to information, interoperability of digital standards, and a fast and efficient clearance process. For that reason, EU should urge the WTO to accelerate the plurilateral Joint Statement Initiative negotiation on trade-related aspects of e-commerce and aim for a comprehensive, balanced, and high-standard outcome by the next Ministerial Conference, ideally serving as the basis for a multilateral agreement. The agreement should include provisions for establishing a common framework for the enablers of e-commerce such as digital payments, consumer protection, data governance. In the meanwhile, EU should call for a urgent moratorium on customs duties on electronic transmissions, examining the possibility of a permanent solution. In parallel, Europe should plan strong investments internally also in Artificial Intelligence, in Blockchain technology and Quantum computing, together with the already proposed investment in digital infrastructure and High-performance networks (5G). These investments are not only important ‘per se’ but they can also improve the protection level of Europe versus external threats.

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Question 11: What are the biggest barriers and opportunities for European businesses engaging in digital trade in third countries or for consumers when engaging in e-commerce? How important are the international transfers of data for EU business activity?

At international level, data protection standards for digital trade are varied, and protocols remain scattered throughout domestic laws. This impedes the cross-border transfer of data for operations, storage, and processing. The lack of common principles governing cross-border data flows represents an obstacle for the globalization of e-commerce. Europe should give the strongest priority to establish binding rules for cross border data flows and for data treatment, mainly for personal data. At multilateral level, Europe should urge primarily G20 members to establish a Working Group to facilitate cross-border data flows while respecting applicable legal

frameworks on privacy protection and security standards. At bilateral level, considering the principle of reciprocity, a more uniform approach on data protection should be a prerequisite for new data value chains. The European Regulation 2018/1807 on a Framework for the free flow of non-personal data would be a reference for establishing rules for porting of data and certification schemes.

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Question 12: 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?

Trade defense instruments (anti-dumping, anti-subsidy, safeguard) are essential mechanisms to restore conditions of free and fair competition. The EU rules has been recently innovated, in its overall functioning (modernization) and in the dumping calculation methodology. Several national industrial sectors make use of these measures, both as recurrent in the EU, and in actions taken by third countries against the import of Italian products. Confindustria considers essential to maintain an efficient, effective and usable EU trade defense mechanism, in order to protect companies from unfair competition, especially from countries that do not operate under market conditions as well as to safeguard European standard and values. Furthermore, in order to strengthen the protection of the EU's industry, the Commission should use its powers of initiating ex-officio investigations more fully where specific and urgent conditions are met.

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