

Trade Policy Review

Cerame-Unie's reply to the Consultation Note on Trade Policy Review

Reference: *"A Renewed trade policy for a stronger Europe" Consultation Note published on 16 June 2020.*

13 November 2020

In light of the ongoing EU's trade and investment policy review, Cerame-Unie welcomes the opportunity to partake in the public consultation launched by the European Commission and provide input on the future direction of the European trade policy.

Cerame-Unie represents the interest of the European ceramic industry, which directly employs over 200,000 people and with a positive trade balance of more than € 4 billion. With around one third of production exported outside the EU, international trade is a crucial aspect for European ceramic manufacturers.

The ceramic industry upholds the Commission's goal to strengthen an open, fair and rules-based multilateral trade system and fully supports trade liberalisation efforts through the conclusion and implementation of bilateral agreements. In this regard, Cerame-Unie underlines the importance of ensuring the swift implementation of existing trade agreements – including the EU-Japan EPA, the EU-Singapore FTA and the EU-Vietnam FTA – to facilitate market access at fair conditions for EU exporters and secure free and consistent access to raw materials.

The European ceramic industry welcomes the Commission's efforts to remove tariff and non-tariff barriers with trading partners and calls for more efficient and timely investigation schemes to remove such obstacles, via effective enforcement of both EU and WTO regulations. Likewise, the EU Trade Policy should provide the means to ensure an expeditious and effective reaction against unjustified retaliatory tariffs of the kind witnessed in the EU-US Airbus subsidies case.

To achieve a level playing field, it is essential that the competitiveness of EU manufacturers and exporters be preserved vis-à-vis international competitors through the implementation of Trade Defence Instruments. As unfair practices in third countries pose a cross-sectorial threat to the European industry, Cerame-Unie supports the strengthening of trade defence tools to redress distortive behaviours such as illegal dumping, tariff circumvention, subsidies and Intellectual Property infringements.

Free and fair trade continues to be a key aspect in the economic recovery of the post-Covid 19 world. The European ceramic industry is particularly concerned by increasing trends of protectionism

worldwide and needs concrete guarantees against possible fallout of reactions to Covid-19 outbreaks at domestic level.

Last but not least, external trade plays a paramount role in facilitating the transition to a greener economy. To ensure a level playing field and preserve the competitiveness of the EU industry, “Green Reciprocity” should be ensured in the enforcement of FTAs as well as other preferential agreements with trading partners, for instance by monitoring the environmental performance of beneficiary countries in the Generalised Scheme of Preferences.

Maintaining a fair and level playing field should be a key priority of the EU trade and investment policy as it is a prerequisite to build a resilient and competitive EU industry at the internal and external level. In order to achieve the “Open Strategic Autonomy” model, the ceramic industry reiterates the importance of a rules-based international system along with effective tools to protect the EU industry against unfair trade practices.

More details addressing specific questions of the Consultations are included as ANNEX I to this paper.

ANNEX I – Answers to the consultation’s questions

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?*

Cerame-Unie is concerned by the growing trend of protectionism in the EU neighbourhood and North Africa, notably Algeria, Tunisia and Egypt as well as in the Middle East, including Saudi Arabia and Kuwait. While we support the strengthening of trade and investment relationships with neighbouring countries, the EU should address the growing wave of trade barriers in North Africa and the Middle East, which may potentially spill over to other sectors and regions in the near future.

Moreover, the EU should continue to engage with the US in a positive dialogue to overcome the current hurdles in transatlantic trade relations and focus on the key areas of common interest. Likewise, Cerame-Unie calls on the EU to engage more assertively with China at the multilateral level to address unfair trade practices and encourage market-based reforms.

Lastly, Cerame-Unie reiterates the importance of reaching an EU-UK trade agreement before the end of the year to avoid a no-deal that would be detrimental to both European and British business communities.

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?*

Being the backbone of the EU economy as well as accounting for 80% of the Ceramic Industry, SMEs should be a key beneficiary of the EU Trade Policy through special support in accessing markets covered by preferential agreements.

For this reason, trade agreements (including FTAs) should take into account SMEs’ needs and avoid the creation of additional burdens for exporting companies. Likewise, SMEs should also be assisted in accessing markets that are not covered by FTAs or other bilateral schemes, which inevitably present more challenges to smaller companies due to complex red tape, lack of information in English and other non-tariff barriers, including certification requirements.

In this regard, Cerame-Unie reiterates the importance for the EU Trade Policy to take into account the specific needs of SMEs and welcomes initiatives aimed at providing support on how to export to extra-EU countries, such as the newly launched Acecss2Market platform. In addition, we encourage the European Commission to sign Mutual Recognition Agreements with third countries to help companies, especially SMEs, overcome obstacles to trade, particularly related to the certifications procedures required by many EU trading partners.

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?*

Trade Policy plays a major role in enabling the transition to a greener and more sustainable economy. To ensure a level playing field and preserve the competitiveness of the EU industry, the EU must continue to pursue a clear strategy towards an international legally-binding climate agreement with a comparable burden for industry based in the major trading partners. The “Green Reciprocity” in EU relations with trading partners should be safeguarded in the enforcement of FTAs as well as other preferential agreements, and through the implementation of international technical standards on environmental sustainability. To this end, the EU should conduct monitoring exercises of the environmental performance of beneficiary countries in the Generalised Scheme of Preferences with regard to their manufacturing carbon footprint.

Cerame-Unie believes that the preferences accorded under the GSP Regulation should take into account the unsustainable nature of production in some beneficiary countries, which results in manifest and significant local environmental damage or in high levels of carbon emissions.

Moreover, the GSP Regulation has to make sure that preferences are not granted to imports that are already competitive in the EU market. As stated in the answer of Cerame-Unie to the public consultation on GSP regarding the product graduation in a revised GSP scheme, it is justified and necessary that more detailed sub-sections be designated and applied for graduation purposes in at least two cases:

- a. where particular products constitute a major part of the GSP beneficiary country's exports to the EU and hold a significant EU market share;
- b. where particular products have been the subject of unfair trading practices (dumping, subsidies or related circumvention) by that country's exporting producers.

The allowance for more detailed sub-sections in these limited cases would better encourage export diversification by the beneficiary country while recognising more coherently the unsustainable nature of unfair trading practices and the harm they wrongly inflict on EU producers.

Besides, new trade-related initiatives are being evaluated in the context of the EU Green Deal to reduce the risk of carbon leakage. In order to promote a global green transition, Cerame-Unie stresses the importance of reducing global emissions without undermining the competitiveness of the EU industry on export markets. To this end, any carbon-border measure should be strictly restricted to sectors where it is feasible and efficient, while taking into account the potential loss of exports resulting from higher domestic costs, in order to ensure that the competitiveness of EU exporters be preserved vis-à-vis producers from third countries subject to lower or no environmental costs. This is essential to avoid carbon leakage and facilitate the transition to a greener economy, whilst promoting more sustainable practices at a global level.

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?*

European companies are leaders in the field of responsible business conduct, as they are committed to promoting sustainable and responsible supply chains worldwide. Relevant provisions in FTAs between the EU and its trading partners promote collaboration in this domain, while encouraging exchange of good practices and a dialogue with businesses.

Responsible business conduct is closely related to the process of due diligence in supply chains. In view of the ongoing discussions on possible EU legislation in this field, Cerame-Unie stresses the importance of preserving a level-playing field for EU businesses and, in particular, for SMEs.

Any future action should be based on internationally recognised standards and guidelines on how businesses can identify, prevent and mitigate their risks, in order to maintain their global competitiveness and reflect meaningful requirements on their international supplies. EU action must provide clear guidelines for companies to comply with due diligence requirements and ensure that measures are proportionate, balanced and legally secure.

Moreover, the scope of companies' social responsibility should be clearly defined to ensure that businesses are not tasked with responsibilities that exceed their role of economic operators. Besides, the voluntary nature of due diligence should be preserved in order to provide companies with enough flexibility to find the best solutions for their sizes, sectors and *modus operandi*.

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)?*

New digital technologies should be applied to facilitate the work of customs authorities and allow access to better trade statistics. To date, however, the industry still faces many difficulties in accessing reliable data and considerable improvements could be made in this respect.

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?*

Cerame-Unie positively welcomes the latest developments in digital trade and e-commerce with third countries. However, the EU should pay attention to ensure that such digitalisation is ultimately aimed at streamlining the exporting procedures without posing additional obstacles to trade due to technical issues of the digital platform, extra requirements for EU exporters, lack of information in English and overcomplicated red-tape.

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?*

A rules-based international order is essential to achieve open and fair trade; in this regard, the EU should pro-actively intervene against distortive practices. In addition to the need of stricter inspections at customs, Cerame-Unie reiterates the cruciality for the EU to deploy Trade Defence Instruments in a timely manner. To this end, Cerame-Unie would like to call on the EU to improve the current framework of TDIs with regard to the following points:

- ***Ex Officio Investigations***

Cerame-Unie believes that the Commission should be more assertive in initiating actions *ex officio* in particular when sectors with a high number of SMEs are concerned, considering that these proceedings are also better suited to preserve the anonymity of EU manufacturers. Likewise, anti-circumvention investigations should be initiated *ex officio* anytime OLAF or national authorities find evidence of circumventing of existing measures.

- ***Threat of Injury***

The Commission should make greater use of the concept of "threat of injury" to facilitate early remedies. Cerame-Unie highlights the importance for the Commission to take early actions and launch new anti-dumping investigations as soon as the injury occurs, taking into account indicators and other information constituting a threat of injury.

- ***Environment and labour costs in the dumping calculations***

When calculating dumping margins, it is essential that the Commission take into account differences in environmental and social costs, as provided by the EU and WTO law.

In addition to the existing EU framework to redress trade distortions, the WTO plays a key role in levelling up the playing field and addressing unfair trade practices in third countries. Cerame-Unie supports the modernisation of the WTO aimed at a more effective enforcement of international rules against trade distortions. As a member of AEGIS Europe, an industry alliance representing over 23 key industries aiming to promote manufacturing investment, innovation, jobs and growth in Europe, Cerame-Unie fully supports the AEGIS Europe response to the Public Consultation on the Trade Policy Review "*Changes Need for a Renewed Trade and Investment Policy*".

Question 13: *What other important topics not covered by the questions above should the Trade Policy Review address?*

In addition to the points raised above, Cerame-Unie would like to underline the importance for a continued collaboration between the Commission and the Union industry.

With regard to improving enforcement efforts, the Commission shall take actions to improve flows of information both within the Commission and with industry, in particular by:

- Ensuring that Enforcement Officers give high priority to TDI enforcement matters and to the establishment of collaboration with the EU industry;
- Allowing the EU industry easier access to the most up to date imports statistics on products subject to measures;
- Supporting SMEs in the complaint procedures;
- Improving the coordination and flow of information between Commission services, Member States authorities and the Union industry.

Moreover, Cerame-Unie calls on the EU to renew the Trade Barrier Regulation instrument to better protect the interest of EU exporters in third markets. Despite facing an increasing number of tariff and non-tariff barriers worldwide, the EU industry still has to wait a considerable period of time before obtaining a remedy, during which EU companies could be entirely excluded from the market or incur in considerable losses.

The TBR should thus be strongly reinforced to provide fast remedies to trade barriers and become a leverage when third countries decide to impose tariff or non-tariffs measures that could significantly and unduly affect EU exporters.