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Internationella Handelskammarens svar på konsultationen med anledning av den pågående översyn av EU:s handelspolitik

Fru statsråd,

Som ett litet handelsberoende land har öppenhet mot omvärlden varit en förutsättning för Sveriges framgång. Internationell handel har bidragit till att bygga vårt välstånd, skapa arbetstillfällen och sprida innovationer och teknik som möjliggör omställningen till hållbara samhällen globalt. Samtidigt står internationell handel nu inför många och komplexa utmaningar: protektionism och ekonomisk nationalism vinner mark, handelskrig hotar och den regelbaserade multilaterala världssordningen undergrävs medan behovet av ökad digitalisering samt en snabb omställning till en cirkulär ekonomi och hållbara samhällen bara växer. Lägg därtill den pågående pandemin, vars långtgående konsekvenser för både människor och företag har bidragit till att accentuera många av dessa utmaningar.

Mot den här bakgrunden är det viktigare än någonsin att Sverige och EU står upp för frihandel och verkar för en handelspolitik som främjar fred, frihet och välstånd för alla. Det var därför välkommet att Internationella handelskammaren (ICC) fick möjlighet att lämna synpunkter på EU:s konsultativa papper inför översynen av unionens handelspolitik. Pappret är väl genomarbetat och den föreslagna inriktningen beaktar många aspekter och lyfter frågor som är centrala utifrån näringslivets perspektiv. I tillägg till Kommissionens förslag har ICC, i egenskap av den institutionella representanten för mer än 45 miljoner företag världen över, identifierat följande punkter av särskild betydelse för en ny europeisk handelspolitik. EU måste:

- värna öppenhet och global frihandel genom att motverka protektionistiska tendenser såväl globalt som inom unionen,
- prioritera att handelns globala spelregler uppdateras och stärks, med tonvikt på reform av Världshandelsorganisationen, WTO,
- främja globala möjligheter för näringslivet att vara drivande i utvecklingen mot hållbara samhällen och värna handelns bidrag till lösningen av gemensamma utmaningar.

ICC:s inspel i sin helhet har bifogats detta brev. Vi uppmanar ministern att aktivt verka för att näringslivets röst blir hörd i de fortsatta diskussionerna kring utformningen av den nya handelspolitiken, för att EU ska stärka sitt globala aktörskap med handeln i centrum samt för att unionens politik ska främja näringslivets möjlighet att bidra till fred, frihet och välbefinnande globalt.

Med vänliga hälsningar



Susanna Zeko,
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15 November 2020

Sent by email to: trade-policy-review-2020@ec.europa.eu

Directorate-General for Trade
European Commission
Brussels, Belgium

Dear colleagues,

On behalf of the International Chamber of Commerce—the world business organization and institutional representative of 45 million businesses worldwide—we would like to thank the European Commission for the opportunity to make a submission to its review of its trade policy framework.

In an interconnected global economy—put into sharp relief by Covid-19—the European Commission’s economic policy settings, including on trade, will inevitably have major ramifications for the entire world. In this context, we hope that insights from the global business community will be helpful in designing a strategic approach to trade which can drive global peace and prosperity in the wake of the pandemic.

Never before have the challenges to international commerce and the global trading system been so great. The stresses on the rules-based system over recent years, manifested in rising protectionism and diplomatic tensions, have only been exacerbated by the spread of coronavirus. At this critical moment, the EU can not only secure its own prosperity but that of the broader global business community by retaining open trade settings, resisting protectionism and building stronger international institutions.

Our submission provides a high-level view of the key trade policy actions that the EC can take to ensure that trade policy can help deliver optimal outcomes for citizens around the world and our planet. We have developed these views based on extensive consultations with our global network of national committees and business members. Given the broad scope of trade policy, we have limited our response to issues that have emerged as most critical for businesses globally and where there is the greatest possible alignment of both European and non-European business interests.

Thank you for your consideration of our submission into the EC’s trade policy review. We would be happy to discuss any aspect of our comments further at your convenience.

Kind regards,

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Paris

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1. EXECUTIVE SUMMARY

1.1. European and global businesses face their greatest challenges in decades.

The latest IMF World Economic Outlook Report predicts €23 trillion in lost economic output globally by 2025 and a further 90 million people falling into poverty in 2020 alone due to the pandemic. Millions of businesses globally, especially small- and medium-sized businesses, are at risk of insolvency. The sharp drop in global trade in 2020—reflective of lower economic activity—has been compounded by governments the world over imposing trade and travel restrictions to deal with the health crisis.

At this moment, it has never been more evident that the economic fortunes of countries outside the EU—especially but not only its major trading partners—affect and are affected by European prosperity and economic policy settings. To take one example, IMF modelling has shown how the impacts of the pandemic on emerging markets can impair economic activity in advanced economies—such as by way of supply disruptions and falling export demand.

ICC therefore considers that any review of the EU's trade policy settings should be based on the principles of an open trading system and take full account of its impact on the global economy—with the central aim of ensuring that trade policy can be utilised as an effective tool to “recover better together”.

1.2. The Covid-19 pandemic has accelerated negative trends already present in trade policy.

Rising protectionism, weakened global governance, a failure to renew key multilateral institutions, and increasing economic and technological competition have all created a more competitive and politically-charged landscape—both for the EU and the rest of the world.

Critically, these forces have created significant uncertainty and greater costs for businesses everywhere around the world, including in Europe. Many of the public policy responses to Covid-19 have impinged on trade.

But the pandemic has also given oxygen to voices calling for policies that would undermine global peace and prosperity, including approaches guided by unilateralism and protectionism. EU trade policy should aim to address these underlying trends and build trust in and broad support for open trade policies that can meet key social, environmental and economic policy objectives.

1.3. EU trade strategy should be guided by values as well as interests.

Common European values stated in Article 2 of the Treaty of the European Union that promote peace and prosperity—such as open trade, the rule of law, democracy, respect for human rights, free and fair competition, transparency, a preference for multilateralism—must remain the fundamental building block of the EU's trade strategy. Adherence to such values not only provides the EU with its source of strength but it improves the environment for businesses operating internationally. Equally, deviation from these principles would harm the interests of European and non-European businesses in the

longer-term—creating, for instance, an uneven playing field in global markets and risking a proliferation of non-cooperative approaches from third countries.

Through its trade policy actions the EU should reaffirm the fundamental notion upon which the Union was formed—that trade and peace are not mutually exclusive, but mutually reinforcing. This, too, was the animating impulse behind the creation of ICC in 1919 and a conviction by which we resolutely stand.

1.4. The EU should not just resist protectionism but actively champion open trade.

The current global environment creates not only challenges but also opportunities for leadership. The EU can set a powerful example to the rest of the world by: making the case globally for free trade; resisting protectionism at home while actively promoting trade with non-EU countries; doubling-down on efforts to reform the multilateral trading system; and embracing a broad view of its interests that prioritises driving an effective global response to Covid-19 and a sustainable economic recovery. In view of Europe’s deep interconnections with the global economy, EU trade policy must not only consider how best to directly promote the interests of European businesses—but also how to encourage global prosperity.

The EU has a vital interest in a return to more normal business conditions and a quick, equitable and sustainable global economic recovery. Its trade policy settings should reflect this.

1.5. At the same time, EU trade policy should contribute to solving global public policy challenges including by prioritising multilateral approaches

By adopting trade policies in line with its fundamental values and through global coalitions, the EU can help to address “problems without passports” such as climate change and the development of a truly global digital economy. While advancing such goals may not be the first priority of an EU trade policy and other instruments are at its disposal to do this, trade will inevitably have to play a role in helping reach goals such as the development of a circular economy. Ensuring the alignment of trade and sustainability policy frameworks should be a priority.

2. RETAINING OPEN TRADE SETTINGS AND RESISTING PROTECTIONISM

2.1. EU trade settings must promote openness, predictability and the rule of law.

ICC welcomes that the EU emphasised the importance of openness and predictability in its consultation note. Market openness and trade liberalisation have long formed the backbone of European economic growth and driven job creation—and continue to offer the most reliable path to future prosperity. Consideration of specific policy actions should always bear in mind the long-term benefits of free trade, not least that it promotes retraining, reskilling and life-long learning—that is, the creation of meaningful jobs.

Most fundamentally, ICC’s members—both in Europe and abroad—want to see the EU promote open markets with common standards, rules and fair competition. To do so will require not only the right set of policy tools but also the EU to remain a vociferous champion for free trade and its benefits.

2.2. Revitalising trade will require restoring international travel.

International trade in large measure hinges on the ability of people to travel. Accordingly, EU trade policy settings should aim to restore global mobility as quickly and safely as possible to avoid long- term scarring in some sectors of the economy.

Within and outside Europe, the travel and tourism sectors in particular face existential risks, with up to 197 million jobs presently estimated to be directly at risk, with demand for international travel 70% below its pre-pandemic level. Recent IMF projections suggest that, once spill over effects are factored in, sustained disruption to global travel could wipe between two and three percentage points off the gross output of the world's largest economies by the end of 2020. Continued travel restrictions will not only have a major impact on European businesses and their trading partners but will prevent companies doing business internationally.

Medical and technological advances have already put a global, standardised, fast and cost-effective pre-departure testing regime within reach. To further restore international travel, the EU should prioritise the development of a comprehensive policy response and continue working through the International Civil Aviation Organization on the development of a risk-based multilateral framework, within and outside of Europe, that allows for safe travel across the world.

2.3. ICC welcomes the focus on creating greater economic resilience.

The pandemic has put in sharp relief the need for economic systems to be able to withstand shocks. As the voice of the global real economy, ICC strongly endorses the need for economic systems to be truly resilient, especially to provide small- and medium-sized enterprises with the greatest chance of success.

Policymakers should be assessing the pandemic's impact on global supply chains. In this context, we encourage the EU to take a squarely evidence-based approach.

The shortages of personal protective equipment that many countries experienced in the early months of the crisis clearly shows a vital need for governments to ensure emergency supplies are available to protect citizens in the face of the crisis.

But—despite extensive consultations with businesses in our network—we are not aware of any evidence to suggest that there is a need to fundamentally rewire global merchandise trade in light of the crisis. Aside from a small number of products affected by rapid shifts in demand, there have not been many obvious shortages of consumer goods. Logistics networks have, to be sure, faced disruption but they have largely proved sufficiently robust to get goods to where they are needed—and without delivery delays causing major outages in supply.

In this context, we believe that the issue of supply chain resilience—beyond emergency supplies—should be considered through the lens of the policy frameworks required to: (i) enable diversification of supply; and (ii) rapidly facilitate digitisation of trade processes to remove the fragilities and inefficiencies created by reliance on antiquated paper-based systems.

2.4. But while COVID-19 exposed serious vulnerabilities, this should not lead to the conclusion that global supply chains are systemically fragile or that vulnerabilities require correction by governments.

European trade and other economic policy settings should recognise that many companies quickly pivoted to provide essential goods and services in support of public health efforts. Most notably, alcohol and perfume companies produced hand sanitiser, textiles manufacturers made masks and hotels became quarantine centres. Express delivery services ensured door-to-door supply of essential goods such as medical equipment, medicine and food at the height of the crisis. That they did this while working from home during the greatest economic shock in a century suggests more robustness than fragility.

Equally, any policy response should acknowledge that companies all over the world have also created greater resilience by seeking greater visibility of the whole supply chain, diversifying sources of supply, rebalancing stock levels and adopting strategies that respond to shifting consumer demand. Achieving systemic resilience can only occur if businesses are given the freedom to respond to the new situation and thoughtfully manage their own risks.

2.5. Policymakers must consider the potential negative side effects of any interventions.

This is no easy task. For instance, the average passenger car contains around 30,000 parts, with some parts crossing multiple borders and continents before assembly. The complexity of global supply chains makes it difficult to determine how government interventions would affect businesses, workers and consumers. The reality is that attempts to manage or regulate supply chains would likely fail on account of this complexity. Far from creating resilience, policies aimed only at concentrating industries in one place—including by ‘reshoring’ or ‘regionalising’ supply chains—would likely undercut competitiveness, raise consumer prices and render entire industries more vulnerable to smaller, localised and more frequent shocks like floods, blackouts or social upheaval.

Further, any decoupling or re-nationalisation of supply chains could reinforce the trend towards economic nationalism and deprive European companies of their international business base. Rather, given the inherently cross-border nature of supply chains, resiliency could only be secured through a revisited and robust multilateral framework developed in conjunction with the private sector.

2.6. The EU’s goal of “open strategic autonomy” and improving resilience should not be interpreted in a protectionist manner.

This would only undermine the benefits of global trade and investment. While the desire for greater strategic autonomy should provide Europe with a choice over its technological development, pursuit of this goal should not encourage or mandate that certain technologies be produced locally.

Rather, it should prioritise keeping operators of critical infrastructure and allowing the supply chain players relevant to the system so that they can provide uninterrupted solutions to operators of critical infrastructure.

2.7. Europe must improve its preparedness and policy responses in future crises.

Governments around the world, including in Europe, lacked sufficient supplies of medical equipment, PPE and food when disaster struck. Relatedly, many European governments imposed export controls on medical goods that severely strained supply chains. Being under-prepared for a pandemic by not buying sufficient stocks of medical equipment is a failure of government procurement, not of corporate supply chains. Similarly, imposing export bans on medical necessities that cut off access to essentials to fellow EU Member States and developing countries caused—and was not caused by—strained corporate supply chains.

Europe should remedy such problems in the future by appropriate pandemic planning and procurement and by diversifying sources of supply; including improved mandates and mechanisms for an EU-wide coordination of efforts.

In that regard, ICC welcomes the EU initiative to work with other WTO members to update the WTO Pharmaceutical Tariff Elimination Agreement. Further, active pharmaceutical ingredients and intermediates—which are used in the manufacture of medicines but do not automatically qualify for zero tariffs under the Agreement—should be added to the list of eligible products.

Preparedness may also include, in this particular context, collaboration among competitors to secure a base supply of goods or services that are essential to the public e.g. for food, medicines, basic transport, systems other infrastructures or other retail goods.

Competition agencies should be flexible to specific instances where further clarification or guidance is required to permit the business community to take action. Equally, the EU should lift all remaining export restrictions as quickly as possible and commit not to enact any such restrictions on vaccines or related components.

2.8. European resilience would instead best be served by creating an economic environment conducive to trade and investment.

Resilience and openness are sometimes described as opposing principles but are actually mutually reinforcing. Protectionist policies taken even for the noble aim of increasing resilience will only undercut competitiveness and raise prices for consumers. Preserving the basic economic structures and the competitive fabric of markets would safeguard businesses and consumers and make Europe a far more attractive place to invest. Rather, Europe should focus on creating the necessary conditions for a post-crisis recovery by ensuring that competition rules continue to be enforced—while allowing some degree of flexibility in the aftermath of the crisis—which will ultimately contribute to support trade and investments as well as business-led growth.

Equally, enhanced policy coherence is required to help create a level playing field which is essential to encourage investment. Greater alignment of trade, investment and fiscal policies, facilitating greater consistency internationally, would be a key driver to incentivise cross-border trade, investment and economic growth. ICC notes the critical importance of effective fiscal policymaking in contributing to an orderly and successful recovery from COVID19 disruption. ICC believes that fiscal policies should deliver outcomes for business that provide certainty and stability, minimise unilateral measures, and prevent double taxation. ICC supports international collaboration and coordination to achieve uniformity of approach wherever possible.

2.9. Finally, European trade policy should be leveraged to accelerate an end to the acute phase of the pandemic.

Europe should accordingly continue demonstrating leadership through the Access to Covid-19 Tools Accelerator, which aims to secure global, equitable and universal access to Covid-19 vaccines, treatments and tests. In light of the risks posed by “vaccine nationalism”, Europe should push for the G20 or other multilateral fora to provide sufficient funding for ACT-A and secure a pledge from governments to avoid enacting trade barriers on vaccines and related components.

ICC, as the only private sector representative on the ACT-A Facilitation Council, has mobilised our network of chambers in support of this initiative and will continue to call for all national governments to give their full political and financial support.

ICC welcomes the European Commission’s international initiative to facilitate trade in healthcare products addressing the ongoing international discussion on how to facilitate access to affordable pharmaceutical and medical goods and avoid trade disruptions in times of crisis.

2.10. Europe needs to specifically support Small- and Medium-Sized Enterprises (SMEs) during the Covid-19 recovery.

Trade policy has a vital role to play in enabling SMEs to weather the COVID-19 crisis and drive a rapid economic recovery. By supporting SME participation in international trade there is an opportunity to limit economic losses, protect jobs and set strong foundations for renewed economic growth.

An accelerated move towards digitalisation and paperless trade, plus improved access to information about trade policy changes are key here. Today’s digital environment is enabling micro-, small- and medium-sized enterprises (MSMEs) greater access to global trade markets than ever before.

The EU should specifically consider digitalisation and the facilitation of secure cross-border data in the context of improving the business environment for SMEs and the EU should pursue an ambitious work programme for the WTO’s MSMEs Joint Statement Initiative in the lead up to MC12. Further, the EU should encourage its trading partners to support policies that connect SMEs to digital trade opportunities and promote and increase funding to the WTO / ITC Global Trade Helpdesk.

3. BUILDING A STRONGER MULTILATERAL TRADING SYSTEM

3.1. Even if other economies mistakenly pursue resilience through retreat, Europe should not fight protectionism with protectionism.

While the forces of nationalism and protectionism threaten the global economy and, occasionally, European businesses, EU member states must not resort to self-defeating protectionist measures such as increased trade defence in the name of national security. Reducing Europe’s openness to trade and investment would not only immediately undermine the interests of European businesses and citizens, but would accelerate protectionist actions in other parts of the world and erode the effectiveness of the

multilateral trading system. While recognising the importance of national security, it should not be misused as a disguised restriction on international trade and investment.

ICC considers it vital for trade-related measures addressing public policy issues to be selected and designed accordingly to WTO rules—in particular, with a view to ensuring the minimum possible disruption to global trade and preventing possible retaliatory measures from third countries.

In this regard, ICC encourages the EU to consider the renewal of the WTO committee system and structure in order to establish a modern and fit-for-purpose for monitoring the use of trade-distorting measures—including, for example, those introduced on national security grounds—and to ensure the early resolution of any related conflict.

3.2. Rather, the world needs Europe to stand up for open trade and multilateralism.

Europe should lead a coalition of states to re-assert that the fundamental aims of the multilateral trading system with the WTO at its core remain valid: the creation of a world economy, a commitment to openness and the elimination of obstacles to trade, especially related to a distortive effects of foreign subsidies.

In today's world of increasing protectionism and unilateralism, the global and European business communities would benefit significantly from a Europe that views free and fair competition among businesses, transparency, and the rule of law as guiding principles for achieving that vision.

While recognising that the EU Instrument on foreign subsidies could play an important role in encouraging a global level playing field, any measures should be developed in a way that provides legal certainty for all businesses—both European and non-European—including through clear definitions of key concepts, such as foreign subsidy, State-owned enterprise (“SoE”) and distortion, and alignment with efforts made in the WTO to discipline industrial subsidies. The EU should focus on multilateral efforts in the WTO to ensure a global approach, consistency across jurisdictions and buy-in from foreign governments.

3.3. A core part of this agenda is that Europe must more actively drive WTO reform with like-minded countries.

With few market access gains, no major breakthroughs in 20 years, new forms of protectionism slipping under the radar and now a disabled dispute settlement system, the WTO is in urgent need of reform in all of its pillars. Global business is disappointed that, over the last 25 years, the WTO has made relatively little progress opening markets—or writing rules to keep pace with the development of the modern economy.

3.4. Business wants WTO reform to move from discussion to reality.

Even if in the past, WTO reform was a “nice to have”, it is now essential. Allowing the status quo to continue is unsustainable, especially now that the dispute settlement system is effectively paralysed. While ongoing reforms and efforts (the various Joint Statement Initiatives, the MPIA, a greater environmental focus) are all welcome, they are not sufficient to make the WTO work for the business community.

With all three of the WTO's functions under pressure and requiring unambiguous reform, it has never been more crucial to strengthen the WTO. This should be among the top priorities in any future EU trade policy.

3.5. More specifically, Europe should aim to secure six key outcomes to reform the WTO.

First, the WTO must improve its daily operations and governance to ensure effective implementation and enforcement of WTO rules.

Second, the baseline to ensure free and fair competition in global markets must be updated. For instance, the rules on subsidies and on export restrictions are incomplete, allowing governments to take advantage thereof to the detriment of global competition.

Third, the WTO must be transformed so that it has a flexible platform to conclude more rapidly, agreements on rules in strategically important areas and that reflect the changing reality of global trade. The EU should push for ambitious results in all the Joint Statement Initiatives—on services domestic regulation, e-commerce and MSMEs—that should be concluded by MC12. In a similar vein, the EU should continue prioritising a plurilateral agreement on facilitating trade in healthcare products.

Fourth, Europe must broker a deal to permanently restore trust, certainty and speed in resolving disputes.

Fifth, the EU should put forward a proposal to establish a mechanism for civil society and industry to provide input into negotiations and ongoing committee work. Such a mechanism could be modelled on good practices adopted by other organisations (such as the OECD with BIAC) and would enable the WTO's monitoring and negotiating functions to avail themselves of the expertise and experience of civil society and industry—ensuring that WTO activities are fully connected to real-world trade experiences.

Finally, Europe must advance reforms that ensure the WTO helps, not hinders, the advance of important global and regional policy goals, such as those related to sustainability and climate change.

3.6. It is crucial that the EU leads on updating the multilateral rulebook.

A critical component of the EU showing its commitment to the promotion of free trade and truly fighting for a functioning multilateral trading system under the WTO is making sure that it adopts a more modern multilateral rulebook. This is the best option for creating stability and predictability for companies and trade worldwide. The EU should therefore take an active leading role in the WTO reform debate.

3.7. The EU should also facilitate an ambitious WTO agreement on E-commerce.

If COVID-19 has proven one thing, it is that the digital economy is now indispensable to global prosperity. Businesses everywhere regard a swift conclusion of the plurilateral Joint Statement Initiative on E-commerce as an essential building block for a rapid and resilient post-pandemic recovery.

The latest G20 Trade Ministers Communiqué called for “significant progress” in the lead up to the MC12. However, there needs to be a step change in political will and focus on the JSI negotiations, and WTO Members should seek to achieve a high standard outcome by MC12. For global business, it is essential that the process results in a high standard outcome with strong commitments on market access and connectivity, liberalised cross-border data flow with trust, trade facilitation and capacity building.

Such an agreement on e-commerce has the potential to bring benefits to all industries through a horizontal perspective, including manufacturers of technologies, by removing barriers to digital trade.

In this regard, ICC supports the EC's initiative to create a new chapter in the EU's "Trade for All" strategy, emphasising the importance of "Digital Trade" rules as a horizontal enabler for global business.

It will be imperative for this chapter to articulate a clear strategy for enabling the free flow of data across borders with trust. We encourage the EU to place the needs of MSMEs at the heart of this agenda, given that restrictions that make it harder to move data across borders make it exponentially more difficult for small businesses to access new markets and customers. For instance, one study from 2015 found that data localisation policies would increase computing costs by 30% to 60% for companies that rely on global platforms.

Moreover, we encourage policymakers to recognise that digital protectionism can also weaken data privacy and security which is often achieved by slicing up data and distributing it among multiple systems rather than keeping it in a single data centre.

In addition, ICC's view is that the Information Technology Agreement (ITA I & II) should continue to be evolved to work towards ambitious new disciplines under the WTO E-commerce work track to sustain equal access to opportunities from digital trade.

3.8. More broadly, Europe should also elevate WTO reform discussions by taking them out of Geneva and to capitals.

While Europe has hitherto played a constructive role in reform debates in Geneva and through various groupings, such as the G20 and the "Ottawa Group", the significance of the current stalemate necessitates that it should now take conversations to capitals where hard decisions must be taken on how to comprehensively reform the trading system.

3.9. The EU should also address the stresses in the trade finance system.

Available market data presently shows emerging stresses in the global trade finance market, inter alia: (i) pricing volatility (with reports of significant increases in pricing for MSMEs); (ii) retrenchment of banks from markets deemed to be high-risk (especially in commodities and agriculture); (iii) market disruption caused by reliance on hard-copy paper documentation (outmoded when there are requirements to work from home); and (iv) record levels of use of governments and development bank guarantee schemes despite low transaction volumes.

3.10. Addressing the stresses in trade finance will require coordinated action.

While the trade finance market has hitherto been able to supply sufficient credit for existing demand, our concern is that as economies recover and demand for trade returns, major banks will be unable to accommodate increasing demand. Any such financing gaps will weigh particularly heavily on MSMEs who tend to face the largest barriers in accessing cost-effective bank credit.

There are a variety of potential fixes—removing requirements for paper-based processing of transactions, revisiting the application of Basel III to free-up capital to support SME trade, large-scale government purchases of trade assets, further scaling development bank

schemes to provide sufficient risk mitigation and liquidity for trade finance transactions—but whatever policies are ultimately chosen, it will be critical for such interventions to be globally coordinated. We encourage the EU to play a leadership role in corresponding G20 discussions to this end.

4. USING TRADE TO HELP SOLVE COMMON CHALLENGES

4.1. Trade policy's possibilities—and its limits.

ICC considers that trade policy can—and in some cases should—be used to help address significant global challenges. At the same time, however, trade and trade policy cannot be used to solve all global problems.

EU policy settings should accordingly recognise those areas where trade can usefully be leveraged and those where other economic instruments may be a better fit. In any case, wherever trade and trade policy is selected as an appropriate mechanism for achieving broader public policy goals this should always be approached in a way that reflects fundamental principles (such as openness, transparency and the rule of law).

4.2. Europe should continue to focus on achieving a better alignment between climate and trade.

International trade and climate change are two of the most vexing global policy problems. While the rise of trade wars and the inability of states to deliver meaningful climate results are well known, the links between trade and climate change have been under-explored. For too long, climate and trade policymakers have operated in distinct silos.

While trade—as all human activities—impacts the climate, it is also an essential part of addressing not only climate change but all sustainability challenges in relation to the economic, environmental and social dimensions of sustainability. By creating wealth, welfare and jobs, trade allows for more green investments and facilitates the spread of innovations and new green technologies globally. EU trade policy should not only recognise that trade impacts the climate, but is an essential part of the solution to environmental challenges.

Given the cross-cutting nature of climate policies, they should be designed not only to deliver meaningful climate results—whether in a multilateral context, bilateral trade agreements or unilateral measures—but also in a way that is firmly compliant with existing WTO rules and developed in partnership with the EU's trading partners to avoid fuelling rising protectionist instincts and ensure a level playing field.

4.3. Europe is particularly well-positioned to balance the trade and environmental policy objectives.

As a strong supporter of both meaningful climate action and the improvement of the multilateral trading system, Europe has an opportunity to play a constructive global leadership role on linking trade with these broader discussions on climate change, sustainability, biodiversity and the circular economy.

Trade grounded on scientific evidence can have a positive contribution to implement the EU Green Deal (including the Farm to Fork Strategy) and any Recovery Mechanisms.

4.4. More fully embrace trade and the circular economy.

In order to achieve the goals of the Agenda 2030 and the Paris Agreement, there needs to be a successful transition to a circular economy and globally agreed-upon standards for sustainable innovations and ideas.

Trade policy will be vital to succeed in the transition to a circular economy. EU policies, therefore, should be complementary to circular and climate policies, promoting fair and open access to foreign markets on those products and technologies that help meet environmental goals across borders (e.g. international standards and common definitions, removal of barriers to waste ownership, incentivising investments in digital technologies, removal of subsidies on coal and oil).

Trade policy is vital to create the open framework needed to allow for the transfer and spread of green innovation and sustainable solutions worldwide (low-carbon technologies, circular economy etc.). Such market access would also generate the possibility to scale up innovative technological solutions and create cost-efficiency and competitiveness.

4.5. A key global business priority is the conclusion of the WTO fisheries subsidies negotiations.

ICC's strong view is that this deal must be completed by this year to show proof of life of the WTO, to avoid compromising the credibility of the Sustainable Development Goals, and to free up the WTO's agenda to deal with reform and substantive issues of greater direct relevance to business.

For the sake of both the global trading system and the SDGs, the EU should demonstrate leadership and do whatever it takes to get the deal done—even if that involves moving off some positions.

4.6. Europe should also ensure any unilateral environmental initiatives are designed carefully and in conjunction with foreign governments and businesses.

While the EU's intention to establish a carbon border adjustment mechanism is based on legitimate reasons and policy objectives, the complexity of designing and implementing such a mechanism has raised concerns for businesses within and outside Europe. Chief among these are the administrative complexity in calculating the carbon content of goods produced in foreign countries, the difficulty in designing a scheme in a way that is compatible with WTO non-discrimination rules and the potential for other countries to retaliate should it come to be viewed as favouring European businesses exclusively.

As discussed above, the complexity of global supply chains means that any attempts to apply restrictions could lead to adverse or, at the very least, unanticipated outcomes. Such concerns do not necessarily militate against Europe pursuing such a policy. Rather, the inevitable global ramifications of its implementation suggest that any scheme should be designed in a transparent and simple way, and that the EU should take into consideration the views of foreign governments and businesses in its development.

ABOUT THE INTERNATIONAL CHAMBER OF COMMERCE (ICC)

The International Chamber of Commerce (ICC) is the institutional representative of more than 45 million companies in over 100 countries. ICC's core mission is to make business work for everyone, every day, everywhere. Through a unique mix of advocacy, solutions and standard setting, we promote international trade, responsible business conduct and a global approach to regulation, in addition to providing market-leading dispute resolution services. Our members include many of the world's leading companies, SMEs, business associations and local chambers of commerce.



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