

Brussels, 31 August 2010

ETRMA - European Tyre & Rubber Manufacturers' Association would like to express its gratitude to the European Commission of organising this important consultation and apologises the late delivery of its answers which was caused by the interruption of its work by the holiday break during the consultation period.

## 1. Introduction

1. *Now that the new Lisbon Treaty has entered into force, how can we best ensure that our future trade policy is coherent with the EU's external action as a whole and notably in relation to the EU's neighbouring countries?*

- *Experience indicates added value from European cooperation and dialogue to enhance European trade and thus overall well-being.*
- *Foreign policy decisions need take into account economic and trade related consequences.*
- *A new level of coordination needs to be reached among key EU institutions and actors.*

*The worldwide network of European External Action Service carries significant potential also in supporting European businesses, especially in trade related problems. Experience from the cooperation between the European Commission (local representation or in Brussels), Member States' embassies/ country representatives and European Industries in third countries, for example, within Market Access Teams clearly shows the added value of cooperation and dialogue to enhance European trade and thus overall well-being, economic growth and employment creation in Europe.*

*With the Lisbon Treaty in force, the common commercial policy is placed within the framework of the common foreign and security policy. High Representative of the Foreign and Security Policy should therefore be aware of the economic component to European security. Foreign policy decisions need take into account economic and trade related consequences.*

*With the new institutions in place and the enhanced role of the European Parliament, a new level of coordination needs to be reached among key EU institutions and actors, that is, all the Commission directorates, the External Action Service, the Council, the European Parliament and Member States. In addition, together with European Industries they should have to start to systematically examine the*

consequences for European competitiveness of the chosen external policy decisions. Only by doing this can Europe respond to increasing global competition, especially from emerging powers, which has direct impact on European economies and to the well-being of European citizens.

2. **Given the importance of boosting growth, creating more jobs and ensuring a more resource efficient and greener economy, how can EU trade policy help? What should the new trade priorities be in the light of the Europe 2020 Strategy?**

- Free trade is the best option to guarantee new market opportunities which have a direct impact on economic and therefore on broader societal well-being.
- Convince Europe's trading partners not to resort to protectionist measures such as "buy local" provisions as in the end they hurt both importing and exporting economies.
- Put in place regulatory dialogues with our key economic partners.

*ETRMA members fully support the multilateral liberalisation of trade through the WTO which it believes is fundamental in improving both the competitiveness of European Industries and market access to third countries. Free trade is the best option to guarantee new market opportunities which have a direct impact on economic and therefore on broader societal well-being. Global agreements provide the most optimal framework but when no further progress can be obtained through this route, ETRMA support that a regional or bilateral approach would be chosen instead.*

*Regarding regional/bilateral agreements - ideally Free Trade Agreement - priorities should be set on cooperation and efforts to enhance market access in particularly with emerging countries with high growth rate and tendency to protectionist policies.*

*Continued monitoring and push for the removal of protectionist measures is needed as high unemployment and budget deficits, stemming from financial crisis, increase pressure for restrictive or discriminatory measures. The European Commission should try and convince Europe's trading partners not to resort to protectionist measures such as "buy local" provisions as in the end they hurt both importing and exporting economies. We welcome the regular review of trade restrictive measures that DG TRADE has put in place since the beginning of the economic crisis under the form of a "report on potentially restrictive measures".*

*Regulatory divergences are one factor undermining trade and investment. The EU should put in place regulatory dialogues with our key economic partners, in particular with the US but also with China, Russia and Japan, to prevent damaging regulatory divergences. Enforcement of existing legislation, however, remains a key element in maintaining balanced trade relations as regulatory harmonisation bears no fruit unless backed up by systematic follow-up and enforcement procedures.*

*The EU should push for a transparent regulatory trade system which provides full and on-time information on technical and administrative implementation provisions. Without that, a full assessment of impact and level of harmonisation cannot be made. The current system is lacking reciprocity. As a broader goal we need harmonisation according to internationally recognised regulations.*

## 2. Multilateral trade negotiations

3. *In addition to continuing to push for a successful conclusion to the Doha Round, how can the EU best pursue overall EU trade policy objectives in the WTO?*

→ *The Commission should make the WTO negotiations as its immediate priority and push for their rapid conclusion in its multilateral and bilateral contacts.*

*The greatest strategic problem is the WTO's difficulty in meeting its own targets as extensively delayed conclusion of the Doha Round cast a long shadow to global trade liberalisation and works for the benefit of the opponents of free trade.*

*However, an ambitious and balanced Doha Round deal would be the ideal way to foster trade liberalisation for the world economy. The Commission should therefore make the WTO negotiations as its immediate priority and push for their rapid conclusion in its multilateral and bilateral contacts.*

*Where our trading partners do not respect the system of rules in international commerce, the EU should first refer to the existing dialogues and as an instrument of last resort, reflect using the enforcement mechanisms of the WTO, although bearing in mind the possibility of creating an incentive for negative reciprocal action. Up to now, however, the EU has rarely made full use the enforcement mechanisms. Another possibility is to make changes to the Trade Barriers Regulation (TBR) so that it would create a stronger obligation on the European Commission to launch action through the WTO and guarantee full and transparent access to regulatory dossiers including technical and administrative implementation provisions.*

## 3. Bilateral trade negotiations

4. *Do our current FTA negotiations provide the right geographic and substantive focus for our bilateral trade relationships in the context of the Europe 2020 strategy?*

→ *FTA's should be based on criteria that agreements need to deliver full access for European goods, services and investment to the related markets. The full range of barriers must be tackled.*

*In assessing the need and scope for FTA's, economic arguments should be kept on the top. Priorities should be set on those regions/countries which offer best results in terms of growth potential versus market access distortions. Therefore particularly important countries are emerging powers such as China, Brazil, India, Russia, Japan (on NTBs) but also many ASEAN countries. Regarding developed industrialised countries, market access distortions often take the form of technical barriers to trade or other non-tariff barriers.*

*In general, FTA's should be based on criteria that agreements need to deliver full access for European goods, services and investment to the related markets. The full range of barriers must be tackled: tariffs, additional duties on imports, export duties, non-tariff barriers including regulatory measures, restrictions on trade in services, investment barriers, public procurement, intellectual property rights, access to raw materials, dual pricing and governance issues. In addition, new FTA partners should conclude parallel negotiations with Turkey to avoid negative impact for EU exports and investment.*

*ETRMA welcomes the on-going FTA negotiations but important geographical areas are not covered: A Transatlantic FTA would facilitate the existing cross-Atlantic trade and also strengthen the EU-US cooperation inside the WTO pushing for global market liberalisation.*

*ETRMA regrets that the EU and Russia still have not been able to negotiate a new Partnership and Cooperation Agreement. While the EU should continue supporting Russian WTO-membership, an encouraging and easy-to-monitor roadmap for the development of Russian trade environment, with a horizon of a FTA, is of utmost importance taken into account the deep interdependence in areas such as energy markets.*

*Regarding China, it is regrettable that it does not operate at the level of openness in trade and business to allow a horizon for a FTA. Instead, a stronger emphasis to the High Level of Economic and Trade Dialogue, launched in 2008, is a better option but stronger stakeholder participation is needed.*

*India remains also one of the priority countries for EU trade relations. The top agenda item is the conclusion of a FTA opening the Indian markets. As for the Tyre Industry, India keeps on posing concerns with Technical Barriers to Trade in the form of BIS certification and ISI tyre marking.*

*As for new requirements to Tyre Pressure Monitoring Systems in the Republic of Korea, Tyre Industry wishes that the requirements would be based as much as possible on harmonised specifications.*

*Moreover, dialogues through ASEM and with ASEAN are particularly important for European tyre & rubber industry as the latter remains dependent on imported natural rubber which is grown mainly in developing countries while major producers operate in South-East Asia.*

*Future FTAs should exclude a duty drawback clause in order to maintain a level playing field between trading partners and should provide for rules of origin converging with existing rules.*

- 5. Should the EU now try for closer economic integration and cooperation with such partners? What is the best way to further facilitate trade and investment, overcoming regulatory differences that may have the effect of barriers to trade and deepening our trade relationships with these important economies?**
- 6. How can the EU improve the effectiveness of regulatory dialogues? How can the EU promote the establishment of and greater recourse to international standards without compromising legitimate public policy choices?**

→ **Industries recognise the need for regulation to obtain necessary policy targets but emphasize the need for transparent, proportional and science based regulation which minimises trade distortions.**

→ **Negative impact from the low level or sometimes total lack of European follow-up and national enforcement capabilities regarding adopted regulations in the EU.**

*The right starting point for the EU is to tackle the bureaucratic difficulties it creates by itself for European Industries. The Commission Directorate-Generals for Trade and Enterprise, the Trade Policy Committee of the Council and the International Trade Committee in the European Parliament should systematically examine EU regulatory proposals with a view to their impact on European competitiveness in global markets. Industries do recognise the need for regulation to obtain necessary policy targets but emphasizes the need for transparent, proportional and science based regulation which minimises trade distortions.*

*In mutual markets the ideal basis for market access is “one standard - one test - accepted everywhere” but it requires an effective follow-up and enforcement capabilities, otherwise regulation lose its meaning. In its bilateral dialogues, the European Commission should support countries which yet have not done so to align with the 1958 Agreement and on Global Technical Regulations under 1998 Agreement.*

*The WTO Technical Barriers to Trade (TBT) Agreement represents the main international instrument in the field of technical regulations. It aims to ensure that regulations, standards and testing and certification*

*procedures do not create unnecessary obstacles to international trade but the current system is lacking reciprocity and therefore the EU should push for a transparent regulatory trade system which provides full and on-time information on technical and administrative implementation provisions.*

*ETRMA encourages building up efficient partnerships between the European Commission in Brussels, future representations of the European External Action Service, local authorities in third countries, and with other major exporting markets recognising the same international technical requirements and standards, such as Japan, and the U.S. The support from other industries down the supply chain would be very helpful to strengthen the impact.*

*A feasible way to promote international technical regulations and standards is through launching wide training campaigns on the benefits of contributing to international harmonisation of technical regulations. This could be done under specific funding programmes like EC/CEN and APRIS II (APRIS II, an EC-funded programme "ASEAN Programme for Regional Integration Support" (APRIS II) which aims to further the process of ASEAN integration in promoting policy dialogue, providing expertise in regional integration, promoting regional trade and investment relations through improvement of the customs procedure, development of common standards, action plan for investment, and staff training. Within the programme, in 2008, ETRMA initiated a seminar on UNECE 1958 Agreement with ASEAN countries through the ACCSQ Automotive Products Working Group.)*

*A step further to same direction is building up partnerships to assist third countries in their preparation towards adherence to international agreements such as UNECE 1958 Agreement.*

*ETRMA also supports increased cooperation between Market Access Advisory Committee and the 133 Committee, and instructs the European Commission to utilise information on identified trade barriers addressed in Market Access Advisory Committee to feed up high level meetings with third market authorities.*

*Finally, the EU must reflect on using targeted, limited in time and effective restrictive measures to counter the pressure from external trade barriers, although these actions should be conducted carefully not to create incentive for further tit-for-tat trade struggles.*

*The Tyre & Rubber Industry is very concerned about the negative impact of the low level or sometimes total lack of European follow-up and national enforcement capabilities regarding adopted regulations in the EU. An example from tyre markets: without a working enforcement and follow-up we cannot be sure that all tyres including those which are imported meet the safety and environmental criteria their standards would indicate. The need of ensuring a level playing field is paramount for the European Tire industry who invests considerable technological and innovative resources to meet the required standards.*

*This may in turn have negative effects for European policies trying to halve the number of road accidents and make transport greener. This is so because European policy goals for road safety and environmental issues have been developed on the basis of the high level of European tyre technology and trusting upon further technological development.*

**7. How can the EU, and in particular trade policy, help to secure a reliable and sustainable supply of raw materials by third countries?**

- **A wide range of non-energy raw materials, including natural rubber, metallic ores, clays and aggregates are needed to build infrastructure and different types of products.**
- **A doubling of global raw materials consumption can be expected in the 30 years to come.**
- **Fair access to raw materials is necessary.**

*Due to growing global competition and interventionist policies of some governments, access to raw materials will be an increasing concern for European Industries. An effective EU strategy requires smooth cooperation between the trade, development and foreign policies of the EU while the EU can also have a significant impact on securing of supplies by facilitating investments in targeted sectors in resource-holding countries.*

*Raw materials produced by the extractive sector are a key factor for sustainable growth in industrialized, emerging and developing economies. It is our common global interest that resource wealth be used responsibly. We have to work closely together with resource rich economies as well as important raw-material consuming economies. But at the same time based on sound life cycle analyses we will also have to encourage conservation; recycling for sustainable growth.*

*A wide range of non-energy raw materials, including natural rubber, metallic ores, clays and aggregates are needed to build infrastructure and different types of products, such as roads, homes, schools and hospitals, and to produce many of the industrial and consumer products essential in a modern economy, such as IT equipment, tyre and car industry means of transport, and household appliances.*

*In the light of raw materials boom since 2003 and the demographic and economic developments that are becoming apparent, a doubling of global raw materials consumption can be expected in the 30 years to come and the market will continue exerting pressure with a significant increase in raw materials and energy prices that cannot be economically absorbed. Analysts predict that demand will continue to outstrip supply and it may last for the next decade.*

*As is the case for most industrial raw materials, ETRMA members are largely or entirely reliant on imports. In the case of Natural Rubber (NR), the Tyre & Rubber Industry is import-dependent, there is no domestic production of NR. The EU is the second biggest consumer (1.3 million tonnes in 2007) of NR, after China (2.5 million tonnes). There is today no substitute to Natural Rubber that could be used in replacement in all its current applications.*

*Therefore, it is of high importance that the EU ensures respect for the commercial interests of the European industry during the negotiating process of strategic Free Trade Agreement, e.g. with South Korea, India, the ASEAN countries - in particular with regard to raw materials.*

*The growth of natural rubber supply is limited by factors such as limited possibilities for expanding the area for growing hevea tree (source of natural rubber), challenges related to profitability of producing alternative raw materials, and shortage of skilled labour, particularly trained tappers.*

*In the context of a growing global demand, the European Tyre & Rubber Manufacturers' Association is of the opinion that the EU should take policy measures to ensure a sustainable and affordable supply of natural rubber. These actions should be complemented at international and Member States level to guarantee profitability for producers and continuous supply for European industry.*

*Finally, rules concerning raw materials trade should be included in bilateral and regional trade agreements. In multilateral fora such as WTO, the EU could raise awareness of the negative economic impact of export restrictions on developing and developed countries.*

#### **4. Services**

- 8. Should the EU aim for more trade in services, and if so, how? Multilateral and bilateral negotiations have only partially succeeded in opening trade in services so far, so would a renewed focus on trade in services among key trading partners (plurilateral approach) offer a useful alternative avenue?***

#### **5. Investment**

- 9. Given that the Lisbon Treaty gives the EU greater competences in international investment policy, how should we contribute to facilitating cross-border direct investment (both outward and inward)? What are the key issues to be addressed in agreements governing investment?***

## 6. Sustainable trade

10. How can trade policy best support green and inclusive growth around the globe including through Sustainability Impact Assessments?

- The concept of green goods should be precisely redefined.
- Tyre and Rubber Industry encourages the European Commission to stronger pursue a mechanism similar to the ETS taking place in international level.

Europe has been a first mover in green technologies but lately been challenged by competitors like China and the U.S. Initiatives to greening industries are being realised in the EU and ETRMA welcomes such actions as Greening of Transport Package but notes that ultimately these initiatives must be based on real needs of European citizens and companies or they will only create another layer of pressure on business while not meeting the original environmental targets.

There is a severe risk that a climate change policy which does not take into account the competitiveness of European Industries may end up hurting European economy and thus employment and overall well-being of European citizens. The concept of green goods should also be precisely redefined from the point of view that many goods and inputs of green products come originally from traditional industries.

ETRMA supports the aim of the revised Emissions Trading Scheme Directive, which has the objective to reduce greenhouse gas emissions within the EU and to facilitate the achievement of international targets. At the same time, however, the Industry encourages the European Commission to stronger pursue similar mechanism taking place in international level to maximise the utility of such approach, and reduce the competition distortion.

11. Given the forthcoming revision of the Common Agricultural Policy and the continuing need to foster a sustainable agricultural sector in Europe, how should EU trade policy develop in this area consistently with the overall objectives of the Lisbon Treaty?

## 7. Inclusive trade

12. How can EU trade policy ensure that the benefits of global value chains are shared by European producers, consumers and jobholders?

- Developing further the single market and tackling obstacles for labour movement.
- Liberalisation is the most effective and sustainable way for trade to create jobs, improve productivity and boost growth.

Opting for international trade leads to internal restructuring as trade frees resources to be invested in new targets. This inevitably creates also temporary unemployment for which the society must create counter mechanisms. One bottleneck in this regards lies in the non-movement of European citizens inside the EU

which, however, could have substantive positive effect in balancing changes in intra EU labour markets, as is the case with the U.S., for example. The EU therefore needs to take a stronger hold on these questions by developing further the single market and tackling obstacles for labour movement.

Labour movement should ideally move also upwards, namely in value chain. Employees need to take the responsibility of their employability and the educational and training systems have to provide the skills needed in a globalised economy.

Liberalisation is the most effective and sustainable way for trade to create jobs, improve productivity and boost growth. Those who are negatively affected by global competition should be provided with training and assistance to enable them to seize new opportunities.

- 13. Are existing 'flanking' policies sufficient to ensure that the benefits of trade are shared among different people and across different regions and markets in the EU? And how can the EU best ensure, where necessary, that trade and other policies play their part in helping people, sectors and communities adjust?**

## 8. Trade and Development

- 14. How can the EU best strengthen the issue of trade and development in its trade policy? Should the EU pursue a more differentiated approach in its trade relations to reflect the level of development of particular partners? How should the EU approach the issue of trade preferences in relation to the generally low level of EU Most Favoured Nation (MFN) tariffs, which will further be eroded following the possible conclusion of the Doha Round?**

- Trade preferences should be limited to Least Developed Countries.
- The EU must ensure that the development aid acts as a catalyst for growth and jobs in the developing world and here international trade has a pivotal role.

In the long run, free trade is the best option to guarantee new market opportunities by providing new commercial opportunities while contributing to better integration of developing countries into the global economy. As far as global liberalisation through the WTO is not feasible the second best option would be opting for Free Trade Agreements.

Trade preferences for developing countries have worked as guarantees for certain level of trade and thus production in developing countries but have not been able to solve the root problems behind underdevelopment as they have not allowed production in developing countries to diversify along natural economic evolution. When trade preferences do take place they should be limited to Least Developed Countries. Preference erosion problems are best addressed by implementing economic partnership agreements and improving aid-for-trade support to help preference- dependent countries to move up in the value chain.

The development aid alone will never achieve the goal of eradicating global poverty. As the Commissioner Piebalgs recently stated, even if all the aid granted by the EU were to be focused on the world's poorest countries, it would amount to a very limited figure for each of their citizens. Therefore the EU must ensure that the development aid acts as a catalyst for growth and jobs in the developing world and here international trade has a pivotal role.



## 9. 'Smart trade'

15. *What initiatives could the EU take and which EU trade policy instruments could we mobilise to complement and reinforce the 'smart' dimension of the Europe 2020 strategy and facilitate trade in high-tech goods and services?*

## 10. Enforcement and dealing with unfair practices

16. *How can the EU best safeguard its firms or interests against trading partners who do not play by the rules? Are the existing tools and priorities sufficient to address unfair competition from third countries?*

→ Proper enforcement of the trade agreements is the key.

*Negotiations with trading partners and international trade agreements will not have any effect if they are not properly enforced. With the continuing risk of protectionist measures from its trading partners, the EU should use all measures available to it to ensure that existing rules are respected.*

*Unfair competition from trading partners should be addressed in FTA negotiations and through the EU's trade defence mechanisms. The EU has to use the WTO dispute settlement in bilateral free trade agreements, where available and justified. Improving the Trade Barriers Regulation to require more pro-active engagement of the EU in investigations would be of a great benefit for European Industries. Now the entire burden is placed on the complainant industries.*

17. *How can the EU best safeguard its firms or interests against major trading partners who maintain an asymmetric level of openness and resort to protectionist measures? Are the existing tools and priorities sufficient to address practices such as keeping EU suppliers out of government procurement markets, market access restrictions, restricted and insecure access to energy and raw materials?*

→ MAAC WG on Tyres a very positive experience.

→ Continuous follow-up and evaluation is needed in order to focus on the right barriers.

*ETRMA welcomes the renewed Market Access Strategy from 2007 and appreciates the subsequently established Market Access Partnership.*

*The Industry is very satisfied with the Market Access WG on Tyres gathering ETRMA, individual companies, the different European Commission Directorate-Generals as well as representatives of the Member States. These valuable meetings would ideally take place on a regular basis.*

*The European Commission, Member States and industry stakeholders would still have room for strengthening their cooperation focusing in key countries, utilising technical expertise and coordinating policy and business tools. Emphasis should be given to negotiations with third countries for making agreements enabling access to public procurements which for the time being are restrictive in most of the EU's major trading partners while at the same time the EU public procurement markets remain among the most open in the world.*

Market Access Strategy has reached a point where it will have to focus more on tackling identified trade barriers (there were more than 200 trade barriers in altogether 32 countries identified by the first stage of MAS) than identifying them. This delivery phase has to be well structured and systematic as was the case with identifying trade barriers. If there is no systematic follow-up of found trade barriers the process might soon lose its momentum. Main focus should be oriented towards most important export markets, such as China, India, Russia and ASEAN countries.

Areas to be further developed are the contribution of Market Access Strategy to growth, competition and employment, enhancing trade opportunities for small and medium-sized enterprises, continuing drafting monitoring reports and pushing for more effective international regulatory cooperation (although this area has already been addressed lot more remains to be done).

Key element is, however, continuous follow-up and evaluation in order to focus on the right barriers, sectors and countries and to make the best use of resources and gained experience. The Commission's intention to strengthen the early warning function of the Market Access Advisory Committee is very welcome to the Industry.

**18. What else can EU trade policy do to further improve the protection of IPR in key markets?**

## **11. An open approach to shaping trade policy**

**19. What more should the Commission do to ensure that trade policy becomes more transparent and to ensure that a wide variety of views and opinions is heard in the policy-making process?**

→ European Industries cannot fully utilize global business opportunities without the help of European officials.

A smooth and effective cooperation among all the key players in international trade of European Industries is the key. Today's globalised competition is marked simultaneously by increasing competition between companies and intervening policy of some governments. European Industries cannot fully utilize global business opportunities without the help of European officials.

The Commission, Council and Parliament are ultimately responsible for trade policy successes and failures. As trade policy contributes significantly to growth and job creation across the EU, EU political leaders should pursue a pro-active and constructive policy that favours the EU's global competitiveness.

## **Others**

**20. Are there additional priorities in relation to trade policy that the Commission should pursue?**

In general, the European Commission has a good horizontal coverage in trade issues, now the emphasis should be in deepening cooperation within the EU and with third countries and strengthening the impact of our action. The opportunities stemming from the Lisbon Treaty and new institutions should be utilized to a maximum extent: "harnessing" new institutional framework to contribute in trade creation and opening up new markets would be a logical next step whereas cooperation with European Industries should constantly be deepened as they, in the end, undertake the actual trading operations.

**21. Do you oppose publication of your contribution? If yes, please provide the specific reasons for which you consider that your interests would be harmed if it was put in the public domain.**