

# Trade Policy Review - An Open, Sustainable and Assertive Trade Policy ETRMA Position Paper

30<sup>th</sup> June 2021

## Introduction

ETRMA welcomes the publication of the new Trade Strategy and a lot of common ground can be identified with the proposals put forward by the industry in order to ensure that, after the COVID disruption, an enabling and fair environment is re-established as soon as possible.

For the tyre and rubber industry this means supporting the role of the EU as an exporter, enforcing trade agreements (whether bi- or multi-lateral), and establishing and fostering free and fair trade, whilst supporting the wider EU roadmap towards a successful green and digital transitions in coherence with objectives of competitiveness and resilience for the European industry.

## Focus on specific headline actions

### A. Regulatory Cooperation

Given the characteristics of the tyre industry, ETRMA particularly welcomed **the focus of the Strategy on regulatory cooperation**. This plays a key role to ensure both market access and a global playing field when it comes to promoting the use in third countries of more ambitious environmental and social regulations and supporting of the global reach of European industry progress in digitisation.

In this context, **ETRMA welcomes particularly actions 9 and 10** regarding the need to cooperate with like-minded partners, in particular with regard to the green and digital transition.

ETRMA would also welcome a more “anticipative approach” with regard to the identification of strategic areas that should be in focus of such cooperation. In this context, ETRMA had identified the following areas of work:

- The EC should make **tyre safety and environmental performances** (thresholds as defined by UN regulations and EU tyre label regulation) an integral part of the EU Green diplomacy and support bilateral technical discussions, especially for those countries that would like to adopt thresholds and labelling regulations.
- Regulatory cooperation to develop **international standards for cyber security and autonomous vehicles** should also be made a priority, particularly in the context of UNECE 1998 Agreement (WP29). This is necessary to ensure continuity of product and services functionalities between countries.
- **Ensure data interoperability with neighbouring countries** in the context of connectivity and autonomous vehicles.

### B. Ensuring a global level playing field

ETRMA also supports the focus given by the Commission on the need to ensure a level playing field also by **enforcing both multilateral and bilateral trade agreements**.

In this context, ETRMA would like to remind the European Commission of the need to strengthen its toolkit to ensure market access.

As underlined by the Strategy, multilateralism and globalization are perceived with increasing skepticism and seen as threats to national industrial development and economic wealth. This is why a well-functioning WTO

and clear rules to enforce multilateral commitments or under the FTAs concluded by the EU should be seen as priority.

In this context, ETRMA welcomes Actions 14 and 15 regarding the work of the CTEO and to the new regulatory proposals aimed at protecting the EU from unfair trading practices, as well as actions listed in the Annex towards the reform of the WTO, particularly:

- **Shift the focus of WTO enforcement actions from damage to infringement of agreed rules:** currently enforcement cases under the WTO answer to the damage brought to a country and an industry as a result of the imposition of “unlawful barriers to trade”. ETRMA would welcome a more automatic and private-sector driven system that would be triggered when the letter and principles of the agreed rules are broken by contracting parties.
- **Better implementation of the TBT agreement rules:** the strategy mainly focuses on incentives and administrative measures in case of significant delays in submitting notifications and looks at ways to make the notification review more effective. ETRMA supports this approach, but would like to underline the need for an enforcement system that is as strong and proportionate to the severity and the level reiteration of breaches of the TBT Agreement. Additionally, from a more pragmatic point of view, it would be useful extend the deadline for comments to TBT notifications to 90 days instead of 60.
- WTO Members should be reminded of the **importance of making use of relevant international standards** (including Regulations under the UN1958 Agreement). This is in line with Article 2.4 of the TBT Agreement, stating that where technical regulations are required and relevant international standards exist, Members shall use them. Furthermore, a stricter interpretation of the exception there included to respond to specific national characteristics - of fundamental climatic or geographical factors or fundamental technological problems - . should be favoured and enforced.

Finally, ETRMA would like to see more reactivity with regards to enforcement also at UN ECE level, for example by establishing a system of monitoring and assistance in the implementation of UN Regulations under the UNECE Agreements, particularly for those countries that – despite having adopted UN Regulations - currently deviate from their obligations.

### C. Support the green transition and promote responsible and sustainable value chains

ETRMA welcomes the focus of the Strategy on the promotion of responsible and sustainable value chains, which is particularly relevant for the natural rubber value chain, given that Natural Rubber was made reference to in the Communication on stepping up EU action against deforestation.

Looking at the foreseen regulatory approach, ETRMA has already expressed the need to take into account the specificities of each value chain.

That is why any due diligence legislative proposal should ensure:

- that it is risk-based: what matters is to base any assessment on risk rather than on exhaustiveness;
- that it focuses on continuous improvement through mitigation measures which are what is really needed in order to ensure a positive evolution within the value chain.
- effective international agreements between the EU and the producing countries, in complementarity to a possible due diligence legislation.

Particularly given the global nature of the rubber value chain, the industry would have limited enforcement instruments, particularly due to the many layers between the natural rubber producers and the manufacturers of rubber products, the limited choice of producing countries and, conversely, the great variety of consuming countries.

In this context, particularly DG Trade should take into account the following:

- **Local governments are key actors in ensuring that due diligence is applied and industry cannot take their place in doing so.** The processes and resources implemented in a due diligence activity should be proportionate, effective and define the liability of both EU-based enterprises and of importers;
- **It should be the role of the EU to ensure a dialogue with producing third countries on best practices and implementation of international human rights and environmental engagements.** All levers of the European Union in terms of cooperation and trade with third countries should contribute to this evolution.
- Attention should be given to the **involvement of stakeholders** on risk assessment and mitigation measures.
- **Promotion through trade and investment agreements:** this is the essential and non-negotiable measure that would enable any other option regarding due diligence.
- **Green diplomacy:** this option is in line and complementary to those regarding to the external action of the EU – trade and investment agreements and development and cooperation assistance.

## Foreseen regulatory actions

With regards to the regulatory actions foreseen, ETRMA is particularly attentive to the developments regarding the **GSP Regulation**.

ETRMA believes it opportune to maintain a system of product graduation in the upcoming regulation. This is key both to properly safeguard the EU financial and economic interests and to ensure a proper diversification of exports from GSP countries.

However, ETRMA believes that the current Regulation did not manage to attain these objectives. This is particularly true for those countries that, whilst benefitting from GSP status, have become export hubs for specific tyre segments. This hampers both local production diversification as well as fair trade with the EU.

In order to tackle this issue in the most specific way possible, ETRMA believes that a system of line-by-line product graduation or the identification of specific “sensitive products” would help GSP countries towards product diversification, whilst preserving the competitiveness of EU industry. To this end, ETRMA replied to the relevant GSP consultation and looks forward to the publication of the legislative proposal (See Annex for the full response to the Consultation).

## Country focus

When it comes to geographical areas, the strategy focuses on the United States and China, while also reinforcing the need to strengthen ties with the neighbouring countries.

ETRMA fully agrees with these priorities but would also emphasise the need to continue developing relations with other key countries, notably in Asia and South East Asia.

Indeed, countries such as India, Indonesia, Thailand, are among the most promising from an economic standpoint. Nonetheless, these are also the countries where the industry is facing most issues, with regard to market access. Thus, we would welcome relaunch of strategic partnerships with such countries. This would bring benefits both in terms of access to markets as well as in terms of sustainability – particularly concerning deforestation objectives in ASEAN countries.

The picture below illustrates that whilst exports towards the main EU partners have been stable, EU tyre export destinations are misaligned with future growth geographies.

This shows both the need to keep and boost the good performance of EU exports in regions like NAFTA, but also the need to unlock the potential of fast growing economies in Asia and South East Asia.

This is particularly true for India. ETRMA welcomes the intention to re-start negotiations for an FTA. Nonetheless, it is essential that all stumbling blocks to the entry in the India Market are removed in the course of the negotiations for a successful conclusion of the agreement.

