

Brussels, 1 March 2016

**International trade – a key driver for the engineering industry.
Orgalime views on the European Commission communication
‘Trade for all - Towards a more responsible trade and
investment policy’ COM (2015) 497 final**

Introduction

Orgalime represents a very healthy industry that is a major employer in Europe (10.3 million people), represents over a third of the EU’s manufacturing exports and is a significant importer thanks to its extensive supply chain. European engineering leads worldwide in many areas of technology and manufacturing. The EU’s trade strategy should therefore, in our view, focus on shaping globalisation and improving the international competitiveness of the EU’s industrial base.

The importance of trade

Orgalime welcomes the European Commission Communication COM (2015) 497 ‘Trade for all - Towards a more responsible trade and investment policy’ as it places trade at the top of its political priorities.

Europe’s success depends to a major degree on the openness of the international economy. Our companies need access to the world’s largest and most dynamic economies. We therefore welcome the European Commission’s approach to push for further international trade and economic agreements. Protectionism must be avoided as it would only deepen and prolong the economic crisis.

The European engineering industries are strongly export-oriented and dependent upon international trade. We therefore welcome the Commission’s plan to advance the agenda of trade liberalisation, via the multinational as well as the bilateral and plurilateral path.

The key role of an effective trade policy

Orgalime welcomes that the European Commission gives prominence to an effective trade policy to successfully deal with new economic realities, such as global value chains and the digital economy.

We believe the future trade policy should have a stronger focus on the engineering industry, since it represents a third of the manufactured exports of the European Union, a quarter of the output of

Orgalime, the European Engineering Industries Association, speaks for 42 trade federations representing the mechanical, electrical, electronic, metalworking & metal articles industries of 24 European countries. The industry employs some 10.3 million people in the EU and in 2014 accounted for more than €1,800 billion of annual output. The industry accounts for over a quarter of manufacturing output and a third of the manufactured exports of the European Union.

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Orgalime welcomes the fact that the Commission recognises the importance of trade in services in relation to the supply, maintenance and repair of goods, including the aspect of mobility of personnel. In the engineering industries, the provision of services is often inextricably intertwined with trade in products and represents a significant share of the added value.

Orgalime supports the Commission's analysis that different norms and standards, together with special certification procedures in different parts of the world result in significant additional costs for the industry and that therefore action is highly needed to tackle this. The problem is especially acute for small and medium-sized companies (SMEs).

Orgalime welcomes the European Commission's efforts to establish efficient customs procedures and simplified rules of origin so that the flow of goods within the global value chains can take place at the lowest possible costs.

The digitalisation of industry, often referred to as the "Industrial Internet of Things", will be a driver for international trade in the coming years. A key necessity, in this regard therefore, is to ensure that industrial and business data can be exchanged in a fair and secure manner. It is essential that intellectual property rights should not be undermined.

The importance of small and medium-sized enterprises in trade

Orgalime, whose members are overwhelmingly (>90%) small and medium-sized enterprises, warmly welcomes the European Commission approach aimed at enabling SMEs to take full advantage of the opportunities provided by trade agreements by having dedicated provisions on SMEs and by taking their concerns into account. This should provide SMEs with better access to the benefits of free trade agreements and make it easier for them to obtain all the information required. We welcome the fact that the new trade strategy recognises the challenges faced by SMEs in international trade, for example through non-tariff trade barriers, such as different standards or duplicated certification procedures. The reduction of non-tariff trade barriers, caused by lack of regulatory cooperation, is particularly important for SMEs.

It is also especially vital for SMEs to have uniform rules of origin. Diverging regulations significantly increase the administrative costs and counteract the benefits in terms of market access.

A greater participation of SMEs in free trade agreements would result in the creation of growth and jobs, hence benefitting European citizens and businesses.

The significance of multilateral negotiations

Orgalime welcomes the European Commission's plan to reenergise multilateral negotiations and to restore the centrality of the WTO as a trade negotiation forum. Orgalime believes that a very good way of achieving open markets worldwide is through concluding the ongoing Doha Development Agenda and working towards a new WTO work programme. A new WTO work programme must reflect the new economic realities of strong emerging countries and provide for effective new industrial market access. An important focus should in this context be on non-tariff barriers (NTBs), which are undermining the competitiveness of our industries and distorting international markets.

The engineering industries are in favour of strong WTO commitments. We also welcome the extension to the product scope of the existing Information Technology Agreement (ITA).

Bilateral negotiations

Orgalime welcomes the ambitious negotiating agenda of the European Commission.

The Transatlantic Trade and Investment Partnership (TTIP) is of particular importance to the European engineering industries: the transatlantic trade and investment relationship continues to account for the largest economic relationship in the world and has huge unexploited potential. We therefore welcome the European Commission's ambition to speed up the TTIP negotiations, while expecting that TTIP should provide fair and balanced market access for the engineering industries of both sides, reflecting the openness that has already been achieved. Orgalime welcomes the EU's position on a sectorial approach for the engineering industries (mechanical, electrical and electronic sectors) in TTIP. We emphasise the need to maintain support for ISO, IEC and ITU international standards as the central platforms to ensure compatible standards, not only between the EU and US, but also with the other important trading partners of both sides.

Orgalime supports the European Commission's plan to start FTA negotiations with New Zealand and Australia and, following the agreement on Iran's nuclear programme, looks forward to the opportunity to deepen trade relations with Iran.

Transparency and Effectiveness of trade negotiations

Orgalime welcomes the European Commission pledge on transparency as a tool to increase public trust and support for Europe's trade policy. We understand the Commission's decision to make negotiating mandates, as well as the negotiating texts, available in a timely manner, but we also think that there is a need to ensure that transparency does not jeopardize the negotiating position of the EU.

Besides, more should be done in order to enable a faster entry into force of trade agreements: nowadays, it can take several years from the end of negotiations until the provisional application or entry into force of trade agreements. However, for industry, it is essential to reap the benefits of trade agreements swiftly.

A value-based trade policy

Orgalime is committed to promoting European values both inside and outside Europe. Nevertheless, the primary objective of the European trade policy should continue to be the promotion of free international trade for the benefit of European consumers, workers and businesses. An economically successful trade policy greatly contributes towards the development of partner countries and regions, therefore ultimately promoting European values in the most effective way.

Responsible business conduct is an important value for the European engineering industry. Even so, supply chain measures should be implemented in an effective manner, taking into account the complexities of the supply chain.

Advisers responsible:

Željko Pazin, Manager - Silvia Selandari, Adviser

Email: first name.second name @orgalime.org

The European Engineering Industries Association