

BUSINESSEUROPE

Mr. Valdis Dombrovskis
 Executive Vice-President
 European Commission
 Rue de la Loi 200
 1049 Brussels
 BELGIUM

7 April 2020

Dear Executive Vice-President, dear Valdis,

I would like to address this letter to you in the framework of the extraordinary circumstances that we currently face because of the COVID-19 outbreak. BusinessEurope is committed to supporting by all necessary means the efforts to overcome the crisis. In this regard, we have delivered a strong message ahead of the video conference of the Members of the European Council that took place on 26 March.

With the present letter, we would like to particularly focus on the impact that the current crisis is expected to have on trade and investments and to share with you a number of concerns. The impact of COVID-19 on European industry and supply chains is dramatic. As both demand and consumers' expenditure decrease because of containment measures, orders are cancelled, facilities are closed, and production is reduced. Moreover, some measures adopted by state actors, which we have been experiencing since the beginning of the crisis, may cause an additional burden to economic operators, many of which are SMEs, and upset long-established supply chains that will be essential to overcome this crisis and support economic recovery.

Export bans and restrictions

Looking at the case of export bans and restrictions on medical and personal protective equipment, we commend the European Commission for its efforts to harmonise the EU's approach and, although it is not optimal, we understand the reasons behind the publication of the Implementing Regulation (EU) 2020/402 making exports of certain products subject to an export authorisation. Unfortunately, some Member States continue to enact measures that are contrary to the spirit of solidarity and a common EU approach on the matter, such as unilateral export bans. Besides the fragmentation that these measures cause to the EU's Single Market, inability to address them can also negatively affect our relations with neighboring European countries and the rest of the world, inspiring other countries to do the same as it is already happening. These actions could also have significant impact on healthcare systems. At the same time, we call the European Commission to intervene whenever possible in support of the European industry in this moment of crisis and take necessary measures according to market and sector specificities, if needed.

Furthermore, it is of the utmost importance to make clear to third countries that the EU restrictions are not a ban, but an authorisation, merely a mechanism to have more control and oversight. In addition to that, we welcome the European Commission's decision to

temporarily waive customs duties and VAT on imports of medical devices and protective equipment from non-EU countries. This initiative applies to goods that are purchased by public entities or relief entities involved in the fight against COVID-19. However, we believe that the same treatment should also be reserved for private entities as this is critical to ensure that essential economic activities remain functional.

Moreover, beyond export bans and restrictions, uncertainty has arisen about the increasing certification and inspection requirements imposed by third countries. For instance, Morocco has introduced additional controls for a number of industrial products.

Concerning the EU's trade partners, businesses also have concerns about existing and future export restrictions with a direct impact in the capacity for manufacturers to supply medicines to European citizens. Of special concern are the export restrictions in India. As such, we urge the European Commission to liaise with Indian authorities to facilitate export guidelines and the production of critical products needed in Europe.

Investment screening

We observe concerns raised by a number of EU Member States related to foreign direct investments (FDI) into the EU that may imply risks to national security or public order. We understand the European Commission's Guidance concerning foreign direct investment and free movement of capital from third countries, and the protection of Europe's strategic assets, ahead of the application of Regulation (EU) 2019/452. It is useful to recall the tools that can be used at Union and national level. As the EU relies significantly on FDI for growth and employment, we call for proportionality in the implementation of these measures and stress the need for a coordinated approach among EU Member States.

Situation at the EU's borders

The ability for goods to cross the EU's internal borders is also absolutely crucial for the survival of EU industry in this crisis. We have already seen important and harmful delays across the Schengen zone where temporary border controls designed to stem the flow of citizens is having a knock-on effect on the movement of goods. We welcome the Commission's 'Green Lanes' initiative in an effort to address these problems and strongly encourage its swift implementation in order to maintain critical supply corridors that are also essential to maintain trade flows with the rest of the world.

Over the past weeks, we have seen a surge of measures adopted by some EU neighbours, affecting the flow of trade at the external borders. For instance, measures implemented by Turkey, at the land border with Bulgaria and Greece in particular, cause significant delays in the delivery of goods. It has also come to our attention that customs authorities on both sides – the EU and Turkey – do not accept electronic documents. Given the extraordinary situation, we urge for more flexibility in order to minimise the delays and ensure that all goods – especially critical ones – arrive at their destination on time. A mid-term recommendation to ease the flow of goods between Turkey and the



EU could be to establish joint EU-Turkey customs administration at the borders of Greece-Turkey and Bulgaria-Turkey. This would provide the European Union with more vigilant control capacity at the external borders of its customs territory and could be an important milestone for a more integrated customs system between the parties of the Customs Union, namely Turkey and the EU, and last but not the least would support the single market operations and regulations in the field of foreign trade.

In the sphere of transport, it is important that ports and airports remain open and for essential crew changes as well as supplies.

Key messages

While our common first and foremost objective is to protect citizens from the spread of the coronavirus, we ask you to monitor and ensure that trade measures introduced by third countries to protect health are not more burdensome than necessary. At the very least, third countries should take into consideration the interests of traders and give them advance notice about upcoming measures allowing them time to adjust. We support calls for greater global coordination for instance within G20 to resolve pending and avoid new trade barriers.

In our view, ensuring that supply chains of essential goods and services in particular (such as medical, food, digital, pharmaceutical, energy), remain fully functioning and that trade continues to flow normally is of utmost importance and crucial for Europe's economy. Securing the full operability of the Single Market is an essential precondition for maintaining the EU's international trade flows. In this regard, the European Commission's guidance to ensure a more unified approach within the EU on critical infrastructure and essential goods and services would be helpful.

Furthermore, and in line with the Ministerial Statement of the G20 in the area of Trade and Investment, we would like to stress that the nature and duration of measures such as those described above should be temporary. These measures should be designed to respond to the urgent needs of our societies and ensure that the EU and the rest of the world come out of this crisis rapidly. However, once the immediate crisis is over and the situation in the EU has stabilised, it is essential to make sure that these extraordinary measures are lifted and that they are not made permanent as it happened with many measures taken during the 2008 financial crisis.

European businesses also rely on you to ensure that they benefit from a rapid recovery in the post-crisis period. Supporting quick resumption of exports will be a key priority to sustain the millions of export-related jobs throughout the EU. This will require an even more ambitious EU trade policy than originally intended securing new trade and investment opportunities for our companies around the world while ensuring that European interests are effectively safeguarded.

I would like to stress, once again, BusinessEurope's strong commitment to contribute to viable solutions to this crisis. I thank you for your attention and would be happy to discuss further with you on this important issue.

Yours sincerely,

