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BUSINESSEUROPE



Art 4.1(b)

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

17 September 2020

Dear Executive Vice-President, dear Valdis,

I would like to warmly thank you for your participation in BusinessEurope's webinar "EU and USA: How to build a positive agenda". Your presence and insights were of paramount importance for a successful event and have contributed to reinforce the messages of our position paper.

As this was a particular point of discussion at our webinar, I would first like to address the issue of the **Carbon Border Adjustment** measures. In our view if considered as a viable option, we do not believe that it should replace the existing carbon leakage measures under the EU Emissions Trading System, **including free allowances**. If the CBA is designed as an import-ETS, importers can demonstrate with verified data that their imports are at least as efficient as the best in class, in which case they can avoid a CBA charge. This would be the equivalent for importers to receiving free allowances. In this way, maintaining free allowances for EU industry would not necessarily amount to double protection or discrimination against our trading partners. Therefore, we urge the European Commission to develop, in the impact assessment, a scenario where the free allowances might be maintained alongside the carbon border adjustment. **Otherwise, this would clearly raise the risk of carbon/investment leakage.** It is of course key that any measure is compliant with the current WTO rulebook.

Regarding **EU-US relations**, please let me reiterate again our strong commitment to work closely with you on the transatlantic agenda and ensure that the most important trade and investment relationship in the world heads for a fresh start.

As mentioned in our position paper we would like that the EU and the US work more strategically. We propose a formal, high-level platform for strategic dialogue on trade and economic cooperation that spans across EU institutional cycles as well as changing US administrations. The two sides should bring in the right political weight, at a level that reflects the importance of transatlantic relations. Hopefully in this way we will be able to prevent disputes and address problems at an early stage.

We need a strategy that allows not only to unleash the potential of the relationship, but also to resolve the disputes that have been increasing lately. Our work should span across three areas: bilateral, multilateral and unilateral.

On the **bilateral agenda**, we are still confident that an agreement eliminating or reducing tariffs on all industrial goods is possible. Only once such agreement is reached, the two sides could explore additional agreements on services, digital trade and other

components such as agricultural tariffs, public procurement and investment. In parallel, we should continue to explore what can be done on regulatory cooperation and conformity assessment.

On the **multilateral front**, we need to step up the trilateral efforts (EU-USA-Japan) regarding industrial subsidies and bring a formal proposal for discussion with the other WTO members. An effective WTO reform agenda also needs stronger cooperation between the EU and the US, namely on China-related issues.

On the **unilateral dimension** both sides must consider the impact that laws, regulations and unilateral actions, have on transatlantic relations and on business operations. Legal certainty is key for business and therefore the two sides should keep each other informed of any actions that could potentially impact transatlantic trade and investment.

Last but not least, although supporting dialogue and negotiated approaches, the EU must also take a firm stance in defending its interests. Whether it is 1) in response to unilateral measures not supported by a WTO decision or 2) in response to measures that are legally permitted like in the Airbus/Boeing dispute, the same principles should apply: the EU must be ready **to react promptly, proportionally and effectively** when there is negative impact on the European economy. Any EU measures should be: WTO-compliant, safeguard the interests of the EU, considerate of value chains and wider EU policy objectives. Finally, measures should be taken in close consultation with the European industry to minimise the impact on non-related sectors.

We are at a pivotal moment for our bilateral relationship and for the multilateral trading system the EU and the United States have helped to create. We must not miss the opportunity to act strategically and together outline a positive agenda that can be beneficial for both sides of the pound.

We very much look forward to work closely with you and your services in this and other trade related issues and specifically discuss the issue on carbon border adjustment and free allowances further.

Yours sincerely,

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