

Necessary Actions on the EU single market and in International Trade, as result of COVID-19

Clearly, efforts to combat the global COVID-19 crisis must primarily be directed towards human health. Yet we must not ignore the reality that this is also a crisis for the economy and for jobs. International trade has already been hit hard. This makes it vital that we analyse how we can best constrain the wider economic effects and support companies both within and outside the EU.

We have already seen governments around the world make decisions with a direct impact on trade, investment and global value chains. Some countries outside the EU have lifted duties on medical equipment - a positive move that can hopefully help facilitate trade and bring medical products and equipment to those who need them the most. Yet at the same time, an increasing number of countries are imposing export bans on personal protective equipment and medical equipment. Some countries are even considering temporary export bans on core foods such as rice and wheat.

Sweden is striving to ensure the integrity and function of internal market remains; a fragmented internal market will undermine and weaken companies, threatening jobs in both the short and the long term. Some 1.3 million jobs in Sweden rely on exports, of which 700,000 are directly attributable to the EU's internal market. In addition, given the global value chains of companies, it is also important to favour international trade and - wherever possible - avoid any measures that may further complicate trade. In this regard, the Confederation of Swedish Enterprise wishes to highlight the following proposals. The list is in no way exhaustive - more measures may well be needed.

Facilitate border crossings for transport

- Facilitate administration at borders to speed up transport of goods. The 'Green Lanes', introduced by the European Commission, where trucks should be able to bypass the lines arising as a result of the new border controls between EU Member States, are greatly welcomed. It is vital that these are strictly monitored to ensure that they function effectively. We want the European Commission, via the Council, to be mandated to pinpoint and help Member States solving border crossings where the Green lanes are not working as intended.
- The lockdown of society, barriers at border and travel restrictions has seen the market for domestic and foreign passenger transport collapse. It is also adversely affecting freight transport. The lockdown has constrained industrial production, and in some cases even shut down production completely. As a result, inter-reliant industries, such as vehicle manufacturers and repair shops, are sometimes unable to obtain components and spare parts. Targeted measures for all types of traffic are essential if we are to preserve the most important transport routes.

Aviation meets the requirements for fast, time-critical domestic and foreign travel and cargo transport; this sector needs immediate support.

Horizontal support to the transport sector can be delivered in a number of ways:

- Targeted support or procured traffic.
 - Authorities and businesses freezing any increases to charges and fees until 2021.
 - The EU should facilitate air freight. As soon as health authorities give a green light, travel restrictions must be lifted for flying personnel in order to reopen airline routes. Travel rights must be secured for essential transport and fees for air cargo should be suspended during the crisis. At the moment, large parts of Europe's passenger fleet are grounded; this represents capacity that could be deployed effectively for forthcoming air freight transport.
 - Freight train traffic needs to be given greater priority. An example of good practice is in Norway, where intermodal trains are currently given precedence. This is important for increasing the proportion of combined transport, maximising the use of resources.
- The European Commission should work with neighbouring countries to establish the equivalent of Green lanes at the EU's external borders. The drivers that make international trade feasible must be allowed to cross borders to ensure the entry of much-needed goods and materials. Given that shortages have rendered large parts of the EU's own production out of operation, suitable arrangements are vitally important.
 - A shortage of shipping containers is in some geographical areas creating bottlenecks and increasing transport costs, making many exports unprofitable. Some products, such as cars that are normally shipped via ports are now held in stock instead, while low unit-value wooden products are now unprofitable to ship. State aid to cover the increased costs could assist in the relaunch of supply chains.

Ensure key competences / mobility of persons

- Many companies are dependent on being able to move staff with key competencies between their operations in different countries. Examples include crews on ships as well as operational, maintenance and service personnel. The EU needs to ensure that the people with these key competences can cross borders as required, in accordance with the Commission's guidelines on the free movement of workers during COVID-19 outbreak. For countries outside the EU, this will demand diplomatic discussions to lift travel restrictions on impacted individuals with key competences.

- For many companies, the COVID-19 crisis has made it increasingly difficult to find and retain experts and other staff with key competencies. With operations having been shut down or missions terminated, numerous experts that were previously working abroad have been forced to return to their home countries. The business community must be able to attract these experts to return as soon as businesses restart operations.
- To facilitate the travel of staff with essential work that requires them to cross the EU's internal borders, a standardised EU certificate is needed for individuals engaged in essential work (in a broad sense). This should refer to, but not be limited to, occupations listed in the Commission's guidelines for the free movement of workers during COVID-19 outbreak. Personnel with long-term work in another country must be able to cross borders.
- To meet the pressing demand for skilled personnel in agriculture and agriculture-related industries, third country nationals who have been granted, or will soon be granted, a work permit should be given the opportunity to enter an EU country for - among other things - the purpose of ensuring and maintaining essential food production.

Avoid export restrictions

- Member States should strongly oppose all proposals that impose restrictions on the EU single market. The EU has built up mechanisms to facilitate trade and exchange that form the basis for a secure and common market; companies should be able to rely on these. Instead, Member States should work together to secure companies' supply chains to help meet each other's needs in these times of crisis.
- The EU ban on exporting personal protective equipment to third countries poses potentially major threats. Even temporary export bans risk generating mistrust, destroying trade relations and may even lead to a protectionist spiral that sees a further escalation of export bans. It risks access to protective materials, in the EU as well as in other countries, in the event of any future outbreak – and leaves developing countries at particular risk. The fact that an increasing number of countries are introducing export bans on protective equipment and medical equipment is problematic and concerning. Such actions ignore global value chains and create bottlenecks for production by locking inputs within countries. Similarly, food export restrictions are counterproductive and must be avoided. The EU should consider, in partnership with likeminded countries, the possibility of raising this issue in a joint statement or in international forums such as the OECD, WTO or UNCTAD.

Suspend duties on protective equipment and medical equipment

- We welcome the European Commission's proposal to temporarily remove import duties and VAT on protective equipment and medical equipment. These exemptions should also be extended to certified private health care entities.
- The EU should urge all countries– at least temporarily – to remove import duties on medical equipment and protective equipment. Some countries, particularly developing ones, currently have high tariffs in place on such products.

Suspend duties on input goods in shortage

- The EU should suspend import duties on those third-country input goods where there is a serious and proven shortage within the Union. Many companies depend on imported inputs for their production; with factories in the EU currently closed, this is creating a shortage of a range of components.

Suspend requirements for certificate of origin for certain goods

- When production in the EU is limited and companies need to import inputs from third countries, it can be difficult for exporting companies to comply with the rules of origin set out in the EU's free trade agreements. An agreement with our FTA partners on how we can temporarily accommodate a higher third-country content in products, preferably by removing the certificate of origin requirement for specific products for a limited time, would be valuable. This would allow companies to continue to trade within the FTA and would support manufacturing and production.

For more information, please contact:

Cemille Üstun – cemille.ustun@svensknaringsliv.se
Ingrid Berglund – ingrid.berglund@svensknaringsliv.se
Anna Stellingner – anna.stellingner@svensknaringsliv.se

or Swedish Enterprise's EU-office in Brussels – brussels@swedishenterprise.se