

Feedback by the Malta Business Bureau towards the European Commission's EU Trade Policy Review

November 2020

General Setting

The Malta Business Bureau believes that the EU's trade policy is very relevant in practice for Maltese businesses and local. It is therefore pleased to provide its input towards the European Commission's EU Trade Policy Review.

Being part of a small open economy, Malta depends almost entirely on international trade for both imports and exports. As a country that can never be self-sufficient, it is directly impacted by anything that goes on internationally, many times, without having any control on developments.

The International Scene

The MBB recognises that the last years have been far from serene for the international trade environment, due to several economic and geo-political tensions. The United States has gradually become more protectionist; China, with a centrally controlled and heavily subsidised economy, has become more influential globally; the uncertainty created by Brexit; and more recently the COVID-19 crisis.

The MBB is concerned how the complex but ordinary way of governance in international trade has been challenged with unilateralism superseding multilateralism. It regrets that the world's the World Trade Organisation (WTO) became partly dysfunctional since the failure to renew the mandate of its Appellate Body last December, rendering this dispute resolution body, an essential function for international trade, effectively void.

The Interdependence of International Trade

International trade breathes life and is intrinsically linked to the real economy, particularly because of supply chains that have evolved with globalisation over the last decades; but not just. The MBB notes for instance, how two dispute cases adjudicated by the WTO, the United States Airbus case against the EU, and the EU Boeing case against the United States, ultimately impact several companies from economic sectors totally unrelated to the aviation sector as a result of the counterbalancing measures imposed by both parties on each other through higher tariffs on imports.

In light of all developments in international trade, the MBB strongly believes that Malta has an interest in seeing a strong European Union using the leverage of representing a market of 500 million consumers when participating in international fora to shape global rules for trade, as well as when negotiating bilateral free trade agreements with third countries. The EU is in a better position to obtain good trading conditions for Maltese businesses looking to import and export, by bringing tariff and non-tariff barriers down to increase our competitiveness.

The Case for SMEs

The MBB notes the arguments made by some stakeholders that trade agreements work more for the larger multinational companies and less so for SMEs. In Malta's case, where the fabric of the economy is made almost entirely of SMEs and microenterprises, it is more important that the EU ensures that opportunities for trade are open for companies of all sizes. The main purpose of trade agreements is to reduce the cost of doing business abroad, and the MBB believes that SMEs require special support to make good use of such agreements, particularly because of their often lack of experience trading with third countries, and the different rules and culture of doing business.

The MBB acknowledges the EU's efforts on this so far. To start with, recent trade agreements have included an SME chapter to improve transparency and increase access to information, which is a positive development, yet experience shows that more monitoring and enforcement is required as SMEs reportedly continue struggling to access procurement opportunities in third markets for instance, where barriers often remain, despite the trade agreements.

Bringing Down the Barriers

The MBB considers that more visible information on the applicable legal frameworks and data on FDI flows would be useful to help SMEs make better-informed decisions. Ideally, rules in trade agreements negotiated with different partners are aligned as much as possible, to create a level playing field for SMEs that wish to compete globally. Also, SMEs would be able to make better use of trade agreements if there are less administrative burdens in determining rules of origin for instance to benefit from preferential tariff rates. For this, the Commission should ensure that its Market Access Strategy is implemented effectively and, in this respect, the MBB welcomes the recently launched Access2Markets platform.

Trade agreements are pointless if they remain on paper, and on the implementation side, the MBB acknowledges that the responsibility does not only lie with the EU, but also on local public authorities and business representative organisations, to promote opportunities offered by EU trade agreements extensively. More can be done to inform SMEs about opportunities of internationalisation and encourage them to do business outside the EU. By working together, relevant national Governments and local consortiums of the Enterprise Europe Network (EEN) can expand the information and advisory services to reach more companies.

However, together with reducing barriers to trade as well as promoting trade opportunities, both at EU-level and on the local front, companies also require continued access to finance to make a step towards international markets. This can be made possible by tailored EU financial instruments made available through local financial intermediaries, and also by ensuring an efficient banking system that serves the needs of local businesses looking to internationalise, with an uninterrupted access to international transactions in multiple currencies.

As the international economy goes through a slowdown, we need to ensure that companies are prepared to make best use of tools available to them, including EU trade agreements with

third countries, to look for and find new opportunities that will allow them to sustain operations and diversify markets, in order to position themselves strongly beyond the COVID-19 crisis.

For more information please contact EU Affairs Manager, Daniel Debono from the Malta Business Bureau's Brussels Representative Office on:
infobrussels@mbb.org.mt



Business Support on Your Doorstep