

# Update: EU Trade Policy

CECIMO, 5 July 2022

## ► EU INTERNATIONAL PROCUREMENT INSTRUMENT

On 23 June 2022, the European Union adopted the **International Procurement Instrument (IPI)**, and the new trade policy tool will come into force on the 60th day following its publication: on **29 August 2022**. The general objective of the IPI is achieving reciprocity by opening third-country public procurement and concession markets and improving market access opportunities for Union economic operators, goods or services.

### Basic steps:

- In cases of alleged discrimination by a third country of EU companies in foreign procurement markets, the Commission initiates a **public investigation**.
- When this investigation finds discriminatory restrictions, the Commission will invite the country concerned to **consult on the opening of its procurement market**.
- Based on the results of the investigation and the consultation with the third country, the Commission may **suspend the investigation or adopt an IPI measure**.

It is important to highlight that an **IPI measure** shall only apply to public procurement procedures with an estimated value above a threshold to be determined by the Commission. In any case, that estimated value should be:

- for **works and concessions**: equal to or above EUR 15 million (excl. VAT);
- for **goods and services**: equal to or above EUR 5 million (excl. VAT).

To help public authorities implement the IPI, **the Commission will publish guidelines** with a particular focus on SMEs. However, for a better overview of the process, measures and exceptions, please consult [Regulation \(EU\) 2022/1031 of the European Parliament and Council](#).

It is important to highlight that new trade policy tool would be relevant for the Machine Tool Industry as EU companies face an uneven playing field in several third countries due to difficult access to public procurement and lack of transparency.

As previously mentioned, the new trade policy tool will enter into force on 29 August 2022 and **CECIMO will monitor and update our members on the Commission's guidelines as they become available**.

## ▶ CBAM ADOPTED BY EU PARLIAMENT

The **EU Carbon Border Adjustment Mechanism (CBAM)** is part of the “Fit for 55 in 2030 package”, which is the EU’s plan to reduce greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels in line with the European Climate Law.

When implemented, EU importers will have to declare annually the quantity of goods and the amount of embedded emissions in the total goods they imported into the EU in the preceding year, and deliver the corresponding amount of CBAM certificates.

In a session held on **22 June 2022**, the **EU Parliament** voted to adopt its [position on the CBAM](#).

### Key takeaways:

- **Extended product scope of CBAM:** In addition to the products proposed by the Commission (iron and steel, refineries, cement, organic basic chemicals and fertilisers), Parliament wants CBAM to also cover organic chemicals, plastics, hydrogen and ammonia. Moreover, Parliament also wants to extend CBAM to include **indirect emissions**, i.e. emissions deriving from the electricity used by manufacturers, to better reflect CO2 costs for European industry.
- **Extension of the transition period, but complete implementation of CBAM earlier.** The CBAM transitional period is to still start on 1 January 2023 but is to end on 1 January 2027. Parliament is now proposing ending free allowances in the EU Emissions Trading System (ETS) by 2032 – three years earlier than proposed by the EU Commission.
- It is considered to implement an export adjustment mechanism (ETS).
- The European Commission is requested to submit, by 31 December 2025, a report containing a **detailed assessment of the impact of the EU ETS and CBAM on EU industrial sectors**.
- The need for a **centralised EU CBAM authority** to be responsible for the implementation of the CBAM (rather than having 27 country level authorities).

### Next steps:

- The EU Parliament will start negotiations with the EU Council on the CBAM and the proposed changes to reach agreement on a final legal text.
- These negotiations and consultations may take until the end of 2022.

**CECIMO's position** is that the EU Carbon Border Adjustment Mechanism (CBAM) must guarantee a minimum impact on the competitiveness of European manufacturing. CECIMO therefore welcomes the fact that Parliament is asking the European Commission to evaluate the impact on downstream users.

## ▶ EU-NEW ZEALAND TRADE AGREEMENT

The European Union concluded negotiations for a comprehensive and ambitious trade agreement with New Zealand on **30 June 2022**. According to European Commission press release, bilateral trade is expected to grow by up to 30% thanks to this deal, with EU annual exports potentially growing by up to €4.5 billion. EU investment into New Zealand has a potential to grow by up to 80%. The deal can cut some €140 million a year in duties for EU companies from the first year of application.

For the **European MT sector**, New Zealand is seen primarily as an **export destination** for CECIMO countries. Therefore, it is important to highlight that the agreement removes duties on EU goods exports to New Zealand at its entry into force. For example, New Zealand will remove high duties on industrial products, such as:

- Cars and motor vehicle parts (current tariffs up to 10%)
- **Machinery (current tariffs up to 5%)**
- Chemicals (current tariffs up to 5%)
- Clothing (current tariffs 10%)
- Pharmaceuticals (current tariffs up to 5%)
- Shoes (current tariffs up to 10%)
- Textiles (current tariffs up to 10%)

Of course, the agreement will remove or significantly reduce EU tariffs on most New Zealand goods exported to the EU.

### Next steps:

- The negotiated draft texts need to go through legal revision and will be translated into all official EU languages. Following that, the European Commission will submit the agreement for signature and conclusion to the Council.
- Once adopted by the Council, the EU and New Zealand can sign the agreement.

## ▶ CZECH PRESIDENCY OF THE COUNCIL OF THE EU: FREE TRADE AGREEMENTS

The Czech government set out its [priorities for its EU Presidency on 15 June 2022](#), focusing on five closely linked priority areas:

- Managing the refugee crisis and Ukraine's post-war recovery
- Energy security
- Strengthening Europe's defence capabilities and cyberspace security
- Strategic resilience of the European economy
- Resilience of democratic institutions

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Within the framework of the strategic resilience of the European economy, the Czech Presidency will work to **speed up the process of concluding trade agreements** with democratic states and on deepening transatlantic cooperation in the framework of the EU-US Trade and Technology Council (TTC) with a focus on strategic cooperation, including joint measures for supply chain resilience.

This approach could lead to positive developments in the negotiations and conclusions of the FTA, in particular with regard to Latin American countries and Australia.

In line with statement from March 2022, CECIMO remains committed to **free and fair trade and strongly supports EU FTA negotiations**. In view of the present geopolitical and economic situation, CECIMO looks forward to more positive developments in this area during the Czech and later Swedish EU Presidency.

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