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CITHA- European Confederation
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Associations

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POSITION PAPER

Europe can do better!

Today, the European Union is perhaps in the most serious crisis since its foundation. 24 years after the Lisbon Strategy was adopted with the aim of making the EU the most competitive and dynamic knowledge-based economic area in the world, we are further away than ever from the targets we set ourselves. In view of the geopolitical and geo-economic situation, we need a united, strong, competitive European Union more urgently than ever. CITHA is therefore in favour of a clear change of course.

As a medium-sized, internationally active economic sector, we are strongly support a business-friendly, open, transparent, defensive and modern Europe that gives its citizens and companies more freedom to act. The EU must change dramatically if it is not to be permanently left behind in competition with the other economic areas of the world. It must become better, more dynamic and bolder. These goals cannot be achieved with more state intervention and more regulations, but with more freedom and less regulation. Compared to other major industrialised economic areas in the world, the European Union is probably the most undynamic, least competitive and, above all, most over-regulated location in the world today.

Over the past five years in particular, Brussels' bureaucracy has left Europe's citizens and companies far behind and overwhelmed them. The original fundamental freedoms of the internal market are now disappearing behind complex requirements, reporting obligations and excessive state control. Programmes such as the "Green Deal" do not provide incentives to do the right thing, but instead force economically dubious action through unattainable ecological targets, which is shaking Europe's industries. Important political decisions for better framework conditions, especially with regard to digitalisation, are being delayed or only half-heartedly pursued. The entire necessary path to a more climate-friendly economy and society is being discredited by incomprehensible political guidelines, piecemeal regulation and forced transformation. As a result, the EU, Parliament and Commission are gambling away the trust of European companies and citizens in the usefulness of these institutions. As a result, the EU now has a huge acceptance problem. Companies and researchers are moving away, and criticism of Europe is increasing significantly in all member states. Anti-

European and populist forces are on the rise. The EU, once the world's greatest project for peace and freedom, is increasingly becoming a prime example of mismanagement and bureaucratic incrustation. Instead of being modern, open and dynamic, the EU today appears fossilised and brittle. Europe's much-vaunted market power is of little use if other markets have long since overtaken us.

The CITHA positions are therefore as follows

1. Free trade instead of protectionism

What is needed now is an ambitious foreign trade policy that improves and facilitates access to new markets. Above all by concluding new trade agreements with focus on trade. They are one of the most important elements in strengthening resilience and competitiveness. We cannot afford protectionism. However, a strong voice in favour of free trade has recently been missing both in the European Parliament and in the EU Commission.

2. We need better legislation

The demand for less bureaucracy is and remains an issue. SMEs in particular are usually completely overwhelmed by tight deadlines and ever-increasing reporting obligations, for example due to the latest EU-regulations, such as CBAM, DFR, CSDDD or CSRD. It is time to think first about the capacities and potential consequences for small companies instead of assuming the possibilities of a corporation. The EU needs better and well thought-out draft legislation. First and foremost, this requires a better understanding of the sectors and industries as well as the capacities of smaller companies and possible indirect consequences. Blanket proposals without qualitative empirical evidence or consultation processes that are too short cannot lead to well thought-out proposals. Moreover, a qualitative impact assessment must not only be carried out before the Commission draft. We also call for a cost assessment of the bureaucratic burden on companies. EU legislation is usually prepared and adopted independently of each other, which leads to legal and planning uncertainty for companies

3. Longer deadlines for implementation

Legislators often forget that the actual implementation is carried out by the companies. SMEs in particular need one thing: time. The majority of SMEs do not have their own legal department and have to provide new resources for the legal regulations.

4. Simplification of the framework conditions for corporate financing

The stability of the financial markets and financial institutions was increased by expanding the requirements for financing institutions. However, the subsequent coronavirus crisis has shown that various of these regulations have exacerbated the crisis - especially in the SME sector.

The digitalisation of the euro could also be helpful. A digital euro would be a truly pan-European payment solution that is accepted everywhere in the eurozone. For retailers, it would be a simpler and more cost-effective alternative to the current fragmented payment landscape. The digital euro would strengthen the negotiating position of retailers vis-à-vis the providers of payment solutions and thus relieve them financially. These cost reductions could then be passed on to customers. In addition, secure real-time payments could be made with a digital euro.

5. Infrastructure expansion in the internal market

Europe's companies are absolutely dependent on a functioning infrastructure. It is a competitive advantage and at the same time the basis for achieving climate protection targets. As the world's largest economic area, Europe can build up strong resilience against crises, e.g. with a coordinated energy policy and a cross-border energy infrastructure.

6. Better digital policy for a better economic policy

Europe has lost out as a location for digital technologies and AI. Economic areas such as the USA, Canada, China and India have been proven to offer significantly better conditions for the development of technology-based companies. In addition to a lack of venture capital, Europe also makes it difficult for technology companies to grow healthily and competitively due to legislation. Future economic growth in Europe depends more than ever on technological competitiveness. The fact that Europe is hindering the development of this competitiveness through over-regulation is unacceptable.

7. Protecting trade routes and the EU's external borders

As a trading continent, the European Union relies on the secure and uninterrupted movement of goods, people, capital and services to supply its economy and population. However, the constant availability of many basic and raw materials, the import and export of intermediate products, finished goods and secure sales channels on the global market can no longer be taken for granted. The same applies to peace and secure external borders in Europe. The EU has not yet found a convincing answer to this, and the Common Foreign and Security Policy (CFSP) has only been developed

hesitantly for years.

8. Fair promotion of labour and services mobility

The free movement of labour and the freedom to provide services must not fall victim to the new protectionism that is also spreading in the EU. A successful internal market cannot function without these two important pillars. However, the increasingly complex and bureaucratic European rules on the posting of workers jeopardise precisely these two fundamental freedoms.

9. Introduce a discontinuity check for EU legislative processes

The EU sometimes suffers from never-ending, complex legislative procedures. In the triangle between Parliament, Council and Commission, the processes for discussing and adopting directives and regulations take a very long time. These processes often extend far beyond the end of the respective legislative period and are then continued as negotiation stages by parliaments and commissions whose composition and agendas have long since changed. It should be examined whether a mandatory review clause could help to set an automatic end date for lengthy legislative processes, unless the Council, Parliament or Commission agree to extend the consultation period.



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About

CITHA - the European Confederation of International Trading Houses Associations – is an umbrella organization of various national associations being its members. In 2005 CITHA became an NGO registered in Brussels by decree of the Ministry of Justice and as such is recognized by important international institutions like the World Bank, IMF, UNCTAD, OECD, WTO, EU Commission, etc.

CITHA represents the interests of companies in wholesale and foreign trade at national, European and international level. It is committed to openness to the world, free competition in a liberal, market-based economy and responsible entrepreneurship. CITHA focuses on problems affecting international trade and represents and promote the interests of international associations of trading houses and of their members. Finally CITHA acts as spokesperson for operators in the field of international trade regarding European authorities and supra-national institutions.

