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Statement from the EBO WWN on EU support for EU Business Abroad

The EBO WWN offers its views on three complementary aspects on the internationalisation of EU businesses:

- (i) The EU's role in helping the internationalisation of European businesses in the context of EU economic diplomacy.
- (ii) The development of EU business support structures in third countries.
- (iii) Some experience sharing and considerations for EBOs with regard to their own development, cooperation with the EU, and support for EU business.

1. How can the EU use economic diplomacy to help companies in third markets?

Third markets remain a key source of growth for the EU and EU companies. The EU and its member states can support EU companies to succeed in third markets by ensuring market access and engaging in trade promotion. The EU should also ensure that the values that it attaches to fair trade and investment, including the principles of reciprocity, are respected by the partners that wish to do business with the EU.

Despite differing opinions about the role, approach, and type of instruments the EU and its member states use, reducing support is not the answer.

While recognising the principle of subsidiarity of member states and their competency for trade promotion, the economies of scale and the branding that the EU can provide to all member states is too great an opportunity to be ignored. Many smaller member states do not have the capacity to support and facilitate market entry and trade promotion, even in key markets. SMEs from smaller member states in particular benefit from EU-driven initiatives. **The EU should continue to support the European trade promotion agenda abroad with member states, and in partnership with European business organisations on the ground.**

Example 1: The recent circular economy mission led by Commissioner Vella to China, in November 2016, brought together over 70 companies and industry organisations. The visit was well planned in advance and included elements of both trade policy and promotion.



Companies met with relevant EU entities on the ground such as the EBO China, the EU SME Centre, and the China IPR SME Helpdesk. Companies were also informed of other initiatives such as the EU Gateway programme, which has now added a circular economy mission in 2017 as a result as part of its programming. Outreach in Europe was done before the trip with a briefing to trade promotion organisations as well. It essentially leveraged many elements within the EU's economic diplomacy tool box.

2. *Should, and how, can EU funding facilitate the creation of EBOs and EU business structures?*

Traditionally, EBOs have developed organically, led by local European business on the ground. As a result, EBOs tend to have different governance models (see question 3).

While this traditional approach is favoured by the EBO WWN, the EBO WWN recognises that there may be opportunities to jump start EBOs or introduce an EU business structure in new markets via the support of the EU. In such cases, there is a common starting point: **consultation with European business on the ground**. The EBO WWN can also facilitate as it is a source of best practices and offers opportunities for EBOs to meet twice a year through the support of DG Grow.

Even when EBOs already are in place locally, the EU can provide value-added support to existing EBOs through programming activities.

2a. in instances where there is no local organisation, member state chamber or EBO, and where a case can be made for their creation, such organisations would be best developed under a European banner. There are numerous countries in Africa, for example, where this is particularly relevant.¹ If there is risk of competition with any existing European or member state organisation, then such support or funding should be limited to activities that do not overlap or that are developed in partnership with the local players.

2b. Specifically, the EU should refrain from creating organisations that compete with existing European organisations that have been developed organically and with business support (for example, in Thailand an EU-funded business structure was launched when an existing EBO was already present).

2c. In such cases where an EBO already exists, the support should be activity based, preferably with a focus on advocacy and regulatory issues such as the IPR SME Helpdesk projects in China, Latin America and Southeast Asia, but also on trade promotion related activities such as the Gateway Projects. In both cases, all activities should be done in line with the identified needs of local business support organisations and their businesses.

¹ Nigeria, Morocco and Rwanda have been identified as good countries for the development of EBOs. However, consultation with the EUD and business locally should confirm this before any action is taken.



2d. Activity-based projects for large scale projects should be done through public tenders. However, for smaller scale activity-based activities, such as promoting the benefits of an FTA agreement, surveying the business community, ad-hoc research, sub-contracting or negotiated tenders should be used and the EU Delegation in the specific country should be in a position to advise how best to do so.

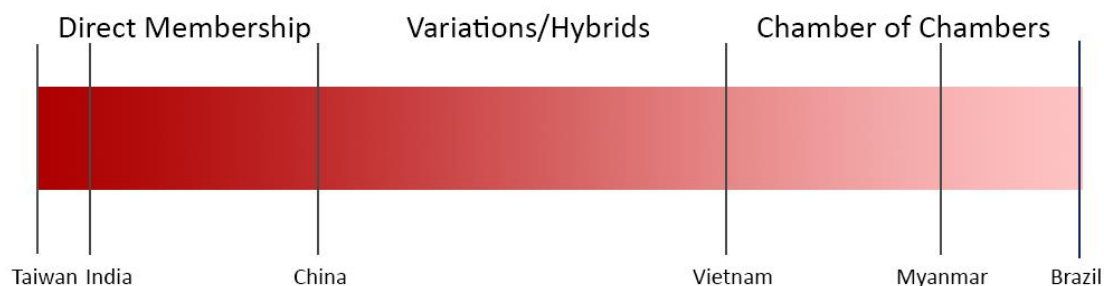
3. *What different types of EBO structures are there abroad and which ones work best?*

Regarding governance structures for European business organisations, the EBO WWN respects the right for businesses on the ground to determine the structure that best suits the situation within the local business community. The governance structure of an EBO can also change over time depending on the will of the board and the needs of the membership. Within the EBO WWN membership, there are three types of governance structure that vary somewhat in nature, but can be broadly grouped as:

- 1) Direct membership European Chambers;
- 2) Chamber of Chambers; and
- 3) Varying hybrid versions of 1) and 2).

The experience of our members is that from an operational and financial perspective, **the direct membership structure of a European Chamber is the most efficient, effective and viable.**

However, the EBO WWN recognises that the **political and historical realities** are not necessarily conducive to such structures in some countries. In such instances, although still challenging in terms of multiple stakeholder management, a hybrid version may be the better or only option.



Example 1 >> Direct Membership >>: Governance Structure of EBO Taiwan

Fifteen directors and five alternates are elected at the annual general meeting (AGM) to the EBO Taiwan board annually. No bilateral chambers or trade offices/embassies are eligible to run, only company representatives. There are furthermore no observers on the board. The newly elected board elects the chairman who is eligible



to serve for a maximum period of two consecutive years (but must be re-elected after year one). There is no time limit on serving as a director.

Example 2 >> Direct Membership >>: Governance Structure of EBO India

There is a founding board of three directors, with no executive powers, which exists to meet local company structure requirements. There are four chapters – Delhi, Mumbai, Bangalore and Chennai. Elections are held every two years where members of the chapter vote to elect a chapter council. The chapter council elects its chairperson. The chairperson becomes an automatic member of the national council, which is the overall governing body for EBO India. The national council is led by a chairperson and vice chairperson elected by the members of the national council.

Example 3 >> Variation/Hybrid >>: Governance Structure of EBO China

The executive committee is comprised of a minimum of nine people. They include four directly elected positions from the membership including: a president, three vice presidents and a treasurer; three representatives of the member states elected by corporate representatives of bilateral chambers of the 28 member states, and a secretary general. Additional vice presidents are added to the board from any of the six Chapters if they have 10 per cent of the Chamber's membership or more. The head of the trade and investment section of the EU Delegation sits on the board as an observer. Each board member has a two-year term that can be renewed once.

Example 4: >> Variation/ Hybrid >>: Governance Structure of EBO Vietnam²

The executive committee is comprised of up to 16 people. The term of the executive committee is one year. There are, however, discussions on reducing the number of people on the board and increasing the term to two years.

Each bilateral and regional European chamber that has entered into an affiliation agreement with the EBO Vietnam *and* has more 30 members is entitled to send a delegate to the executive committee. The remaining seats on the executive committee are for independent candidates that run for election at the AGM. Within the executive committee, one chairperson is elected by the members, with one deputy chair and several vice chairs being appointed with various working group requirements.

Example 5: >> Chamber of Chambers >>: Governance Structure of EBO Myanmar

² All affiliated bi-lateral and regional European Chambers contribute 40 per cent of their collected membership fees to the EBO Vietnam. The contribution by affiliated bi-lateral and regional European Chambers is intended to cover advocacy costs. Currently five out of eight affiliated bi-lateral and regional European Chambers share offices and meeting room facilities with EBO Vietnam, which enhances communication, coordination and transparency.



The board of directors is composed of a minimum of three directors: two directors appointed by the France-Myanmar Chamber of Commerce and Industry, one of whom will be appointed the chairperson of the board, and one director nominated by Eurochambres and the EuroCham executive director, as an ex-officio member with non-voting rights and secretary of the board; new partners in the consortium will be entitled by right to a seat on the board.

Example 6: >> Chamber of Chambers >>: Governance Structure of EBO Brazil

The EBO Brazil is an umbrella organisation following a rotation system in its registered, non-profitable corporate structure. Only bilateral chambers are its members and the board is voted and renewed every year, where the current chair is replaced by the first vice chair, with him/herself becoming the second vice chair.

At the general assembly the representatives of the bilateral chambers vote for the financial director and secretary general positions as well. The latter is traditionally somebody suggested by the chairperson. The companies are members of bilateral chambers and only they can apply for EBO Brazil membership.

This is a typical Latin America structure, due to the strong roots of the bilateral chambers, which have functioned for hundreds of years, whereas the EBO Brazil only came to force after its founding in 1999.

4. Where should the EU place its priorities, with which partners and how?

In terms of priorities, recognising the competency of the EU Commission for trade and investment policy, it should focus its efforts on **advocacy, market access and regulatory issues first**, and trade promotion second as an important complement. **European business organisations should be considered as a key partner in both fields.** However, it is also recognised that there are other actors in third markets that may be well positioned to play a partner role as well. In such cases, however, the EU has an important role to play in ensuring that **coordination and transparency** takes place for any such activities:

Example 1: The EU maintains policy dialogues with many countries around the world. These policy dialogues should be supported and advanced by ensuring that any proposed initiatives and activities coming out of them have access to the resources they need ensure that they can be undertaken and completed in a meaningful and sustainable way. Such dialogues and proposed activities need to involve industry, i.e. EBOs, across the stages of needs assessment, idea generation and implementation.

Example 2: The EU-China Trade Project was a technical assistance project than ran from 2004 to 2015. Project activities supported the Chinese Government's trade reform and sustainable development agenda by working under the EU-China economic and trade dialogues to promote fair competition and value for consumers; facilitate harmonisation



with international standards and promote safe products; improve food safety and quality; modernise customs; encourage a more transparent legal environment, and work towards transparency, good governance and sustainable development. Although the programme was implemented by an independent private sector company, it worked closely with the EBO China in the prioritisation and implementation of activities on a sub-contracting basis. One of the value-added elements of this project was also the flexibility it had to adopt activities during the course of the project based sudden regulatory/market developments.

Example 3: The EU has worked hard to negotiate free trade and investment agreements with key partners around the world. Coordination with the European business organisations on the ground in third markets is critical for prioritising the strategic areas of strategic interest to the EU. However, the coordination should not stop at just consultation. Ideally during the implementation preparation, and once such agreements are signed, it is then essential to promote the increased opportunities more widely to businesses. This again should be done in coordination with European business organisations, with adequate funding being made available through a transparent tendering process to promote the final results that have been achieved and opportunities that have been created e.g. by publications, online resources, events and media campaigns.

In some countries, both the opportunity to promote the agreements and coordinate with local European business organisations have been missed. However, in Vietnam, where one of the first new generation, comprehensive FTAs was agreed, the close cooperation between the EU Delegation and EBO Vietnam throughout the different stages of negotiation, and now preparation for implementation, can serve as a positive example.

5. *Where should the EU place its geographical focus?*

In terms of **geographical focus**, the EBO WWN recommends a strategically balanced approach that first considers the estimated economic value of the third market to the EU. This should be based not only on the size of the economy and its GDP per capita, but also the potential for European investment and trade, the likelihood of success of the EU's economic diplomacy efforts being translated into actual increased market opening, and the likelihood and value of business success for the EU's trade promotion efforts.

Second, recognising the reality and importance of geo-political, economic and environmental developments, the strategic location and resources of some countries to the global supply chain, and ad hoc shocks to which no single country is immune, the EU must also ensure its efforts are geographically diverse and consistent with the trade and investment values it upholds. This will ensure a more inclusive approach for business and contribute to the wider focus of the EU's economic diplomacy efforts.

6. *What should the EU do following the completion of certain EU business support structures in 2018 in Asia (ie ICI+ initiatives)?*



There are several EU-funded pilot projects that support trade promotion, investment and advocacy interests of businesses, especially SMEs (ie ICI+),³ that will end in 2018. Lessons have been learnt, corporate knowledge and networks have been built, and many companies have been well served.

One clear finding is that such projects are **not financially sustainable** on their own. The project planning and design for such projects has been overly optimistic. The time and energy required to build awareness and coordination around such projects was underestimated. The predictions on the willingness of SMEs to pay for the services of such projects was also in most cases overestimated.

Even with grant funding such projects are unlikely to ever be viable. As a result some EBOs and members state bilateral chambers have unfortunately not joined or joined at a later stage, dropped out, or have been deterred from continuing/joining possible future initiatives due to these legal and financial concerns.

That said, the EBO WWN believes that investment in such initiatives, in most cases, is still worthwhile. The overall success of such projects should not be judged on their financial sustainability, but rather the support and value the projects bring to businesses—in particular SMEs from smaller member states—and to the EU.

Clear roles and responsibilities need to be drawn up by the project implementers. While broad inclusion of all interested business support organisations may be, or appear, ideal, there are clear trade-offs and additional administrative and consensus building costs as the number of partners within a project grows.

However, the cost of inclusivity does have value that goes beyond the project. Simply bringing EU and member states' organisations under one roof or into a single project together can be a catalyst for greater things.

Therefore, with adequate funding and a shared consensus on the recognised roles, responsibilities, and abilities of local, on-the-ground organisations, a 'team Europe' approach can be achieved for the benefit of European companies and the EU.

Example 1: EU SME Centre China

The second phase of this project includes six implementing partners: the EBO China, the bilateral chambers from Italy, the UK (the lead), Benelux, France, and Eurochambres⁴. It is a four-year, co-funded, grant project. Responsibilities are shared among the implementing

³ Overview of EU Instruments, Contributing the internationalisation of European Enterprises, 3/03/2016, : https://ec.europa.eu/growth/industry/international-aspects_fr

⁴ Bilateral chambers from Germany and Spain were involved in the first phase from 2010-2014 but decided not to join the second phase.



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partners based on their area of expertise and interest. The EBO China implements the work package for advocacy and supports in some other profile-raising areas.

Results for phase II thus far include:

- Over 3,600 China business enquiries processed to help EU SMEs and partners better understand the Chinese market and do business in China more smoothly;
- Over 10,000 SMEs and partners have signed up on the Centre's website to access up-to-date China business information and the Centre's services.
- Over 120 publications produced providing China market insights for EU SMEs and partners;
- Over 36,000 event attendees benefited from Centre's expertise and knowledge.