

Director-General's Mid-Year Report 2021

FOR MEMBERS ONLY – not for circulation outside retail & wholesale

July 2021

MESSAGE FROM THE DIRECTOR-GENERAL



This is a year of change in EuroCommerce - and we hope also in the health and economic situation in Europe.

Internally, we were delighted to be able to welcome Juan Manuel Morales as our new President. He is already making his mark with members and staff, and we are all looking forward to working with him over the next 3 years. I would like also to take this opportunity on behalf of all of us to say our heartfelt thanks to his predecessor Régis Degelcke for 3 years of dedicated and inspired leadership of our organisation. We have all very much appreciated his commitment and energy in taking forward our important agenda, and for having driven and completed the merger and integration of the European Retail Round Table into EuroCommerce.

In my 2020 Annual Report, I expressed the hope that 2021 would be less “exceptional” than 2020. Unfortunately, the first few months of the year seemed to offer nothing but more of the same, and particularly non-food retailers and suppliers to the hospitality sector continued to suffer from continued and often unpredictable restrictions. The roll-out of vaccines and reductions in serious infections have in recent months eased the situation, and life is beginning to return to, an albeit altered, normality. The spread of the new delta variant, and with many countries still slow to step up vaccinations, could still reverse this otherwise positive trend. In many ways, however, even if that reversal is avoided, we will perhaps only see the real impact of COVID on our sector once the worst is over, and emergency government support is withdrawn.

Many members have expressed real concern at what shopping areas in our towns and cities will look like, with many SME and non-food retailers, along with cafes and restaurants, unlikely to reopen. National recovery plans under the €750 billion Next Generation EU programme have been approved and the first money will start flowing after the summer. Many of these include digital and sustainability infrastructure which we called for in our Pact for Commerce and will indirectly benefit our sector. It is, however, disappointing to see very few member states addressing the urgent needs of retail and wholesale for help in the digital and sustainability transformation which COVID has accelerated beyond all expectations. We will be working within members over the rest of the year to see how our sector can be helped, at EU and national level, to build on the strong track record we already have in innovation and pressing ahead with making what we sell and how we work sustainable. The successful launch of the Code of Conduct on Responsible Food Business and Marketing Practice, which EuroCommerce and many of our members signed at the beginning of July was another opportunity to show the many initiatives our sector has adopted, also reflected in our #sustainablecommerce website.

We achieved a very strongly positive consumer perception of our sector as providing a real public service in ensuring them a reliable supply of daily essentials and a safe environment to buy them. But memories are short, and we will need to continue our efforts at all levels to improve the perception of our sector – and a better understanding by policymaker and the public what it takes to make sure that the shelves have on them what our customers want to buy.

The Commission has reached the cruising altitude of its mandate, and the stream of major proposals continues, focused on the sustainability agenda under Farm-to-Fork, Circular Economy, Chemicals, Textile, and Fit for 55 strategies, but also regulation of digital activities in the Digital Services, Digital Markets, and Data Acts.

We have been very active on all these fronts, along with seeking to ensure that the review of central competition law serves to allow us to negotiate on behalf of consumers and work together in alliances and other ways, while complying with competition rules. In a number of these areas, we have had to fend off, hitherto successfully, attempts by large brand manufacturers and the farming lobby to constrain us to their own, but against consumers' interests. We also continue in our efforts to get the Commission to take forward work on territorial supply constraints and to focus on the seemingly unceasing effort of large multinational card companies to increase their fees, at a time when many companies in the main sectors which accept cards – travel, hospitality, and ours – face major challenges, in many cases to their survival.

To influence debate in these and many other areas, we have had some 26 meetings and videocalls with Members of the European Parliament and have used the 6 very successful Policy Talks this year to engage with all of the Commissioners involved in the issues of importance to our sector, which we have followed up with their cabinets and the directorates-general involved.

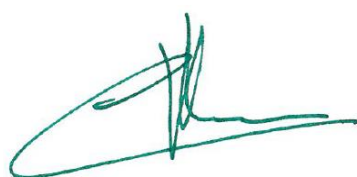
Holding virtual meetings of the Board of Directors and our various committees has shown just how well these discussions can work, and the much higher attendance we can achieve by saving people the trouble of travelling. We have invested in new video and audio facilities for our main meeting rooms ahead of a gradual return to physical meetings to allow hybrid sessions which can

help to maintain the level of attendance we have seen during the pandemic.

Finally, this is likely to be the last report on our activities you will see under my signature. I will be stepping down as Director-General when my successor has been appointed and got his or her feet under the table. A selection committee is working as I write to find an excellent candidate, to whom I know all of you will give your support.

It has been an immensely rewarding experience for me to get to know so many excellent leaders of our important - and all too often underrated – sector over the last 10 years, both in our national associations and our company members.

Our association has faced many challenges in the past and will no doubt face many in the future. All anyone can say with certainty is that, in 10 years, and more likely much sooner, our sector will be very different from what it looks like today. It is our job as EuroCommerce and its many members to shape that future positively and creatively to help our sector to go on serving society and consumers efficiently and competitively to everyone's advantage. By working together, here in Brussels and in our national capitals, we can make sure that retail and wholesale is provided with the right conditions to continue its journey towards a future of doing what we always do: responding to, and driving constantly changing customer demand, providing them with what they want and need, when and how they want and need it.



Christian Verschueren,
Director-General, EuroCommerce



ENGAGING WITH THE EUROPEAN DECISION-MAKERS, MEMBERS AND THE MEDIA

Despite the lockdown, we have stepped up our advocacy on a wide range of subjects with decision-makers in the EU institutions, both on specific proposals and establishing a better understanding of the importance of our sector to the EU economy and society.

In the Commission, we met the cabinets of 7 Commissioners and the Director-General of DG GROW Kerstin Jorna, and lobbied influential MEPs on a range of subjects, including the Digital Services and Digital Market Acts, Product Safety Regulation, single market barriers, circular economy, the reform of the agricultural market, due diligence, and responsible supply chains.



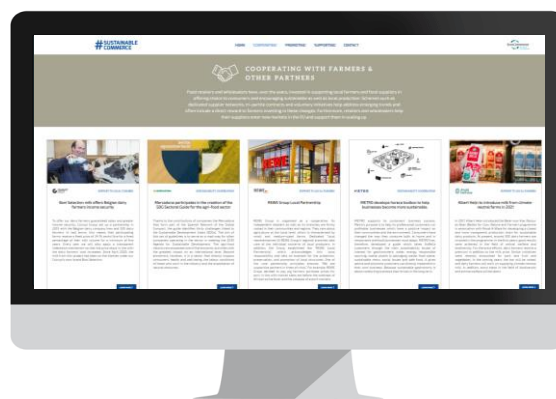
We have continued to be active in the media to get across our messages to a wider audience, with 47 press statements on the economic recovery and the EU industrial strategy, tax, trade policy, circular economy, Farm to Fork, minimum wage, the important role of wholesale, regulation of platforms and the digital economy, and the many events we have organised virtually. These have led to good media coverage of our activities and messaging, with 926 mentions in the printed and online media.

We have been building up our already strong Twitter account @eurocommerce (3,672 followers) to convey our key messages, which have been retweeted widely. We have published 282 tweets and have gained 249 followers. Efforts were also made on raising our LinkedIn account profile (1,787 followers) where we gained 422 new followers. Our members are also increasing their presence in social media, helping to reinforce our profile and our influence, supporting our presence on Twitter and LinkedIn.

We have just issued our “Value of European Retail Factbook”, both in its [full version](#) and an easy to read [graphic version](#) reflecting the wealth of data in the factbook along with the reasons why our sector is important to the EU economic and social fabric of Europe.



We also launched our very successful [#sustainablecommerce website](#) highlighting the many valuable initiatives adopted by our companies to support farmers and other partners, encourage sustainability and healthy lifestyles, and promote sustainable practices.



EVENTS

Despite the lockdown, we were able to hold - virtually - our fourth European retail/wholesale leaders' meeting, with a speech and question and answer session with Internal Market Commissioner Thierry Breton. The discussion covered the Commission's ecosystems approach, recovery programme and the need for support to our sector, and problems in the single market, including in CEE countries and sourcing constraints imposed by manufacturers.

We followed up our two communications workshops last year with a workshop in May with members to look at a set of key messages and the results of an audit of our communications taking in comments from retail and wholesale leaders and other members, and looking at best practice in other associations and companies. The audit report concludes that we have many robust communication tools but these need to be updated to modern ways of communicating. The results were endorsed by members at a workshop in May and presented to the Board in June. They are being taken forward for further action and implementation in the second half of the year.

We continued our series of "EuroCommerce Policy Talks" launched last year with exchanges with Executive Vice-President Vestager, Environment Commissioner Sinkevičius, Trade Executive Vice-President Dombrovskis, Financial Services Commissioner McGuinness, and in conjunction with the World Retail Congress, with Economy Commissioner Gentiloni. We used the same format for talks with the rapporteur for the Product Safety Regulation Marion Walsmann MEP and the rapporteur on the Digital Services Act Christel Schaldemose MEP.

We launched our #sustainablecommerce website with a session with Health Commissioner Kyriakides, and the McKinsey-EuroCommerce report on Grocery Retail with a webinar and subsequent press launch.



B2B TRADING PRACTICES AND SUPPLY CHAIN ISSUES

Update of EU competition rules and territorial supply constraints

The Commission is currently reviewing both its Vertical and Horizontal Block Exemption Regulations and Guidelines, as well as the Market Definition Notice – three fundamental pillars of EU competition law. EuroCommerce responded to a number of public consultations on these subjects and argued for maintaining the current policy approach, with some adaptations for the digital economy and the green transition. In the [vertical rules](#), we point to retailers and wholesalers facing increasing competition from manufacturers' direct-to-consumer sales, combined with increasing supplier restrictions on retailers' own choice of sales channels. We have asked for further Commission guidance on territorial supply constraints (TSCs), selective distribution and restrictions on third-party marketplaces. On TSCs, by engaging with Commission services we got TSCs mentioned as an issue for the retail eco-system. We are liaising with like-minded partners and the EU institutions to raise awareness of the problem and the need for clear guidance.

We also closely followed negotiations on the reform of the Common Agricultural Policy and particularly the Common Market Organisation (CMO) Regulation. We liaised with the Council and the Commission to oppose amendments pushed by the Parliament to the CMO to include further unjustified exemptions from competition rules from farmers and a ban on resale at a loss, which was dropped from the Regulation.

Implementation of the Unfair Trading Practices Directive and the Market Transparency Regulation

We continue to monitor the implementation of the Unfair Trading Practices Directive, whose deadline for transposition was 1 May 2021. A Commission report on the state of transposition is expected in November. We have informed the Commission that [we believe that national governments are over-implementing the Unfair Trading Practices Directive](#) in a way which will harm consumers, fragment the single market and limit the freedom to negotiate freely with large suppliers. We also continue to monitor the implementation of the Market Transparency Regulation and update members regularly.

INDUSTRIAL STRATEGY AND SINGLE MARKET

The Commission published its [update to the 2020 industrial strategy](#) in April. This reports on the impact of the pandemic on 14 eco-systems, including retail, and strengthening the single market as a key to recovery and resilience. We have pointed out that the analysis of the retail ecosystem, which partly includes wholesale, seriously underestimates the importance of its role and the impact on it of the crisis and the digital/sustainability transition. The strategy includes a progress report on the digital and green transition, and how e-commerce supported continued economic activity during the pandemic. It also lists a number of cases brought by EuroCommerce on infringements of the free movement of goods and freedom of establishment. It emphasises the role of the Single Market Enforcement Taskforce, consisting of member state representatives, in tackling single market barriers.

The Commission issued as part of this its first [Annual Single Market Report](#), giving an overview of varying (legal) initiatives to improve the functioning of the single market. This included very little,

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however, to improve the single market for services. The Commission withdrew its proposed Services Notification proposal, blocked in the Council since 2016. EuroCommerce has been pressing as an alternative for improved transparency and more consistent member state notification. EuroCommerce contributed to a study on the proportionality of retail establishment authorisations, which is likely to result in a guidance for member states.

We organised a workshop to allow members to exchange views with Commission officials on key priorities for the retail ecosystem and the need for financial support to facilitate the digital and sustainability transition. At a workshop we organised with the head of the EU Commission Task Force on the Recovery and Resilience Facility, members expressed concern that national plans included very little that would directly benefit retail and wholesale, despite it being recognised as an essential ecosystem.

The Single Market Forum conference organised by the Portuguese Presidency in June, showed that Member States are struggling with fulfilling their notification obligations. A worrying trend we see is that some member states are intentionally not notifying draft laws that clearly infringe EU law.

Intra-EU trade investment protection

EuroCommerce invited the financial services DG FISMA to report to members on progress on its initiative to members, and expressed our concern directly to Commissioner McGuinness both in writing and at her Policy Talk in June to ensure concrete measures to protect intra-EU investors facing discriminatory legislation. Due to internal discussion the legislative initiative is postponed to the end of the year.

Fighting discrimination and protectionism

EuroCommerce continued to support members in fighting discriminatory and protectionist laws. In Bulgaria the government decree obliging supermarkets to source certain products in the area where stores were established and that 90% of the shelf space should be allocated to regional dairy products expired on 31 December 2020, and was not extended. The Commission accordingly closed the infringement procedure. In Czechia, with EuroCommerce and our Czech members coordinating actions and close contact with Commission, our members got an amendment voted down in the Czech parliament that would have obliged supermarket chains to source 55% of products domestically, climbing to 73% in 2027. EuroCommerce has also met DG JUST to discuss further measures to ensure the rule of law across the EU, and has pressed for this again in response to the EU Rule of Law report issued in July.

Food & non-food ‘dual quality’ products

We have been in close contact with DG JUST over the implementation of the Unfair Commercial Practices Directive (UCPD) amendment on dual quality, that must be transposed into national law by 28 November. We expect most problems to arise in Central and Eastern Europe. EuroCommerce successfully pressed for implementing guidance on dual quality (and, also under the Omnibus Directive, on the Price Indication Directive). In June EuroCommerce presented its position at a stakeholder workshop organised by DG JUST to discuss the draft guidelines, which should be finalised by the end of this year.

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DIGITAL

Digital Services Act

EuroCommerce adopted its [position on the Digital Services Act](#) in June, calling for consumers always to be able to exercise their rights, and in conjunction with other EU law, competent authorities able to identify who in the EU is responsible for compliance with EU product safety and consumer protection law. The paper calls for one horizontal framework for online services, harmonised notice and action, balanced transparency obligations and a legal representative in the EU for third country platforms. EuroCommerce has also suggested amendments to MEPs and organised a Policy Talk with EP IMCO rapporteur Christel Schaldemose (S&D, DK).

Digital Markets Act

EuroCommerce adopted its [position on the Digital Market Act](#) in March, highlighting the priority for legal certainty in defining ‘large gatekeepers’, the need for further clarity in regulating practices and specific core services. We also ask for a clear methodology for investigation, proportionate sanctions, and a more realistic implementation schedule. We have used this as a basis for lobbying MEPs and presenting amendments in IMCO, ECON and ITRE Committee (including Rapporteur Andreas Schwab, EPP, DE) and with permanent representations and national governments.

Data Protection

EuroCommerce has contributed to several consultations on European Data Protection Board (EDPB) guidelines. In June the EDPB also published [recommendations](#) on compliance with EU personal data protection following the CJEU Schrems II ruling last year annulling the EU-US Privacy Shield. EuroCommerce also contributed to two Commission implementing acts clarifying the use of standard contractual clauses for international data transfers.

We have intensified our collaboration with US National Retail Federation (NRF) on international data transfers. We organised the first meeting of a joint NRF/EuroCommerce working group of US and EU company data protection officers, which will meet twice a year.

EuroCommerce also prepared a [new position paper](#) on the e-Privacy Regulation, on which the Council finally adopted a General Approach in the beginning of this year, triggering the usual trilogue negotiations with MEPs and the Commission. We expect the negotiations to conclude no sooner than the second half of next year.

Many retail companies have recently been approached by so called data portability companies leveraging the data subjects’ right to data portability to gain access to retail companies’ customer data in direct competition with retailers in, e.g. loyalty programs. We have prepared a memorandum on data portability.

Artificial Intelligence Act

The Commission published its [draft regulation](#) on a European approach on Artificial Intelligence along with an updated [Coordinated Plan](#) for member states. The text takes a risk-based approach and regulates AI systems based on their intended use. EuroCommerce is currently drafting a position paper.

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Data Act

The Commission launched a [consultation](#) on the Data Act, which aims to facilitate, and create safeguards for non-personal data sharing in B2B and B2G. This will need to respect European rules on data protection, intellectual property, and trade secrets. EuroCommerce provided [feedback to the inception impact assessment](#), welcoming the legal certainty and promotion of data sharing the Act seeks, while highlighting that any future (legislative) framework should be coherent to other pieces of legislation and encourage competition and the development of new business models.

Cybersecurity

The Commission published last December a draft revised Directive on Security of Network and Information Systems, (NIS2 Directive). The European Parliament Industry has produced a draft report and EuroCommerce has drafted a [position paper](#) highlighting concerns on the expansion of the directive's scope to cover many SMEs in the food distribution sector, the risk of legislative duplication and the high level of proposed fines.

CIRCULAR ECONOMY, RESPONSIBLE SOURCING

We have been refining our position and engaging with MEPs and Member States over the last half-year on the sustainability of products, packaging and waste management and mandatory due diligence in responsible supply chains. We responded to a series of consultations at the beginning of the year ahead of legislation in the second half of 2021. We monitored the implementation of inter alia, the Single-Use Plastics Directive, and with other associations, called for better regulatory practice in existing and future legislation in this area. The Commission published its draft Corporate Sustainability Reporting Directive, expanding the scope of non-financial reporting and extending existing legislation to all listed companies, including SMEs. It also issued three delegated acts on EU taxonomy defining sustainable activities. We held two meetings of our Textile and Fashion Retail Interest Group (TEFRIG) to harness sector expertise and support our input into the upcoming EU Textile Strategy. In January, we organised a EuroCommerce Policy Talk with the Commissioner for Environment, Virginijus Sinkevičius on these subjects.

PAYMENTS

EuroCommerce continues to highlight to the European Commission the increases in fees levied on retailers and wholesalers by the main card schemes Visa and Mastercard. We have been able to show that all the gains merchants derived from the 2015 Interchange Fee Regulation (IFR) have been cancelled out by increases in other (non-regulated) fees. The Commission have welcomed our input and raised a number of questions directly with the major card schemes which we hope may act as a trigger for the action for which we have been pressing. We received a positive response from Executive Vice-President Vestager when we raised the issue at our Policy Talk with her in March.

We also highlighted to the European Banking Authority (EBA) and Financial Services Commissioner McGuinness the impact which Strong Customer Authentication (RTS SCA) is still having on on-line payments since it came into effect on 1 January. Consumers are abandoning transactions resulting in very high failure rates, costing merchants millions every month in lost sales. We have pressed the EBA to shift its focus from monitoring compliance to assessing its impact and taking action to address the outstanding problems.

We have stepped up our engagement in the European Payments Initiative (EPI). The EPI business model still remains unclear, and we continue to press them to include merchants in its governance and implementation. We also have an active role in other payment-related working groups,

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including the Euro Retail Payments Board, the European Payments Council and the European Central Bank.

FOOD

Farm to Fork Strategy

The Commission is taking forward its Farm-to-Fork (F2F) strategy, launched last year. We expect legislation on sustainable food systems before the end of 2023 and a sustainable food labelling framework by 2024. EuroCommerce signed up to the EU Code of Conduct launched in July under F2F, and which EuroCommerce played an active role in developing. The Code sought concrete commitments from food companies and organisations on responsible food business and marketing practices. We worked together with other EU associations to ensure that commitments under the Code were aspirational, voluntary, and took full account of the many initiatives already adopted by our sector. We will continue to press for the Commission to support dialogue across the supply chain on achieving the code objectives.

Health and Food Safety Commissioner Kyriakides, took part in our launch in April of our #SustainableCommerce website showcasing retailers' and wholesalers' initiatives supporting the Farm to Fork (F2F) and wider sustainability agenda. Commissioner Kyriakides was very positive about what retail and wholesale companies have achieved in this area. EuroCommerce will be using this website as one of the many advocacy tools.

EuroCommerce held several meetings with key MEPs, using a two-page document with our messages ahead of a European Parliament own-initiative report on the F2F strategy, which called for binding targets, addressing consolidation and concentration in the grocery retail sector, and mandatory EU-wide front-of-pack nutrition labelling.

The Commission presented its Action Plan for EU organic production in March, to help consumers, farmers, business operators and national governments to reach ambitious targets for organic farming. Ahead of this, EuroCommerce provided its input (also reflected in a press release) and discussed the action plan with the Commission.

We continue to contribute to the ongoing reviews of the marketing standards for agricultural products and of the EU's agricultural promotion policy – as part of the F2F ambition to encourage the supply of more sustainable products to consumers

Food information

The Commission's planned review of EU food information rules focuses on front-of-pack nutrition labelling and nutrient profiles, origin labelling and "best before" and "use by" dates. EuroCommerce worked with members to prepare a first response.

Following food safety alerts concerning sesame seeds and other raw materials contaminated with ethylene oxide and recalls of significant volumes of products across Europe, EuroCommerce has written to the Commission calling for a more coordinated approach, and a thorough risk assessment for processed products. New official control rules have applied since April, and we have pressed for clearer guidance on composite products and new private attestations required for them. This led the Commission to produce transitional solutions for such private attestations.

EuroCommerce continues to have a seat on the European Food Safety Authority EFSA bureau, representing distribution and hospitality. We are seeking to renew our membership on the EU platform on animal welfare and the EU platform on food waste and food losses. To coincide with the third World Food Safety Day in June, EuroCommerce and supply chain partners FoodDrinkEurope, Copa-Cogeca, CELCAA and FEFAC underlined their commitment to food safety.

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Together with our members, we have continued to provide input in the market advisory council on fisheries (MAC) pressing for it to function better.

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NON-FOOD

Product safety

We engaged with MEP Marion Walsmann (including in Policy Talk) on her report on product safety in the single market. EuroCommerce made a concrete input to the Commission ahead of its review of the General Product Safety Directive (GPSD) and the [draft regulation](#) issued at the end of June.

We contributed to the review of EU rules on food contact materials, directly relevant to key Commission policies under the EU Green Deal and plastics, and part of the ambitions of the Chemical Strategy for Sustainability for a toxic free environment.

We made an input to the evaluation on the EU Timber Regulation and Forest Law Enforcement, Governance and Trade (FLEGT) Regulations. EuroCommerce is a member to the Commission Multi-stakeholder Platform on Protecting and Restoring the World's Forests.

We continued our regular exchanges with GS1 on supply chain cooperation, standards, and technologies.

EuroCommerce's dedicated consumer electronics retailers interest group (CERIG) held a further two meetings to discuss wider policy issues affecting the sector.

Chemicals

We provided input to the roadmap on the Chemicals Strategy for Sustainability and engaged with EU stakeholders and the Commission in dedicated coordination groups. EuroCommerce also commented on the review of REACH Regulation and of the Regulation on the classification, labelling and packaging of chemicals (CLP). We also commented on an upcoming impact assessment on the simplification of labelling requirements for chemicals and the use of e-labelling.

TAXATION

The pandemic triggered a large number of national tax relaxations to help keep business afloat, which we expect to see gradually phased out. EuroCommerce successfully warded off another postponement of the VAT e-commerce package beyond 1 July 2021: the package is now in force, including the expansion of the VAT One-Stop-Shop, platform tax liability for imports as well as the abolition of the VAT threshold for imports from third countries. EuroCommerce has written to the Council Presidency with concerns that the public country-by-country reporting initiative on corporate tax paid nationally could create barriers to competition and lead to public misinterpretation of data.

The Commission issued its [Communication on business taxation for the 21st century](#) in the spring. This foresees a proposal by 2023 on Business in Europe: Framework for Income Taxation (BEFIT), a single corporate tax rulebook covering taxing rights between member states. This will replace the Common Consolidated Corporate Tax Base (CCCTB) proposal, long deadlocked in the Council,

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which will be withdrawn. The Commission also plan to require large companies operating in the EU to publish their effective tax rates. New anti-tax avoidance measures will seek to tackle the abusive use of shell companies, and will include recommendations for tax systems to favour equity financing over debt financing and the domestic tax treatment of losses, which should in particular help SMEs. EuroCommerce issued a [press release](#) on the communication.

Meanwhile the OECD and G20 have agreed in principle a two-pillar approach (distribution of taxing rights and minimum taxation) on international taxation, with a minimum rate, as proposed by the US, of 15%. On digital taxation, EuroCommerce has submitted its contribution to the public consultation on a EU wide digital levy, highlighting the key principles of an international, fair, simple, proportional and enforceable solution. The European Commission will release a proposal on digital taxation in the autumn, delayed from June after the G20 deal which in principle would not allow such taxes, and strong concerns expressed by the US.

INTERNATIONAL TRADE

The Commission issued its Trade Policy Review in February, and Executive Vice President Valdis Dombrovskis spoke about it and the balance between ‘open’ and ‘autonomous’ policy in the approach to trade at a EuroCommerce Policy Talk in June. The Commission proposed tightened foreign subsidy rules against companies receiving state aid from third countries such as China. Other proposals cover foreign companies’ future ability to take over EU companies and take part in public tenders.

After the departure of the Trump administration, relations between the EU and US have relaxed, with a temporary tariff deal to halt the EU’s imminent increase in EU retaliatory tariffs and ongoing talks on how to tackle overcapacity in steel and aluminium, coming primarily from China. The US tariffs on EU exports of these products are still, however, in place. At the EU-US summit in Brussels in June, Commission President von der Leyen and President Biden agreed on suspending tariffs for five years on consumer goods like bourbon whiskey or motorbikes for the US and wine, spirits and food from the EU resulting from the Airbus-Boeing dispute.

After many years of standstill, the EU-India summit agreed to restart talks on a fully-fledged free-trade agreement, reflecting increased Indian concern at the strategic and commercial challenges posed by China. Separate discussions will cover an investment protection agreement and on safeguarding gourmet foods.

The European Parliament passed a motion to formally freeze the EU’s investment agreement with China (CAI) as China imposed sanctions on a couple of MEPs earlier this year and as a response to the human rights situation in China. In the face of opposition in the Parliament and some member states to the EU-Mercosur agreement, the Commission has floated the idea of splitting off the trade part of the agreement which would allow ratification at EU level without involving national parliaments. Meanwhile, the Commission is negotiating a side letter on environmental commitments with Mercosur countries in exchange for development aid. EuroCommerce has been in contact with the Commission and issued a [joint statement](#) with other associations pressing for early ratification.

The Parliament gave a green light to formally ratify the trade and cooperation agreement with the United Kingdom. British exports to the EU have been hit by new border formalities, and although improved after early chaos in January, continue to be significantly lower than last year. Further UK delay in imposing import checks on EU goods means European exporters have not been affected to the same extent, but this will change at the end of the year. Meanwhile the UK is risking a collapse of the protocol covering trade with N. Ireland by seeking renegotiation of the text agreed last year. EuroCommerce has approached the European Commission in a letter underlining substantial barriers faced by retailers and wholesalers related to rules of origin, returned goods and e-commerce.

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JOBS AND SKILLS

We continued to work with other employer associations to raise concerns on the draft directive on minimum wages, and issued a joint statement in May questioning its legality and its negative impact on national collective bargaining and social partner autonomy. The Portuguese EU presidency sought agreement on a text in the Council, but failed to reach consensus, and the Slovenian presidency has taken up the baton with a new compromise text. It is still unclear whether this will lead to any more progress in reaching consensus.

We have been active in engaging in the EU Pact for Skill launched last year, and in May took part with a number of members in a strategic session with Commissioners Breton and Schmit. We underlined the significant commitment of our sector as the largest investor across Europe in vocational training and apprenticeships, and upskilling in digital and other skills, but pointed to the need to funding programmes to help SMEs acquire and help their staff learn these skills. There was always a clear need for help in reskilling existing employees as traditional tasks are replaced by automation and the need for employees to be able to work with complex systems using e.g. blockchain and AI. We also underlined the need for increasing the supply of graduates with advanced IT skills, already subject to major shortages, which the COVID crisis has exacerbated.

We worked with other employers in addressing Commission proposals on pay transparency to address gender pay gaps, and in responding to a social partner consultation in April on proposed EU legislation regulating the conditions of platform workers. On the latter we argued that there was no need to create a new category of worker beyond employee or self-employed worker. We argued that any needed improvement of working conditions could be addressed without platform-specific legislation and many issues, for example in misclassification of self-employed workers could be helped by more consistent interpretation and enforcement of existing EU and national legislation.

We also engaged in April in agreeing with UNI-Europa a review of EU Social Dialogue and a work programme for 2022/3, with a strong emphasis on digital skills and reskilling.

SME POLICY

We have continued actively to participate in the various SME networks and maintained close contact with Commission SME officials to raise awareness of the impact of COVID restrictions on SMEs and the need to step up support for digitalisation and sustainability. The renewed EU Industry Strategy, in line with the SME strategy adopted in 2020, seeks to actively integrate the SME dimension in the ecosystem approach. The Commission is also still looking to appoint their SME Envoy, after their nominee Mr Vazil Hudák took up a different appointment shortly after he was appointed. We took an active role in two meetings of the SME Envoys network on issues relating to recovery and better regulation. For the first time, we will be organising a session as part of the SME Assembly in November on SMEs, city centres and digitalisation. We raised issues on better regulation and SMEs and the working of the Fit for Future platform with Commissioner Sefcovic in the SME Intergroup, which resumed activities in the first half 2021 with a number of online events and we are working closely with them on an event relating to SME retail and wholesale.

WHOLESALE

Our [Wholesale Day](#) in June, bringing together company and association leaders, including Philippe Delpech, CEO of Sonepar, a global market leader in electrical equipment, entrepreneurs, and Commission representatives, successfully highlighted the great diversity and vital role of the wholesale sector in the supply chain in a variety of ecosystems.





Throughout this year, we have kept close to the Commission on the updated EU industrial strategy, pressing for better recognition of the wholesale sector in serving, and being an integral part of, a wide range of ecosystems. EuroCommerce is a member of the Industrial Forum, which advises the European Commission on the implementation of the industrial strategy. In the two meetings of the Forum, we highlighted the important role that wholesale and retail play in the European economy. The Wholesale Interest Group also met Commission officials to discuss the Industrial Strategy and ecosystem approach. We have kept in close contact with the Commission on other wholesale related issues, with meetings with several senior officials in DG Grow.

We issued a joint statement with the Horeca association Hotrec and a number of food and drink-related associations on the effect on inter alia wholesalers supplying hospitality of the extended closure of restaurants, bars and cafes, and the need for financial and operational support for the hospitality sector and the supporting industries.

In February EuroCommerce participated for the first time in the EU Industry Days and organised a session on competitiveness, protectionism, and the future of European trade. The debate covered a range of issues of importance for the wholesale sector in a challenging global trade environment. The participants discussed the EU approach of “open strategic autonomy” and creating the right balance between the needs of diversified supply chains and political pressure for on-shoring and reducing over-reliance on a geopolitically assertive China.

BETTER REGULATION

In April, the Commission launched its much-delayed communication on Better Regulation. We had engaged ahead of this with the cabinet of Inter-Institutional Relations and Foresight Vice-President Šefčovič, followed up with a number of letters listing concerns at, e.g. the often casual, tick-box approach of DGs to consultations, the low quality of questionnaires and consultants employed to conduct them, the overwhelming wave of simultaneous consultations at the end of last year. We also voiced concern at the very unambitious work programme of the Fit for the Future platform, pushed through with no consideration of its members’ proposals. We have written again on the number of consultations on important issues being launched just before the holiday period, posing major problems for associations such as ours needing to consult members before responding. The Commission communication lists a number of useful improvements to the system. Overall, however, it leaves the impression that the momentum started under the last Commission by Executive Vice-President Timmermans has been weakened by the desire of various DGs in the Commission to push through their projects regardless. We are continuing to put pressure on the Commission to resist this.





Over the last six months, the EuroCommerce team, with our chief economist Jean-Albert Nyssens worked with McKinsey and Company on a comprehensive report on "[The State of Grocery 2021, Disruption and Uncertainty](#)". This report, launched in March, is built on consumer research, surveys of 50 European retail CEOs and market analysis to define the key trends as well as challenges and opportunities for the sector. It received a good deal of media coverage and stakeholder feedback.

Further webinars on topics such as sustainability and digital will be organised in the second half of the year. We continued to analyse the impact of the Covid crisis on our sector, and, with the Economists Network provided tables of information and detailed factbook slide decks to keep members informed and help them in lobbying governments and relevant stakeholders.

We have now finalised the Value of European Retail FactBook ("VERF"), both in its [full version](#) and an easy to read [graphic version](#). These are designed to be used to explain to decision makers and others the importance of the retail to the European economy and society, and what support it needs to address e.g., the digital and sustainability transition.



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EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 28 countries and 5 million companies, both leading global players such as Carrefour, Ikea, Metro and Tesco, and many small businesses. Retail and wholesale is the link between producers and consumers. Over a billion times a day, retailers and wholesalers distribute goods and provide an essential service to millions of business and individual customers. The sector generates 1 in 7 jobs, offering a varied career to 26 million Europeans, many of them young people. It also supports millions of further jobs throughout the supply chain, from small local suppliers to international businesses. EuroCommerce is the recognised European social partner for the retail and wholesale sector.