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POSITION PAPER EU Supply Chain Due Diligence Directive (CSDDD)

The vote of the ambassadors in the Permanent Representatives Committee and then the vote of the Council of EU Member States will take place shortly. An EU supply chain due diligence directive, as now planned, would result in a new dimension of bureaucratic overload and legal uncertainty. It makes foreign trade more difficult and is at the expense of European jobs and value creation.

CITHA therefore rejects the directive in its current form.

This applies in particular to three aspects of the directive

- Companies should therefore monitor almost all stages of their supply chains globally for violations of human rights and environmental or social standards. Industrial companies in particular often have tens of thousands or even a six-figure number of suppliers, a considerable proportion of which change every year. The costs of compliance alone would often run into the millions for individual companies.
- The directive does not make any clear exceptions - not even for supply relationships within the already heavily regulated EU internal market. However, an explicit exemption for all suppliers and customers based in the EU internal market would be urgently required as part of a risk-based approach.
- According to the EU plans, not only suppliers and their suppliers are to be monitored, but also business customers. However, it is a completely unrealistic assumption that SMEs could dictate to their business customers how and where the products they sell are ultimately used.

The proposed civil liability must also be criticised. It is simply impractical to demand that companies from EU member states should be liable for breaches of duty that occur in their supply chains - and worldwide at that. While non-governmental organisations are to benefit from their own rights of action, companies may be subject to additional evidentiary requirements. In this way, the often incalculable liability risks could lead to companies withdrawing from affected regions. A new litigation industry would emerge, leading to more administrative costs for companies. Uncertainty in foreign trade would increase.

Respecting human rights around the world is a goal to which the companies of CITHA's member organisations are also clearly committed. The UN Guiding Principles on Business and Human Rights are decisive for European companies. They already base their global supply relationships on them and communicate European standards to the world via their international partners. However, placing European companies under general suspicion would prove

counterproductive in practice, and the loss of economic substance in the EU would be further exacerbated by such a supply chain directive.

CITHA therefore appeals: Instead of taking the route via the directive, let us make a new start together and consider in dialogue with each other how we can enforce our standards for the protection of human rights and the environment even more effectively across global supply chains worldwide.

A European regulation must take into account the fact that small and medium-sized enterprises have fewer opportunities to influence supply chains due to limited resources and less market power. The scope of application across the entire value chain - including within Europe and at downstream stages - is unrealistic. Mandatory legal requirements must be limited to direct suppliers in order to be realisable in day-to-day practice.

Finally, the EU must also provide companies with better information on human rights risks in future. It should recognise existing industry standards. The primary goal of the supply chain law must not be to withdraw, but to empower companies. The EU member states must fulfil their very own state duty to protect human rights as part of their foreign policy and advocate for improved human rights standards within the framework of international agreements.



Jan Krückemeyer
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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. Today CITHA has 9 Regular and affiliated members viz. Austria, Germany, France, Hungary, Italy, Spain, Switzerland, Turkey, United Kingdom.

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.



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