

EU Consultation: Feedback on “Diversify EU”

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The European Association of Chemical Distributors (Fecc) welcomes the opportunity to provide input on the European Commission's consultation on the proposed new trade instrument **"Diversify EU".**

Fecc supports the objective of strengthening the resilience of European supply chains and reducing excessive dependencies where these create significant economic or strategic risks. For the chemical value chain, resilient supply chains are essential to maintaining the availability of raw materials, intermediates and finished products for a wide range of downstream industries.

At the same time, diversification should preserve the benefits of open and rules-based international trade. Chemical supply chains are highly interconnected and global, while alternative sources are not always immediately available or technically or economically interchangeable.

Fecc therefore sees potential for **"Diversify EU" to provide practical, market-oriented support to companies seeking to diversify their supply chains**, while complementing existing EU trade and economic-security instruments.

- ## Focus on genuine supply-chain vulnerabilities

High import concentration does not necessarily indicate a supply-chain vulnerability. In chemicals, alternative suppliers may differ in terms of technical specifications, quality, regulatory compliance, production capacity, logistics or price.

Fecc therefore considers that diversification measures should be based on an assessment of **actual supply-chain risks**, rather than import concentration alone.

Relevant factors could include:

- availability and technical suitability of alternative suppliers;
- substitutability of products and raw materials;
- production capacity and scalability;
- geopolitical and trade-related risks;
- regulatory and quality requirements; and
- logistics and infrastructure constraints.

A risk-based approach would help ensure that support is targeted where diversification can deliver a meaningful improvement in resilience.

- **Make diversification practical for companies**

For many companies, particularly SMEs, the challenge is not identifying the need for diversification but **finding reliable alternative suppliers and establishing commercially viable relationships with them**.

"Diversify EU" could provide added value by making relevant market information and business opportunities more accessible. Practical support could include:

- market intelligence on potential sourcing countries and suppliers;
- information on tariffs, customs procedures and regulatory requirements;
- business matchmaking and targeted trade missions;
- support for SMEs entering new sourcing markets; and
- advisory support on establishing new international supply relationships.

The instrument could build on existing EU tools and trade agreements, making them easier for companies to use as part of their diversification strategies.

- **Keep diversification market-driven and avoid new trade barriers**

Diversification should **increase the number of viable options available to European businesses**, rather than replace one dependency with new restrictions on trade.

For chemical companies, access to global suppliers remains important. Companies may need to source from different regions depending on availability, technical requirements, customer needs and market conditions.

Fecc therefore considers it important that the new instrument:

- remains consistent with the EU's commitment to open, rules-based trade;
- does not introduce unnecessary restrictions on established sources of supply;
- avoids additional customs or reporting requirements without clear added value; and
- remains compatible with WTO rules and existing EU trade agreements.

The objective should be to enable companies to diversify where appropriate, rather than prescribe specific sourcing outcomes.

- **Reflect the complexity of chemical value chains**

Chemical products range from commodities and basic chemicals to highly specialised substances and formulations. A change of supplier may therefore require technical validation, regulatory assessment, quality testing, customer approval or adjustments to logistics and storage arrangements.

Diversification strategies will consequently differ significantly across products and companies.

Fecc considers that "Diversify EU" should allow **sufficient flexibility for companies to determine which diversification strategies are technically and commercially appropriate for their individual supply chains**.

The instrument could focus on reducing barriers and enabling new sourcing options, rather than establishing rigid requirements for where companies should source particular products.

- **Provide proportionate support for SMEs**

Many companies in the chemical distribution sector are SMEs and operate with limited resources. The costs and risks associated with identifying, qualifying and establishing relationships with new suppliers can therefore represent a significant barrier to diversification.

Targeted support could help address these practical challenges, for example through:

- accessible market and supplier intelligence;
- support for supplier identification and qualification;
- simplified access to relevant EU trade and customs information;
- participation in trade missions and matchmaking activities; and
- appropriate financial or guarantee mechanisms where relevant.

Such measures could make diversification more feasible without creating additional compliance obligations for companies.

- **Work with reliable international partners and existing EU instruments**

Diversification will depend on developing stronger economic relationships with a broader range of international partners.

Fecc supports the continued use of **EU trade agreements, strategic partnerships, trade facilitation and regulatory cooperation** to create the conditions for new trade and investment flows.

At the same time, "Diversify EU" should complement the growing range of existing EU instruments addressing economic security, critical raw materials, trade defence and supply-chain resilience.

A clear division of roles would help avoid duplication and unnecessary information requests for companies. In particular, "Diversify EU" could have a **forward-looking and enabling role**, helping businesses identify and establish alternative supply options before a disruption occurs.

- **Support resilience while maintaining competitiveness**

Supply-chain resilience and competitiveness should be pursued together. Measures that significantly increase costs without addressing a material supply risk could weaken the competitiveness of European downstream industries.

At the same time, diversification can create opportunities for more resilient and sustainable supply chains, including through investment in new production capacity, recycling, circularity and innovative technologies.

Fecc therefore supports an approach that considers **resilience, economic viability and sustainability together**, while avoiding rigid requirements that could unintentionally reduce access to competitively priced products or materials.

Fecc supports the objective of strengthening the resilience and diversification of European supply chains and sees potential for the proposed **"Diversify EU"** instrument to provide practical added value.

For the chemical value chain, its effectiveness will depend on ensuring that diversification remains **risk-based, market-driven and compatible with open international trade**.

Fecc considers that the following principles could provide a useful basis for further development of the instrument:

- **Focus on genuine supply-chain vulnerabilities**, rather than import concentration alone;
- **Facilitate access to alternative suppliers and markets**, particularly for SMEs;
- **Provide practical, proportionate and market-based support** rather than rigid sourcing requirements;
- **Maintain open and rules-based trade** and avoid unnecessary barriers to existing supply chains;
- **Reflect the technical and commercial complexity of chemical value chains** and allow flexibility across products and sectors;
- **Build on existing EU trade agreements, partnerships and instruments**, avoiding unnecessary duplication; and
- **Strengthen cooperation with reliable third-country partners** to support resilient and sustainable supply chains.

Fecc appreciates the Commission's efforts to strengthen Europe's economic resilience while maintaining an open trading environment. A practical and proportionate "Diversify EU" instrument could help European companies develop more resilient supply chains while preserving the flexibility and competitiveness essential to the European chemical value chain.

To access the Fecc's response on EU Commission's website, please click here.

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