



FTA
Foreign Trade Association

Position Paper

Committed to free trade

**FTA reply to the Public Consultation on a future
trade policy launched by the European Commission DG
Trade**

28 July 2010

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Q: What is the name of your organisation? What is your organisation's main area of activity?

R: The Foreign Trade Association (FTA) is the representative of retailers and traders across Europe on foreign trade issues. We advise our members on all matters pertaining to the global marketplace, including multilateral and bilateral international trade relations.

Introduction

Q: Now that the new Lisbon Treaty has entered into force, how can we best ensure that our future trade policy is coherent with the EU's external action as a whole and notably in relation to the EU's neighbouring countries?

R: It is desirable to achieve full coherency of the future EU trade policy with other fields of trade policy. However, at least for the time being, this will not be possible. Even if the EU member states have been coordinating all basic decisions of foreign and security policy since the Maastricht Treaty came into force in 1993, a complete communitisation of foreign and development policy will - unlike in the case of trade policy - not be feasible in the foreseeable future. Therefore, trade policy will, to a certain extent, remain an autonomous area of politics and should be as liberal as possible in order to strengthen the competitiveness of the EU and to avoid an undesirable effect on other policy fields.

The FTA has emphasized that there is no reasonable alternative to multilateral solutions within the framework of the World Trade Organisation. Bilateral free trade agreements are just an "insular solution" in comparison to multilateral ones. They do help to intensify trade between the partners of the agreements, but mostly at the cost of other countries with which agreements have not been concluded.

Q: Given the importance of boosting growth, creating more jobs and ensuring a more resource efficient and greener economy, how can EU trade policy help? What should the new trade priorities be in the light of the Europe 2020 Strategy?

R: The EU 2020 strategy addresses the current structural weakness in Europe's economy and the FTA appreciates the intention of the European Commission to focus on this key challenge. The FTA strongly supports free trade and believes that the importance of international trade as a component of the economic recovery is not

sufficiently highlighted in the EU 2020 strategy. For boosting growth and creating more jobs both in Europe and abroad, the EU should develop closer trade ties with its most important trade partners.

The conclusion of the Doha Development Round should continue to be the priority of the EU Trade policy. We firmly believe in the primacy of a strong, multilateral rules-based trading system and the advancement of multilateral trade liberalization as essential to promoting growth, opportunity and prosperity in every economy. The Doha Round is still a very important opportunity for ensuring clear and simple rules for the economic operators. Globalisation is a matter of fact and the global marketplace needs clear rules for its players.

Multilateral trade negotiations

Q: In addition to continuing to push for a successful conclusion to the Doha Round, how can the EU best pursue overall EU trade policy objectives in the WTO?

R: In addition to continuing to push for a successful conclusion to the Doha Round, the EU should contribute to ensuring the implementation of the existing WTO rules. Legal instruments remain a dead letter without effective implementation and the EU has a role to play in contributing to the implementation of the existing commitments by the different WTO member countries. The Dispute Settlement Understanding provides WTO members with a legal framework to solve disputes that may arise. The dispute settlement mechanism has proven to be a successful way to solve trade conflicts. The participation of developing countries in dispute settlement is fundamental both to the success of the system and to the full integration of developing countries in the international trading system. The FTA supports the accession of all relevant trading partners to access the WTO and calls upon the European Commission to continue working towards this goal. The increasing importance of the Russian market and the increasing number of protective measures adopted by Russia makes the accession of Russia to the WTO a priority.

Bilateral trade negotiations

Q: Do our current FTA negotiations provide the right geographic and substantive focus for our bilateral trade relationships in the context of the Europe 2020 strategy?

R: The FTA recognizes and supports the considerable progress done by the European Commission in the bilateral trade relations with key trading partners. Our concern is that the economic operators on the global market place were seen to have difficulties in dealing with different trade agreements.

The FTA believes that the companies in its constituency do not make full use of the many advantages provided by the bilateral agreements. The different rules of origin in bilateral agreements represent a considerable challenge for economic operators. We would recommend the European Commission to favour the multilateral approach as it would provide business with a clear set of rules.

With particular reference to the bilateral trade relations, the FTA would like to congratulate the European Commission for the Free Trade Agreement between EU and South Korea. The FTA members will benefit from this agreement, thanks to the improved import conditions for industrial goods and the improved market access conditions for distribution services.

The FTA appreciates the progress done in the trade relations with Latin America. We are satisfied with the conclusion of the free trade agreement with Colombia and Peru and we are pleased to hear that the EU decided to resume the trade negotiations with the Mercosur countries.

The FTA fully supports the swift conclusion of the trade negotiation with Mercosur and calls upon the EU decision makers to resist to the protectionist tendencies that are trying to block this process. Latin America is not only a sourcing area for the European retailers, but is also an increasingly important area of expansion. For some large European retailers, Latin America was the best performing region in terms of sales percentage growth in the midst of the economic crisis.

The FTA would like to see more progress in the bilateral trade dialogue with China and Russia. China and Russia are both strategic trading partners and we still face considerable challenges in trading with these countries.

With particular reference to China, we believe that trade and investment should be at the core of the EU-China bilateral relationship. The FTA regrets that the negotiations on a new Partnership and Cooperation Agreement (PCA), designed to include trade and investment related issues including competition and Intellectual Property Rights (IPR), has not progressed as expected. The EU should assess the progress achieved and consider the opportunity to use a more appropriate framework agreement for covering international trade issues. This should include measures for: ensuring full implementation of the WTO commitments; ensuring IPR enforcement supporting China's transition towards a market economy; promoting the adoption of existing international standards; securing a level playing field for European retailers in China.

With reference to Russia, the FTA welcomes the EU's support to the accession of Russia to the WTO and the EU-Russia partnership for modernization. The FTA regrets that Russia is seen to be one of the most protected markets and that the recent establishment of the Custom Union with Belarus and Kazakhstan resulted in a consolidation of the protective measures previously adopted by the Russian authorities. We have long standing issues with the Russian

customs and we face increasing difficulties with reference prices, requested certificates and import restrictions.

Canada and Middle East are not in the FTA focus and the negotiations with the African Countries have a limited impact on our constituency.

Q: Should the EU now try for closer economic integration and cooperation with such partners? What is the best way to further facilitate trade and investment, overcoming regulatory differences that may have the effect of barriers to trade and deepening our trade relationships with these important economies?

R: The FTA supports the EU's engagement in the regulatory dialogue and encourages closer regulatory convergence with the EU main trading partners. In order to do this the EU should, on one hand, screen its own legislation in order to identify those regulations and directives representing a barrier to trade, and, on the other hand, promote the application of intentional standards in bilateral and multilateral trade talks.

The European legislation can represent a barrier to trade and the REACH regulation on chemicals is probably the best example. The current regulation resulted to be a challenge for the European importers and retailers. The different interpretation of the REACH regulation by Member States, ECHA, and the European Commission resulted in reducing predictability for the business.

The FTA strongly wishes that the incoming revision of the scope of this regulation will contribute to simplify the implementation of the legislation by the concerned companies. The promotion of international standards in a globalised market is needed for encouraging international trade, thus supporting the economic recovery. This would also improve predictability and legal certainty for the European retailers and traders in the global marketplace.

Q: How can the EU improve the effectiveness of regulatory dialogues? How can the EU promote the establishment of and greater recourse to international standards without compromising legitimate public policy choices?

R: The FTA supports the EU's engagement in regulatory dialogues with its main trading partners and favours a greater recourse to international standards. Regulatory convergence would facilitate international trade, and thereby contribute to economic recovery. Nevertheless, the transparency of the current regulatory dialogues with key trading partners could be improved. The FTA would like to see a greater involvement of the interested stakeholders in this dialogue and believes that this could benefit all parties involved.

Q: How can the EU, and in particular trade policy, help to secure a reliable and sustainable supply of raw materials by third countries?

R: Raw materials still account for the largest amount of exports from developing countries. Therefore, raw materials and development policy are closely interrelated. Trade of raw materials must not be hampered and all market participants should be granted unhindered access to raw materials as a matter of principle. In view of increasing shortages in important raw materials (e.g. special metals and rare earths), the question of how to ensure in the medium term a uniform supply these raw materials is almost inevitable.

It seems that the conclusion of international agreements on raw materials providing for certain quotas was a solution to this. However, such agreements should be considered only as a last resort since they constitute a considerable regulatory intervention into the market. Trade policy instruments to intervene into raw material policies are limited. For example, the imposition of customs duties on raw materials would merely result in higher prices, without contributing to a sustainable supply of raw materials.

Services

Q: Should the EU aim for more trade in services, and if so, how?

R: Further services liberalization is of great importance for European retailers and importers. The basis for this process should be the General Agreement on Trade in Services (GATS). Creating parallel regulations in this issue should be avoided. Associated areas like public procurement and intellectual property rights must also be taken into consideration.

Investment

Q: Given that the Lisbon Treaty gives the EU greater competences in international investment policy, how should we contribute to facilitating cross-border direct investment (both outward and inward)? What are the key issues to be addressed in agreements governing investment?

R: Given the enormous economic importance of foreign direct investments, the FTA appreciates the fact that under the Lisbon Treaty this area has become a Community competence. Even if the different bilateral agreements concluded by the member states will remain in force for the time being, the fact that the EU is in charge of creating and observing common protection standards for

investments ensures a stronger negotiating position for the conclusion of future agreements.

Since future investment protection agreements will be negotiated within the framework of the new free trade agreements, the environmental and social clauses of those agreements will also be applicable to investments. Against this background, the FTA emphasizes once more that linking investment policy with other policy areas should be limited to the absolute minimum necessary. For environmental and social issues the conclusion of separate international agreements is recommended.

Sustainable trade

Q: How can trade policy best support green and inclusive growth around the globe including through Sustainability Impact Assessments?

R: Many FTA member companies have included the principle of sustainability into their corporate philosophy. The FTA welcomes a sustainable trade policy as long as it does not lead to a discrimination of goods and services, certain countries and economic operators or means of transport. However, incentives such as duty reductions or exemptions which do not have a discriminative effect should be maintained. The GSP+ deserves particular mention in this context.

The sometimes discussed exemption from duty for environmentally friendly products or products produced in environmentally responsible conditions does follow the same goal, however, must be rejected because of the inevitable problem of eligibility and the danger of abuse. Moreover, proposals aiming at giving preference to goods which were produced in good social conditions should not be pursued further. In this case, problems with regard to determining eligibility as well as the danger of abuse cannot be avoided.

The Business Social Compliance Initiative (BSCI) is an initiative of the FTA which enables companies to successfully practice Corporate Social Responsibility in the international supply chain. It is important to generate favorable framework conditions at the political level which support companies in their social responsibility activities. Sustainability Impact Assessments may contribute to identify measures having a sustainable impact on global trade. For example, if a trade measure would result in considerable traffic relocations which would be harmful to the environment, it has to be weighed carefully whether such a measure should be implemented or not.

Q: Given the forthcoming revision of the Common Agricultural Policy and the continuing need to foster a sustainable agricultural sector in Europe, how should EU trade policy develop

in this area consistently with the overall objectives of the Lisbon Treaty?

R: The Foreign Trade Association understands the need to integrate environmental concerns into the Common Agricultural Policy. Environmental degradation is an issue and encouraging sustainable agricultural practices would benefit the consumers. Nevertheless, sustainable agriculture and environmental concerns should not be used as a pretext for setting trade barriers for the import of agricultural products. The FTA supports free and open trade, and a demand- driven agricultural policy. The EU agricultural policy is still based on quotas and subsidies distorting the market. This has a considerable impact on both multilateral and bilateral international trade negotiations. We expect the EU to dramatically reduce agricultural protective measures and allow free and open trade of agricultural products.

Inclusive trade

Q: How can EU trade policy ensure that the benefits of global value chains are shared by European producers, consumers and jobholders?

R: Further liberalisation of trade in goods and services on a multilateral level is necessary in order to strengthen the competitiveness of Europe. The liberalisation must be accompanied by structural changes with a special focus on old-fashioned European industries as well as on the further development of the international division of labour. FTA emphasizes once more the importance of consumer goods imports which also have a positive effect on the price level in the European Union. Furthermore, imports are an important contribution to help export oriented European companies to reach their business goals.

Trade and Development

Q: How can the EU best strengthen the issue of trade and development in its trade policy? Should the EU pursue a more differentiated approach in its trade relations to reflect the level of development of particular partners? How should the EU approach the issue of trade preferences in relation to the generally low level of EU Most Favoured Nation (MFN) tariffs, which will further be eroded following the possible conclusion of the Doha Round?

R: From the point of view of development policy, the Generalized System of Preferences remains - apart from the different partnership agreements - the most important trade policy instrument. Still, the role of the GSP should not be overestimated. As a matter of fact, several countries which have

been granted duty exemption for a long time have not yet been able to really improve their level of development. However, the Generalized System of Preferences as a tool for development policy within the framework of trade policy is of sufficient importance so as to take advantage of the impending reform in order to improve the position of developing countries.

Priority should be given to increasing the preferential margin in as much as the most favoured nation duties will consistently be reduced by 50 % for all goods. Furthermore, the range of goods eligible for preferential treatment should be expanded. Sector- and product-specific exceptions should be abolished. Finally, the concept of the registered exporter now provided for in almost all preferential agreements which enables the exporter to submit a declaration of origin without the participation of an authority of the originating country, should not be compulsory but rather be regarded as an alternative to the currently applicable modalities of origin proof. Otherwise we would face the danger that any risk resulting from false indications of origin will be shifted onto the importer. In case of doubt he will refrain from taking advantage of preferential treatment, which, from the point of view of development policy cannot be accepted.

Furthermore, the revised system of preferences should be published at least one year before its entering into force in order to provide importers and their suppliers with the necessary planning security. Transparency, predictability and legal security is a necessity for all foreign trade operators. These principles should apply to the Generalized System of Preferences, too. The fact that the trend towards decreasing duty rates results in a creeping preference erosion is something which has to be accepted. At least the duty rates in the field of textiles, which is of special importance to developing countries, are still high enough so that a difference between the most favoured nation duty rate, preferential duty rate and zero duty rate can be created.

'Smart trade'

Q: What initiatives could the EU take and which EU trade policy instruments could we mobilize to complement and reinforce the 'smart' dimension of the Europe 2020 strategy and facilitate trade in high-tech goods and services?

R: "Smart trade" needs an environment which is free of bureaucratic burden and protectionism. It should be stressed once more that free trade of goods and services is also necessary in times of economic crises. Indispensable prerequisites for smart trade are innovation, research and the promotion of education in order to improve the human capital.

Enforcement and dealing with unfair practices

Q: How can the EU best safeguard its firms or interests against trading partners who do not play by the rules? Are the existing

tools and priorities sufficient to address unfair competition from third countries?

R: With respect to unfair competition taking the form of dumping, the EU's current legislation to remedy such actions is sufficient. Indeed, many commentators from the retail and importer side would argue that it is too favourable to the needs of EU industry. There is also a concern that those sections of the EU industry that are non-competitive (or have failed to adapt to the global marketplace) are allowed to use such legislation as a crutch, rather than adapt and become more competitive. The use of such legislation for such purposes should not be permitted. Instead, the Commission could use its experience within the global field to assist and advise EU industry in how they may adapt their trading models to ensure their continuing survival.

Q. How can the EU best safeguard its firms or interests against major trading partners who maintain an asymmetric level of openness and resort to protectionist measures? Are the existing tools and priorities sufficient to address practices such as keeping EU suppliers out of government procurement markets, market access restrictions, restricted and insecure access to energy and raw materials?

R: Removing trade barriers in key markets is one of FTA priorities. Our members have a strong interest in exporting industrial goods and establishing retail services in non- EU Countries. The Foreign Trade Association supports the European Commission Market Access Strategy and participates actively in the Market Access Advisory Group. The FTA appreciates both the methodology used and the progress made in the area of Market Access. The FTA believes that the market access data base is a useful working tool and would like to encourage the European Commission to keep it regularly updated.

Q. What else can EU trade policy do to further improve the protection of IPR in key markets?

R: IPR is crucial part of innovation and innovation can general growth and income to EU IPR holders. The current legislative remedies that exist to protect the IPR of EU companies and individuals is already one of the most robust in the World and new initiatives, such as ACTA, will only serve to increase this level of protection. If any improvements are to be realistically achieved these should concentrate on international, high level, discussions with countries where IPR protection is weak; such as China. The EU should increase the level of pressure on these countries and insist on proof of recognisable improvements.

An open approach to shaping trade policy

Q: What more should the Commission do to ensure that trade policy becomes more transparent and to ensure that a wide variety of views and opinions is heard in the policy-making process?

R: The FTA participates regularly in the Civil Society Dialogue and is a member of the "contact group" steering this dialogue. The FTA appreciates this opportunity, and welcomes the initiatives undertaken by the European Commission for involving all the stakeholders and encouraging active participation of the civil society. These initiatives include DG Trade seminars, conferences and on line consultations.

Nevertheless, we believe that the business should have a privileged position in the dialogue with the authorities. The FTA strongly wishes to act as a privileged partner for the EU Institutions and hopes that the policy makers will fully take into consideration the concerns of the European retailers.

Q: Are there additional priorities in relation to trade policy that the Commission should pursue?

R: Customs policy is an integral part of trade policy. It must be ensured that the modernized customs code should contribute to facilitate the international trade. Importers and retailers should not be burdened with unnecessary bureaucratic regulations which hamper the exchange of goods. Especially the various rules of origin regimes, the customs value rules as well as the rules on summary declarations do not fulfil FTA's request for a better predictability, legal certainty and transparency in foreign trade.

The FTA is the association for European commerce providing expertise in international trade issues. It is committed to achieving its goal of a true free trade environment. For 30 years, the FTA has supported its members, consisting of national trade associations and companies from all over Europe, through information and lobbying in the European and international arena.



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