



FOREIGN TRADE ASSOCIATION

**FTA Answers
to the
Questions Related to the
Trade and Competitiveness 'Issues Paper'
Presented by the EU Commission, DG Trade**

1. Regarding the Issues Paper, what are your reactions concerning the picture given in terms of the level of protection for the EU (agriculture, industrial products, services)? In this respect, do you find relevant the distinction between input and non-input products? Do you think any other input whose protection could be detrimental to EU competitiveness has been forgotten in this picture?

See attached paper "FTA Comments".

2. Do you agree that addressing barriers to exports in third countries accounts for the bulk of the potential to improve the competitive position of the EU industry?

Yes.

In addition, the EU industry constantly needs to modernize or even restructure.

3. What should be the geographic priorities for the EU trade policy in terms of market access?

From the viewpoint of European Commerce, commercial presence must be facilitated especially in countries like China, Japan, India, Brazil, Malaysia, Mexico, USA, Russia, Vietnam and Turkey. Discriminatory licensing must be avoided. Economic needs tests must be abolished or follow the principle of national treatment. The purchase of real estate should not be impeded by unnecessary bureaucracy or discrimination.

4. What could be the best tools to tackle market access obstacles in your list of priority countries (bilateral agreements, TBR, multilateral negotiations, ...).

For the distribution sector, the best tool would be a multilateral agreement on free market-access within the GATS.

The plurilateral approach for GATS is a second best way.

The TBR is also of relevance. It could become much more relevant though if individual companies had more possibilities to use the different legal instruments listed in the TBR.

Bilateral agreements however should only serve as a last resort for questions that can not be settled within the DDA negotiations.

One possibility to tackle market access obstacles in third countries AND in the EU (FTA represents importers) would be a linkage between offers on tariff reductions and individual NTBs in every WTO-offer tabled in Geneva after Hong Kong.

5. For your sector and in terms of access to third countries markets, what type of obstacles should be tackled as a priority?

Non-tariff barriers such as non transparent/discriminatory technical regulations and standards for example in Turkey and Russia.

6. In the field of public procurement, what is the importance of an improvement of access to third countries' markets, for example in terms of transparency or non-discrimination? According to your perception, what are the countries that should be a priority in this respect?

No comment

7. What should be the geographic priorities for a Community action in the field of investments? For those countries, what would be the best way to make further progress in terms of market access for the European investors?

See answer to question 3 above.

8. For your sector, what could be the best way to help European technical regulations and standards become the more widely accepted, or even exported? In which countries and sectors should the EU concentrate its efforts?

A general answer to this question is not possible because from our point of view, not all European technical regulations and standards are acceptable (depending on the definition of the term). If this includes standards as outlined in the planned REACH regulation or labelling standards for consumer goods (the latter not being supported by the distribution sector), a reform of existing EU standards is desirable in order to harmonize with third country's regulations.

Other standards like the CE-label for electronic goods should be exported, especially to Russia and Turkey who do often not apply the principle of mutual recognition. The same applies for the ECOTEX-standard for textiles and other standards developed by the European Committee for Standardization (CEN).

Which instruments (multilateral, bilateral, legal, voluntary...) do you consider are more effective?

There is no general answer to this very broad question. Probably all those instruments and/or a combination of them are valid. Which is the best way to go depends very much on the tactical situation.

How can they be further developed? Which difficulties do you perceive to make progress in this respect?

The main problem may be that other countries do not feel the need for the highest level of consumer protection. The EU follows a preventive policy, the US for example is more reactive, many DCs and LDCs are not in a position to ask for security standards at all. For better harmonisation the principle of mutual recognition should therefore be taken into consideration and the EU should prepare to lower one or the other standard, if possible and necessary.

9. What could be the best way to encourage the countries to better implement international rules on intellectual property rights? According to your experience and perception, which are the best instruments: technical cooperation, multilateral dispute settlement, "deep" bilateral agreements?

There is no simple answer to that. Probably again, all means have to be used and/or a combination. In different countries different means must be applied –

this is particularly the case for China. Technical cooperation is important but violations of intellectual property rights must also be brought to the WTO if necessary and prosecuted at law courts.

10. In light of the large differences in Member States' export performance on key emerging markets, what may be the potential, or limitations of EU trade policy as a remedy to weaker performance by some? What, if anything, can be done to overcome such limitations?

No comment (FTA represents mainly importers)

11. Do you agree with the important result presented in the Commission issues paper that the EU strength lies mostly in upmarket products (in all type of products: consumer goods, equipment and intermediary products)?

Yes, this is obvious. Particularly in countries which have already well developed industries in some sectors market possibilities mainly focus of this kind of products.

12. What more can be done to sharpen our export edge in upmarket (high value added) products and services, as well as in goods and services where there is a strong demand?

Improve education and invest in the educational sector all over Europe – perhaps according to a best practice model.

Invest in research, development and innovative projects in the EU. The EU should increase its budget to achieve the same level of support in this field as granted in other countries like the US and Japan.

Furthermore the DDA must achieve a prominent tariff reduction on applied tariffs in third countries to provide a boost to European exports.

And the EU should refrain from measures to protect its own downmarket production industry like T&C and footwear in order to allow DCs to benefit from their competitiveness in this area which leads to job creation in DCs, quicker development and the creation of interesting markets for upmarket products (alone in China an estimated group of 10 Million people can be regarded as very wealthy, in India even 20 Million. Furthermore, 200 Million consumers in India represent a steadily growing middle-class).

13. What should be the importance given to the anticipation of structural adjustment in particular those related to the international trade?

This should be a priority for the next decade as it will be vital to remain competitive in a globalized world where countries like China and India are growing very fast and learn very quickly. The EU needs to stay one step ahead which requires a visionary policy and a policy that supports visions and innovations. This becomes obvious with regard to those industries which have become uncompetitive and are therefore calling for more protection (e.g. textiles and clothing, shoes, furniture, ceramics etc. in the consumer goods sector).

What type of policy should be used?

(See also answers to questions 12 and 14.)

The European Commission published on October 20th 2005 a Communication (COM (2005) 525 Final) called “European Values in the globalized world / Contribution of the European Commission to the October Meeting of Heads of States and Government”.

On page 13 it suggests to “...agree a new Globalisation Adjustment Fund which can complement the structural funds, and notably the European Social Fund, by providing a swift response, focused on people, to urgent problems which result from globalisation.”

Industries like the European textiles industry that manufactures down-market products in competition to imports from China, India, Bangladesh etc. should benefit from this Globalisation Adjustment Fund.

The policy shall in no case subsidise companies in a trade distorting manner. But financial support may indeed be helpful for the social dimension of economic restructuring.

This can be done in a way that EURATEX, the “European Apparel and Textile Organisation”, suggested for the EU textiles industry: By improving the employability of production personnel in other areas or by implementing “waiting” arrangements in job centres for workers who can’t find new employments immediately.

The FTA supports this idea as the advantages, besides the social benefits, would be twofold:

The individual companies could react in a more flexible manner to the necessary changes in the amount and kind of production personnel which will allow them to produce at lower costs. Secondly, it will enable regions that depend on the textiles industry to develop other sectors with the same personnel.

14. What is your perception about emerging countries? Do you perceive the rapid rise of big economies such as China and India as primarily a threat or an opportunity? What should be the EU trade policy priorities with these countries? (Trade in goods, investment, services, IPR, other?)

The emerging countries only represent a threat if the European industry/economy does not cope with international competition and does not respond with innovation and structural change. If the EU tries to protect the domestic market through duties, quota and other trade barriers the consequence is that its economy is prevented from modernization and innovation.

Emerging countries offer a double opportunity: They provide an impulse for new structures and innovation and they offer new market opportunities and growth for European companies (as proven i.e. by the German textiles industry which is highly competitive).

The EU trade policy should be a liberal one that allows European companies to benefit from these opportunities. Protectionism harms not only European importers but also European producers regarding their long-term perspectives to survive in an already globalized world.

15. In your views, how can we better link the competitiveness and the development objectives of the EU trade policy?

See attached paper “FTA Comments”.

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The FTA is the association for European commerce that specialises in foreign trade issues. It is committed to achieving its goal of a true free trade environment. For almost 30 years it has supported its members, consisting of national trade associations and companies from all over Europe, by providing expertise and up-to-date information and by campaigning on their behalf against protectionist measures in the European and international arena.