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*Jan Eggert  
Secretary General*

## EDITORIAL

### More free trade, less protectionism

It hardly needs saying that the most significant event that has occurred since our last Bulletin in the Autumn of 2008, is the global economic slowdown. The impact on retailers has not been as dramatic as the financial services sector, but it has also not been something that can be brushed aside as insignificant.

Calls for protectionist measures have increased – and we will not be surprised to see this reflected by an increase to the number of anti-dumping investigations initiated by the European Commission. However, in this matter we will continue to act as we have done so for more than 30 years; fighting any unjustified acts by lobbying the Commission and Member States and providing assistance and information to our Members during the progress of those investigations. Unfortunately, it appears that chances of an adequate reform to the anti-dumping system are low – though some success at improving transparency has been achieved. However, we are continuing to insist that reform is needed and to explain how this can be achieved.

The conclusions of the G20 summit last month are welcomed; particularly the promise that recourse to protectionism will be avoided and that trade barriers and tariff measures will be reduced. I firmly believe that increased international trade is the solution to this crisis and the G20 conclusions, if followed, should assist in this.

That said, the lack of progress to the WTO Doha Round negotiations is troubling. It is true that bi-lateral agreements can solve many of the issues the WTO seeks to achieve but the increasing number of these agreements (the so-called “spaghetti bowl”) makes for a very complicated system. A proper multi-lateral system would be far simpler to deal with. Therefore the countries of the world should come together at the WTO to achieve this as soon as possible. [...]

## Latest FTA activities

- 24/25.03.2009: Meeting of the FTA Committees
- 9.03.2009: FTA criticizes the new Turkish import regulations for textiles
- 26.02.2009: FTA starts an action for the **abolishment of non-preferential certificates of origin**
- 23.02.2009: FTA calls for quick conclusion to EU– Korea Free Trade Agreement
- 2.02.2009: FTA takes part in a hearing at the EU Commission on **anti-dumping measures against candles**
- 29.01.2009: Letter of FTA to EU Commissioner Laszlo Kovacs on the **reform of preferential rules of origin**
- 22.01.2009: Annual meeting of the Secretariat General of the FTA member associations
- 16.01.2009: FTA protests against Turkish import restrictions for textiles
- 14.01.2009: FTA President Ferry den Hoed meets with **EU Trade Commissioner Ashton**
- 5.12.2008: FTA organizes regional conferences in France
- 1.12.2008: FTA meets with a Sri Lankan delegation and European Council
- 18.11.2008: Cooperation agreement between FTA and China National Textile and Apparel Council on **improving working conditions in China**
- 14.11.2008: FTA criticises the new draft on the reform of the GSP rules of origin

### Editorial (cont.)

On a more specific level, we found ourselves involved in several anti-dumping investigations against consumer goods and we continue our work against the possible continuation of measures against leather shoes from China and Vietnam.

I am sure you will find the breadth of work the FTA conducts, as illustrated in this edition of the Bulletin, interesting and that you may be encouraged to join us in our commitment to free trade.

### G20 London Consensus: time for assessment

By Flavia Bernardini, FTA Trade Policy Advisor

The FTA followed the G20 meeting in London on 3 April with much interest and fuelled the high expectations for the meeting. We argued that finalising multilateral and bilateral trade agreements is part of the solution to the global economic crisis. We have called upon the heads of state and the European Commission to fight protectionism and ensure coordination at international level for dealing with the economic downturn.

It is now time for an assessment: does the “London consensus” meet our expectations?

On paper, it does.

The 29 point G20 communiqué stipulates the top priority programme of actions to solve the global economic slump and financial crisis, including the allocation of \$ 250 billion for supporting trade finance.

The G20 reaffirmed its commitment made in Washington “to refrain from raising new barriers to investment or to trade in goods and services, imposing new imports restrictions, or implementing World Trade Organisation inconsistent measures to stimulate export”. With reference to multilateral trade, the G20 remains committed to reaching an ambitious and balanced conclusion of the Doha Development Round, by building on the progress made, including with regard to modalities.

The worrying increase of trade and non – trade barriers worldwide has been flagged also by the World Trade Organisation and by the European Union. Argentina has imposed non – automatic licensing requirements on textiles, televisions, shoes and leather goods.



*Fight protectionism and ensure coordination at international level*

The Indian government has imposed import limitations to Chinese toys, Brazil has increased the number of non – automatic licences and also augmented tariffs on textiles. Ukraine, Russia and Turkey have increased red tape for importers.

As far as Doha is concerned, our understanding is that it is still too early to say basis progress on the Doha Round will be made, as the new US Administration still needs to fine tune its position on trade and India will hold its general election soon. The London consensus promises are good but not enough. The implementation of the G20 commitments needs to be watched closely.

However, we welcome the G20 Statement and salute its commitment to convert this statement into action. Trade is the lifeblood of the global economy and the world needs more of it in this critical moment, not less.



## Interview with Catherine Ashton, European Commissioner for trade

**Q: The G20 Summit was very positive on the Doha Development Agenda and referred to the urgent need of an agreement. What are your expectations as far as the implementation of this declaration is concerned?**

A: The G20 meeting in London in April amplified the message that protectionism is not the answer. What is important now is to continue to strengthen that resolve and put it into practice. A successful conclusion to the Doha Round of world trade talks will be a major boost to the world economy and guard against future protectionism, and we should do everything we can to reach a deal. We need to re-engage as soon as possible based on the good work done so far. I have had good talks with the new United States Trade Representative Ron Kirk, who has signalled that the U.S. wants to work to conclude the Round. I also expect the Indian government to re-engage following elections in the country.

On the broader trade front, there are many areas that could profit from greater cooperation in the spirit of the G20 Summit. These include investment, public procurement, competition, enforcement of intellectual property rights and access to resources. Greater international cooperation also means better equipping developing countries to take full advantage of the economic recovery when it comes. Meeting our commitments on trade facilitation and Aid for Trade will help make sure that these countries can reap the benefits of trade.

**Q: China is the major sourcing country for FTA members and we urged the European Commission to have a closer dialogue with Chinese authorities. What is being done and how do you see the way forward?**

A: China remains perhaps the biggest challenge in our bilateral economic relationships, but it also offers probably the greatest opportunities. The importance of this relationship is not in doubt – trade flows are now well over EUR 300 billion per year and there is significant investment in China by European companies. There is much more potential to ensure balanced trade flows and facilitate more trade in

the goods and services: trade balance remains heavily skewed in China's favour. We should cooperate more in areas that are mutually beneficial, like supporting our SMEs or building a low-carbon economy. One key is also to make sure that the environment for investment is secure and open.

The way to achieve these and other goals is to engage and foster close dialogue. We have over years built a broad engagement with China with more than 30 different dialogues covering all policy areas. On the trade front we have many specialised working groups including IPR, textiles, steel, and sustainable trade, as well as senior official level dialogues on trade and investment. At a ministerial level the annual Joint Committee that covers our trade issues with China has been productive.

The key forum for our economic relationship with China is now the EU-China High Level Economic and Trade Dialogue (HED). The HED was the result of a decision at the 2007 EU-China Summit to more effectively address cross cutting and strategic issues and to foster a closer partnership in the economic field. The HED should also give political impetus to ensure that our dialogues moves forward and deliver concrete results. I just chaired the second meeting of this dialogue together with Chinese Vice-Premier Wang Qishan, with the presence of eight of my colleagues from the Commission and a total of 12 ministers or vice-ministers from the Chinese side. This allowed us to discuss topics as varied as trade, investment, energy and environment, customs cooperation, food and product safety, and innovation and intellectual property.

**Q: We welcome the engagement of the European Commission on bilateral Free Trade Agreements but we are concerned that the conclusions of these agreements are not as swift as expected. How do you see the way forward for India, Korea and ASEAN?**

A: Trade negotiations are more complex than they have ever been. No longer are the reduction and elimination of import duties the only focus of such negotiations. Non-tariff barriers, obstacles to trade in services, restrictions in direct investment, lack of adequate protection of intellectual property rights, insufficient competition rules, or the denial to access the procurement market increasingly prevent EU industry to fully exploit its potential in third countries. It is thus important that we address these issues in our bilateral trade relationships.

Free trade agreements offer the unique opportunity to engage with third countries in all of these areas, but given the number and complexity of topics to be dealt with, this is not something that should be negotiated quickly if it is at the expense of ambition. The European Commission already in 2006 outlined the high level of ambition it wants to pursue in such negotiations in its Global Europe communication. It identified India, Korea and ASEAN as potential FTA partners and negotiations had subsequently been launched in spring 2007.

Numerous negotiating rounds, negotiating sessions between experts, and exchange of texts took place so far. We have made good progress in these negotiations, but it is the substance and not a fixed timetable that guides us. Naturally, the three negotiations follow a different pace:

After two years of negotiations with South Korea, we now have a comprehensive agreement within reach which would create new opportunities in an important market for EU exporters of goods and services. In this sense, the FTA would present a useful point of reference for other negotiations.

In the negotiations with India some good progress has been made on most of the issues. We remain fully committed to concluding these negotiations swift and stand ready to making further progress this year. We now need to await the outcome of the Indian elections, but have already tentatively agreed to hold two more negotiating rounds this year.

With ASEAN we are negotiating with a group of countries that is not as integrated as the EU and where we countries are at different stages of development. I would like to inject new momentum into these negotiations and we are now seeing how we can move forward with individual countries who are willing to do so, while keeping the door open for those who want to join later.



*FTA President and Secretary General meet with Commissioner Ashton*

**Q: Against the background of the financial crisis most politicians and experts emphasise the necessity for open markets and further trade liberalization. What are the Commission activities in this respect and can you give concrete examples of protectionist measures that will be avoided in the coming months?**

A: The global economic downturn has highlighted the vital importance of trade policy in delivering jobs and growth. I have embraced that challenge and my focus is very much on making sure that the EU and our trade partners remain open for business.

I believe this is the best way to get out of the current economic crisis. The alternative - introspection and protectionism –would serve only to create a climate where economic recovery would be slower and more difficult to deliver. So, we need to lock in the openness that has generated so much growth and prosperity in recent years.

Given this challenging trade environment, the EU first and foremost strongly supports an ambitious and balanced conclusion of the Doha Development Round. This is even more important than before given that the value of the Doha round as a global insurance policy against protectionism has increased.

In addition, the EU also has expressed its firm support for the G-20 standstill commitment to refrain from raising new barriers to investment or to trade in goods and services until the end of 2010. In this regard, I welcome the responsibility given to the WTO at the London summit to monitor trade developments associated with the crisis.

The European Commission also intends to remain vigilant, looking closely at trade restricting or distorting measures and discussing these with our trade partners. Our Market Access teams who work on the ground in around 30 key markets are monitoring developments and working to keep markets open, with some success.



## Postponement of EU Customs Security Initiative until 2011 positive but surprising

By Stefan Wengler, FTA Director

It is a well-known fact that the dramatic events of 11 September 2001 resulted in the introduction of measures intended to further the security in the international supply chain. Following the instructions of the World Customs Organisation, the EU adopted a package of measures providing, among other things, for summary pre-declarations for imports and exports and the status of the Authorised Economic Operator (AEO).

The AEO status can be applied for since 1 January 2008. However, the mandatory submission of a pre-declaration, which was intended to enter into force on 1 July 2009, has been postponed until 1 January 2011.



*An instrument which is hindering the swift movement of goods in international trade*

Thus the economic operators as well as the member states' authorities in charge will have sufficient time to provide for the necessary IT infrastructure.

While in the interest of planning security it is basically positive to have such a long preparation time, the question that must be asked is why a measure which had at the start been given top priority will have to wait for almost a decade before it will be put into practice. One reason can certainly be found in the lack of willingness on the part of the member states to set up the necessary electronic data exchange systems, but another is obviously the fact that the past few years did not see any of the expected terrorist attacks in the international supply chain.

Against this background the legislators should ask themselves whether the EU security initiative in its intended form is still in keeping with the times or whether it is maybe just an instrument which is hindering the swift movement of goods in international trade. From the FTA point of view, it is rather the latter.

## Preferential and bilateral trade agreements – rules of origin as non-tariff trade barrier

By Stefan Wengler, FTA Director

The reform of the preferential rules of origin which are first going to be applied under the Generalized System of Preferences, and, at a later point in time, be extended to bilateral free trade agreements, seems to have failed. Due to the different and alternative criteria proposed for establishing origin, the envisaged aim of making the rules of origin more transparent and facilitating their application, will not be met. Moreover, it is not acceptable to the FTA that in the future the exporters will be allowed to execute the declaration of origin by themselves – i.e. without the participation of an authority of the exporting country.

This concept of the registered exporter would lead to a situation where in the future the importer will again be responsible for the correctness of the stated origin. This responsibility cannot be taken by the importer since, for obvious reasons, he is not in a position to verify the origin stated by his supplier.

In practice this would result in commerce increasingly abstaining from importing goods at preference tariff rates in order to avoid the subsequent levy of duties. This would counteract a substantial goal of the free trade agreements which are mainly aimed at stimulating the exchange of goods between the parties to the agreement. This dilemma shows again that there is no alternative to multilateral agreements where the origin of goods does not matter.

## REACH compliance: a challenge for the European retailers

By Flavia Bernardini, FTA Trade Policy Advisor

The Foreign Trade Association will organise its third REACH Seminar on June 16. REACH is the general regulation concerning chemicals that not only contains provisions for registration and pre-registration of substances, but also includes information requirements. These provisions apply to all suppliers of products placing those articles into the EU market.

Currently, one of the most discussed obligations is art. 33 of the REACH regulation. This requires any supplier of an article containing a substance included in the Candidate list in a quantity of more than 0.1%, to provide to the recipient with the name of such substance and with sufficient information to allow safe use of the article. The provision is not reader friendly, but the consequences are even more unclear.

The uncertainties concern the identification of the substances included in the Candidate list; the people entitled to receive the information; the content of the information and the way to communicate this. The way to calculate the 0,1 % is indeed ambiguous. But it is sure that this obligation applies very broadly, to all suppliers of articles.



*The occurrence of the substances should be communicated by the suppliers to the business partners and, upon request, to the end consumers*

European retailers are subject to this information duty and this is a very challenging duty to comply with, because many of the products distributed by the European retailers are not produced in Europe. Globalisation is a fact of life and the overwhelming majority of European retailers either import themselves or they buy goods from independent importers. The smaller European retailers purchase products from wholesalers. These retailers are not producers not importers but by law they have to be aware of the possible occurrence of one of the substances of the Candidate list in the goods that they distribute. This imposes collecting information along the (often complex) supply chain in non European Countries and possibly also analysis of products distributed.

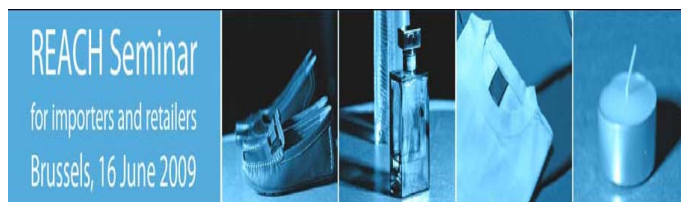
But what is the Candidate list in REACH really?

The Candidate list is a list of Substances of Very High Concern, including substances which may eventually be used in the future only prior to authorization. For those substances, suppliers of articles must provide to their business partners, and,

and, upon request, to the end consumers with information on the occurrence in products of chemicals listed in the Candidate list. The main problem of the candidate list is that the number of substances listed is constantly reviewed. The originally fifteen substances listed are now seventeen, and seven more substances will probably be added soon. This imposes to all relevant operators to monitor constantly the work of the European Chemical Agency and to undertake relevant steps for complying with any modification. This does not match with the basic need of predictability of the business.

With whom and what should the supplier communicate? According to art. 33, the occurrence of the substances concerned should be communicated by the suppliers to the business partners and, upon request, to the end consumers. This duty should be fulfilled within 45 days.

Challenging timeline for a small retailer! As far the content is concerned, the customer will be provided with "at least the name of the substance" and "sufficient information available to the supplier to allow safe use of the article". One could suspect that clarifying this rule will need the intervention of the European Court of Justice. The FTA can only promote knowledge sharing and exchange of best practice for supporting its members in complying with this complex regulation. In this framework, we have organised our third REACH Seminar for retailers and importers on June 16, 2009.



### FTA Seminar, June 16 in Brussels

On the 16 of June the Foreign Trade Association will conduct a REACH seminar for importers and retailers. There are a lot of uncertainties on the implementation of the REACH legislation and complying with the many obligations imposed by REACH represents a considerable challenge for business. The FTA REACH Seminar will not only give you the opportunity to address your questions to the European Commission officials, but will also provide you with concrete examples of the approach developed by FTA Members for complying with the REACH legislation.

More information about the Seminar is available on our website: [www.fta-eu.org](http://www.fta-eu.org). The deadline for registration is the **12 June** 2009.

## Anti-dumping: new cases and old

By Stuart Newman, Legal Advisor

Since our last Bulletin, and old “friend” of the FTA has finally shuffled off this mortal coil – the measures against bed linen from Pakistan expired on 5 March this year. Our members have been affected by these measures, in one form or another, since the early 1990’s and so it was a relief to see them disappear.



*In April 2009 the Commission was able to persuade a majority of Member States to vote in favour of definitive measures*

Our work on the candles from China investigation intensified, following the introduction of provisional measures in October, when we filed a detailed submission of more than 70 questions regarding issues where we felt the investigation was flawed (e.g. discrepancies in the standing, lack of injury to the Community producers, inclusion of “fancy” candles that are produced only in small numbers). Many of the same arguments were raised at a hearing with the Commission in February. However, despite these efforts and the complaints of a number of Member States, in April the Commission was able to persuade a majority of Member States to vote in favour of definitive measures. These will now come into effect by 16 May. The measures have been applied on a Euro per tonne of fuel basis and since many candle related products consist of glass or metal holders we are sceptical that a proper implementation is possible. However we will keep a close eye on this over the coming months.

Serious questions were also raised against the investigation on iron and steel fasteners from China. The standing of the parties who had requested the case was in doubt, as was the supposed injury to the Community industry. In addition it was evident that the products under Investigation were of a much lower quality than the high-end, specialised use products being produced in the Community. These doubts were sufficient to prevent provisional duties being imposed but again, the Commission was able to persuade a sufficient number of Member States to vote for definitive measures which applied as of February this year.

The first example of definitive duties being imposed retroactively almost occurred against imports of canned mandarins from China. However, after protests from the FTA and several other parties, the Commission’s proposal did not go through. Unfortunately, the measures were accepted and took the dubious honour of being the last protectionist measure of the year, being implemented on 31 December.

Committed to free trade



## Anti-dumping: footwear case marches on

By Stuart Newman, Legal Advisor

In our last edition we reported on the fact that an expiry review had been initiated against the measures imposed on imports of leather upper shoes from China and Vietnam. At the time, the ex-EU Trade Commissioner, Peter Mandelson had indicated that the review would be conducted over seven months (rather than the usual fifteen) and that, extraordinarily, any duties paid throughout the period of the review would be reimbursed if duties were not extended.



*We will continue our work to ensure that the unnecessary duties that were originally imposed in October 2006 do not continue*

Although it now seems that the seven month timeline was rather ambitious, the new Trade Commissioner, Catherine Ashton confirmed to us that she is putting pressure on her services to complete the review before the summer.

We firmly believe that the shoes being imported into the EU are not injuring the Community industry since that Industry no longer produces the same type of shoes. Therefore, we will continue our work on this case and indeed will be stepping up our efforts to ensure that the unnecessary duties that were originally imposed in October 2006 do not continue.

## The BSCI moves forward

By Lorenz Berzau, BSCI Managing Director

In recent years, businesses have realised that taking over social responsibility has to become an integral part of their corporate philosophy. Based on this, the FTA launched the Business Social Compliance Initiative (BSCI) in 2003, which now comprises more than 300 retail, brand and importing companies as members. Whether the international sourcing of companies implies a legal responsibility for offences against the applicable social standards in the supply chain is today no longer in doubt. Meanwhile, most FTA members see adherence to ethical principles as a normal part of their business.

The membership and the experience of the BSCI are continuously growing - more than 8000 audits and re-audits speak a clear language. The growing number of enterprises that have joined the BSCI has also brought about a change in the BSCI member structure. The retail companies and brand manufacturers have been joined by importers which have considerably increased the product range covered by the BSCI. While at the beginning the main focus was on textiles and footwear, the product range now also comprises toys, cutlery, household items and tableware, sports goods etc. Moreover, the primary production of agricultural products, in particular from Africa and South America, plays an increasing role. However, the BSCI has not only grown quantitatively, but also with regard to its reputation in the governments of important supplier countries, the EU Commission and stakeholders. Although there are still some non-governmental organisations which regard an initiative that is led by commerce as generally biased, and therefore dispute it, the achievements of the BSCI are widely recognised. This recognition, however, was one that was earned and not given for free.

**The Foreign Trade Association (FTA) is the association of European commerce that specialises in foreign trade issues.** We directly represent more than 200 retailers across Europe having a combined turnover in excess of €500Bn and a responsibility for more than 2.5m employees. Companies that belong to our national association members account for another 500+ names and hundreds of billion more Euro in turnover. All our members, that include major retail and brand companies as well as small and medium sized enterprises, are committed to the further liberalisation of international trade. For more than 30 years, we have fought to achieve free trade by lobbying and working with national, EU and international institutions to ensure that the concerns of our members are voiced.

### Not yet a FTA Member ? Discover the various services that we can offer you:

- Monitoring of EU and international trade issues
- Legal and political analysis
- Elaboration of statistics on foreign trade
- First-hand information through exclusive electronic publications (Circulars and Newsflashes) and through access to the members area of the FTA website
- Regular meetings: FTA committees, Seminars and Conferences
- Access to an extensive network of national, European and international trade associations
- Advice and support to members in case of individual business problems
- Privileged access to the Business Social Compliance Initiative

Whenever weak points are found, the related problems are discussed with the BSCI bodies. This means the BSCI is permanently developing and improving. One matter of concern is, for example, the relatively low number of first audits evaluated as "good". Therefore, the commitments made by the members of the BSCI should not only focus on the number of audited suppliers in a certain period of time, but also take into consideration qualitative aspects.



*Training measures and capacity building are a fundamental precondition to improve social standards in the supply chain*

For this reason, highest priority is given to training measures and capacity building. Such measures are a fundamental precondition for reaching the goal we are aiming at, namely to improve the social compliance in the international supply chain. To this aim more trainings are being offered by the BSCI. However, a further strengthening of our efforts requires the support of European countries and the European Union as well as of governments and partner organisations in the supplier countries. For example, in China, the main supplier country of European companies, the BSCI signed a cooperation agreement with the National Textiles and Apparel Council (CNTAC), thus involving it in this process.

By combining audits, capacity building and stakeholder involvement, the BSCI has a good chance to leave its mark on sustainable development in the supplier countries.

### FTA

Avenue de Cortenbergh 168  
1000 Brussels  
Belgium  
Tel. +32 2 762 05 51  
Fax +32 2 762 75 06  
[info@fta-eu.org](mailto:info@fta-eu.org)  
[www.fta-eu.org](http://www.fta-eu.org)