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Jan Eggert
Secretary General

EDITORIAL

We live in a world of paradoxes. While protectionism is experiencing a come back in European public debate, the EU is emerging as one of the winners of globalisation. The recent study "Globalization & Europe: Prospering in the New Whirled Order" published by the American Chamber of Commerce to the EU showed that Europe's share of world exports has increased during the last ten years and that the EU is ranked as number one in export market share in 9 of 20 different product categories.

These facts should be contrasted against common scare-mongering over globalisation and cheap imports. As to another fear often voiced – the loss of European jobs to emerging economies – the study contends that for every job that Europe has lost to economic change in the last two decades it has created a new one in more competitive parts of the economy. The data speak loud and clear: the EU is a world economic champion with a lot to thank globalisation for.

Having such a role translates into showing leadership. First of all, the EU must be the strongest advocate of the WTO and the Doha Round. As the Doha Development Agenda risks being ultimately put aside this year, the multilateral trading system as such is facing uncertainties. The EU has to be the guarantor of the WTO, first by making increased efforts to save the negotiations, and secondly by supporting the Organisation should the Round collapse.

Moreover, the EU's prominence as a world trader means that it does not have to use a lowest common denominator for trade openness. If we indeed believe that open trade benefits our economy as a whole, why should we settle where others have settled? Everyone should be interested in improving our trade rules, including the trade defence instruments. This is especially the case as emerging markets are becoming frequent users of anti-dumping measures.

[continued...]

Latest FTA activities

- 04.10.2007: FTA informs in detail about the new double check system for imports of **Chinese textiles**
- 15.10.2007: Biannual **FTA Committees** held in Brussels; product safety, textiles and the bedlinen case discussed
- 21.11.2007: FTA organises its second **REACH Seminar** for importers and retailers
- 29.11.2007: Publication of Position Paper on the reform of the **preferential rules of origin**
- 10.12.2007: Together with other business groups, FTA releases a statement in support of the struggling **Doha Round**
- 15.01.2008: FTA reacts with disappointment to the withdrawal of the planned **reform of EU's anti-dumping rules**
- 23.01.2008: The first meeting of the new **FTA Footwear Committee** held in Brussels
- 06.02.2008: FTA meets with Commission officials to discuss difficulties experienced when importing **textiles from China**
- 25.02.2008: FTA urges Mandelson and Kroes to probe paraffin cartel in the EU and not **imported candles**
- 26.02.2008: Revised version of FTA's **REACH Guide** for importers and retailers published
- 04.03.2008: FTA President and Secretary General meet with **India's Ambassador to the EU**

EDITORIAL

Finally, the EU must grasp the opportunity and show leadership in opening up markets abroad. The current Commission should indeed be commended for its work in this field so far. As the European Commission President, José Manuel Barroso stated at the release of the study: “the key is to open up new markets – not to close ours.”

The Doha Round, the WTO and the role of the EU

By Olle Pettersson, FTA Trade Policy Advisor

Will 2008 be the make-or-break year of the Doha round? For a lot of reasons this appears to be so. And even if the negotiations were to continue, in some form, after the end of the year it is difficult to see how the Doha Development Agenda will ever be the same having spent a couple of years or more in the deep freeze.

The inauguration of a new President in the U.S., the election of a new European Parliament and Commission next year and upcoming reviews of the EU's budget and agricultural policies are all key developments in 2009 and 2010 that would make a WTO deal less likely. What is left is a brief window of opportunity from now until the year-end that can only be used if there is first a framework agreement in April at the latest. Today, the chances of reaching such a deal appear very slim. The gaps between the parties are still seemingly impossible to bridge and the harsh rhetoric has not softened.

However, a few circumstances could improve the prospects of a breakthrough. Turmoil on the global financial markets strengthens the incentives to lower duties world wide in order to counter economic slowdown. Soaring world food prices make it easier for politicians to defend cuts in agricultural tariffs and subsidies. Add to this the usual caveat in multilateral trade negotiations: historically, breakthroughs are often preceded by the moments when compromise looks the least likely.

These few factors aside, a conclusion of the Doha Round this year does not look very likely. What's more, a total collapse of the negotiations (the first time ever a GATT/WTO Round would fail) would put the whole WTO under pressure. It would give its opponents new arguments, increase the workload of the dispute settlement mechanism (as parties would opt for litigation instead of negotiations) and it would signal the impotence of multilateral rule-making ahead of next year's crucial attempts to create global rules to stem climate change.



There is much more at stake than what has so far been put on the table/WTO

In parallel with its attempts to reach a compromise solution in the Round, the EU must gear up to support the multilateral trading system in the event that all attempts fail. Europe must defend the system and be ready to show leadership in the discussions of WTO-reform.

Perhaps most important of all, the existing trade rules must be respected and panel and Appellate Body reports complied with. The risk is that developed economies such as the U.S. may find it impossible to abide by agricultural disciplines in cases brought by emerging economies. And for the latter, complying to WTO rules may be hard to justify politically if the promises of the Doha Development Agenda fail to be realised.

The great uncertainties facing the system in case of collapse must be fully taken into consideration before the EU walks away from the negotiations. There is simply much more at stake than what has so far been put on the table.



Imports from China on the rise despite bureaucratic hurdles

By Stefan Wengler, FTA Director

Despite all prophecies of doom, the textile quotas applicable to China which some time ago had still been in force were abolished three months ago. With the exception of Belarus and North Korea, after almost half a century of quota restrictions imports of textiles into the European Union are no longer subject to quantitative restrictions.

As a result, in the first quarter of 2008 China has considerably strengthened its top position among the supplier countries of the European retail trade (as measured by the number of units). The number of export licences issued for some textiles categories which are still subject to surveillance has more than doubled from the previous year. Nonetheless, the imposition of a safeguard clause proceeding has not yet been asked for.



Consumer goods imports such as clothing have a positive impact on the level of prices

Still, as a result of the increase in imports comprising almost all goods segments, there is also growing fear that the European markets will be flooded with Chinese goods and existing competitors squeezed out of the market. However, experience of recent years has shown that the dreaded displacement has been kept within bounds due to structural adjustments in the European sectors affected.

But there are more reasons why the import of consumer goods from China should not be demonised. After all, consumer goods imports have a positive impact on the level of prices since as a rule these goods are considerably cheaper than EU products. This is an important contribution to the maintenance of price stability and domestic producers and service companies can benefit from the higher purchasing power of consumers.

The rapid increase in textiles categories subject to surveillance is all the more surprising given that the Chinese administration has developed a particularly complex monitoring system. This system is characterised by a number

of security mechanisms which had resulted in delays and complications during clearance. Only due to numerous FTA interventions with the EU Commission and the Chinese side was it possible to solve the problems and to ensure the availability of goods.

A problem still not solved satisfactorily is the disagreement with regard to the tariffing of goods. Here the Chinese side often comes to conclusions different from those of the European importers whose opinion with regard to tariffing is crucial for imports into the EU. Another problem is the fact that only a few thousand textile suppliers of China are entitled to exports. Suppliers not complying with the relevant criteria therefore feel compelled to acquire the export licences for high fees from authorized companies. However, import figures show that this instrument of indirect quantity control is not very efficient either.

The new GSP: Preference margin at unchanged low level

By Stefan Wengler, FTA Director

The European Commission has met a demand of the FTA and published the proposal for a new Scheme of Preferences in a timely manner. Thus importers and beneficiary countries are provided with the necessary planning reliability. It is regrettable, however, that the particularly low preference margin in the textiles and clothing sector has not been changed. This is as disappointing for importers as for the beneficiary developing countries which hardly feel the preferential advantage. As a matter of fact, only the least developed countries will benefit from the system since these countries will remain entitled to full exemption from duties.

However, the FTA acclaims the fact that, at the insistence of commerce, the European Commission has finally taken back its proposal to regard the added value achieved in a country as the only crucial criterion. The Commission had fiercely defended this concept for more than two years even though the member states had unanimously come out against it. Thus a lot of time was wasted. Now a concept has to be provided which will meet the demands for transparent and simple rules of origin. The FTA will constructively contribute to developing such a concept.

Non-trade regulation putting new demands on the trader

By Olle Pettersson, FTA Trade Policy Advisor

Product safety has emerged as an ever more important issue for commerce sourcing abroad. The spotlight of the public's attention hit European importers last summer as the European Commission reported record levels of deficient products originating in China and some companies voluntarily recalled millions of imported toys due to various design flaws. As always when these things happen, there are soon calls for new and stronger rules.

The European Commission has reacted by emphasising implementation and enforcement rather than the perceived need for new regulation. This is a prudent thing to do. We do have good regulation in the EU – the problem is clearly at the implementation level. And in this regard, commerce has actually a lot to gain from more streamlined enforcement in the 27 EU Member States. It is a constant nuisance experienced by countless European traders and retailers that rules are applied differently in different EU countries.



Toy safety — one of several regulatory areas having an impact on imports

To diligently comply with the rules in an EU Directive may sometimes simply not be enough – you may also have to observe local variations and sometimes modify the product in question depending on where in the EU it is destined to be marketed. If the EU wants to have a vibrant and strong internal market, this situation must be addressed.

The reaction in China – the *de facto* subject of European scrutiny – has been mixed. On the one side, it is understood that complying with new demands is the only way to retain high export levels. On the other hand, Chinese high-level officials have not been late to criticise what is perceived as excessive scare-mongering by European governments.

The implications for traders have mainly been an increased frequency of import control and market surveillance, and some disruption in supply chains owing to tighter checks on exports by Chinese authorities. The development entails new demands on supply chain management and on suppliers that are likely to

lead to further consolidation on the supply side and vertical integration of retailers.

Regrettably, European commerce has to get used to this. Several legislative initiatives are in the Commission's pipeline. It has tabled proposals for a strengthened regime on the imports of cosmetics as well as for an updated Toy Safety Directive. What's more, tightened import surveillance is part of the Commission's reform package of the internal market. The aim of the package is to remove as many hurdles as possible on the market. To achieve this goal it is considered necessary to harmonise (that is strengthen) the controls of imports (enforced by the Member States) so that all goods released for free circulation will in fact enjoy free circulation and no more checks.

The sensible trader should take these issues seriously: being proactive and developing ways and means by which new rules and regulations can be implemented smoothly is not a mere competitive advantage but more and more a necessity.



FTA Seminar, September 16 in Brussels

On June 1 importers will have to pre-register, with the European Chemicals Agency (ECHA), the chemicals contained in all kinds of products imported. There are still many uncertainties as to how exactly this process will work and how business will respond to the new demands. To give you updated information based on the first months of the pre-registration period, the FTA is organising a REACH Seminar on September 16 in Brussels.

Experts from the European Chemicals Agency will discuss how the process is advancing and share their experience of the filing of pre-registration dossiers and common mistakes. More information about the Seminar will be available soon but you can already now mark the date in your calendar.



Footwear: Not just anti-dumping

By Stuart Newman, Legal Advisor

In January this year the FTA launched its new Committee on Footwear in order to deal with issues that concern our footwear retailers and importers that go beyond anti-dumping issues.

Of course, with the current measures on imports from China and Vietnam due to expire on 6 October, and a request for an extension to those measures by EU industry a practical certainty, anti-dumping was the main source of discussion at both the January and March meetings.



Anti-dumping, REACH, CSR, rules of origin, consumer protection — not just a pair of shoes

Work is now underway to ensure that the unnecessary measures do not continue beyond October and thereby continue to affect EU retailers and importers. We will continue to keep close contact with representatives of China and Vietnam and EU Member States together with Commission officials to make sure our views are being heard.

Other issues concerning footwear range from environmental concerns and the new REACH regulation to consumer protection, rules of origin and CSR.

TDI reform redundant?

By Stuart Newman, Legal Advisor

In December 2006 Commissioner Mandelson launched an ambitious project; a reform of the Anti-Dumping Regulation. The FTA had been involved from the very early stages when he hosted an “expert’s meeting” in July that year and so we responded to the Green Paper exercise with a comprehensive (and reasonable) paper that detailed the areas where we felt improvement could be made to the benefit of EU retailers and importers.

It was therefore with some satisfaction that we read Mr Mandelson’s proposals for the reform that were leaked in November. Of particular importance were: the reimbursement of duties paid during an expiry review; greater flexibility to impose duties for less than five years; an “APO type”

system; a replacement of the analogue country system to calculate normal value; the release of provisional findings ahead of the imposition of provisional measures; increased transparency; increased use of the Community Interest test (e.g. in expiry reviews); better consideration of EU producers that have out-sourced production.

Unfortunately, in January of this year it was announced that for reasons of “political pressure” the reform process had been put on hold. It seems that thanks to a combination of opposition from the more protectionist member states (and Commissioners from those states) together with intense pressure from EU industry, Mr Mandelson was forced to either withdraw the reform or put forward proposals that were significantly less ambitious than he intended. He chose the former.

Despite Commission protestations to the contrary, it now seems highly unlikely that the reform will be resurrected (at least not in the near future). All we can realistically hope for is that the ideas that we put forward and that were reflected in the proposals of the Commissioner are implemented in some way in future anti-dumping cases.

Five years of BSCI: Now largest system of its kind

By Lorenz Berzau, BSCI Managing Director

Exactly five years ago, the FTA launched the Business Social Compliance Initiative (BSCI) as a common system for retailers, manufacturers and importers to monitor and improve the social compliance in their global supply chains. Today, more than 110 companies from 10 countries implement this system for more sustainability in the production of their non-food and food suppliers.

Improving management practices and social dialogue within the supplier facilities are key issues to enhance compliance with recognized international and national rules on working time, compensation, the ban on discrimination and child labour as well as occupational health and safety. More than 3500 audits at more than 2500 suppliers have shown these fields to be most challenging topics. This is why the BSCI is focusing on these particular issues in its increasing training activities.

80 factories in Turkey have been involved in a three-stage training project together with BSCI’s partners Social [continued...]

Accountability International (SAI) and the Istanbul Textile Manufacturers and Exporters Association (ITKIB), co-funded by the European Commission. 40 factories in Vietnam have been trained in a two-stage project in cooperation with SAI. In addition, suppliers have participated in general awareness raising workshops in South Africa in October 2007, which was another step in the implementation of the BSCI in Africa. The next awareness workshops will take place in April in India and in May in China. Audits in combination with training are the key to measurable improvements – key elements in the BSCI.

Working together with companies from the pharmaceutical, automotive, IT, cement and other industries, BSCI facilitates the so called Laboratory on CSR in the Supply Chain. It is one of 20 laboratories in the framework of the European Alliance for CSR which was launched by the European Commission two years ago. The aim is to create a Comprehensive training on specific criteria, focusing on management systems provides further capacity building on the supplier level. 80 Turkish suppliers and their subcontractors from the Istanbul region have participated in a first training which has been perceived very positively by the participants. European web-portal with comprehensive information on CSR schemes and also training material. The first version is to be launched at the end of this year.

During the CSR Marketplace in November 2007, an annual major CSR event in Brussels, the Supply Chain Laboratory won an award, and received encouraging feedback from Vice President and Commissioner Günter Verheugen.

FTA President Ferry den Hoed and Secretary General Jan A. Eggert participated in this year's High Level Meeting of the

European Alliance in March, a key event with Commissioners Verheugen and Spidla. In addition, CEOs and board members of BSCI members are invited by Ferry den Hoed and Viscount Etienne Davignon, President of the large CSR think-tank CSR Europe, to a high level discussion with Commissioner Spidla on 16 May in Brussels.

The dialogue with representatives from governments, associations, trade unions and non-governmental organisations BSCI leads in supplier countries and in Europe has been intensified. In December 2007, a Stakeholder Meeting took place in Brussels in which participants discussed openly and constructively. This dialogue will be continued on a regular basis. A good example from a local Round Table can be seen in Morocco. It has been agreed upon to establish additional agencies to improve the communication with farm workers facilitating their social insurance. This is a very visible example what stakeholder relations can deliver in practice.

With the stakeholder and partner organisation SAI, BSCI also embarks on extending the verification of BSCI audits to continuously ensure the high quality and credibility of auditing. With a view to the Olympic Games in China this summer, BSCI has invited journalists to several BSCI activities in May in Beijing. This measure will help media representatives to get a practical insight in how BSCI members undertake their share of social responsibility in their supply chain.

Just like the membership, the scope of BSCI's activities has broadened. Five years after the FTA took the initiative to launch this common system for companies there is an encouraging outlook for the future.

The Foreign Trade Association (FTA) is the association of European commerce that specialises in foreign trade issues. Our Membership comprises almost 100 members — national trade associations, retailers, manufacturers and importers — from all over Europe. 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

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