

## The FTA Bulletin

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## EDITORIAL : CANCUN MUST BECOME A SUCCESS!

The 5th WTO Ministerial in Cancun/Mexico has begun. In Cancun, the course will be set for the second half of the current WTO round of negotiations, the Doha Development Agenda. It is a decisive point for whether this world trade round will all in all become successful. Therefore, huge expectations, especially from the developing countries, are laid upon this Ministerial. The agreement within the WTO concerning developing countries' access to pharmaceuticals gives new impetus to this hope.

With a view to the depressed world economy, a further dismantling of trade barriers is particularly urgent. A successful WTO round would mean an improvement of the framework conditions on a wide front for international trade. Therefore, a lot is also at stake for European trade. For the European trade a further lowering and harmonisation of duties, the international harmonisation of anti-dumping proceedings and a further liberalisation of the services sector are on top of the agenda.

The negotiations since Doha have turned out to be extremely difficult. As concerns the subjects to be negotiated, stipulated in Doha in 2001, an agreement has so far not been reached for the majority of them. This, above all, applies to the access of the developing countries to pharmaceuticals and the liberalisation of the agricultural markets – both subjects which are of paramount importance for the developing countries.

The reform of the EU common agricultural policy in June was an important step in the right direction. The decision in Luxemburg to uncouple direct aids from production leads to less trade distortions than subsidies linked with production. But in the WTO round the agricultural duties and the export subsidies will still have to be discussed. With a view to this issue, the EU will be faced with the criticism of the Cairns Group, which advocates a liberal agricultural trade, as well as that of a big coalition of the USA and the developing countries. Since last month's joint agricultural proposal of the EU and the USA there is hope that the WTO Member States as a whole will also agree on a common negotiation proposal as concerns this subject.

The WTO Round is a single undertaking, which means that only if an agreement is reached on all negotiation sectors, there will be a global package in the end. This emphasises the importance which agricultural trade plays in this round. Without an agreement on this sector there will be no further dismantling of trade barriers nor a further liberalisation of the services sector.

The European trade sector appeals to all WTO Member States, however, especially the important world trade partners USA and EU, to turn Cancun into a success and to set the course for a successful conclusion of the WTO negotiation round at the end of 2005. The growing number of bilateral and regional trade

agreements cannot replace further progress in the liberal structure of the multilateral trade system, it is quite on the contrary. The worldwide economy will benefit from a success in Cancun, i.e. not only in the industrial but also in the developing countries.

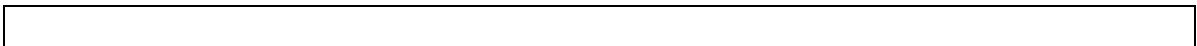
Jan A. Eggert  
Secretary General



### FTA PARTICIPATION AT THE 5<sup>TH</sup> WTO MINISTERIAL MEETING IN CANCUN

The FTA is part of the official EU delegation to Cancun as a member of DG Trade's "Contact Group", a communication forum organized by the EU Commission for officials, business representatives and NGOs. The FTA promotes further trade liberalization through transparent and predictable rules, that take the development needs of developing countries and least-developed countries into appropriate consideration.

The position paper is available on the FTA-website (under Opinions).



### CHINA AND THE FUTURE OF TEXTILES AND CLOTHING

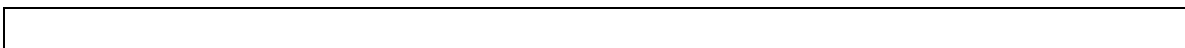
In the last few years, the People's Republic of China has become an ever more important trading partner for European importers and traders. In line with this, the policies that govern Sino-European trade relations have gained a huge practical impact on European traders day-to-day work.

The FTA closely monitors EU trade policy with regards to China. Certain topics, such as textile quotas, are and will continue to be of central importance and have largely been in focus of FTA activity in 2003.

At no point did it become so apparent as at the 5-6 May European Commission conference on "The Future of the Textiles and Clothing after 2004", in which the FTA participated, that China is at the forefront of speculation as to how the global textile industry will develop after textile quotas are dismantled in 2004. There seems to be no doubt that China will be in the firing line as countries the world over try to allay their fear of Chinese goods flooding in to the detriment of their own domestic markets.

It is of course uncertain what will happen after 2004, but the FTA is seriously concerned about the mechanisms that are being set in place against China. An increased application of the protective clauses that apply to imports from China may well result in restricted business with Chinese suppliers in the short-term, which would lead to considerable uncertainty amongst importers. For national economies, there are considerable advantages linked to imports of textiles and clothing, not least for consumers, that benefit from the lower price level of imported goods.

The fact that the special product-specific safeguard mechanism, introduced by the EU in March 2003, has already been applied is disconcerting. The FTA will continue to closely observe how the Commission proceeds in the case against imports of mandarins from China. Against the background of a sharp increase in the use of trade defence instruments in the last few years, this leads to even greater certainty that the special safeguards will be used against textiles. At the moment, eighty percent of textile quotas are in place, so it is unrealistic that the textile markets really will open after 2005. Textile quotas may well return, albeit in another form.



## A FUTURE CHEMICAL STRATEGY FOR EUROPE – REACH

European Retailers have a vital interest in the safety of their products. The substitution of the current provisions on registration by the new EU approach, known as “REACH”, should benefit human health and environment. At the same time, it must be a workable and manageable system for all parties involved. The legal principle of appropriateness must be respected.

At present, the Commission is heading for a system that burdens European economy with an overkill of data requirements, costs and bureaucracy. An inquiry among FTA members showed clearly that the assessment and registration requirements - as described within the consultation document - would heavily burden those European Traders, who act as importers of articles.

Therefore, the FTA drafted a position paper proposing some vital amendments to the consultation document, published by the Commission in spring 2003.

Some of the main points presented in the position paper were that importers of finished products should have the possibility to register substances after having passed the one-ton threshold. According to REACH in its current form, they would be obliged to register a substance before importing the first article containing the substance in question. Foreign companies must also have the possibility to register substances in the EU, even if they do not have a branch office within the European Union.

The position paper is available on the FTA-website (under Opinions).

EUROPEAN RETAIL TRADE  
COMMITTS ITSELF TO  
IMPROVE SOCIAL  
STANDARDS

In recent years retailers have been confronted especially by non-governmental organisations (NGOs) with the blame that in supplying production facilities – mostly in Asia – of the importing retailers the international und national standards and regulations are not met. Since this issue has become more important for this sector, single retail companies have started to set up own codes of conduct for their global sourcing business and to implement these in the framework of monitoring systems.

The Foreign Trade Association (FTA) has seen the necessity to bring together existing systems in the various countries in order to enable European retail trade to reach the aim of improved social standards faster and more effective by using synergy effects and the exchange of expertise.

Therefore, on proposal by FTA, the Business Social Compliance Initiative (BSCI) was established on 26<sup>th</sup> March 2003. In regular meetings the participants of BSCI elaborate a common system which is open to all interested retailers – also non-European. BSCI consists of two bodies, a Steering Committee and a Pilot Group. The Steering Committee is composed of the representatives of the participating and interested retail companies and associations. The members of the Pilot Group are representatives of the different countries who elaborate proposals for the system elements. These proposals are then presented in the meetings of the Steering Committee for discussion and decision.

14 participants from 7 countries have committed themselves to BSCI until now and others will follow. It is planned to have achieved the development of the common system in the course of next year and to implement the BSCI monitoring as soon as possible.

ENLARGEMENT AND A  
CHANGING TRADING  
ENVIRONMENT

The enlargement of the European Union will have far-reaching consequences for a wide range of areas that affect the FTA and its members. If nothing else, the

trading environment will change on a purely geographical level, which opens up new opportunities for European trade.

Following the enlargement on 1 May 2004, the European Union will find itself with a whole new set of immediate neighbours. The EU will geographically be surrounded by Russia, the Ukraine, Moldova, Belarus, Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestinian Authority, Syria and Tunisia. The EU Commission aims to set up an 'experimental framework' to create a 'circle of friends' with these states that '... shall share everything with the exception of the institutions'. In a long-term perspective, this would mean extending all the rights of the internal market to the EU neighbours.

The Commission does, however, link such an extension with the condition that the states in question carry out certain political, economic and institutional reforms, particularly regarding preferential trade agreements, common security policy, the promotion of human rights, as well as the inclusion of the regions into the European transport system, the energy and telecommunication systems.

The FTA welcomes this measure which would lead to a further liberalisation of foreign trade and ensure stability and security within the European Union. Therefore, in this connection, it recommends a thorough examination of each individual case for each new neighbour State.



## TRADE IN SERVICES MUST BE FURTHER LIBERALIZED

The service sector contributes more to economic growth and the creation of jobs than any other sector of the economy. The rules for the distribution sector are of particular importance to European trade.

In April 2003 the EU tabled a far-reaching offer regarding liberalization in the distribution sector. Now other WTO members should follow. The market access in industrialized and developing countries must be improved, economic needs tests must be abolished or follow the principle of national treatment. The purchase of real estate, as one important aspect of FDI, should not be impeded by unnecessary bureaucratic procedures or discriminatory national rules.

The GATS-provisions regarding mode 4 should enable any service supplier to move qualified personal, i.e. managers, for a period of several months between the WTO member states. Especially the distribution sector is highly interested in improved flexibility, as the successful implementation of warehouses and stores abroad depends to a large extent on company know-how, corporate design and corporate philosophy.

The FTA works closely together with the EU negotiators, who have a vital interest in information on the practical obstacles to investments in third countries in order to address these directly within the GATS negotiation process.

EUROPEAN COMMISSION  
PROPOSAL TO ALTER  
ANTI-DUMPING DECISION-  
MAKING PROCEDURE

On 26 June 2003, the European Commission published a proposal to alter the anti-dumping and anti-subsidy decision-making procedure. The current situation allows member states to reject a Commission proposal in the Council without clearly taking a position, as abstentions count as a “no” vote. The Commission proposal wishes to reverse the value of abstentions, so that an abstention will count as a “yes” vote.

The Commission claims that the proposal is merely a step in harmonising decision-making procedures, and that it only ensures that an affirmative position is required by member states to overturn a Commission proposal, “no more, no less”.

The FTA is seriously concerned by the Commission proposal. If it is adopted, it means that anti-dumping measures are more easily introduced, as a simple majority is easier to acquire. Member states will also lose influence, as anti-dumping or countervailing measures can be introduced without an active majority supporting the decision. Despite the claims of the Commission, this kind of decision-making is currently an exception to the rule as regards trade defence instruments. If the proposal is adopted, it does not mean that voting procedures are harmonised, rather it moves procedures into a new direction. Even though it may well be necessary, after the chaos of the carbon black and hot-rolled coil cases, to somehow alter the way in which decisions are made, the FTA sees it as its goal, for transparency as well as efficiency reasons, that the decision-making procedure not be changed in accordance with the June proposal.