market access newsletter

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Editorial

It is a pleasure for me to present the first edition of the Market Access Newsletter of 2010. These are my first days as the Director for Market Access and Industry in the European Commission. Promoting the Market Access Strategy will be very high on my personal agenda and I hope we – the European Commission, Member States and Business – can further develop our co-operation to make this Strategy work to the benefit of European exporters, to generate growth for our economies and jobs for our citizens.

The revamped Market Access Strategy will soon be entering its third year. I was fortunate enough to be part of the team putting together the new Strategy, and it is fascinating to return after 3 years to see that it does actually work. The Strategy does bring together the different players involved, it does create the dynamics to put market access centre-stage in EU trade policy and – most important of all – it does deliver new market access for European exports through the removal of barriers on third country markets.

This edition of the newsletter illustrates very well how the Market Access Strategy works in practice. There is an article on the creation of two new Working Groups on Chemicals and Leather in response to requests from industry and feedback from the SPS working group. We also include information on a number of new success stories relating to a ban on imports of European pig and pig products to Thailand, restrictive inspection requirements for imports of animal and animal products into Ukraine and discriminatory taxation of tobacco in Georgia. In all cases, our feeling here is that it is our joint efforts which are the key to improving export conditions for European companies.

Finally, this newsletter reports about an ongoing consultation on a new Commission strategy to provide practical support for European companies, in particular small and medium-sized companies, on third country markets.

Let me wish you all the best for 2010, I am delighted to be back in the Market Access team – and let's push on with the work of removing market access barriers for our companies throughout the coming year.

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Delivering the results year on year

On 16 January, the Market Access and Industry Directorate welcomed a new Director, Matthew Baldwin, who introduces himself to the readers of the Newsletter and in this interview shares his views on the future perspectives for the Market Access Strategy.

Matthew, could you please tell the readers about your professional background?

I've been working on trade and market access issues for well over a decade now. My "debut" at the Commission was as a national expert in the Washington Delegation of the European Commission in 1994, where I got to see at first hand the stakes for European companies trading in our largest export market. In 1999, I was invited to become Pascal Lamy's Deputy Head of Cabinet, which plunged me into some key market access issues such as the launch of the Doha Round, our Free Trade Agreement with Mexico, and negotiations on both China's and Russia's accession to the WTO.

At the end of the Prodi Commission in 2004, I became Head of the Market Access Unit. What attracted me, and still attracts me, about this area of work is the chance to find *practical solutions*: working with Member States, working with business, getting things done. That is the Market Access Strategy in a nutshell. In 2004, I think it is fair to say that at that point we were sort of at a crossroads with the MAS. It was clear to me that industry wanted us to get bigger and better, and in 2006, we put together the new strategy based on partnership and we were all delighted to see it adopted as part of the Global Europe package.

I was then asked in 2007 to return to *cabinet* life, this time as advisor to President Barroso on trade, climate change, energy and development, the last three issues of which were very new to me. This was a great experience for me to broaden out, learn some new things, and it was a real privilege to be working at the heart of the organisation for President Barroso. We had some pretty interesting times with the climate change negotiations, and the gas crisis with Russia and Ukraine! But most of all, it gives you a new perspective, including on trade policy, to see how things work from the centre.

Now it's a new decade, a new Commission is about to set sail, I thought it was a good moment to come back to DG Trade, and I am absolutely delighted to be back working on these issues again.

3 years have passed since you worked as Head of the Market Access Unit and developed a new Market Access Strategy. Has the Strategy evolved in a way you expected at that time?

Whenever you put together a strategy, you always wonder: is this like the perfect football team on paper, but how will they play out on the pitch? Take the concept of Market Access Teams: were we being too optimistic in pushing for a new way of working, will business, will Member States be interested in working this way? The great thing is that, yes, it seems to be working really well. Doubtless we can continue to improve, but the strategy seems to be the right one – particularly Petros Sourmelis and his excellent team are so focused on delivering results! Indeed, the decision to focus for example on the key barriers for the top 30 priority markets seems to me to be a very good way to deal with the problem of prioritisation of barriers, with which we wrestled for a long time.

The other important aspect to stress in building the role of the Market Access Strategy was, quite frankly, the impact of the economic crisis. Even at the best of times, it is important that we don't get locked into our Brussels bubble: and in this crisis, so many people have lost their jobs, their livelihoods across Europe and indeed across the world. But I think the Market Access Strategy has played a key role in helping to mitigate the impulse towards protectionism in global markets – we have pushed hard for compliance with commitments and trade agreements across the world, monitoring what's going on closely with the WTO. And as we start to emerge from the crisis, I think these efforts have generally been very successful – except in one or two cases, governments have kept markets open. So in a very real way, the MAS has been an important part of avoiding a protectionist backlash, the result of protectionism, leading to continuing recession and we can be very proud of that.

How do you see the Market Access Strategy in the context of the EU 2020?

It is pretty clear that you can't improve European competitiveness simply by looking at the internal dimension. Europe has to compete in global markets to survive and to prosper. Open markets both in Europe and abroad are the long term answer. Of course we have to look at external competitiveness, and trade policy must play a key role in that. That's at the headline level. When you dig down a bit more, we are going to have to look more and more at obstacles "behind the border", and we will inevitably have to get into some sensitive subjects such as access to supplies of energy, and raw materials. And never forget the "process element" – you can't have too much coordination of our position, inside the Commission, with Member States, we need to bring the European Parliament much more into the discussion, and of course with business and other stakeholders. This is a very challenging agenda, but my view is that the EU 2020 strategy provides a real opportunity.

What in your view are the challenges ahead?

The hardest challenge is to keep up the momentum that has now been established and – again like a football team – our supporters will constantly want an even better performance each year! In reality, you can't win the league every year, but we need to demonstrate that the strategy works well in the medium and longer term, that we are now tackling barriers more successfully than we were five years ago, ten years ago.

And at the end – and this is a personal view, but I think widely held – market access is essential to a well balanced trade policy. When you make trade agreements, you have to be ready to open your markets in order to gain new market access. That's not always easy in advanced industrialised societies, including in Europe. So we have to make sure that market access doesn't just exist on paper: it must mean increased exports, more jobs in Europe. Or we simply won't be able to generate the political support to keep our own markets open. The MAS has a key role to play in that overall balance in trade policy. The challenge is to make sure that it delivers year on year.

Thanks for this opportunity to talk to the Newsletter!

DG Trade G1

New working groups on chemicals and leather

Two new working groups on chemicals and leather will soon be created in the framework of the Market Access Strategy. The aim of Market Access Working Groups is to gather together the expertise coming from the Commission, national public administrations and business in order to assess the nature of technical non tariff barriers to trade and to set up barrier removal strategies. Working groups have already been set up covering textiles, medical devices, SPS issues, electronics and ICT, distribution and postal courier services, automotive and tyres and wines and spirits.

The Working Group on chemicals is one of the main outcomes of an intensive inter-institutional process that began in February 2007 with the setting up of a High Level Group led by DG Enterprise. The aim of this exercise was to map out the new challenges for the European chemical industry as well as the policy options for fostering its leadership in an increasingly competitive international scenario. DG TRADE had an important stake in this process, notably in mapping out the policy instruments to improve market access for the industry into third countries.

After the conclusion of the High Level Group in April 2009, DG TRADE opened a consultation exercise with the Member States in the framework of the 133/Trade Policy Committee STIS, the aim being to identify concretely the main trade obstacles and barriers applying to both chemicals feedstock and finished products, as well as to suggest a set of policy solutions and initiatives. The result of this consultation highlighted, among other things, a list of important non tariff barriers affecting the chemicals sector (e.g. restricted access to raw materials, dual pricing, customs clearance, regulatory schemes, taxation issues) and the creation of an ad hoc Market Access Working Group was suggested as a policy option to tackle them. Member States provided their political support to this initiative on 18 December 2009 at the Trade Policy Committee Full Members' meeting.

The first meeting of the working group on chemicals is due to take place in the second half of February 2010.

The working group on leather has been set up at the request of the EU Leather Industry led by COTANCE. The European leather industry has an important value chain in terms of jobs and value added about 1 million jobs in Europe depend on the sector and the EU market for leather and leather products is worth 60 billion Euros. European tanners are industry leaders at global level with around 15-17% of leather sales world-wide. Their requests to support the competitiveness of the European leather industry, especially in the current adverse economic situation, led to the conclusion that a Working Group in this area could help to contribute to the ongoing efforts of the European Commission to solve existing barriers. This sector is confronted with an increasing and widespread number of trade barriers, which impact negatively on the world trade of hides, skins and leather: more than 50 % of total global production of raw hides and skins is currently subject to export restrictions. This policy adopted by third countries is linked with the fact that the main providers of hides and skins are also becoming the EU's competitors in the global market of finished leather products (Brazil, Argentina, India, Russia, Pakistan, Nigeria, Morocco, Japan, Ethiopia, etc.).

The first meeting of this Working Group is to be held on 11 February. The objective will be to map out the main market access problems faced by the leather industry, including trade obstacles dealing with access to raw materials - notably hindered by export taxes - and also those affecting processed leather products - inter alia, technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS).

DG Trade G1

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Future support for SMEs in key EU export markets

SMEs are the backbone for the EU. economy and employment. And there is a broad European consensus to create the best possible SME environment for doing business in the EU and in markets outside the EU. However, many SMEs still face obstacles in their international activities and need more information and assistance.

Existing services, provided mainly by EU Member States, national Chambers of Commerce and European business associations, may not address all the needs of all SMEs from Member States. Therefore, the Commission intends to put forward guiding principles for a coordinated approach on business support activities for EU enterprises in markets outside the EU. For that purpose a consultation was launched at the end of 2009 "on reinforcing support to EU small and medium-sized enterprises in markets outside the EU" (see http://ec.europa.eu/enterprise/policies/international/listening-stakeholders/index_en.htm) and SME stakeholders and concerned business organisations are encouraged to submit their comments by 12 February 2010. The consultation gives examples of the forms that such assistance might take and guidelines for the provision of EU-level support, emphasising the principles of complementarity and fair competition with existing service providers.

This initiative is in line with the EU policies enshrined in the "Small Business Act for Europe" (SBA) (see http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm) and the Market Access Strategy (see http://ec.europa.eu/trade/creating-opportunities/trade-topics/market-access/).

DG Enterprise and Industry A2 and DG Trade G1

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SPS Market Access Working Group and new SPS success stories

The year 2009 was a very busy one in the SPS field. The SPS Working Groups are instrumental in this regard as an important tool of the Market Access Strategy and they contributed to several successes.

The latest meetings of the SPS Market Access Working Groups took place on 11 December 2009. In the morning session, sanitary export and market access developments related to the dairy and pork sectors were discussed, following presentations made by the Commission and by businesses associations. In the afternoon, the meeting included a presentation on the WTO SPS Agreement and in particular discussed barriers to export for plant products and seeds. The European association representing the interests of the fresh fruit and vegetable industry, FRESHFEL, provided a state of play on the issues of their concern. Important issues were raised in the AOB part of the meeting – on methyl bromide, Indonesia and Turkey.

The Working Groups continued the thematic approach, following up issues raised in previous meetings and also addressing new issues arising in other key markets. This included feedback from the Commission on its ongoing SPS market access work.

Success stories in the SPS field

An open and fair international trading system is essential to ensure that EU farmers, processors and traders can benefit from world markets. Unjustified sanitary and phytosanitary (SPS) restrictions remain one of the most important barriers to market access.

Nevertheless, we saw some success stories in the first month of 2010 which underline that success can be achieved **through enhanced coordination and targeted actions.**

For example, Thailand has recently lifted all import restrictions, imposed as a measure against the pandemic H1N1 influenza virus, on pigs and pig products from EU Member States. The European Commission welcomes this step. It had repeatedly raised EU concerns about these unnecessary and unjustifiable measures. In 2008, EU Member States exported over 1300 tons of pig meat and pig meat products to Thailand.

Another success was achieved in Ukraine. During summer 2009, Ukraine announced new inspection requirements which put European exports of animals and animal products at risk. These requirements were scheduled to enter into force on 14 January 2010, but early in that month, Ukraine announced the cancellation of its proposed inspection requirements. The Commission welcomes this positive step. Ukraine is an important trading partner for the EU. According to the 2008 trade flows between the EU and Ukraine, the implementation of such a strict inspection measure would have affected EU exports worth over € 700 million.

DG Trade C.1 and G.1

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Elimination of discriminatory excise taxes against cigarettes in Georgia

When Georgia joined the World Trade Organisation (WTO) on 14 June 2000, it committed to applying conditions to imported products no less favourable than those granted to domestic products. However, until the end of 2009, Georgia was still applying discriminatory excise taxes for tobacco products imported from the EU with a value of more than EUR 1 billion annually. Applied rates of excise taxes imposed on imported cigarettes were systematically higher than those applied for similar products manufactured domestically in Georgia.

In June 2009, DG TRADE was alerted by EU industry to the discriminatory excise taxation encountered by importers of cigarettes in Georgia. In the framework of the Market Access Strategy, the European Commission's services took action by conducting an investigation involving Commission headquarters, the EU Delegation in Georgia, Member States, and EU business representatives. As a result of the investigation, it appeared that the Georgian practice constituted a violation of Georgia's WTO obligations. Following this and in coordination with the Embassy of the Member State concerned, the EU Delegation in Tbilisi carried out a *démarche* to the Ministry of Finance of Georgia, conveying the concerns of the Commission and the EU exporters and requesting the prompt elimination of the existing excise tax discrimination on imported cigarettes.

The European Commission repeated its request at a high-level meeting with Georgian authorities in Tbilisi in September 2009. The issue was also brought up during the Trade Policy Review of Georgia in the WTO at the beginning of December 2009.

As a consequence of the various actions undertaken, the Georgian Parliament adopted a law amending the tax code, due to enter into force on 1 January 2010. Following this amendment, the excise taxes applied for domestically produced and imported cigarettes are now the same and the EU industry can compete with local producers on a level playing field.

The Commission welcomes this positive development and commends the rapid positive reaction of the Georgian authorities. The Commission will continue to monitor the situation together with Member States and industry in order to ensure that the new arrangement is maintained.

The progress achieved in this case testifies yet again to what joint efforts of the European Commission, Member States, and EU Business can achieve in terms of opening third country markets for European exporters under the Market Access Strategy.

DG Trade E.1 and G.1

Market Access Partnership – Looking Ahead…

21 January 2010	MAAC
2 February 2010	Working Group - Wines & Spirits
11 February 2010	Working Group - Leather
25 February 2010	MAAC
25 March 2010	MAAC
22 April 2010	MAAC