



Editorial



In recent weeks the economic crisis has started to show signs of bottoming out. Trade is playing an important role as "the engine-driver" to bring the world economy back onto the path of recovery and growth. It is the collective responsibility of policy makers to do everything we can to give a much-needed boost of confidence to the world economy.

This responsibility includes resisting tendencies for protectionism as a response to the current crisis. This message is underlined in our quarterly report on potentially trade restrictive measures, which provides a detailed overview on recent measures planned or implemented by our trading partners. As such, it aims to contribute to the collective surveillance mechanism agreed at the last G20 summit in London. In a spirit of transparency we have decided to make our report publicly available on our website. You will find more information on the report in this newsletter.

In June I met Ewa Björling, Sweden's Trade Minister to discuss a wide range of issues on the trade agenda to be addressed during the Swedish Presidency. We shared a strong commitment to completing a range of important bilateral trade deals with third countries, including the ambitious free trade agreement with South Korea. We also discussed the value of the Doha Round of world trade talks in the current economic conditions. With a sense of engagement by the new US administration and the new Indian government, the recent meeting at ministerial level in the margins of the OECD Ministerial in Paris has injected a renewed sense of determination into the Doha talks. WTO members will now have to follow-up on this new impetus during the next few months.

There was also an important recent development in the area of raw materials. On 23 June the EU and the US requested WTO consultations with China regarding export restrictions on a number of key raw materials, such as yellow phosphorous, bauxite, coke, fluorspar, magnesium, manganese, silicon metal, silicon carbide and zinc. These restrictions give Chinese companies an unfair advantage, as downstream industries in China have access to cheaper materials than their competitors outside China. The EU considers that they are in clear breach of international trade rules and has raised the issue with China repeatedly over the past years without success. We now hope to use the WTO consultation process to arrive at a mutually satisfactory solution with China.

This newsletter shows again the value of our Market Access Strategy across a wide range of diverse issues affecting business opportunities for our companies on third country markets. It includes reports on recent working group meetings on SPS issues and IT security in China, the WTO Committee on Technical Barriers in Geneva, a joint video-conference on market access issues with Japan and a success story from India.

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ECONOMIC CRISIS AND MONITORING PROTECTIONISM

The global economic crisis is one of the biggest policy challenges for the moment but the EU continues to show global leadership in tackling its consequences.

Global trade flows have been particularly hit by the crisis. Between January and April, EU and US exports were between 20 and 25% lower than in the same period in 2008. China recorded similar decreases, while in Japan the figures were even worse. The major forecasters (IMF, Commission and WTO) predict that global trade will fall sharply in 2009 (between 6 and 13%).

Although more indications continue to emerge pointing to the gradual stabilisation of the financial sector (stock market indices, lower risk spread), the signals from the real economy continue to be at best mixed, with a sharp fall in economic growth and rising unemployment in many countries.

Against this rather dim background, DG Trade presented its third monitoring report on potentially trade restrictive measures to the 133 Committee. The report is publicly available at http://ec.europa.eu/trade/issues/sectoral/mk_access/index_en.htm.

Its main conclusions are:

- Trade restrictive measures continue to be on the rise, including in some G20 members (notably in Russia, Indonesia and recently for the first time in Brazil).
- The types of measures identified have become more complex and diversified, notably when they are part of broader stimulus packages (such as discriminatory public procurement clauses).
- There is a risk of domino effects that is inherent to the adoption of any protectionist measures (e.g. Canada reciprocating 'Buy American' restrictions against US companies).
- Increased alertness and political determination to use all opportunities to address the measures put in place remain all the more necessary.

The report has been compiled on the basis of contributions from Market Access teams in 38 countries. It is an important source of input to the WTO monitoring exercise on the G20 standstill commitment, the next WTO report being scheduled for early July. DG Trade, together with Market Access teams, will continue to monitor the situation and take appropriate actions where necessary.

DG TRADE G.1

FOCUS ON THE WTO TBT COMMITTEE OF JUNE 2009

The latest WTO Technical Barriers to Trade (TBT) Committee took place in Geneva on 25-26 June 2009. A record of 46 issues were discussed, two more than in the previous meeting.

The EC was the most active member raising 19 cases, followed by the US which raised 18 cases. The EC, however, also received the most complaints and had 14 cases to defend, followed by China and India with 6 and 5 cases respectively.



The EC raised 9 new cases: Argentina (toys), Brazil (medical devices), Canada (food allergen labelling), China (Green Dam the internet filtering software, China's Wireless Authentication Privacy Infrastructure - WAPI), Korea (organic food, labelling standards for foods, Li-ion batteries) and Tunisia (food labelling).

There were a few positive developments, notably the revision of the Brazilian testing requirements on toys, the Indian amendments on tyres (although not yet fully satisfactory) and the confirmation by Canada that it will not extend the compositional standards for cheese to other milk products. There is, however, growing concern over certain measures recently introduced by the Chinese Ministry of Industry (MIIT), which have not been notified to the WTO and which provide very short implementation deadlines, namely, Green Dam and WAPI, also discussed within the Market Access Partnership working group on IT security in China.

With regard to Green Dam, the EC, joined by the US and Japan, took the floor in

order to indicate that, while acknowledging the legitimate objective of protecting children from harmful content, it nevertheless had serious concerns about this measure. These concerns stemmed from procedural flaws (opacity of the regulatory process, no TBT notification and opportunity to comment, very short implementation deadline), as well as a technical perspective (software compatibility with operating systems, interoperability with other software, vulnerability to hacking attacks, product liability in case of system malfunctioning etc.). The EC invited China to suspend the application of the measure pending TBT notification, provide needed clarifications and give an adequate period for comments to take trade partners' concerns into account. Subsequently, China has - for the time being - suspended the entry into force of the planned measures.

The next meeting of the WTO TBT Committee is scheduled for 4 - 5 November 2009.

DG TRADE G.3 in cooperation with G.1

SPS WORKING GROUPS UPDATE

The two working groups on Sanitary and Phytosanitary issues (SPS MAWGs) - Animals and Animal Products and Plants and Plant Products - took place on 9 June 2009 in Brussels. They followed a new thematic approach, driven by presentations made by EU industry associations and the European Commission (DG Sanco) on beef/BSE, animal by-products, fruits and the categorisation of commodities of plant origin according to their phytosanitary risk (ISPM 32).

The participants exchanged views on the thematic issues, they discussed the situation in key markets and other SPS concerns they wished to raise and they explored different avenues for the resolution of market access problems. The Commission also informed the group that the SPS market access fiches in the Market Access Database have recently been updated. However, comments on missing or incomplete information in the SPS Market Access Database are most welcome.



Given the positive feed-back, the European Commission intends to continue the new thematic approach for discussions in the SPS MAWGs. The Commission invites Member States and EU industry associations to send information on their SPS market access priorities and suggestions for future meetings of the SPS MAWGs.

All information should be sent by e-mail to Trade-SPS-Exportproblems@ec.europa.eu. Meanwhile, the good cooperation between the Commission, EU Member States and industry will continue.

DG TRADE C.1

MARKET ACCESS WORKING GROUP ON IT SECURITY IN CHINA

The May edition of the Market Access Newsletter included a report of some positive developments in the field of IT security in China, further to a joint public announcement on 29 April 2009 by CNCA (China National Certification and Accreditation Administration), the Ministry of Finance and AQSIQ (Administration on Quality Supervision, Inspection and Quarantine). This announcement postponed the implementation of China's proposed expansion of the Compulsory Certification System (CCC) scheme to 13 IT products of common commercial use to 1st May 2010, and narrowed the scope of application of the measure to government procurement only.

Despite this positive development, EU industry is still very concerned about the overall complexity and lack of transparency of the regulation, as well as the certification process introduced by China in the area of information security. Indeed, China is increasingly coming up with domestic regulatory initiatives in the IT sector that cause major concerns for EU industry, and pose a threat to either current or potential market access. Consequently, an ad-hoc meeting of the working group on electronics and ICT, gathering different Commission services (Directorates General

TRADE, ENTR and INFSO) and EU businesses representing the semi-conductor, smartcards, and electronics and ICT industries, was convened in Brussels on 18 June. The aim of the meeting was to exchange information on recent meetings of the European Commission with Chinese officials (e.g. Conformity Assessment Working Group under the EU-China regulatory dialogue, held in Beijing on 2 June), to assess China's public announcement of 29 April and to consider possible future steps in view of the upcoming occasions where this issue will be discussed (e.g. TBT Committee of 25-26 June in Geneva, see separate report in this newsletter). In particular, clarification has to be sought from China on the actual scope of the Chinese government procurement sector.

Other issues discussed included the Chinese WAPI standard (WLAN Authentication and Privacy Infrastructure) and the requirement to pre-install Green Dam Internet Filtering Software on all PCs sold in China, which was adopted by China's Ministry of Industry and Information Technology (MIIT) on 22 May 2009 (although entry into force has been suspended for the time being).



A constructive dialogue took place and follow-up actions were agreed. Commission services, industry and Members States, in close cooperation with trade partners such as the US and Japan will continue to work, both in Brussels and on the ground in Bei-

jing, to obtain a clearer picture of IT security in China and to achieve better market access for European exporters.

DG TRADE G.1, G.3 and DG ENTR I.2

MARKET ACCESS COOPERATION WITH JAPAN

The fifth EU-Japan Market Access cooperation digital videoconference, to discuss trade barriers of mutual concern in third country markets, was held on 19 May 2009.

Both parties shared similar concerns with regard to the economic crisis and protectionism.

Discussions included market access barriers in China (raw materials and IT security standards), India (steel – TBT and tyres

certification), Ukraine (13% import surcharge), Russia (steel import duties and duty increases on TV screens) and Columbia (E85 mandatory fuel requirements for cars).

The next videoconference will be held in October. Meanwhile, cooperation will continue on a bilateral basis between case handlers on the respective cases.

DG TRADE G.1

INDIA REVISES IMPORT CONDITIONS FOR HIDES AND SKINS

In late 2008, India announced new import conditions for hides and skins which went beyond the international standards set by the World Organisation for Animal Health (OIE). These requirements included, for example, the use of hides and skins only from animals born, raised and slaughtered in the exporting country, excessive treatment requirements and also quality aspects like freedom from abscesses, wounds and burns.

Such import conditions are unnecessary, burdensome and costly and would certainly have significantly reduced market oppor-

tunities for suppliers of hides and skins from the EU.

The Commission expressed its concerns to India on many occasions. It organised plurilateral contacts, together with like-minded third countries and it provided India with detailed information on the EU sanitary requirements and controls for hides and skins.

In the context of the Market Access Strategy, good cooperation between the European Commission services, the EC Delegation and EU Member States' Embassies, EU Member States and industry, both in



Brussels and at the level of the market access team in New Delhi, ensured rapid reaction and a clear and consistent message.

As a result, on 10 June 2009, India took the EC's concerns into account and published a revised version of the requisite sanitary certificate, which is now in line with the industry's international standards and consistent with OIE standards. This is welcome news for a sector in which there is

considerable trade. In 2007, the EU exported €125 million of hides and skins and finished leather articles (of which €113 million of raw and treated hides and skins) to India.

DG TRADE C.1 – Trade SPS team, EU Delegation New Delhi

For further information: Trade-SPS-Exportproblems@ec.europa.eu



Market Access Partnership – Looking Ahead...

2 July	MAAC
7 July	EU -Turkey Special Trade meeting – Ankara
16 July	26 th EU -Turkey Information meeting on Trade policy – Brussels
22 July	Working Group on Automotives
23 July	Working Group on Services
17 September	MAAC

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