GLOBAL EUROPE

market access newsletter

Issue 20 – 29 May 2009

Editorial

As exports and imports of all major trading countries continue to decline, we need to further strengthen our efforts to keep trade and investment flowing and to improve trading opportunities for our companies. In this respect, our trade policy agenda continues to be busy and there have been some positive developments in recent weeks. The recently launched negotiations for a comprehensive economic and trade agreement with Canada are an important signal to oppose protectionism. A successful deal would significantly boost economic recovery of both Canada and the EU.

Furthermore, I, together with Chinese Vice-Premier Wang Qishan, chaired the second meeting of the EU-China High Level Trade and Economic Dialogue in Brussels, which revealed our common commitment to keep our markets open for trade and investment and to successfully conclude the Doha Round. The dialogue, as well as the broader political framework of the EU-China summit in mid May, also served to focus our market access concerns. In this context, progress can be reported on the proposed expansion of the Chinese Compulsory Certification System to a broad range of IT products, which has been postponed to May 2010 and will be limited to government procurement (more information inside).

Regarding another major partner, this edition also reports on last week's EU-Russia summit which provided a useful platform to address key market access concerns, in particular those adopted by Russia in reaction to the economic crisis. In the same spirit of securing open trade, I am glad to have found a mutually acceptable solution with my US counterpart Ron Kirk to the long-running beef dispute, which I believe is a very positive sign for our bilateral trade cooperation.

Moreover, we also report on the first European SME week which aimed at informing European entrepreneurs about the support available at European, national and local level, and which encompassed more than 1000 events in 35 countries. In addition, this month's newsletter provides some insights on the market access activities of our Delegation in Kiev and informs you about the latest developments from our Market Access Working Group on Automotives. And last but not least, I welcome Petros Sourmelis and Marco Düerkop. They make up the key new management team for our Market Access Unit, and you can find their details inside this newsletter.

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European Commissioner for External Trade

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NEW TEAM IN CHARGE OF THE DG TRADE MARKET ACCESS UNIT

Petros Sourmelis (right in picture) took up his new duties as Head of the Market Access Unit on 18 May. Prior to that and starting from 2005 he was the Head of the DG Trade Unit in charge of international negotiations in the area of trade in services and investment. In this capacity, he was directly involved in the GATS negotiations under the Doha Development Agenda, in WTO accession negotiations as well as in bilateral and regional negotiations conducted by the EU. From 2001 until 2004, Petros Sourmelis was the Head of the trade section of the Commission's Delegation in Washington. In previous postings, he was responsible as Deputy Head of Unit for WTO dispute settlement matters and for the implementation of the Trade Barriers Regulation. Petros is Greek. He has post-graduate (DEA) degrees in international public law and international private law from the University of Paris-I. He joined the European Commission services in 1989.

His views on the challenge ahead: *"Being in charge of the implementation of the Market Access Strategy is a formidable challenge particularly in the current context of economic crisis. Such a challenge can only be met collectively. I am therefore very excited to work with the fantastic team here in Trade G.1 as well as with the entire network involving our partnership with Member State authorities and business representatives".*

Marco Düerkop (left in picture) took up his new function as Deputy Head of the Market Access Unit on 4 May. Prior to his new function he was assistant to Deputy Director General Péter Balás for 3 ½ years. He started his career in the Commission in the policy unit of DG Trade's Directorate for Trade Defence Instruments in 2001.
He is a lawyer with an LL.M. from the College of Europe (Bruges). Before joining the Commission he worked as a diplomat in the German Foreign Office, including in the German Embassy in Athens.

His first impressions on the new job: *"The implementation of the Market Access Strategy is a fascinating task. It provides daily 'real life contact' with Member States and business. I am eager to work with all involved both inside and outside the Commission to show how trade policy can be directly relevant for European companies on the spot".*

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1ST EUROPEAN SME WEEK, 6-14 MAY 2009

The European SME week aimed at providing information to European entrepreneurs about the support available to them at European, national and local level in all Member States and also promoted entrepreneurship, encouraging more people to become entrepreneurs. The SME week furthered the objectives of the Small Business Act (SBA), Europe's first comprehensive SME policy framework, by which Member

States are committed to creating a favourable business climate.

Under the SME week umbrella, more than 1000 events took place in 35 different countries. These were organised by business organisations, support providers and regional and local authorities, with DG Enterprise ensuring the overall coordination. These events helped businesses to develop new ideas and to network with fellow entrepreneurs while business organisations could promote their concrete support and advice available for their companies.

The opening event of the SME week in Brussels on 6 May included an evening talk show "Entrepreneurship on TV" on how media might help to promote entrepreneurship in Europe and the ceremony for the European Entrepreneurship Video Award 2009. The Market Access team participated in the Brussels event "SME experience – How it feels to be an entrepreneur" and promoted the internationalisation of SMEs to help them benefit from global trade opportunities and available services, in particular the free on-line export information of the "Market Access Database".

The SME week closed in Prague with an international conference organised by the Czech Presidency of the EU and the European Commission "The Small Business Act for Europe: business without barriers". The event focussed on local and national solutions for key challenges facing SMEs and included the "2009 European Enterprise Awards Ceremony" rewarding the most innovative initiatives to promote entrepreneurship and small business.

For more information see http://ec.europa.eu/enterprise/policies/entrepreneurship/sme-week/index_en.htm .

DG TRADE G.1

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EU-RUSSIA SUMMIT CONFIRMS RUSSIA'S ENGAGEMENT IN THE WTO ACCESSION PROCESS

Russia's WTO accession, trade restrictive practices in the economic crisis and progress in negotiations on an agreement to replace the Partnership and Cooperation Agreement (PCA) were among topics discussed at the biannual EU-Russia summit held in Khabarovsk on 21-22 May 2009.

President Dmitry Medvedev, Trade Minister Elwira Nabiullina and Russia's chief WTO negotiator Maxim Medvedkov exchanged views on trade-related issues with the Commission President Jose Manuel Barroso and Trade Commissioner Catherine Ashton.

President Medvedev formally confirmed Russia's objective of early accession to the WTO and stressed that Russia's membership obligations will be implemented upon accession to the organisation. Further bilateral discussions on WTO accession and related bilateral issues will be held in early June in St. Petersburg.

President Medvedev added further that protectionist measures recently introduced by Russia are comparable to actions taken by the European Union and said that all countries concerned should strive to fulfill their G20 commitments to refrain from

taking protectionist measures although this is not easy in view of the current economic crisis. He stressed that bilateral trade consultations should be reinforced to avoid measures being taken which affect trade.

President Barroso welcomed Russia's determination to close the WTO accession process and urged its leaders to refrain from introducing new protectionist measures which directly affect trade. On the future bilateral agreement to replace the current PCA, he supported balanced progress in all areas of negotiations, including trade and investment related issues, and indicated that in his view, by the time the agreement enters into force, Russia will be a WTO member.

DG TRADE G.1 and E.1

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EU-CHINA HIGH LEVEL ECONOMIC AND TRADE DIALOGUE
Improving business opportunities in times of crisis – openness in trade and investment as a catalyst to revive economic growth

Commissioner Ashton *"Trade and investment will lead us out of the current crisis. The EU and China therefore stand together today in calling for the swift conclusion of the Doha Round, which will help us trade our way out of recession. The message that we are sending to our businesses and our citizens is that we are working together in these difficult times."*

The EU-China High Level Economic and Trade Dialogue (HED) held its second meeting on 7 and 8 May in Brussels at the seat of the Commission in the Berlaymont. The HED was agreed on at the November 2007 Summit by Commission President Jose Manuel Barroso and Chinese Premier Wen Jiabao, in order to address the imbalance in trade flows between the EU and China. The broad remit of the HED is to examine the global trading system; strategic bilateral trade-related issues; investment; innovation, technology and IPR; and EU-China economic cooperation. The HED is to function as a complement and reinforcement to established EU-China dialogues. The HED is a continuous process to drive the bilateral economic relationship forward and it provides a forum for resolving frictions that may arise. The HED also allows for discussions to coordinate efforts regarding global trade and economic issues.

Vice Premier Wang Qishan and Commissioner Ashton chaired the second HED meeting with the participation of 12 Chinese Ministers and Vice Ministers, nine Commissioners and several Directors General. The highest number of EU Commissioners and Chinese Ministers and Vice-Ministers to ever meet participated in these discussions, and confirmed the strong political commitment both the EU and China place in the HED.

During two plenary sessions of the second meeting of the HED the two sides covered the following topics: trade, investment and competition; small and medium-sized companies; customs cooperation; sustainable development including low carbon

economy, energy and construction; food safety and trade in food, consumer protection and product safety; healthcare; innovation and intellectual property rights; geographical indications; technology and information society; as well as transport.

Selected specific points from HED discussion :

- China and the EU reiterated their adherence to the conclusions of the G20 summit in London, particularly highlighting the message that economic openness is vital to recover from the financial and economic crisis.
- Reflecting the importance of small and medium-sized enterprises (SMEs) for economic development, the HED highlighted various initiatives for assisting SMEs, such as the EU Small Business Act, the SME policy dialogue, the EU SME IPR Helpdesk in China and the opening of the Centre for EU SMEs in Beijing in the autumn.
- A main focus has been intellectual property rights (IPR). The HED highlighted the need to help foreign companies to access China's legal system, in order to facilitate IPR enforcement, in particular looking at how to simplify notarisation and legalisation of rights in China.
- There was agreement to expedite the implementation of the Action Plan on IPR customs enforcement; and that activities regarding IPR protection at trade fairs were effective to ensure IPR enforcement.
- The HED welcomed the conclusion of a joint study on Geographical Indications (GI) that recommends launching negotiations on a bilateral GI agreement.
- Concerning standards for information and communication security and encryption products, China confirmed that it will postpone its planned legislation and will enter into technical dialogue with the European Commission and industry.
- Regarding European access to the agricultural market in China, discussion focused on the importance of easing red-tape in relation to the approval of European export establishments by the use of the "prelisting" principle and the acceleration of sanitary and phytosanitary (SPS) protocols that are important facilitators for bilateral trade.
- The EU highlighted the economic and practical advantages of using the most up-to-date computer reservation system for the benefit of passengers, travel agencies, and airlines operating in China.

Links for further information
Press summary of the HED:
http://ec.europa.eu/trade/issues/bilateral/countries/china/pr080509_en.htm
HED Factsheet:
http://trade.ec.europa.eu/doclib/docs/2009/may/tradoc_143111.pdf
More information on the EU-China relationship:
http://ec.europa.eu/trade/issues/bilateral/countries/china/index_en.htm

DG TRADE B.2

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POSITIVE DEVELOPMENTS IN IT SECURITY IN CHINA

On 29 April 2009, three Chinese government agencies – CNCA, the Ministry of Finance and AQSIQ – issued a joint public announcement postponing implementation of the proposed expansion of the Chinese Compulsory Certification System, to 13 IT products of common commercial use, to 1st May 2010, instead of the original date of 1 May 2009. Moreover, even as of 1 May 2010 mandatory certification will only be imposed for government procurement.

This can be considered as a step in the right direction as the proposed compulsory certification scheme would have required disclosure of sensitive and confidential IPR-protected information, such as the source codes, security keys and design specifications. Foreign companies would not have been keen to provide such information - which is vital for their business - to a Chinese conformity assessment body.

Thanks to the joint efforts of the EU, the US, Japan, Korea and Canada, both at industry and government levels, through the WTO TBT Committee meetings, the EU-China High Level Economic and Trade Dialogue (HED), regular technical discussions under the EU-China Regulatory Dialogue and also bilateral meetings with different Chinese agencies, we were able to achieve this positive result, which will allow further technical dialogue between experts from each side.

Nevertheless, EU industry is still very concerned about the overall complexity and lack of transparency in the regulation and certification aspects of China's policy in the area of information security. Moreover, further clarification will be needed on the scope of the Chinese government public procurement law as applied in this particular case. The MAP Working Group on electronics and ICT will continue to analyse the best possible course of action to be taken. The different Commission services, industry and Member States, together with our trade partners, will continue to work both in Brussels and on the ground in Beijing, to make sure that a dialogue is established between the EU and China, so that current government and market practices in managing information security risks are discussed, the wider implications of these policies are properly addressed and market access barriers are effectively tackled.

DG TRADE G.1, G.3, B.2 and DG ENTR I.2, I.4

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THE VOICE OF THE DELEGATIONS
From the European Commission's Delegation in Ukraine

In 2008, Ukraine was the EU's 17th largest trading partner and 14th largest export market. The EU is Ukraine's major trading partner, with 27.1% of total exports and 33.7% of imports. Ukraine's exports to the EU are to a very large extent liberalised, thanks to the Generalised System of Preferences, and mainly cover agricultural products, energy, chemicals, iron and steel.

After becoming a full-fledged member of the WTO on 16 May 2008, Ukraine, de facto, lowered its import tariffs according to the agreed Schedule of Concessions, with a reduction by 15% for certain products (e.g. cars) as of the first year following accession. Ongoing negotiations for an agreement on a deep and comprehensive Free Trade Area ('DCFTA') between the EU and Ukraine were launched on 18 February 2008. They aim at fostering further trade liberalisation, thus creating favourable conditions for market access. The DCFTA will create new opportunities for Ukrainian business in the EU market and will widen access to EU imports for Ukrainian companies and consumers.

There are still a number of long-standing trade barriers in place which makes it difficult for EU companies to do business with Ukraine. Obstacles include first and foremost customs clearance and valuation procedures, delays with VAT refunds, standardisation and certification procedures, insufficient protection of intellectual property rights and unstable and unpredictable customs regulations.

Improving market access is one of the main tasks of Market Access Partnership ('MAP') stakeholders. The EC Delegation in Kiev closely follows all developments and provides timely and regular information to the Headquarters. They also liaise closely with the EU Member States' embassies and the relevant business associations, in particular the European Business Association ('EBA'), the Association of car importers and the American Chamber of Commerce.

Furthermore, the relevant market access issues are regularly addressed during the monthly Economic and Trade Counsellors' meetings, which the EBA also attends.

Recently the MAP stakeholders' attention has turned to a number of restrictive measures, introduced by Ukraine, in response to the economic crisis, which worsen market access for EU companies.

One of these is the Law "On amendments to certain Laws of Ukraine to minimise the impact of financial crisis on the development of domestic industry" which restricts foreign operators' access to public procurement.

The issue which raised the greatest concern was the introduction of a 13% surcharge on import duty rates for a wide range of products. Following concerted external pressure, in particular from members of the MAP, the Ukrainian government repealed the surcharge for the majority of products, in March 2009, leaving it in place only for cars and refrigerators, for a further 6 months.

Trade developments and market access obstacles are regularly addressed at the bilateral negotiations (Sub-Committees, relevant sectoral dialogues) or other meetings with the Ukrainian authorities. Moreover, the future EU-Ukraine DCFTA aims at solving the many outstanding market access issues and will go some way further than that.

The EU-Ukraine Free Trade Agreement ('FTA') belongs to a new generation of “deep and comprehensive” trade agreements. Six rounds of negotiations have already taken place. The FTA will cover a wide array of trade-related issues (“comprehensive”) and it aims at eliminating 'behind the border' obstacles to trade through processes of regulatory approximation, thus partially opening/extending the EU economy to Ukraine (“deep”). Thus, the idea is to achieve a sufficient level of regu-

latory approximation on issues such as technical regulations and SPS rules, leading to unprecedented market access conditions for the areas covered by the agreement.

While adjusting to new standards and rules might cost Ukrainian producers in the short term, in the long term, it will help improve competitiveness of their products and, as a result, increase Ukrainian exports to global markets. The Government's commitment to implement the necessary reforms should raise confidence among foreign investors, and spur both foreign direct investment and the country's integration into the global economy.

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MARKET ACCESS WORKING GROUP ON AUTOMOTIVES

Within the framework of the renewed Market Access Strategy, a Market Access Working Group (MAWG) on automotives was set up during 2008. As for other MAWGs, the main objective is to create a forum, in this case for the automotive sector, where the main market access problems in third countries can be discussed in a transparent manner between different stakeholders (EU Member States, EU Business Associations, Commission services). All stakeholders are invited to share information on any bilateral contacts with third countries, with a view to better tackling MA problems and avoiding duplication of activities by different stakeholders.

The scope of this MAWG (covering not only automotives but also car accessories) has been recently extended to cover issues like taxation, customs procedures and environmental aspects. In addition, its perspective has been widened to cover market access issues in the framework of the WTO negotiations (including DDA and WTO accession negotiations). With regard to prioritisation, the Group intends to concentrate on four markets (Russia, China, India, and Ukraine) but also leaving the possibility to discuss market access problems in other third countries.

The MAWG meeting on automotives tends to take place immediately before or after the MAWG on tyres, launched also by DG TRADE G.1 during 2008. Special emphasis is placed on identifying the next steps to be taken by any of the stakeholders involved.

One element arising from previous MAWG meetings is that it may be advantageous to join efforts with similarly affected countries like the US and Japan, in order to push for the resolution of certain market access cases.

The next MAWG meetings are foreseen for July 2009.

DG TRADE G.1

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Market Access Partnership – Looking Ahead…

4 June	MAAC
9 June	MAWG on SPS: Animal and Plant products For further info please contact sergio.pavon@ec.europa.eu
19 June	EU-Japan third country cooperation DVC
2 July	MAAC
July (TBC)	MAWGs on automotives and tyres

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