



Editorial



The global financial crisis continues to dominate the headlines. Although much of the focus has been on financial stimulus packages and new regulatory frameworks, open trade is vital to sustainable recovery. That means not only securing high level commitment to avoiding a slide into protectionism but also providing the trade finance and opportunities to export for European businesses and SMEs. So ensuring that EU trade policy works better to the benefit of European SMEs has been a key priority for me.

To this end, Gunter Verheugen and I invited SME entrepreneurs and business organisations to a high level stakeholders conference "‘SMEs and doing business abroad’ on 26 March 2009. An article inside this newsletter provides you with more information, including views and suggestions from SMEs on what they would like from a modern EU trade policy. Our discussions during the conference will serve as the basis for a future EU initiative on "Trade for SMEs", which will focus on improving the export conditions for SMEs.

While Member States and business organisations need to create the business environment for SMEs to become more innovative and competitive, the Commission's role is to deliver the best possible opportunities for international trade in terms of market access, coupled with targeted assistance to ease the problems faced in particular, by SMEs. Going forward, we will include a specific SME angle in our trade policy, including in our efforts to open up new markets and actions to reduce trade barriers. Increased practical support and information for SMEs as well as awareness rising of the services available will be further developed.

In this newsletter, "The Voice of the Delegations" will provide you with some insights into the local Market Access work in China. In addition, we include an update from the latest WTO TBT Committee meeting in Geneva, we report on some positive developments for Bulgarian and Romanian exports to South Africa and we provide a summary of upcoming MAP activities.

Catherine Ashton
European Commissioner for External Trade

Produced by

European Commission
External Trade

Contact

Market Access
European Commission
External Trade
Unit G.1
B-1049 Brussels

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***TRADE AND SMES:
COMMISSIONERS ASHTON AND VERHEUGEN LISTEN
TO THE NEEDS OF SMALL BUSINESS***

The High-Level Stakeholders' conference on 26 March 2009 gathered some 200 participants in Brussels to discuss the needs of SMEs exporting outside the European Union. The exchange of views with Commissioner Ashton for Trade and Commissioner Verheugen for Enterprise and Industry took place in the context of the implementation of the Small Business Act. Its component on the internationalisation of SMEs foresees strengthening the SME policy angle in trade policy through enhanced practical assistance to the exporting SMEs and improved market access conditions for SMEs seeking to export. Results of the consultation will be integrated into the policy proposals on trade and SMEs currently under preparation.

The conference attracted a wide audience of European-level industry representatives, but also representatives of national industry associations, regional- and city offices from the whole EU, as well as representatives of the Member States. Commissioner Ashton recalled the merits of trade policy for SMEs and cited some ideas addressing the SME concerns, through for example, participation in the Sustainability Impact Assessment, SME-related provisions in free trade agreements and closer regulatory and business dialogue with third countries.

SME concerns voiced at the meeting related to the financial aspects of export activities and practical information and support that the small businesses need to develop their activities. Furthermore, international frameworks relating to the protection of intellectual property rights, geographical indications and the EU strategy on access to raw materials incited comments. Partici-

pants raised the difficulties with access to export credit insurance, with lack of resources for foreign investments and pleaded for simplification of lending procedures across Europe. They also raised concerns with regard to the complexity of the 7th Framework Programme procedures, which they considered hampered innovative projects which are needed to boost international competitiveness.

The business representatives praised the useful format and results of cooperation in the Market Access Advisory Committee, as a transparent forum bringing together the Member States, business and the Commission to discuss barriers to trade. Some participants asked for a replication of this mode of cooperation at the national level, stressing the need for information exchange and consultation of local business with national authorities. Commissioner Verheugen encouraged Business to address this issue to the competent national authorities. Enhanced practical support through locally available offices, access to experts and consultation on trade matters, as well as advice on export activities and market assessment were mentioned as important aspects of export activities.

The Commissioners reminded the participants of the numerous tools that exist to help the SMEs, notably the Market Access Database and the European Enterprise Network, which is present in 600 offices in the European Union and in third countries, such as Russia and Ukraine. They took note that these tools are not yet widely known and further promotion is required.

DG Trade G.1



FOCUS ON THE WTO TBT COMMITTEE OF MARCH 2009

The first WTO Technical Barriers to Trade (TBT) Committee this year took place in Geneva on 18-19 March 2009. A record total of 44 issues were discussed, representing a 10% increase over the number of cases discussed at the previous meeting.

The EC was the most active WTO Member in the Committee, raising 20 cases against trade partners, of which 11 were new concerns - most notably, against India - on steel and food labelling, Colombia - on alcoholic beverages and E85 bio fuels, Brazil - on toys, China - on cotton and excessive packaging and Ecuador - on conformity assessment. Furthermore, concrete measures resulting from ongoing discussions on specific TBT cases were announced in the TBT Committee. For example, as a result of concerns expressed by the EC and other members at previous Committee meetings and in bilateral discussions, China confirmed its agreement to delay implementation of its IT Security standards, initially scheduled for 1 May 2009, and to remain open to technical discussions with trade partners and industry. Moreover, Colombia announced that it had withdrawn one of its proposed measures on alcoholic drinks, due to comments that had been submitted by WTO members.

Of the 11 complaints received by the EC, three were related to recently notified draft measures (Seal products, Olive Oil and Ecodesign requirements). The 31st Adaptation to Technical Progress (ATP) of the Dangerous Substances Directive (67/548/EEC) and REACH (European Community Regulation dealing with the registration, evaluation, authorisation and restriction of chemicals, that entered into force on 1 June 2007 (EC 1907/2006)) both continued to attract a lot of interest. The EC gave an update on the state of play of issues raised, and provided useful clarifications on new questions raised by members.

The meeting of the Committee was preceded by a Workshop on the Role of International Standards in economic development, which was attended by over 200 TBT experts, of which some 70 developing country officials. The workshop consisted of a session on the economics of standardisation, followed by a selection of practical case studies and a panel on capacity building with respect to the use of international standards.

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THE VOICE OF THE DELEGATIONS

From the European Commission's Delegation in Beijing

In 1820 China's share of world output was about one-third of the global total, but within around one hundred and fifty years its share had fallen to 0.5%. The Industrial Revolution had bypassed China, which remained an essentially agrarian economy. In 1978, however, Deng Xiaoping's reform and opening up policies unleashed an unprecedented era of growth and development that set the country on a path of rapid industrialisation. Today, as a result of these reforms, China accounts for 9% of the world's GDP and has surpassed Germany to become the world's third largest economy.

China's economic rise presents substantial opportunities as well as challenges to EU exporters and investors. Trade between the EU and China has grown more than 100-fold since the beginning of China's open-door policy in 1978. China is already our main source of imports, worth €232 billion in 2007. But it is also our fastest growing export market. During 2003-2007 European exports to China grew by 75%, and in 2007 alone EU exports to China reached €72 billion.

Trade therefore is at the heart of EU-China relations. China offers EU companies a low-cost manufacturing base and a rapidly growing domestic market. For its part, the EU offers access to its large single market, in addition to advanced technology and foreign direct investment. Bilateral trade has brought mutual benefits to businesses and consumers alike.

However, access to China's market remains limited. Although China joined the WTO

in 2001 and has lowered tariff barriers substantially, behind-the-border barriers still make it difficult for EU companies to do business in China. Obstacles range from technical regulations, product certification and import approval requirements to more complex issues such as investment barriers, local content requirements and discriminatory government procurement measures. In the services sector, EU industry complains about limited market access in sectors such as telecommunications, construction services, express delivery services and computer reservation systems. For instance, China has granted almost 30,000 telecoms licences for value-added services, but none to a European company. Altogether, these barriers translate into more than €20 billion worth of lost business opportunities for EU businesses.

The challenge for EU trade diplomacy is therefore a huge one: to improve market access conditions so that European companies can have easier access to Chinese consumers and procurement centres.

The Delegation's job is to assist Headquarters face this challenge. However, our presence in this vast country is limited to Beijing, the political capital. For this reason, the Delegation works closely with the European Chamber of Commerce in China, which has a presence in several Chinese cities.

The European Chamber is an example of successful cooperation between the European Commission and European business. Its main defining characteristic is that it is not a "chamber of chambers". With more



than 1,300 members, it is organised along sectoral working groups representing the interests of different industries, which over the years have become the voice of European business in China. Working groups are a key source of local knowledge on market access issues and remain an essential point of contact for the Delegation. There are more than 30 working groups from banking to IPR and from cosmetics to non-ferrous metals. Every year, the Chamber produces a Position Paper based on their input that provides detailed data on each sector's market access problems. The Position Paper has become our "little red book". Every year it is presented to the press (more than 100 journalists were present at the last press conference), to the Chinese authorities, and to the Commission in Brussels.

The relationship between the European Chamber and the national chambers is complementary. National chambers remain a focal point for information and networking, especially for exporters, while the European Chamber represents the interests of EU investors in China and offers a broad and authoritative platform from which to lobby the Chinese authorities for greater market access.

Moreover, together with the Presidency, the Delegation coordinates closely with Member States' commercial counsellors. All 27 Member States have a diplomatic mission in Beijing, which underlines China's importance to the EU. The Delegation hosts monthly meetings in its premises, which have become the centre of discussions on market access issues.

Today, institutionalised policy dialogues establish a direct line between Brussels and Beijing, covering a variety of sectors and issues. Recently, a High-Level Economic

and Trade Mechanism was set up to coordinate policy issues between leaders. Together these dialogues enable both parties to build trust and deal with potentially contentious issues in a timely manner. In limited cases, where bilateral negotiation is not possible, it has been necessary to request consultations at the WTO. The Delegation's role is to liaise between Headquarters and the Chinese authorities to ensure a smooth preparation of these activities and to provide advice on contentious market access issues.

The Delegation is also involved in actions aimed at supporting SMEs to develop their business in China. The European Centre and the IPR Helpdesk are cases in point. In 2006 the Commission adopted a major policy strategy (Partnership and Competition) on China that pledged support to EU companies through the creation of a European Centre in Beijing. In this context, DG Trade has already conducted a feasibility study following extensive consultations with European industry and Member States. In the future, the European Centre will provide advice and support to European SMEs wishing to export to, or invest in, China. The European Centre will complement the already successful service provided by the IPR Helpdesk in Beijing, which has been operational since May 2008. The Commission finances the Helpdesk to provide information, advice and training support to European SMEs to protect and enforce their IPRs in China. Its free services are offered in its offices by appointment, and through telephone and online enquiry points. The Helpdesk's online portal has already received 667,454 hits.

More recently the Delegation's attention has turned to the financial crisis, which has not spared China. How China will adjust to



a global economic downturn is an open question. Most economists argue that China must boost domestic demand in order to stimulate its economy and partly make up for plummeting global demand. In recent years Beijing has run a large current account surplus and domestic consumption, at one-third of GDP, can be expanded to achieve a more balanced economy. So far, China has already announced two large stimulus packages that focus on infrastructure development and support to pillar industries such as automotive, metal smelting and construction. Measures to prop up consumption are also underway, such as providing discount vouchers to rural households to purchase electric appliances.

The Delegation is currently waiting for further details on these measures to determine to what extent European companies can benefit from procurement and other commercial opportunities. In the area of telecommunications equipment for instance, China's decision to roll out 3G licences presents an opportunity for European manufacturers to sell equipment to China's

network operators. The Market Access team on Government Procurement, set up in January 2008, involving business, Member States and Commission representatives, is looking at these developments closely.

Finally, given China's increased importance for EU trade policy, the Commission decided to reinforce the Delegation's focus on trade activity. As a result, five additional posts have been created in the Trade Section. Work in Beijing is challenging: market access barriers are increasingly complex and navigating one's way through China's bureaucracy requires not only a good compass, but also sharp negotiation skills. The experience, however, is truly edifying: China is a country with both a rich history and a promising future, on whose cooperation Europe will have to count for every major global issue from completing the DDA to rebalancing the global economy.

Do you want to be part of the challenge?



SOUTH AFRICA EXTENDS TARIFF PREFERENCES UNDER THE TRADE, DEVELOPMENT AND COOPERATION AGREEMENT (TDCA) TO BULGARIA AND ROMANIA

In October 2007, an additional Protocol to the TDCA was signed by the EU and South Africa to take account of the accession of the Republic of Bulgaria and Romania to the EU. Under the Protocol, these two new Member States became parties to the TDCA and should have benefited retroactively from all advantages of the Agreement from 1 January 2007.

However, several economic operators from Romania and Bulgaria, as well as companies based in South Africa, complained that the products originating from these two countries were not benefiting from preferential customs duties when entering the South African territory.

The Commission regularly raised the issue with the South African Department of Trade and Industry (DTI), as well as with

the South African Revenue Service (SARS) for direct application of the TDCA preferences to imports from Romania and Bulgaria.

On 20 February 2009, the South African government finally adopted Notice R 155 (<http://www.info.gov.za/view/DownloadFileAction?id=96513>) with a view to effectively implementing the Additional Protocol to the TDCA, to take account of the accession of Bulgaria and Romania to the EU. The measure entered into force the same day with retroactive effect from 1 January 2007. Therefore, duties unduly paid from 1 January 2007 on imports originating from Bulgaria and Romania into South Africa should be reimbursed.

South Africa DEL, Trade D.3 and G.1



Market Access Partnership – Looking Ahead...

22 April	MAAC
6-14 May	first European SME Week http://ec.europa.eu/enterprise/policies/entrepreneurship/sme-week/
May-June (TBC)	Market Access working group on Services
June (TBC)	EU-US third country cooperation DVC
June (TBC)	EU-Japan third country cooperation DVC

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