



The Rt. Hon. Baroness Catherine Ashton  
Commissioner for Trade  
European Commission  
200 Rue de la Loi  
B-1049 Brussel

24 February 2009

Dear Commissioner,

The global financial crisis and subsequent economic crisis are having a significant impact on international trade and investment. Global trade has declined for the first time since 1982 and major EU export destinations are witnessing severe import contractions. In January, the US' import volume decreased by 21% year-on-year. China's import volume has even dropped by 43.1%. To make matters worse, a number of countries have already announced protectionist measures that could further hamper EU exports.

BUSINESSEUROPE is concerned that widespread protectionism will deepen and prolong the economic crisis and therefore urges the European Commission to be proactive in both preventing the closing of world-wide markets and the introduction of new restrictions on raw materials or investments. The European Commission should monitor and react to protectionist measures, but also cooperate with major trading partners to avoid beggar-thy-neighbour policies and major regulatory divergences. In addition, the European Commission should pursue an even more ambitious trade negotiations policy.

### **Monitor and react to protectionist measures**

European companies support the EU commitment to monitoring rising tariffs and other protectionist measures through Market Access Teams, but BUSINESSEUROPE also expects the Commission to intervene with important trading partners when new measures are proposed and to take appropriate legal measures when the proposed measures are in violation of WTO or other international trade agreements.

### **Cooperate with major trading partners to avoid beggar-thy-neighbour policies**

The European Union will need to cooperate with its major trading partners, especially the US, China and Russia, on a wide range of issues to prevent trade frictions and possibly disputes. In order to defend a global level playing field, measures such as VAT rebates, de-facto subsidisation schemes and restrictions on trade in raw materials or investment should be carefully monitored and addressed.

### **Avoid major regulatory divergences**

The European Union will also need to avoid major regulatory divergences that undermine trade and investment. Measures that have to be closely monitored include procurement rules in stimulus packages, but also the proposed regulation of credit



rating agencies. As countries worldwide rush to address the economic downturn, the European Commission must push for coherent international rules.

**Pursue ambitious trade negotiations policy**

Combating protectionism also requires an ambitious trade negotiations policy. BUSINESSEUROPE believes the European Union should pursue three principal tracks. First, the EU should press G20 countries to adopt the 15 November G20 statement against protectionism as a binding and enforceable WTO commitment, to be monitored by the WTO secretariat. Second, the EU should work closely with the new U.S. Trade Representative and the Chinese Trade Minister to outline a compromise to facilitate the finalisation of Doha modalities on agriculture, industry and services. Third, the EU should press for the ambitious conclusion of bilateral free trade negotiations with key partners.

In addition to our concerns for the international trade and investment environment, European companies are very concerned about recent developments within the Single Market. The European Commission should display the same vigilance for dealing with intra-EU protectionism as for international problems. It will also be crucial that the EU ensures the coherence of its policies in fighting protectionism, by refraining from reinstalling subsidies.

Industry remains committed to notifying EU officials of proposed or adopted protectionist measures throughout the economic crisis. Please find therefore an initial list of measures of concern to European companies enclosed. BUSINESSEUROPE is as always at your disposal to clarify or provide further information on any of the points raised.

I trust that you will consider these views carefully.

Yours sincerely,

Philippe de Buck



24 February 2009

### LIST OF MEASURES OF CONCERN TO EUROPEAN COMPANIES

#### 1. LIST OF PROPOSED OR ADOPTED PROTECTIONIST MEASURES

Country	Measure	WTO compatibility
Ukraine	<p>Increase in tariffs for passenger cars</p> <p>Parliament proposal for 13% increase in import duties vetoed by President. Parliament introduced incremental 13% tariff on number of non-essential goods</p> <p>Repeal of the tolling law (road charges) for products in chapters 1-24 rendering tolling operation in Ukraine unfeasible.</p> <p>Possible increase of export taxes on hides and skins</p>	<p>Incompatible</p> <p>Incompatible</p> <p>Threat to foreign investment</p> <p>Incompatible</p>
Russia	<p>Exceedingly broad coverage law on investment in strategic sectors</p> <p>Increase in import duties on passenger cars, harvesters and certain steel pipes and rolled steel grades</p> <p>Cut of poultry and pork import quotas</p> <p>Increase of import duties for sugar, milk and butter</p> <p>Increase of export duties on wood postponed, not repealed</p> <p>Increase of export duties on hides, skins and wet-bleu leather postponed, not repealed.</p> <p>Tightened SPS and quarantine requirements</p>	<p>Violates spirit WTO accession</p> <p>Violates G20 agreement</p> <p>Violation SPS agreement with EU</p>



	<p>Increase in road use charges for EU Member States (applies to trucks)</p> <p>Limitations to the number of customs stations eligible for customs clearance in export of scrap metal.</p>	
India	<p>Increase in steel tariffs</p> <p>Import restrictions on certain steel products</p> <p>20% duty on imported soybean oils</p> <p>Possible extension and increase of export taxes on hides, skins and wet-blue leather</p> <p>Mandatory product quality certification (BIS) for foreign suppliers</p> <p>Restrictive import license requirement limiting imports to genuine end user business with back-to-back export orders</p> <p>Reinstatement 5% import duty (applied tariff)</p>	<p>Violates G20 agreement</p> <p>Potentially incompatible</p> <p>Compatible</p>
Brazil	<p>Mercosur agreement to increase common external tariff on wine, leather, dairy products, leather goods, wood furniture, peaches and textiles (not ratified by summit in mid-December)</p> <p>Automatic on-line import license system made restrictive (each license request to be approved/ disapproved by Customs within 60 days)</p>	<p>Violates G20 agreement</p> <p>Potentially WTO incompatible</p>
Indonesia	<p>New restrictions (licensing, reporting, pre-shipment inspection) on over 500 goods as well as new fees for imports</p> <p>Restriction on entry points for certain products.</p>	<p>Unclear</p> <p>Unclear</p>



Ecuador	Tariff increases on 940 products.	Unclear
Argentina	Non-automatic licensing requirements on products considered sensitive.  Possible increase in export taxes on hides, skins and wet-blue leather	Unclear  Unclear
South-Korea	Increase in tariffs on imports of crude oils in March 2009	Unclear
Ethiopia	Increase of export tax on hides, skins and wet-blue leather (150%)	Not a WTO member but violates spirit of EPA
Kazakhstan	Conditional and arbitrary customs valuation, leading to increased customs value.  Complex customs procedures overall (11 mandatory documents for export, 13 - for import. Could be up to 19 depending on product).  National quota for foreign labor has been reduced to less than half of previous years' quotas. Quota for non-skilled labor has been fully eliminated. In a market where qualified labor is in severe shortage, these measures drive wage inflation and increase illegal labor migration, thus significantly increasing the cost of doing business.	
Azerbaijan	Newly implemented Customs "one-stop-shop" is not working properly  The customs authority has started to enforce a presidential decree by which goods that are classified under certain tariff codes are subject to "No objection Certificate" from the customs laboratory. This delays the time to import goods into the country.  Maintenance of high tariffs on imported	Considered as a non-tariff barrier.



	goods, driven by local non-competitive interests.	
Uzbekistan	De-facto limitation on imports of consumer goods via restricted access to foreign exchange. Possible further delays of conversion for imported consumer goods.  Customs valuation tends to be erratic and arbitrary.	Not WTO member. Violates agreements under article VIII of IMF articles of agreements about convertibility on current operations.
Libya	Imposition of “consumption tax” on imported finished goods, while their locally produced equivalent are not taxed.  Subjecting the same type of products to different regulatory schemes, depending on their origin.	Not WTO member. The “consumption tax” violates the National Treatment principle.  Violation of the national treatment principle.
Columbia, Peru, Venezuela	High tariff barriers, resulting in significant competitive disadvantage to imported products.	Unclear
Central America and Andean	Establishing non-tariff barriers based on sanitary/health aspects (e.g. health regulation for cosmetics)	Non Tariff Barriers.
Turkey	Increase duties up to 15% on imports from third countries not under FTA with Turkey	Compatible
Vietnam	Variable import duties for paper	Unclear

## 2. LIST OF PROPOSED OR ADOPTED BEGGAR-THY-NEIGHBOUR POLICIES

Country	Measure	WTO compatibility
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China	<p>Changes to VAT rebate system to promote exports.</p> <p>Restrictions on raw material exports.</p> <p>Cancellation of export license requirement (export monitoring) and variations in use of export taxes</p>	<p>Unclear, could be considered a subsidy.</p> <p>Incompatible when restrictions constitute de-facto export quotas.</p> <p>Export incentive</p>
Indonesia	<p>Cut value-added tax (VAT) on a wide range of local content products</p>	<p>Unclear</p>

**3. RISK OF REGULATORY DIVERGENCE**

<b>Country</b>	<b>Regulation (financial, stimulus, etc.)</b>	<b>Relevant Policy Dialogue (TEC, HLM, etc.)</b>
US	<p>Proposal to restrict procurement in stimulus package.</p>	<p>Possibly a violation of WTO GPA.</p>
Mexico	<p>Environmental regulations: the Congress is proposing a ban on normal plastic packing, to push “new technologies” as bio/oxo degradable ones. This could represent an important barrier since any product that was exported towards Mexico would have to be packed with these materials.</p>	<p>Unclear</p>