

# Position Paper



**FTA**  
Foreign Trade Association

Committed to free and sustainable trade

## **FTA Position Paper on EU-US Trade Relations**

### **FTA KEY MESSAGES**

- 1) The FTA supports the launch of negotiations for a deep and comprehensive trade agreement across the Atlantic
- 2) The European retail industry is still facing important obstacles when doing business in the US and when importing from the US
- 3) The European Commission should address the following core issues when meeting with the US administration:
  - ✓ Raise harmonisation and mutual recognition of rules and standards
  - ✓ Reinforce administrative coordination
  - ✓ Remove customs duties
  - ✓ Reaffirm the pivotal role of WTO negotiations

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## FTA contribution to the public consultation on EU-US High Level Working Group on Jobs and Growth

### A) SETTING THE SCENE – REALISE THE FULL POTENTIAL

Transatlantic commerce is a major driving force of the global economy with trade in goods between the EU and the US accounting for more than a quarter of worldwide flow of goods. Despite close economic links and a high degree of political understanding **not all the potential of the business relationship has been exploited yet**. Much more can be done to facilitate trade and to take advantage of the huge market opportunities for **retailers and single brand companies** on both sides of the Atlantic.

Against this background, a **stronger integration** of transatlantic markets would achieve considerable benefits for European business. Furthermore, such a trade deal would give a strong signal that the EU and the US are bound to the principles of free and open trade and eager to prevent protectionist policies to gain ground. The economic dynamic of a transatlantic free trade area – combined with its symbolic influence – would also augment pressure on **WTO** members to revive multilateral negotiations and to seek ways to conclude the Doha Development Round. Transatlantic leadership on international trade policy should guide the way out of the current impasse at the WTO and promote the implementation of transparency and non-discrimination rules at a multilateral level.

For these reasons, the **FTA fully supports the launch of trade talks** between the EU and the US which should lead to an agreement removing behind-the-border impediments and eliminating all tariffs.

### B) STATE OF AFFAIRS – EXISTING TRADE BARRIERS

**Some European retailers** have significant business interests in the US operating hundreds of shops and merchandising own brands – through direct and indirect channels of distribution. At the same time, the US is also an important sourcing country for a number of FTA members. Regardless of the general favourable conditions a **variety of obstacles remain in place** which complicate trade and investment and hamper growth across the Atlantic. Three different levels can be distinguished in this context:

#### (I) Overall trade impediments

- **CLASSIFICATION RULES:** Classification criteria can vary from one to the other entity as the Harmonised System (HS) code is not applied consistently. The lack of uniformity and different interpretations of rules pose enormous problems to properly classify goods. This is mainly true for garments: an article of clothing (like a t-shirt, a pullover or a sweater) is not automatically classified in the same HS code in the EU as in the US
- **QUALITY STANDARDS:** Both entities do apply different quality requirements for a wide variety of products like apparel and clothing accessories. The US-American Consumer Product Safety Improvement Act (CPSIA) defines other quality standards than equivalent EU legislation. Consequently, the retail sector has to

invest time and additional resources to comply with two different sets of legal provisions

- **TARIFFS:** The combined average level of customs duties with 5-7 per cent between the EU and US is still an obstacle in bilateral trade and decreases the margin of profits for companies. This is particularly true for peak tariffs in bilateral trade which apply to many agricultural products but also apparel and accessories

## **(II) US measures affecting imports from the EU**

- **SECURITY:** European companies have to cope with high security demands when exporting to the US causing delay in time and high expenses. Even though stringent procedures to secure supply chains are in place in the EU, merchandise exported to the US is often required to go through additional security checks before being shipped (e.g. extra x-ray screening). Moreover, it is highly problematic that the US Transport Security Administration (TSA) does not recognise EU accredited consignors from all Member States
- **BUREAUCRACY:** Certain US administrative procedures are challenging for European companies. The US customs requires importers of textiles to provide the Manufacturer Identification (MID) code indicating the name and address of the producer. However, most importers to the US do not directly purchase their textile and clothing products from the manufacturer but from sales agents who are generally reluctant to disclose information about suppliers. In consequence, it is a burdensome task to deliver the data stipulated by the MID code

## **(III) European obstacles to more trade integration**

- **CUSTOMS:** Despite the existence of a common customs laws, the EU Member States do not uniformly apply the set of regulations. No institutions or procedure guarantees that common rules on classification and customs operations are implemented and administered consistently within the EU. Consequently, when importing the same product from the US to different EU countries, European companies have to deal with different Member States' rules
- **PRODUCT INGREDIENTS:** Certain US food products (e.g. baked goods, confectionary products and food preparations) are subject to a specific tariff code system in the EU. Based on the content of milk fat, milk protein, starch and sugar these products often receive other tariff classifications than in the US causing additional administrative burden for importers

## **C) RECOMMENDATIONS – A CALL FOR MORE MARKET INTEGRATION**

A **comprehensive and deep free trade agreement** would liberate significant business potentials for the **European retail sector**. Negotiations for an economic agreement conducted as a single undertaking should be guided by clear principles and an ambitious timeline.

The **FTA calls on the European Commission** to include the following recommendations as an integral part of its negotiation strategy with the US administration.

- **HARMONISATION:** The EU and the US should strive for a higher level of compatibility of rules by developing common sets of principles. Regulatory cooperation should lead to defining joint classification rules and adjusting standards

- **MUTUAL RECOGNITION:** Both should define a broad spectrum of sectors in which rules and procedures valid in one entity would automatically be recognised in the other entity. In the long-term, a system based on the “Cassis de Dijon”-principle should be envisaged (e.g. covering product quality and security certifications)
- **PROCEDURES:** Red tape should be cut and administrative mechanisms distorting trade should be streamlined. Authorities should collaborate closely to improve administrative coordination
- **CUSTOMS DUTIES:** All industrial tariffs should be eliminated. The removal of tariffs would allow companies to save costs and to gain in competitiveness
- **WTO:** The EU and the US should take a clear commitment in favour of a successful conclusion of the Doha Development Round as the corner stone of international trade policy. A transatlantic free trade area can in no way replace a positive outcome of multilateral negotiations. The WTO must remain the source for and guardian of international commerce rules

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### ***About the FTA***

FTA's mission is to promote the values of free and sustainable trade for its members within Europe and worldwide. The FTA strives for a liberal international framework for trade and is dedicated to improving the international supply chain in terms of corporate responsibility.

As a large association of more than 900 European and international retailers, importers, brand companies and national associations, with a total turnover of more than 600 billion Euros, the FTA represents companies of all types and all sizes from more than 22 countries, including fashion brands, departments stores, chain of supermarkets, apparel, discount and online.

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