

EBCA'S RECOMMENDATIONS ON THE EU TRADE POLICY REVIEW

The European Branded Clothing Alliance (EBCA) welcomes Commissioner Malmström's initiative to review the EU Trade Policy. We appreciate that the Common Trade Policy is at the heart of the new Commission's political agenda. EBCA members strongly believe that the development of international trade represents one of the most effective ways to foster jobs and growth creation in Europe and beyond. Even though some substantial progress have already been achieved over the past five years – with the conclusion of Free Trade Agreements (FTA) with South Korea and Singapore for instance – the review of the EU Trade Strategy could be an excellent opportunity to unleash the full potential of trade for the EU economy.

To support the work of the Commission in drafting the upcoming EU Trade Strategy, EBCA would like to issue the following recommendations:

EBCA'S KEY RECOMMENDATIONS

- Promote and support the importance of Global Value Chain as a driver of the European economy
- Negotiate clear, simple and flexible Rules of Origin with trading partners
- Support WTO negotiations and advance on the Doha Round
- Conclude ambitious Free Trade Agreements with third countries, tackling both tariff and non-tariff barriers to trade
- Support regulatory harmonisation – wherever possible – that could benefit business and consumers without lowering EU standards
- Support developing countries *via* the General Scheme of Preferences
- Tackle market access barriers to trade in third countries
- Launch an ambitious strategy to fight counterfeiting and IPR infringements

Promote Global Value Chain

EBCA members have structured themselves to operate with complex global value chains spanning many different countries. The economic benefits for Europe of such a model have been underlined in a recent economic study by Copenhagen Economics which states that a significant share (50-80%) of the value added derived from final consumption in Europe stays in Europe. EBCA members are supportive of a global trade policy environment which eases the operation of their supply chains.

In addition, it is not only exporting which is important to EBCA, but importing too. Our member companies source materials and manufacture products both within and beyond EU borders. For this reason, importing goods easily into the EU is just as important as exporting. EBCA's business models are based on getting goods to market as quickly and competitively as possible. This enables us to invest capital and create jobs across our European business in areas such as design and manufacturing, branding, retail and distribution.

EBCA urges the Commission to promote and support the importance of Global Value Chain as a driver of the European Economy. Multiple border crossings impose higher costs for the global value chain business model, therefore open and free trade should be promoted. In that context, we deeply appreciated that Commissioner Malmström recognised during a conference in Washington at the Centre for Strategic and International Studies that global value chain supports the creation of jobs in Europe.

Simplify Rules of Origin

EBCA urges the EU institutions to simplify Rules of Origin. The complexity of the Rules of Origin system and the costs of applying them mean that, in many cases, exporting countries gain little or no advantage from preferential trade arrangements. We support the adoption of rules that provide maximum flexibility and broad cumulation within and between regional groupings. Cumulation provides a continued incentive towards regional economic integration which is a strong developmental objective of the EU. In addition, we would recommend the Commission to consider the *single transformation rule* as the basis of discussion for any FTA negotiations.

Focus on Multilateral Negotiations

EBCA supports the swift conclusion of the ongoing round of WTO negotiations, known as the “Doha Development Round”. Even though WTO members are engaged in a difficult road, the Agreement on Trade Facilitation signed in December 2013 can be used as a basis for breaking the present stalemate. EBCA asks the Commission to continue its efforts on the multilateral level as it remains the most effective way to achieve substantial and global results.

We also encourage the EU to advance plurilateral initiatives such as the Trade in Services Agreement (TiSA). In addition, the EU should not underestimate the impact of emerging regional trading blocks on international trade.

Conclude Bilateral Trade Talks

Since the slow down of the WTO negotiations, the EU has opened trade talks on a case by case basis with several of its trading partners. EBCA calls for the swift and ambitious conclusion of ongoing free-trade negotiations especially with Vietnam and the US. Effective free trade agreements will, in addition to a wide range of new export opportunities for EU businesses, bring benefits to European consumers by delivering lower prices and greater consumer choice.

EBCA asks EU negotiators to not underestimate the importance of tariff barriers. Even though negotiations mainly focus on the removal of NTBs, high tariffs remain an issue of concern for the branded clothing industry. By way of example, EBCA members are currently facing an average MFN applied duty of 11.7% in the US and 15.1% in India on clothing. Thus, EBCA calls for full and speedy tariff elimination instead of long phase-out periods.

EBCA also support the reduction of technical barriers to trade thanks to bilateral trade talks. Substantial gains could be achieved without lowering EU standards. Due to increased globalisation of trade, harmonisation is of highest importance. On labelling for instance, many trading partners impose different requirements. This leads to additional and unnecessary costs for EU companies. Mutual recognition or regulatory harmonisation could thus lead to substantial benefits for both companies and consumers without lowering the quality of the information provided to consumers.

Support Development of 3rd Countries *via* Unilateral Measures

The benefits of the EU General System of Preferences no longer need to be demonstrated. The incentives provided by the GSP status have contribute to the dissemination of the EU's fundamental values, while fostering the exchange of goods and services across borders. EBCA urges the Commission to positively consider granting GSP+ status to Sri Lanka once the country officially send its application.

Tackle Market Access Barriers to Trade

EBCA members are conducting manufacturing and retailing activities in many different countries. These activities make them sensitive to any market access distortion that might occur in a country. Thus, EBCA urges the EU to continue its endeavours to tackle market access barriers in third countries.

Even though the conclusion of a FTA with a third country is a welcome development, it will be of little benefits if there is neither a proper implementation nor an effective mechanism to ensure that the trading partner is respecting the agreement. Protectionist measures are a recurring trend that should not be underestimated as it directly affect the industry and the consumers.

EBCA calls for the inclusion of effective investment protection mechanism in all ongoing and upcoming trade negotiations with third countries.

Fight Against Counterfeiting

Counterfeiting and IPR infringements remain an important challenge for EBCA members. Our brands are at the heart of our value and competitiveness, and each infringement devalues them. EBCA believes that enforcement is the key to dealing with IPR breaches. The problems that our members encounter are varied.

For instance, even though the growth in online sales provides a welcome opportunity to our members and all players in the fashion industry, it also creates serious threats to the protection of intellectual property. This should be reflected in the review of the EU Trade Policy. The role of intermediaries (e.g. Internet service providers, shippers, financial institutions) in facilitating such IPR violations should not be overlooked. In the meantime, an increasing digital trade agenda will require significant trade facilitations to obtain free flow of products and services.

EBCA looks forward to a continued fruitful cooperation with institutions and other stakeholders, in order to make the EU Trade Strategy a real success for the EU, businesses and consumers.

About EBCA:

The European Branded Clothing Alliance (EBCA) is a coalition of European and global retail clothing brands. Between us we represent more than 60 brands and employ over 150,000 people in our European operations. Established in 2007, the Alliance provides the first collective and exclusive voice for retail clothing brands in Europe. Drawing upon a balanced and representative membership present in a range of EU Member States, the Alliance seeks to serve as a sounding board for EU policy-makers as they develop trade policy that seeks to balance the interests of all Europeans in an increasingly global environment. The Alliance showcases the contribution of clothing retailers to European competitiveness and employment, and seeks to ensure a more predictable business environment, a positive trade agenda, and a better deal for European consumers and businesses.

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