



Editorial

The economic downturn is having a major impact on all economic operators and in particular on Small and Medium-sized Enterprises (SMEs). At EU level, the Council and the European Parliament support the Commission's efforts to stimulate economic growth and jobs within the framework of the Recovery Plan agreed by EU leaders in December. Europe's 23 million SMEs represent more than 99% of European businesses and are the source of around 70% of all jobs. This is why so much of the Commission activity is focused on creating the right business environment for SMEs in Europe and beyond, and why I am putting particular emphasis, together with Vice President Verheugen, on making trade policy work for businesses of all sizes.



Many European SMEs remain focussed strategically on their national markets, according to the Observatory of European SMEs in 2007, with only 8% trading outside their own country and only 3% exporting outside the EU. In some Member States this percentage is substantially lower. This means there is great potential to develop export possibilities for European SMEs.

In 2009, we will therefore look to enhance the services that we provide to SMEs, including making such services more easily accessible. Smaller companies with the desire to go global are confronted by several kinds of barriers; for instance, they face high fixed costs for exporting, while financing is becoming less readily available.

We will therefore increase our focus on removing barriers to trade and investment and continue our efforts to address third country standards and norms by promoting regulatory convergence through our dialogues with third countries. This should make it easier for firms of all sizes to export and to become more competitive on the world market. I look forward to hearing from SMEs what their needs and aspirations are so we can better target our work.

Inside the newsletter this month we include information targeted at SMEs as well as an article from the new Czech Presidency outlining their trade priorities for their six months in charge. Our regular voice of the Delegations article comes from Kazakhstan. Finally, we include updates from two Working Groups, electronics and I.C.T, and textiles, as well as a success story from Vietnam.

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THE VOICE OF THE EUROPEAN COUNCIL PRESIDENCY CZECH REPUBLIC

The Market Access agenda fits well with the key theme of the Czech Presidency, namely the creation of “Europe without Barriers”, by which is meant the elimination of barriers within the EU but also barriers to our exports on third markets.

This is not the only reason the Czech Presidency has chosen the Market Access Strategy as one of its priorities. Globally, we are experiencing difficult times. The worst financial crisis in recent history is rapidly developing into a global economic slowdown. Past experience clearly shows that in such times, there is always a danger that countries give in to the temptation to raise trade barriers and to resort to protectionism. Such reactions may be understandable but they are certainly not the right ones.

The November statement of G20 was clear on the need to reject protectionism and isolationism - any move in the other direction would only exacerbate, not alleviate the economic crisis. The governments were invited to focus on giving the global economy a much needed boost by making trade easier, namely via the DDA. It is the intention of the Czech Presidency to do our best to ensure these commitments are fulfilled.

Of course, there are differing points of view on how to do this but we should not forget that we all benefit from the elimination of trade barriers. It is in everyone's interest for instance that, in difficult economic times in particular, the EU's Market Access Strategy plays a key role.

The Market Access Strategy is a unique, effective and efficient tool and that is why it should be a priority. A key to its success and relevance is that it is driven by companies, by European exporters: they are the first to identify trade barriers and it is right that they have their say in how to eliminate them.

From our point of view, a key question is the effectiveness of the Market Access Strategy for SME's. Given this, we will strive to activate broader publicity amongst exporting companies, to help them in their pro-export oriented ambitions. In cooperation with the European Commission we would like to endeavour to make the strategy implementation even more efficient including the improvement of its tools mainly the Market Access Database and Market Access Teams as well as the more intensified use of bilateral meetings with third countries.

We believe that the Market Access Strategy as envisaged in the 18-month program of the French, Czech and Swedish Presidencies is a very effective tool for tackling trade barriers and is a key element in the Commission's Global Europe strategy. It should be seen as a good example of the EU advancing its offensive trade agenda in a recession - both in goods and services – and of the EU making progress towards a ‘Europe Without Barriers’.

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DG TRADE'S SUPPORT FOR EXPORTERS, IN PARTICULAR SMEs

The EU is the largest exporter of goods and services in the world. An active Commission trade policy is essential to maintain the EU's export performance and to overcome the current worldwide economic crisis. Exports are crucial for the Lisbon Strategy as they contribute to economic growth and secure and create jobs. Therefore, all export potential has to be mobilised, in particular that of our 23 million Small and Medium-sized Enterprises (SME) as only about 3% of them are doing business with partners outside the EU.

Commission services support SMEs in many ways, in particular through the Small Business Act. The "European portal for SMEs" of DG Enterprise gives access to information on EU policies and initiatives http://ec.europa.eu/enterprise/sme/index_en.htm.

We, in DG Trade, support the internationalisation of SMEs and our input to the external dimension of the Lisbon Strategy and the Small Business Act should help to ensure that smaller companies become more competitive in global markets. Supporting SMEs is important in all our efforts to open markets, including plurilateral and multilateral negotiations such as the Doha Round and we consider it important to include areas such as trade facilitation for customs procedures and government procurement, which we believe can be of particular benefit for SME's. Likewise in our negotiations for regional and bilateral Free Trade Agreements and in a variety of dialogues we hold with third countries, to increase export opportunities, we try to de-

velop market access for European exporters, paying particular attention to SME's. More information on DG Trade's activities is available on our website <http://ec.europa.eu/trade/>.

We offer numerous services which can save costs for exporters, such as the recently published guide for business on the transfer of technology to China and our Helpdesk for Intellectual Property Rights (IPR). These are explained further and links provided in another article. The Market Access Partnership services, which aim at tackling barriers to trade and investment, supported by a partnership approach between the Commission, Member States and Business, are becoming more widely known. The comprehensive free on-line services of the Market Access Database (see web-site <http://madb.europa.eu/>) are useful for market analyses, while its Complaint Register provides the opportunity to report trade barriers to us, and in turn we can call on the reinforced local trade diplomacy of Market Access Teams in key export markets, to help solve them.

Within our Market Access Partnership, Member States and Business organisations are asked to play their role fully and to communicate, promote and provide appropriate support to "their" SMEs so that they can benefit from the Partnership services. In particular, increased use of the Market Access Database can lower costs for SMEs to access information on exporting to third countries.

Market Access team, Trade G.1



CHINA IPR SME HELPDESK

China is a major trading partner for the EU and was its 4th biggest export destination for goods in 2007. More and more European companies find themselves operating on the Chinese market – but many are concerned about intellectual property rights (IPR) issues. The China IPR SME Helpdesk was launched by the Directorate General for Enterprise and Industry of the European Commission in May 2008 to help Europe's SMEs to better face the IPR challenges arising from trading with China. On 24 September 2008, on the occasion of his visit to China for the EU-China Joint Committee and bilateral talks with the Chinese Government officials, EU Trade Commissioner Peter Mandelson visited the China SME Helpdesk.

The Helpdesk provides first-line information for interested SMEs, customised training in the protection of IPR in China and advice aimed both at preventing problems and at helping companies deal with situations that may already exist. The Helpdesk team includes project managers based in Beijing, plus a panel of more than a dozen experts, each with extensive 'on the ground' practical experience in the protection of IPR in China.

The advice and support of the Helpdesk may be obtained in three different ways: on-line, through seminars and workshops organised at various locations in China and Europe and directly by e-mail or telephone. The Helpdesk website can be found at

<http://www.china-iprhelpdesk.eu/> and contains a wealth of information on Chinese IPR law and practice, as well as typical case studies and a 'solution centre' of commonly faced problems and approaches to resolving them, including such vital details as the likely time and costs involved. Other materials freely available from the website include a booklet on Technology Transfer in China (http://www.china-iprhelpdesk.eu/media/docs/Tech_transfer_English.pdf) and a Handbook on IP Strategy at Trade Fairs in China (http://www.china-iprhelpdesk.eu/media/docs/tf_handbook.pdf).

Helpdesk experts not only develop on-line materials but also work closely with the Enterprise Europe Network and stakeholder associations to train trainers and speak at seminars and workshops in China and Europe. Key materials are available in 6 European languages (English, French, German, Spanish, Italian and Polish).

The Helpdesk is intended as a first port of call and where necessary, companies will be directed to the most appropriate source of further information or advice. The service also provides useful tips on how to manage each step of the process, such as dealing with law firms and working with the relevant parts of the Chinese administration.

DG Enterprise B.2



THE VOICE OF THE DELEGATIONS

From the European Commission's Delegation in Astana

As a former Soviet country, Kazakhstan has a strong heritage from this period, notably regarding its economic system. When it got its independence unwillingly in 1991, Kazakhstan had a rather closed economy, and its dependence on Russia was high. Since then, the country has conducted major reforms to open its economy and enter the global market. Kazakhstan has witnessed significant growth from the late nineties, primarily due to its mineral resources. The abolition of many trade barriers has been challenging for the country but the process is demonstrating great success as Kazakhstan is on its way to accessing the World Trade Organisation.

The main issue faced by Kazakhstan's economy is lack of diversification. With mineral products accounting for more than half of the national income and 82.9% of total exports, the economy is highly dependent on the extraction sector. Furthermore, Kazakhstan relies on Russia to provide its primary export route and a significant consumer base.

In terms of trade, the EU is Kazakhstan's biggest trading partner, accounting for 35.3% of its total trade, some 18,815 million euros in 2007 according to EUROSTAT. For the EU, Kazakhstan ranks 29th on our trade partner list, and our trade balance is mainly in favour of Kazakhstan, notably due to hydrocarbon exports to the EU.

This underlines the significance of Kazakhstan for the EU economy, and the need to keep both good trade relations and to increase EU exports to our leading trade partner in the Central Asian region. The

issue of Market Access is thus, more than ever, of key importance.

In line with the *renewed Market Access Strategy*, the EC Delegation in Astana – the new capital of the country – has set up a Market Access Team (MAT), composed of the Economic and Trade Officers of the EU Member States and EUROBAK, the European Business Association in Kazakhstan. The MAT has already met several times, meeting last in December 2008, and will continue to hold meetings every other month on a regular basis. The December meeting provided an opportunity to exchange views on trade barriers remaining in the country, notably regarding alcoholic beverages. The significant changes that the newly adopted customs code introduced were also considered in detail whilst the new tax law remains an important topic of discussion during the regular meetings.

Representatives of EUROBAK provided relevant input, especially on the draft regulation on labour legislation and the employment of foreigners, and on the new Customs Code. They also stressed the difficulties that EUROBAK has faced in accessing working groups established by the Government to discuss new draft laws. Comments prepared by EUROBAK are to be submitted by the Foreign Investors Council (FIC) to the Ministry of Economy and Budget Planning. If needed, Member States and the Delegation will give their support to assist EUROBAK's access to these working groups. Their presence is indeed extremely important not only to get information, but also to push for the abolition of barriers.



The EC Delegation will continue to carefully monitor and tackle the Market Access problems. As trade is the exclusive competence of the Commission, Market Access is one of the priorities of the Delegation. In this regard, we are pleased to announce

that a new official for Trade will come to Astana in the coming months to reinforce our Market Access team.

EC Delegation in Astana

MARKET ACCESS WORKING GROUPS

Market Access Working Group on Textiles begins its work

The Working Group on Textiles has been launched at the request of the European Apparel and Textile Organisation in January 2009. The industry, which has undergone significant restructuring in recent years, due to increased competition from third countries following the expiry of the WTO Agreement on Textiles and Clothing, is particularly concerned by a large number of barriers in key markets. The objective of the Working Group is therefore to add value to the ongoing efforts of the European Commission to solve existing barriers. It brings together the EU Member States, the EU business and the European Commission, to discuss outstanding issues and outline future measures toward their resolution. It is also to discuss new problems, which emerged after the 2005 study report on barriers to trade in the textile field.

The first meeting was attended by some fifteen Member States and European and national level member organisations of Euratex. Key problems, which emerged during the discussion concern horizontal issues, such as customs procedures (customs valuation) and regulatory requirements (certification), but also transparency problems, where existing export requirements do not pose a problem per se, but are

caused by a lack of sufficient clarification and available information. Main markets, on which the Working Group will focus its work, are the United States, Russia, China, India, Brazil and Argentina.

The list of barriers that emerged as the outcome of the discussion is now under analysis. Immediate priorities are being set up for the next meeting, where specific cases will be analysed in greater detail and ways of tackling them will be discussed. As the preparatory work continues, the second meeting of the group is planned for late February/beginning of March.

Electronics and ICT Working Group focuses on IT security in China

A new meeting of the Working Group on electronics and ICT took place on 15 January in Brussels focussing specifically on the proposed expansion of the Chinese Compulsory Certification System to various information technology products (software, computer chips, telecom handsets etc.). EU industry is very concerned with the transparency surrounding the Chinese information security regulations and certification process, which makes it very difficult for them to operate and compete in the Chinese market.

The standards notified under the Technical Barriers to Trade (TBT) Agreement were



due to enter into force in May 2009. However, thanks to joint efforts from the EU, the US, Japan, Korea and Canada, both at industry and government levels, China has officially announced it will delay implementation of its proposed scheme to allow further technical discussion.

The Working Group gathered several EU business associations representing the semi-conductor, smartcards, software and electronics and ICT industries, many representatives from EU Member States and different Commission services. The aim was to exchange information on the latest

developments in the field of IT security in China, to determine the critical issues for EU industry and to discuss how to organise a possible technical discussion with Chinese experts.

A constructive and very technical discussion took place and follow-up actions are being discussed. The 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 obtain a better picture of IT security in China and to determine the best way forward.

VIETNAMESE TAX LAW REVISED TO MEET WTO REQUIREMENTS

For a number of years Vietnam operated a special consumption tax regime which imposed a higher tax rate (65%) on alcoholic beverages of 40% alcohol by volume and above, than on alcoholic beverages of 20% to 40% alcohol by volume (35%). This seemed to discriminate against the higher strength alcoholic drinks generally imported from the EU and in favour of the generally lower strength domestic products.

The Commission raised this problem on several occasions, both in the context of Vietnam's accession negotiations to the WTO and bilaterally during the implemen-

tation phase following Vietnam's accession.

Finally, on 14 November 2008, Vietnam's 12th National Assembly approved the revised Special Consumption Tax Law, by which a single tax rate will apply in the future to spirituous beverages containing 20% of alcohol or more. The rate will be 45% from 2010 to 2012, increasing to 50% from 2013, implying a 20% tax reduction for EU imported spirits and a 10% tax increase for domestic spirits in the short term. The new rate should bring Vietnam into line with its WTO commitments.

Vietnam DEL, Trade C.3 and G.1



Market Access Partnership – Looking Ahead...

18 February 2009	MAAC
27 February	Asia SPS Working Group
Late Feb./early March	Market Access Working Group on Textiles
3 March	Services Working Groups (Distribution and Postal Courier)
March (TBC)	Working Groups on Tyres and Automotives

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