

Mr David O'Sullivan
Director-General
Directorate General Trade
European Commission
200 rue de la Loi
B-1049 Brussels

9 February 2006

THE SECRETARY GENERAL

Dear Mr O'Sullivan,

Dear David,

As raised on 2 February at the International Relations Committee meeting during the discussion on trade and competitiveness, UNICE has debated the issue of quotas on Chinese textiles imports and has agreed on the following proposals to address this issue.

When China became a member of the WTO in 2001, its Accession Protocol included the possibility of another WTO member taking measures against imports from China in order to avoid serious market disruption to domestic producers. This rationale led to the June agreement - and subsequent September clarifications to that agreement - between China and the EU to limit the imports of certain textile and apparel products into the EU market.

The two special safeguard mechanisms agreed to at the time of China's accession, which are an exception to the general rules of safeguard measures covered by Article XIX of the GATT, were part of a broader package necessary to build support for China's membership of the WTO. While UNICE is a proponent of trade liberalisation, it recognises the need for a rules-based system that includes legitimate trade defence instruments. UNICE makes the following proposals to ensure that these rules are properly and effectively applied with regard to any future action that may be justified pursuant to the special provisions of the Chinese Accession Protocol.

Predictability and a good business climate are necessary to enable companies to fulfil their role as efficient economic agents. Companies depend on efficient and clear regulations implemented in a predictable, equitable and consistent manner. EU external trade regulations should therefore be implemented and administrated in a way, which allows EU manufacturers, importers and exporters to conclude commercial transactions in a climate of predictability and stability.

It is of particular interest to the smooth functioning of the European economy, which relies on extensive international trade in order to reach the growth targets established in the Union's Lisbon Strategy, that products which have been ordered, produced, shipped or paid in accordance with the regulations in place at the time of the signing of the contract, whether for export or for import, are allowed to be brought into the country of the importer. Of course, this general rule needs to be balanced with the necessity to apply legitimate EU trade defence measures in a coherent and predictable manner for all parties concerned.

The EU must carefully coordinate its handling of any future safeguards with competent Member State authorities so as to permit predictability, transparency and equity for European manufacturers and importers. This will allow all parties to go about their economic activities with minimal disruption.

In addition, we encourage EU authorities to improve communication and outreach to concerned parties regarding the possibility of future safeguard actions against China (regardless of the sector) to ensure that they can adapt their business plans to such actions. Enhanced communication and predictability should, in particular, target small and medium enterprises (SMEs) which do not have the capacity and resources to monitor EU trade policies as well as larger companies. UNICE and its member federations also have a role to play in promoting greater awareness of EU trade policy to SMEs and will take action to do so over the coming months.

Yours sincerely,

Best regards,

Philippe de Buck

