



European Furniture Industries Confederation

Roadmap consultation: EU trade & investment policy review

EFIC feedback

14 July 2020

The European Furniture Industries Confederation (EFIC) welcomes the initiative of the European Commission to review the EU's trade and investment policy and the opportunity to share views on the process. The European furniture industries are strongly oriented towards international trade, which must be open and rules-based. In 2018, the EU (plus Norway, Switzerland and Iceland) accounted for imports of furniture worth \$64,059 million and exports worth US\$ 63,377 million (data from CSIL World Furniture Outlook of July 2019). International trade creates business opportunities for EU furniture manufacturers and leads to increased competitiveness and the creation of jobs.

Regulatory cooperation

A harmonised approach to products based on well-defined standards yields more positive benefits for economies, people and the planet. The last decade has seen the number of product regulations almost triple, creating an increasingly complex legislative landscape. With the upcoming departure of the UK from the EU, there is a concerning risk of even greater misalignment. While proliferation of scattered and misaligned rules and compliance schemes have detrimental effects on businesses, people and the planet, international regulatory cooperation has the potential to achieve a coherent and effective regulatory response. This is especially true for cross-border challenges, such as climate change, the transition to a circular economy and digital services. We encourage the EU to promote, through bilateral and multilateral trade negotiations, including with the UK, internationally-recognized standards and labels and harmonised regulatory procedures.

Covid-19 impact and creating resilience

EU furniture manufacturers largely benefit from export opportunities, but due to a highly interconnected global supply chain, the industry also depends on the import of certain materials and components from third countries. The coronavirus crisis has made this interconnection of supply chains very visible.

The European furniture sector is largely composed of SMEs and microenterprises. To increase resilience of the European furniture industries, trade policy should offer stability, predictability and openness for EU businesses, while protecting them from unfair practices and increased competition from third countries, reinforcing thus the competitiveness of the industry and ensuring that EU values and high standards are not undermined through trade. This can be achieved via increased custom controls and market surveillance to ensure that imported products comply with the same rules as EU products and by increased action to tackle market access barriers and trade facilitation, improving conditions for investment and protecting intellectual property rights.

Engagement with key trading partners should be stabilised (while addressing unfair practices) and ambitions for establishing free trade agreements with like-minded partners should be kept. Tackling



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unilateralism and the weaponization of trade is key as well, leading to increased predictability and resilience.

EU trade policy must adapt to the objectives linked to the green and digital transition and should promote environmental responsibility, sustainability, social and good governance. Increased sustainability in supply chains can certainly contribute to increased resilience in the European furniture industries. A truly circular and low-carbon economy has an enormous potential to boost competitiveness and increase resilience of supply chains through new business models offering repaired, reused, refurbished and remanufactured products. These circular loops decrease reliance on new materials, increase affordability and offer opportunities for the creation of new jobs in the EU. The EU should leverage trade negotiations to push trading partners toward similar directions.

The digital economy has become increasingly important due to COVID-19. E-commerce has proven to be a successful platform where EU companies and consumers can safely engage, and the furniture industries have particularly benefitted from it. To fully reap the benefits of this instrument, international rules on e-commerce at WTO level would be needed, which would support businesses and SMEs against the risks related to illegal trade practices, strengthening thus their resilience.

World Trade Organisation

The stability and effectiveness of the multilateral trading system are essential and as such action is needed to reform and modernise the World Trade Organisation (WTO) as the body guaranteeing world trade order. The WTO has a central role in global trade governance. The furniture industry needs strong institutions to support fairness and enforce the rules against discriminatory market access practices through important fora, like the WTO Technical Barriers to Trade committee. A transparent and independent dispute settlement mechanism is necessary to ensure a level playing field, to ensure fair and rules-based trade and address competition distortions.

Enhancing market access

To improve market access, a level playing field must be achieved, where all players compete on an equal footing. Unfair trading practices should not interfere with global competition.

Market access can be enhanced with efforts to eliminate barriers to trade (both tariff and non-tariff barriers). To increase market access, monitoring the implementation of FTAs that are in place is necessary, to address potential barriers and limitations and to ensure that European companies reap the full benefits of the agreements. Tools that support businesses in their imports/exports such as the Market Access database and the Export helpdesk should be preserved. Communication on the benefits and opportunities under adopted FTAs should be increased.

Standardisation ambitions and regulatory cooperation with third countries has a large potential to increase market access. Standardisation and the harmonisation of technical regulations and testing requirements is key. Example of concern: the Chinese Technical Regulations, Standards and Conformity Assessment including the Compulsory Certification System (CCC) posing unnecessary burdensome certification procedures, and in particular in-country testing requirements. Industry should have the possibility to openly contribute to standardisation processes.

When it comes to customs-related barriers, original documents with signatures and the lack of decentralized processing and additional quality/labelling checks (beyond typical international requirements) lead to delays and added costs for both businesses and consumers. In the global pandemic, these requirements have become even larger barriers than normal with the onset of social



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distancing requirements, shortened port hours and less government agency staff for conducting checks and certifications. We encourage the EU to take a leadership role by addressing these common barriers with governments and by using trade negotiations and existing FTAs to avoid these unnecessary costs.

Industry can collaborate with government authorities of third countries to formulate ways to increase the market share of European industrial products which will render the third country's competitiveness stronger.

Custom control to fight illegitimate trade

Custom control effectiveness and risk analysis is key to fight illegitimate trade and to ensure that safe and compliant products enter the EU market. With an appropriate balance between trade facilitation and control, Member States must strengthen their control actions at the EU borders. For this purpose, a consistent and harmonised implementation of the Customs Union rules by all Member States is crucial. The same rules and controls must apply to products purchased via e-commerce.

Strengthening Intellectual Property Rights and e-commerce is key. Our competitiveness strongly depends on the protection of products with high intangible contents, such as brands, patents, design and copyright as the only effective tool against counterfeiting.

A higher EU-level design and patent protection is needed, accompanied by higher controls on counterfeiting goods both inside the EU market and at its borders. In this regard, special efforts should be devoted to contrast e-commerce illegal practices aimed at placing on the market counterfeited products, though, e.g., improved cooperation with internet service providers.

Specific actions could be taken to promote the internationalization of companies abroad, especially SMEs. Specific funding programmes could be put in place to this end.

When it comes to environmental and circular economy objectives of the EU, proof of environmental responsibility should be provided by third country producers placing products on the EU market, to avoid that EU measures promoting circularity and European producers efforts are counteracted by imports of unsustainably produced / non-circular products entering the EU market (especially relevant is compliance with REACH and CLP and the use and tracking of substances of concern). It is crucial that third country producers importing products in the EU abide by all upcoming EU rules related to circularity (including sustainable product design, information to consumers, etc.). These steps are crucial if the EU is indeed to become a trendsetter at global level when it comes to the transition to a circular economy / sustainability.

Enhanced cooperation with main partners

The US is an important destination for European furniture products. The ambitions of reaching a free trade agreement with the US should be kept despite the difficulties in negotiations. It is important to keep an open dialogue and avoid unilateral measures, trade protectionism and the weaponisation of trade, which could lead to retaliation measures affecting EU producers. Further negotiations on non-tariff barriers are also needed (mainly stemming from standards definitions and varying requirements across states). Greater collaboration with the US on specific regulatory areas such as trade-related aspects of e-commerce at WTO level would also be welcomed.

China became over the last decade the largest furniture producer and exporter worldwide. While it is an important export destination for EU furniture producers, these are confronted with non-tariff barriers (example TBT NOTIFICATION CHN 1094, 1095, 1096). It is paramount that EU companies are



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included in the Chinese standardisation process and that standards are notified to the WTO. The regulatory cooperation between the EU and China should be reinforced as well through an adequate protection of IPR rules and increased custom controls to tackle challenges that are related to the rising imports of non-compliant products.

From the furniture industries perspective, important trading partners, apart from the two listed above, are Vietnam, Japan, New Zealand, Australia, India, Russia, Canada, South Korea...

Industrial policy & trade

An ambitious European industrial policy and a reinforced trade policy should work together towards a globally integrated, sustainable and competitive EU industrial base, through investments in innovation, technologies and companies. Trade policy that promotes free, fair and rules-based trade, standardisation, a level playing field and market access, and which ensures that all players abide by the same rules, has the potential of enhancing the competitiveness of EU producers, of increasing their chances to compete in international markets and of protecting them from unfair competition.

Trade supporting the green and digital transition

The furniture industries are deeply engaged in the green transition promote sustainable business practices and a green recovery. Trade policy has a large potential to drive sustainability worldwide.

Free Trade Agreements can be as a leverage for third countries to ratify and implement international agreements aiming at relieving the climate crisis, respecting labour standards and unlocking circular economy potentials.

The EU has the large potential of being a trendsetter for sustainability objectives and practices and standardisation is an important tool to this end.

When it comes to implementation and enforcement, it is crucial to avoid that EU measures promoting circularity and European producers efforts are counteracted by imports of unsustainably produced / non-circular products entering the EU market (especially relevant is compliance with REACH and CLP and the use and tracking of substances of concern). For this reason, increased customs controls and market surveillance are needed, included for products purchased online. Third country producers should provide proof of environmental responsibility when placing products on the EU market, including respect for principles that underpin the circular economy.

Through trade negotiations at both multilateral and bilateral levels, the EU can encourage trading partners to adopt like-minded climate policies, including: increasing the ambition level to reach the 1.5°C target; limit off-set mechanisms; phase out fossil fuel subsidies; finance innovation and scaled up solutions; eliminate tariffs and non-tariff barriers on environmental goods and technologies; and encourage electrification of the current use of fuels. When it comes to a circular economy, the EU can promote policies with trade partners that help move entire societies toward more reuse, refurbishment and remanufacturing to prolong the life of products. For example, the EU should leverage trade negotiations to: promote international standards and common definitions related to a circular economy; remove barriers to waste ownership; encourage a common approach to waste rules; promote services to prolong the life of products (such as “right to repair”); and incentivize investments in digital technologies (see more below). With trading partners on board, we can accelerate the vision of the EU Green Deal and the transition toward a green economy.



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Trade and the digital revolution

Industry is embracing the digital revolution which has the potential to drive the economy and society towards major changes. R&I will play a fundamental role in supporting the transition to digitalisation and R&I must foster the EU's leadership in technological advancement, to avoid that the EU lags behind other global regions. Reinforcing the EU's leadership in digitalisation is important for the creation of jobs, growth, and can also impact EU's dependency on other regions and the ability of the EU to shape standards at a global level.

The use of digital tools in a way that is compatible with consumer and business privacy must be promoted and aligned to bring value for businesses or consumers.

With supply chains distributed around the globe, the digitalisation of data can serve as a key enabler to harmonising the way goods move across borders. From customs requirements to tracking products, parts and materials to support reuse, refurbishment, remanufacturing and recycling, now is the time to set a strong foundation for how we share data in the future. To fully gain the benefits and avoid information silos, these digital technologies should be part of a holistic system that is aligned across markets and within markets.

To address EU's recovery, focusing on the digital transition is of primary importance. How to sell products, how to manage customer relations and how to create a better digital experience for customers all around the world in case of future emergencies are key questions that furniture industries are reflecting on and that EU trade policy could address.

While the postponement of international furniture fairs and exhibitions in Milan, Moscow, Shanghai, etc. cause disruptions and economic losses to the European furniture industries, the creation of digital alternatives becomes pressuring and requires consistent investments and increased coordination.

Illegal e-commerce practices constitute a large concern and barrier for European furniture industries engaging in digital trade and for consumers engaging in e-commerce. This issue should be prioritized and solutions should be found, among others, via improved cooperation with internet service providers.

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