

Mandelson to favour EU's foreign factories

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Trade Commissioner Peter Mandelson is planning to introduce exemptions from trade defence measures for European companies that have manufacturing bases outside the EU.

He will face strong opposition from member states with large manufacturing bases inside the EU. Until now, companies that have farmed out their manufacturing to low-cost economies such as China have risked punitive tariffs intended to protect domestic manufacturers. But Mandelson is now planning to exempt from such tariffs companies that can demonstrate strong links with the EU, through sales and production volumes or other criteria.

The proposals, to be unveiled on 20 November, are expected to stir dissent among member states and MEPs predicting the death of manufacturing in Europe. Last week (23 October), Mandelson outlined to his fellow commissioners guidelines for deciding whether to grant exemptions. According to an internal document seen by European Voice, the guidelines would set a basic methodology for assessing trade complaints, "ensuring that the interests not only of companies that produce exclusively in Europe, but also of companies that relocate some production outside the EU while maintaining significant production or other operations within the EU are appropriately reflected".

His opponents charge that the guidelines may lack objectivity and be open to abuse. The document explains that the parameters of trade defence have shifted as a result of globalisation. "European companies are increasingly part of global supply chains and production lines," it says. "Determining where the balance of European economic interests lie has become more complicated." A Commission official said that Mandelson's proposals had received the backing of the college. "They are issues dealing with how you define the community interest and how you define an EU company," he said of the proposed guidelines.

Several member states led by Italy, Spain, France and Germany are already lining up against the proposals, which will need approval by a qualified majority. A memorandum prepared this month in the Italian government for Emma Bonino, Italy's trade minister, hits out at the "legitimation of dumping of imports from companies with European capital which have relocated". The memorandum goes further, attacking "the way the Commission intends to use its discretionary powers to the utmost to modulate the level, form and duration of the anti-dumping measures, thereby restricting the automatic nature of the proposals and therefore their transparency". Trade ministers from the member states will discuss Mandelson's proposals on 21 November. Bulgaria, Greece, Lithuania, Poland, Portugal, Romania, Hungary and Slovakia are also expected to oppose the plans.

MEPs expressed concern about the measures outlined by Mandelson. "There's a great fear by some member states and some operators about the objectivity of the process. You have to be absolutely sure of the methodology so you don't play to the special interest of some countries," said German Socialist MEP Erika Mann. "I can't see why you would need an exemption. I would hesitate to give my support to this." Italian Liberal MEP Gianluca Susta said: "We need objective rules. We need to maintain conditions for an innovative European industry. We need to establish rules to avoid large-scale outsourcing of Europe's manufacturing processes to developing countries."

The European Parliament's committee on international trade will examine the proposals on 18 and 19 December, but until the reform treaty comes into effect, MEPs do not have a binding say on trade matters. In addition to the anti-dumping guidelines, which address "areas where no ready consensus exists", Mandelson will also unveil legislative proposals covering "areas where the Commission can expect broad support for changes to our regulation".