



FESI position on the EU-India FTA negotiations

May 2023

The Federation of the European Sporting Goods Industry (FESI) strongly welcomes the resumption of the trade negotiations between the European Union and India to establish an ambitious and comprehensive Free Trade Agreement, which will foster sustainable economic growth, boost global trade and create jobs in both the EU and India.

To ensure that the sporting goods industry fully benefits from this FTA, FESI calls the Commission to include the following elements in the trade agreement:

1. Full and immediate tariff liberalisation for footwear and apparel.
2. Clear, simple and flexible rules of origin (single transformation rule for apparel products and extended cumulation with FTA partners and GSP countries for all sporting goods).
3. Recognition of the REX system to self-certify origin of products.
4. Inclusion of a Mutual Recognition Agreement for Indian QCO's requirements

FESI has always been a strong advocate of free, fair, and sustainable trade. As such, we fully support and welcome the resumptions of the trade negotiations between the EU and India. An ambitious FTA between the EU and India is expected to generate major benefits for the sporting goods industry and our customers. It will boost economic growth and promote job creation both in the EU and India. In addition, the geopolitical importance of this agreement should by no means be underestimated. This Free Trade Agreement will bring closer two of the biggest global economies, creating bridges between almost a quarter of the world's population!

1. Strategic Importance of India for the European Sporting Goods Industry

The sporting goods industry always had a relatively strong footprint in India. In 2022, footwear and apparel amounted to roughly 13% of India's total export to the EU (€9.2b). However, India as a manufacturing hub has never reached its full potential. This is mainly due to high tariff rates, GSP product graduation and an overall legal environment considered challenging for foreign investors.

The export volume is thus expected to grow even further if the FTA is finalized. Due to the growing demand for sporting goods in Europe and the need to further diversify supply chains, India may attract significant additional investment from the sporting goods industry, both from direct suppliers as well as material suppliers.

Next to being a manufacturing hub for our industry, India is an attractive market for the sporting goods industry with its large and predominantly young population. As large employers and exporters, European sporting goods companies see the FTA as an opportunity to offer their best-in-class products in India and eliminate remaining market access restrictions.

2. Tariff Liberalisation for Sporting Goods:

FESI supports the **full and immediate elimination of duties for apparel (Chapters 61-62) and footwear (Chapter 64).**

The sporting goods industry recommends that the full abolition of tariffs for footwear and apparel takes immediate effect from the moment the FTA comes into force as the relatively lower apparel and footwear import volumes compared to other key product categories should allow for more ambitious concessions.

Should this not be an option for both negotiating teams, we would respectfully urge both sides to consider a transitional tariff liberalization timeframe that takes into account the state of play of tariff preferences already granted by the EU to key partners in the Asian region.

FESI also believes that apparel and footwear should not be treated as "sensitive" items as they are in the General Scheme of preferences (GSP).

3. Clear and Simple Rules of Origin:

FESI urges the parties **to agree on clear, simple and flexible rules of origin**. The sporting goods industry is a highly globalized industry with proliferated Global Value Chains (GVCs). Complex and diverging rules can be cumbersome and severely limit the market access benefits of FTAs. International supply chains have been deeply affected by the numerous global crises that have impacted us all over the past years. Rules of origin must support supply chain diversification instead of preventing it.

In that context, FESI calls for the adoption of the **single transformation rule for all apparel products** (Chapters 61-62). Fast and reactive supply chains as demanded by business in Europe promote apparel manufacturing with local or even integrated material supply.

Should this approach be challenging to implement, FESI would be in favor of **extended cumulation for apparel and footwear products** with countries that parties already have FTAs (e.g. Vietnam) and with countries currently in negotiations with the EU (Indonesia and Thailand). For the FTA to reflect business realities created under the current Generalised Scheme of Preferences (GSP), cumulation with current GSP beneficiaries is also essential. Restricting cumulation only to countries that have signed an FTA with the European Union will result in increased complexity, leading to substantial additional costs and making compliance with rules complicated for businesses.

4. General Scheme of preferences (GSP):

It is crucial that economic operators maintain the ability to use the REX system to self-certify the origin of their products. REX applies to all GSP countries but not to all FTA partners. Companies had to adapt their internal customs procedures to the new IT systems but are now requested in some instances to move back to a paper-based approach. A company importing products from Vietnam under the GSP had to switch from Form A certificates to REX. However, under the EU-Vietnam FTA, REX is not accepted and only Eur1 certificates can be used as a declaration of origin. This situation should be avoided at all costs for India.

5. Mutual Recognition Agreements:

The sporting goods industry remains highly concerned about the upcoming entry into force of the Indian Quality Control for Footwear. As of 1st July 2023, footwear placed on the Indian market will have to comply with the corresponding Indian standards referred to in the Quality Control Orders and bear the Standard Mark under a license issued from the Bureau of India Standards (BIS). The possibility to use international standards and laboratories for testing has not been granted yet by the Indian authorities. As such, manufacturers can solely rely on Indian standards (some of them are still under revision) and local or in-house testing.

One way to ensure that the certification of footwear could run as smoothly as possible would be to **include in the ongoing FTA negotiations a Mutual Recognition Agreement** laying down the conditions under which India will accept conformity assessment results (e.g. testing or certification) performed by the EU designated conformity assessment bodies to show compliance with the Indian QCO's requirements.

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About FESI

Founded in 1960 FESI - the Federation of the European Sporting Goods Industry represents the interests of approximately 1.800 sporting goods manufacturers (85% of the European market) through its National Sporting Goods Industry Federations and its directly affiliated member companies. 70-75% of FESI's membership is made up of Small and Medium Sized Enterprises. In total, the European Sporting Goods Industry employs over 700.000 EU citizens and has an annual turnover of some 81 billion euro.
