

FECC CONTRIBUTION TO AD-HOC GROUP ON TRADE AND COMPETITIVENESS WITH OTHER REGIONS

The European Association of Chemical Distributors (FECC) represents around 1,200 European chemical distributors to the EU Institutions. FECC Members – most of them SMEs - create value in the supply chain meeting the demands of over one million downstream users with a large range of products. FECC Members distribute and regularly import substances and preparations vital for the success of the European economy. Thousands of industrial plants are supplied with the specific chemicals that are required to continue their production. Their main sources of import are the US and Asia.

Exports to Russia

The Russian market is rapidly growing, which presents good opportunities for European companies. However, there are a number of issues related to trade that adversely affect the competitiveness of European exporters.

One of the main issues affecting FECC Members exporting chemicals to Russia is the existence of false customs clearance systems, the so-called double-invoicing system. This system includes, e.g. customs declaration using a lower price than the real market price by issuing double invoices. The scheme involves a series of "paper companies". Often it means that the VAT remains unpaid. The "paper companies" are short-lived which makes tracing difficult.

These false customs clearance schemes are detrimental for the competitiveness of exporting companies, not only in the chemicals, but in all business sectors. They are also affecting Russian producers, who have to compete with falsely priced import. Last but not least, the Russian state is losing substantial tax income due to unpaid or too low VAT payments.

Although industry has recently noted some improvement, the situation is still challenging. There is a need for a level playing field and the involvement of all actors affected by these practices – industry and authorities - is crucial. FECC supports the intention of the Russian authorities to implement electronic customs clearance.



Access to raw materials

The availability of raw materials supplies from outside the EU remains a problem of increasing importance for the chemical distribution sector. Both the shortage of some products and the rapidly increasing prices are a serious threat to the competitiveness of the European industry.

These problems are particularly affecting the supply of critical raw materials for the API market which are imported from China, with export restrictions of fluorspar and rare earths. In this context, we concur with the concerns expressed by the producers in the letter sent by Cefic to the European Commission in 2007.

Imports of Active Pharmaceutical Ingredients (APIs)

FECC would like to acknowledge the issue regarding the import of sub-standard APIs. This is a common issue affecting all actors in the pharmaceutical supply chain. FECC is committed to actively promote the WHO – Good Trade and Distribution Practices (**GTDP**) for Pharmaceutical Starting Materials among its Members as a tool to reduce and manage the risks involved in supplying pharmaceutical starting materials.

FECC believes that the import and any other use of sub-standard APIs should be considered counterfeiting. In this context, FECC has proposed* the following definition:

A counterfeit medicinal product is a product that is not the medicinal product that it pretends to be. This means that every medicinal product in the market that does not comply with its Marketing Authorization is a Counterfeit Medicinal Product - regardless if the non-compliance was caused by

- *Fraud*
- *(Gross) negligence or*
- *Accident.*

Moreover, the identification of the illegal supply chains could be facilitated by an increased number of inspections with more focus on the utilisation of counterfeited substances. In addition, FECC proposes to make regular audits of active substance suppliers on GMP compliance by manufacturers of medicinal products or importers mandatory.

FECC also supports the call from the European Parliament for an enhanced cooperation at international level. International cooperation is crucial to prevent counterfeiting.

**More information on FECC position on counterfeiting can be found in the FECC contribution to the consultation on counterfeiting from May 2008.*