

INTERGRAF POSITION

EXTEND THE EU TIMBER REGULATION TO PRINTED PRODUCTS

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Intergraf represents 21 national printing federations in 19 countries in Europe. The printing industry provides jobs to more than 625,000 Europeans active in 112,000 companies and generates a turnover of approximately € 79.5 billion. The industry throughout Europe consists mainly of small enterprises, as 90% of them employ fewer than 20 persons.

Article 20.4 of the EUTR states that the Commission shall present a report, which shall include *“the current Union economic and trade situation with regard to the products listed under Chapter 49 of the Combined Nomenclature [printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans], taking particularly into account the competitiveness of the relevant sectors in order to consider their possible inclusion in the list of timber and timber products set out in the Annex to this Regulation.”*

The inclusion of this provision in the Regulation demonstrates that already at the time of developing the text, it was acknowledged that printed products should be considered for inclusion.

The Report from the Commission to the European Parliament and the Council (COM(2016)74) further confirmed that stakeholders generally support the inclusion of printed paper: *“In terms of market share, an important group of products currently exempted is “printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans”. Unlike domestically printed media, where imported pulp and paper material is controlled for legality, imported printed media do not undergo due diligence and are not subject to checks for the legality of wood fibres imbedded in them. Therefore, they may carry a higher risk of originating from illegally harvested timber. The difference in treatment of domestically-produced and imported printed products would be overcome if printed paper were included in the product scope.”*

With this paper, Intergraf is providing information on the trade situation of printed products. Furthermore, it details the impact on our sectors’ competitiveness of the application of the EUTR without printed products in the product scope (current situation) and with the inclusion of printed products in the product scope.

We will demonstrate that the European printing industry and the environment are negatively impacted by the current EUTR because of the exclusion of printed products from the scope of the Regulation.

The impact of the current EUTR on the European printing industry

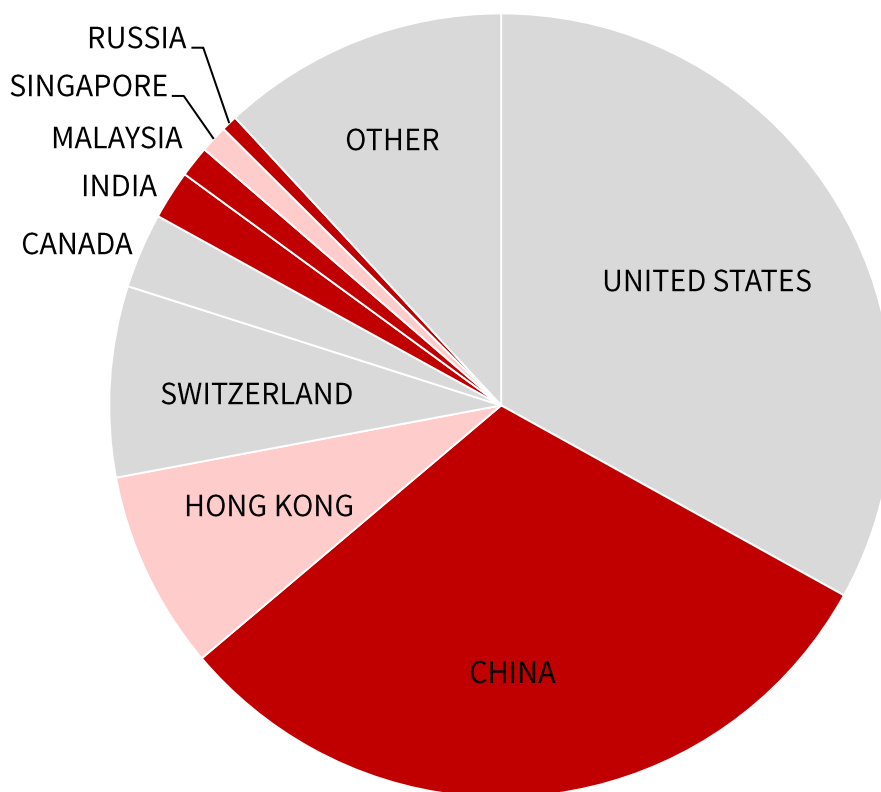
Although printed products are currently excluded from the scope of the Regulation, paper and board – printers’ input material - purchased by European printers are covered by the scope of the Regulation. Indeed, printers based in the European Union are ‘traders’ according to the Regulation when they purchase their paper on the European market and ‘operators’ when they buy it directly from outside the European Union. European printers therefore provide their customers with printed products fully compliant with the Regulation as they have to purchase compliant raw material.

By contrast, imported printed products entering the European market fall entirely outside the scope of the Regulation and could therefore originate from illegally harvested timber products. Printers based outside the EU in countries which are not applying equivalent legislation can freely import printed products regardless of the origin of their raw material.

In terms of environmental protection, this creates a significant loophole. Moreover, this creates a tremendous distortion of competition between non-EU printers, exempt from any requirement in that regard and European printers, which may have to bear raw material price increases if paper and board suppliers pass on the costs of increased EUTR-related red tape to printers.

Trade of printed products

In 2018, more than €2.7 billion worth of printed products were imported to the European market. One third of the total imported printed products (€890 million) originated from China (Graph 1).



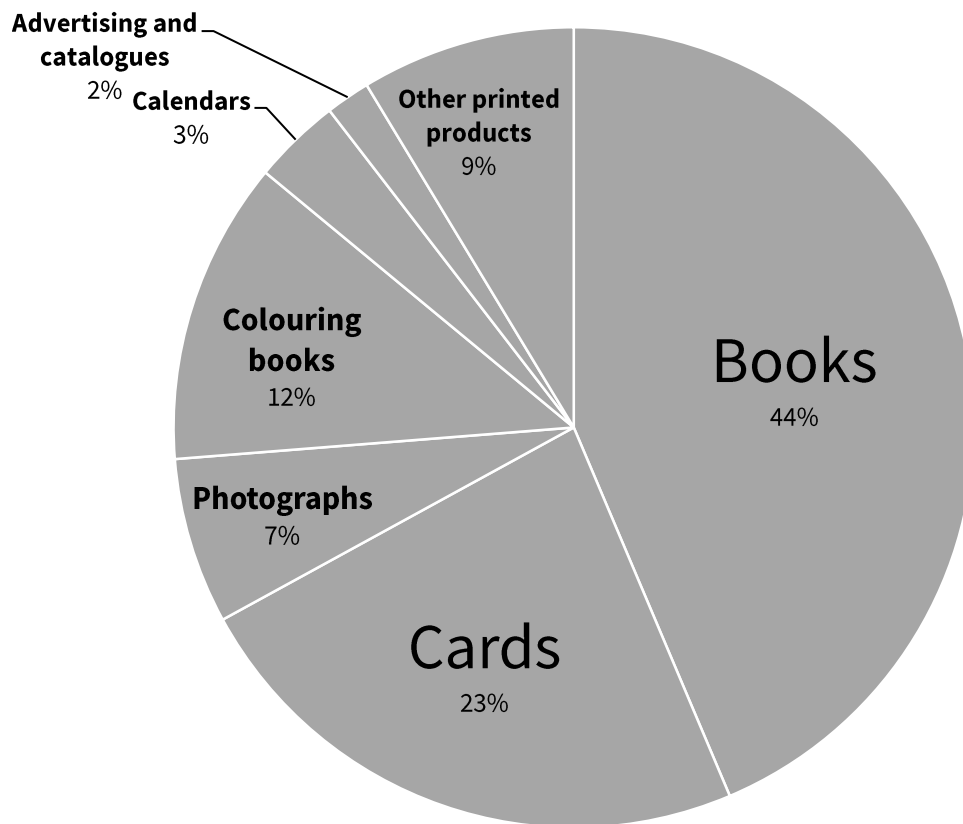
Graph 1: Countries importing printed products (CN Chapter 49) to the EU, 2018 (source: Eurostat 2019)

Additionally, imports from India, Malaysia and Russia – all identified as high-risk countries¹ - have also to be included.

Hong Kong and Singapore are a further source of imported printed products. The vast majority of these are re-exports of books sourced from China and then shipped onto Europe.

¹ 2019 Corruption Perception Index (CPI) of less than 50 out of 100. CPI of China is 39, India is 41, Malaysia is 47 and Russia is 28.

In total, more than € 1.13 billion worth of printed products from a possibly unsafe origin are imported into the European market.



Graph 2: Main printed products (CN chapter 49) imported from China to the EU, 2018 (source: Eurostat 2019)

44% of the printed products imported from China are books and 23% are cards (Graph 2).

The share of imports from high-risk countries is significant when it comes to the trade of printed products. Under the current legal regime, each year millions € worth of books and other printed products are hence entering the European market without protection from illegal logging.

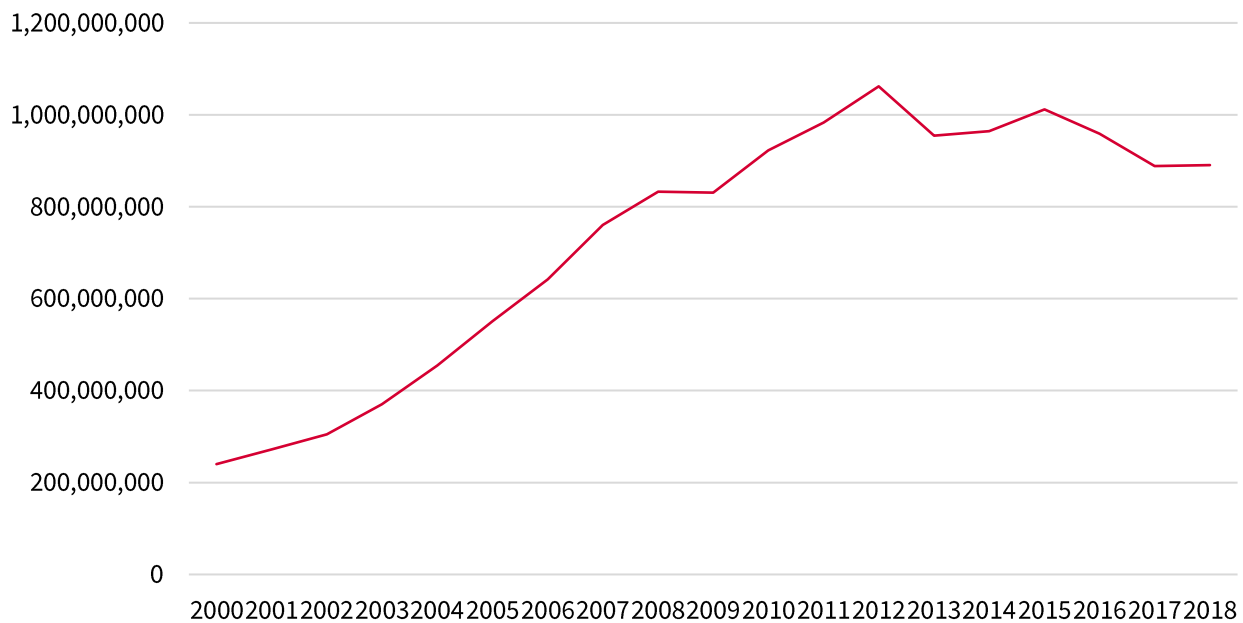
Economic situation of the sector

The European printing industry has been severely hit by the economic crisis, which adds to the structural crisis the industry is already facing due to two main challenges: new media consumption patterns and imports from low-cost countries. The turnover of the industry decreased by 20% over the last decade and the number of employees fell by 30% over the same period.

The downturn trend of our industry is also noticeable in the graphic paper consumption in Europe. It decreased by 10 million tonnes since 2000 – this corresponds to a fall by 32%.

China, the largest exporter of printed products into the European Union, employs 3.4 million people and generates a turnover of €149 billion, making China the world’s second largest printing market. China exports €12 billion worth of printed products.

The pressure from Chinese imports of printed products intensified over the last years. Imports of printed books from China to the EU have quadrupled since 2000 (Graph 3).



Graph 3: Imports from China, 2000-2018, in € (Eurostat, 2019)

Distortion of competition

The non-coverage of printed products creates distortion of competition between non-EU printers, exempt from any traceability requirement and EUTR-related costs, and European printers, which are first subject to the traceability requirement of the Regulation and second have to bear raw material price increases when paper and board suppliers pass on the costs of increased EUTR-related red tape to printers.

Granting non-EU printed products the possibility to circumvent a further environmental requirement provides a significant competitive advantage to non-EU competitors. It is not acceptable that the EUTR incentivise the imports of printed products from high-risk countries to the detriment of EU products.

The European Union therefore needs to ensure that the high environmental standards in Europe do not become a disadvantage in comparison to imported printed products. To restore fair competition and secure that all timber products entering the EU market are protected from illegal logging, the product scope should be extended to printed products.

Environmental loophole

There is no environmental justification for the exclusion of printed products, which are also timber-based products. While operators have to prove that paper and board is from safe origin, the simple fact of “putting ink on it” gives it a EUTR-requirement-free access to the EU market.

This situation represents a significant environmental loophole and contributes to EU-driven global deforestation. The high environmental standards that apply to EU products should be extended to imported products, especially when it globally benefits the environment.

Image, reputation and consumers' confidence

The image of our products is also a competitiveness issue for our industry, especially when confronted with competition from digital media. Indeed, illegal logging blemishes the reputation of our value chain and the image of our products. It is not acceptable for our companies that the reputation of European companies and European products are tarnished because of the behaviour of non-European competitors. The European Union should ensure that all printed products on the European market regardless of their origin are safe from illegal logging.

Consumers' confidence in our products is a further concern. In practice, consumers rarely look at the origin of the book they buy. It is therefore crucial that European consumers can trust that the books or cards they buy on the European market are safe from illegal logging. The EUTR should provide this guarantee to European consumers.

Intergraf members therefore call on the legislator to restore fair competition on the European market, close the environmental loophole and secure the reputation of and confidence in printed products in Europe by extending the scope of the EU Timber Regulation to printed products.
