

PROTECTIONISM

“Protection is empowerment. Protectionism is the opposite of empowerment.”

Olaf Koch, CEO, METRO AG

The protection offered by states is crucial: rule of law, security and safety, social services, personal and commercial freedom. However, increasingly governments across the globe are isolating their countries. They impose discriminatory taxes, they unilaterally shield off specific industries, or they simply bar the free flow of goods, even within the very heart of the European Union.

METRO, as an international player, believes in the power of free and open markets, allowing us to cooperate with small local producers while enabling us to offer our customers specialties from all around the world.

Protectionism has many faces - this overview provides examples of the various ways in which these principles are being or attempted to be undermined today from a wholesalers' perspective.

PROTECTIONISM LEADS TO...



... limited choice for customers



... higher prices for consumers



... black market, leading to poor safety and smaller tax base



... reduced attractiveness as investment destination



SECTORAL TAXES

- In the past years, Hungary, Poland, and Slovakia have introduced retail taxes. These taxes only target some actors - usually big international food traders.
- They aim to weaken foreign market actors to the benefit of domestic players or to gain influence on their assortment.
- Challenged by the EU Commission, the Hungarian tax was repelled and the Polish tax is currently suspended. However, the introduction of the Slovak tax shows that governments still are looking for ways to introduce sectoral taxes.



LAWS ON SIGNIFICANT MARKET POWER

- Laws randomly defining significant market power and prohibiting certain trade practices were introduced in various countries, particularly in Central and Eastern Europe.
- While aiming at the protection of small producers, they often ignore actual power attribution along the supply chain, limiting freedom of contract.
- They often serve as the foundation for excessive controls of foreign retailers and wholesalers.



IMPORT BARRIERS

Non-tariff barriers have regularly been introduced by countries outside the EU. But also countries within the Union have attempted to restrict the free movement of goods. For example by creating obstacles for foreign goods through labelling regulations.

- **Bulgaria:** A law prohibiting the placement of stickers with ingredient lists on the original packaging, de facto banning the import of goods not specifically produced for the Bulgarian market, was repeatedly introduced but has so far been prevented from coming into force.
- **Indonesia:** Import permits are hardly being granted. Every half year, an import forecast needs to be made. Imports are only allowed when a certain percentage of the previous import has been sold. There are countless technical barriers to import.
 - Indonesian restaurants can only offer a limited assortment.
 - The further development of Indonesia as a tourism destination is hampered by the limited food selection.
 - The black market is huge, with a major negative impact on food safety and tax base.
- **Japan:** The import of wines containing the almost globally accepted wine-preserving additive MTA is prohibited.
 - Japanese consumers have no access to good value for money European wines.
 - Success Story: MTA will be allowed in Japan in two years, as agreed in the Free Trade Agreement between the EU and Japan.



RESTRICTIONS THROUGH QUOTAS

Several Eastern European countries, such as Bulgaria, Moldova, and Romania, attempted to introduce quota for local products, often through Food Trade Laws.

- These laws try to force traders to fill shelves with a certain percentage of local products in various food categories.
- Instead of increasing the share of local products or benefiting quality and competitiveness of local products, such quotas lead to increased prices for consumers.



CALL FOR ACTION

Protectionism **harms all actors** along the supply chain, most of all consumers who **pay higher prices, receive lower quality, and have less choice.**

We call for the governments to **stop this development, to stand by the WTO principles, and to defend the four freedoms – movement of goods, persons, services and capital** – that form the basis of the EU's internal market.