

Director General

Brussels, 26 March 2018

To Whom It May Concern

Cosmetics Europe represent the interests of the EU Industry of cosmetic and personal care products with more than 4500 companies ranging from major international cosmetics manufacturers to small, family-run businesses operating in niche markets. In 2016, the European cosmetics market was valued at €77 billion. Including direct, indirect and induced economic activity, the industry supports at least 2 million jobs across the EU.

The European Cosmetics and Personal Care industry welcomes and shares the overarching goals and objectives of the European Union in trade policies and the ongoing negotiations of several free-trade agreements with third countries, and continues to strongly support efforts to expand trade, including through convergence of regulatory requirements.

However, we fully understand and support that, in the interest of the economy, jobs and growth, the EU is prepared to take firm measures in reaction to unjustified tariffs imposed by the USA.

As stated publicly, EU counter measures would be targeted on products which could offset the damage created by the US measures, including also products with “symbolic” significance for the US. Measures would not be taken on products where such measures create additional impact and damage to the EU.

We believe it is important to take into consideration the fact that the inclusion of cosmetics, personal care products, and related materials in the proposed counter measures would disproportionately harm EU companies and be counterproductive as a means to retaliate against the United States.

The European Cosmetics industry is therefore deeply concerned by the addition of a number of cosmetic products¹ (with a combined US to EU export value of +/- 470 M€) to the list of products on which the EU considers raising punitive tariffs for US imports.

¹ Customs codes:

Eye make-up (33042000),

Nail products (33043000),

Powder products (make-up, skin care and baby) (33049100),

Hair lacquer (33053000)

Inclusion of these products does not meet the above selection criteria by the EU and would, on the contrary, create significant damage to EU domestic companies and associated jobs and growth:

- A survey among the Cosmetics Europe membership shows that **more than 67 % of the US cosmetic export that is targeted in the draft Retaliation List, is actually benefitting EU companies who either own the exporting US brands or, to a lower degree outsource manufacturing to US subcontractors.** Adding 25% tariff on these imports would directly damage EU companies. Therefore, such measure would completely miss the objective of rebalancing the damage created by the US tariffs on steel and aluminium and be punitive on EU companies and the EU economy.
- The survey does not include 'quasi'-EU companies, i.e. international companies which are formally US based, but which have independent subsidiaries in the EU that operate like EU domestic companies. The real impact on the EU economy, jobs and growth would therefore be on significantly more than 67 % of the US exports of these products.
- Furthermore, the United States are a significant market for EU cosmetics in general, with currently an export surplus of 50 % over imports from the US. Considering the high risk of further escalation and US counter measures on EU cosmetics, such escalation could severely damage the EU to US export value of 3,2 Billion €.
- A number of cosmetics ingredients² are also included in the draft list (estimated export value 230 M€). The relevant supplier organisations have informed Cosmetics Europe that in terms of sourcing the EU is depending on US imports of these substances and that cannot be substituted with EU sourced materials (available amounts, quality). For some critical raw materials, where no substitute has been identified outside of the US, tariffs on imports will have a knock-on effect on cosmetics companies significantly exceeds the value of the imported ingredients. Quantitative information on the impact regarding these substances will be submitted by the supplier organisations concerned.

Our position is therefore that such a list of products as mentioned above should not include any cosmetic and personal care products. We believe that any actions the Council may take in this context should not be to the detriment of the flagship European cosmetics industry.

Cosmetics and personal care products companies are truly global and dependent on open markets. International trade is a critical component to the success of our industry and

² Customs codes: 33011210, 33011290, 33011310, 33011390, 33019010, 33019021, 33019030, 33019090, 33029010, 33029090

significantly contributes to our ability to expand manufacturing and employment, and support other industries such as advertising, packaging, and transportation.

Cosmetics Europe stands ready to answer any question that you may have in relation to our contribution to the public consultation.

Sincerely yours,

John Chave
Cosmetics Europe

On behalf of Cosmetics Europe and the following National Cosmetic Associations:

