**Session 36: Increasing public access to sport through more open markets for sporting goods**

**Sub-theme III: Made in the World and value-added trade**

**Moderator**

Mr Robbert de Kock, Secretary General, World Federation of the Sporting Goods Industry (WFSGI)

**Speakers**

Mr Frank Dassler, General Counsel, adidas Group; President of the Federation of the European Sporting Goods Industry (FESI)

Mr Tom Cove, President, Sporting Goods Manufacturers Association (USA)

Mr Edwin Vermulst, Trade Counsel, WFSGI; Partner, Vermulst Verhaeghe Graafsma & Bronckers

Mr Yi-fu Lin, Permanent Representative, Permanent Mission of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) to the WTO

**Organized by**

World Federation of the Sporting Goods Industry (WFSGI)

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**Abstract**

The sports industry contributes to global health by promoting access to and encouraging physically active lifestyles. As the costs of healthcare continue to skyrocket and governments struggle to manage, sports and fitness activity is a universal, low-cost and high-benefit part of the solution.

While investment in sports competitions forms the basis of the industry, companies have evolved and formed their business models around it, providing workplaces for hundreds of thousands of employees. Nevertheless, the global sporting goods industry is faced with the highest tariffs and trade-defence measures worldwide. The World Federation of Sporting Goods Industry (WFSGI) is in favour of pursuing freer and fairer global trade, and seeks to highlight the benefits of more open markets.

The challenges for governments in the WTO negotiations were outlined in this session, as well as the contribution that the industry can make to help move the negotiations towards a beneficial conclusion.

**1. Presentations by the panellists:**

*(a) Mr Frank Dassler, General Counsel, adidas Group; President of the Federation of the European Sporting Goods Industry (FESI)*

For Mr Dassler, sport stands for activity, competition, matches and tournaments. The positive effects, in terms of preventing diseases and promoting health, are demonstrable and are evident in people of all ages and from all walks of life. Sport can be practised regardless of gender, age and location. Competitions are at the heart of the sports industry; companies have developed their business models around these and now the industry provides jobs for hundreds of thousands of employees, in communications, sponsoring, events, facility management, tournament organization, innovation and research, as well as for athletes and in sports federations.

The attractiveness of sports competitions and the acceptance of the positive effects of both individual and collective sport activities form the basis for the sporting goods industry. Nevertheless, the industry is faced with high tariffs and trade-defence measures globally. If the positive effects of sport are to be increased and taken to new levels, sporting goods as a prerequisite for an active sports movement must no longer be treated negatively.

*(b) Mr Tom Cove, President, Sporting Goods Manufacturers Association (USA)*

Mr Cove suggested that the sports industry can make a positive contribution to global health by encouraging physically active lifestyles. According to a recent survey by the World Health Organization (WHO), physical inactivity is the fourth-largest cause of death globally, and 1.5 billion adults are insufficiently active. The threat is growing: the statistics on the increase in levels of obesity in developing economies are alarming; apparently, development is too often accompanied by regrettably high rates of inactivity.

Much of this is preventable. Regular participation in sports and fitness activities results in improved individual health, reduced health care expenses, increased productivity, and enhanced quality of life. The economic benefits are also dramatic. A WHO report states that investing in physical activity programmes will lead to economic savings: in the United States, for example, an investment of US$ 1.00 in physical activity (including time and equipment) leads to US$ 3.20 in medical cost savings.

Most importantly, sports and fitness can be accessible to all, with relatively few barriers to participation. People of all ages and from all economic strata can become physically active, and society would reap dividends from this activity. Sports activities are a universal, low-cost, high-benefit part of the solution to rising healthcare costs. Global trade policy should not limit access to sports and sports products.

*(c) Mr Edwin Vermulst, Trade Counsel, WFSGI; Partner, Vermulst Verhaeghe Graafsma & Bronckers*

M. Vermulst presented an overview of the existing trade-restrictive measures in the sporting goods sector, focusing on footwear and apparel. As the sporting goods industry is at the forefront of globalization, and sporting footwear and apparel are very much “made in the world”, such measures run the risk of backfiring. One way to minimize such risks would be to have a plurilateral zero for zero agreement in place for sporting goods, similar to the WTO Ministerial Declaration on Trade in Information Technology Products (ITA).

*(d) Mr Yi-fu Lin, Permanent Representative, Permanent Mission of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) to the WTO*

Mr Yi-fu Lin focused on what the Government of Chinese Taipei, together with the industry collectively, can do to help bring the Doha Development Agenda negotiations to a successful and beneficial outcome, and gave a general overview of production, trade and tariffs in sporting goods. He also pointed out the sectoral proposals made in the NAMA negotiations on the liberalization of trade in sporting goods.

Mr Yi-fu considered the challenges for government and industry to help move the negotiations towards a successful outcome. He said that governments must recognize that more global trade would contribute to economic and social development. He suggested that governments should demonstrate their willingness to engage by fulfilling the mandate of the WTO, including through their work on the Doha Round negotiations. Conversely, the industry should urge governments to participate positively in the Doha Round negotiations.

**2. Questions and comments by the audience:**

Participants wanted to know why the sporting goods industry is subject to high trade tariffs. Mr Dassler explained that the industry is quite small compared to other industries. Therefore it is a target when governments set trade tariffs. The fact that it is a globalized industry and is sourcing products from all over the world also predisposes the industry to trade measures. Furthermore, Mr de Kock stressed that the lobbying capacities of the sporting goods industry are not on the same level as bigger, more powerful industries, since the same financial power is not available.

Another participant asked for clarification on the target group the sporting goods industry wants to reach with its health campaigns, the role of sport in schools, and the age of the people the industry is trying to motivate to engage in physical activity. Mr Cove explained that many stakeholders should be involved. Not only education systems, but also governments and the private sector have to take action.

One participant, a representative of a mission, talked about the danger to health of physical inactivity and asked how important an impact government policies have on this issue. For example, children often have no time after school for sport since they have a tremendous amount of homework. The participant asked what role the WFSGI could play in this regard in the future. Mr Cove stated that the sporting goods industry is committed to collaborating more with partners, such as NGOs, governments, other industries and foundations. He said that sporting goods companies have done a lot individually but that, as an industry, the whole sector is currently looking at how it can take a broader approach. Mr de Kock also mentioned that there have been examples of joint efforts in the past. The WFSGI, for example, collaborates with the WHO and hopes that its support can help here. He said that it is important that the sporting goods industry evaluates how it can give its support. However, ultimately the industry also needs to ensure that it obtains access to the markets so that people can access sport products.

A participant from the WTO said that the sporting goods industry is an outstanding example of a global sourcing industry due to its labour-intense production, and that there should be no reason to implement tariffs as long as companies are not responsible for any damage caused in the importing country. The participant asked what the reasons might be for implementing trade measures in any case. Mr Vermulst explained that in one WTO anti-dumping case, for example, there was a conflict of interests between globalized brands, which are produced in the world for the world, and local producers from Spain, Italy, and other countries, who are still producing for the local market. The latter had an interest in minimizing third-country imports, notably from China and Viet Nam. Mr de Kock added that in Europe, the trade measures apply to all kinds of shoes with leather uppers, with the exception of special technology athletic footwear. The sporting goods industry fought very hard to have technical sport shoes of this type excluded from trade measures because they are not manufactured in the local market.

A further question focused on the non-tariff trade barriers affecting the sporting goods industry. Mr Vermulst listed two kinds of such measures:

* non-automatic import licensing procedures, which delay the actual import of products.
* rules supposedly set up to combat possible customs fraud. Under certain regimes, these temporarily stop the import procedure until certain specific information about the product is provided.

Representatives from a mission listed further trade barriers such as technical barriers, minimum prices and rule of origin, and pointed out that such trade barriers, among others, are justified by governments by the current situation surrounding the problems caused by fluctuating currency rates. They asked what the sporting goods industry’s point of view on this was. Mr Vermulst repeated that there are many other types of trade barriers. Such measures – as well as rules of origin – are not allowed to stop the imports, although further information may be requested. The WTO exists to deal with these issues and prevent governments from abusing legitimate policy measures.

The participants wanted to know if there is any reason that emerging economies in particular have trade measures like those previously mentioned in place. Mr Vermulst thought that a snowball effect was the reason. The EU started with measures against footwear and was followed by Chinese Taipei, Brazil, and others. If a big market such as the EU or the United States limits imports, the volume of goods does not decrease, but rather moves into other markets, which then take similar actions to protect their industries.

**3. Conclusions**

The WFSGI urged governments to avoid trading off the sporting goods industry in favour of other industries. Governments have to distinguish explicitly between regular apparel and generic footwear, on the one hand, and sporting goods on the other. If tariff and non-tariff barriers to trade were eliminated, the cost savings for manufacturers, brands, consumers and society alike would be significant. Increased participation in sport would be a “win-win” situation, for society in terms of public health, and for the industry in terms of economics.