



To: Sandra Gallina
DG Trade Director

European Commission
Rue de la Loi 170 / Wetstraat 170
1000 Bruxelles / Brussel
Belgique

09-October-2017

Dear Ms Gallina,

JTI is a global tobacco company that operates in 120 countries with a workforce of 27.000 employees. JTI is present in all of the EU's 28 member states, where we employ more than 9.000 people. We have 23 offices, 7 factories and 5 research and development centers. In addition to our presence in the EU, JTI is a truly multinational tobacco company which is profoundly committed to a strong rules-based and liberal international trading system.

We salute the EU for its commitment to international trade, both at the multilateral level and through its expansive network of Free Trade Agreements (FTAs). In this regard we have taken a keen interest in the negotiations of a FTA between the EU and Mercosur.

The Mercosur applied MFN duty for cigarettes (HS 2402.20) is 20%. Other HS Chapter 24 duties varies between 10% and 20%. JTI sees potential for reciprocally eliminating these duties through the new EU-Mercosur FTA.

[Art. 4(1)(a) and 4(2)] . JTI would like to offer its full support for the EU approach to the rule of origin for cigarettes (HS 2402.20), the so-called "10%-rule". We believe that this rule should apply to all products falling under HS 2402 and HS 2403. It is important that this rule is chosen, as a higher percentage requirement for originating tobacco in the production of manufactured tobacco products would make it difficult to make use of any negotiated preferences in the agreement.

Manufactured tobacco products contain tobacco leaf of various grades, qualities and origins in order to sustain consistent taste and toxicological requirements. Tobacco leaves used for various blends are not easily interchangeable due to the different qualities coming from different origins.

[Art. 4(1)(a) and 4(2)] . JTI also strongly supports the use of the "10%-rule" in all of the EU's FTA negotiations. A change in the EU's approach could potentially erode the EU's negotiating position in future negotiations.

The EU-Mercosur FTA would present interesting trading opportunities between the two blocs for both tobacco leaf (HS 2401) and manufactured tobacco products (HS 2402 and HS 2403). JTI therefore requests the EU to negotiate an agreement with Mercosur that eliminates duties for all tobacco products in HS Chapter 24. Such liberalization should be accompanied by liberal rules of origin, namely the “10%-rule” for HS 2402 and HS 2403, as contained in the EU’s latest FTAs, e.g. CETA.

If you have any further questions or would like to discuss, please do not hesitate to contact me.

Sincerely yours,

Ben Townsend
Vice-President, Head of EU Affairs
EU Affairs Office

[Art. 4(1)(b)]

Email: [Art. 4(1)(b)]