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TRADE POLICY MONITORING REPORT

OF

EU

(October 2013 - December 2013)

VOLUME XI

This report has been prepared by the Centre for International Trade and Economic Laws (CITEL), Jindal Global Law School, Sonepat, NCR of Delhi under a consultancy project awarded by the Centre for WTO Studies, Indian Institute of Foreign Trade (IIFT)

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ABBREVIATIONS

AD	Antidumping
ATA	Air Transport Association of America
BIT	Bilateral Investment Treaty
BNC	Bi-Regional Negotiations Committee
BTI	Binding Tariff Information
CCT	Common Customs Tariff
CEPA	Comprehensive Economic Partnership Agreement
CETA	Comprehensive Economic and Trade Agreement
EBA	Everything But Arms
ECB	European Central Bank
ECON	Economic and Monetary Affairs Committee
ECT	European Court of Justice
EEA	European Economic Area
EFTA	European Free Trade Agreement
EMU	Economic and Monetary Union
ENs	Electronic Entry Summary
ENSREG	European Nuclear Safety Regulator's Group
EPC	European Patent Convention
EPO	European Patent Office
ERM	Exchange Rate Mechanism
ESM	European Stability Mechanism
ETD	Energy Taxation Directive
EU	European Union
EU-ETs	European Union Emission Trading Scheme
Euratom	European Atomic Energy Community
FDI	Foreign Direct Investment
FIR	Foreign Investment Regime
FTA	Free Trade Agreement
GATT	General Agreement On Tariff And Trade
GDP	Gross Domestic Product
GM	Genetically Modified
GMOs	Genetically Modified Organisms
GPA	Government Procurement
GSP	Generalized System of Preferences
ICT	Information and Communication Technology
IMF	International Monetary Fund
JRC	Joint Research Centre
LDCs	Least Developed Countries
MEP	Member of European Parliament
PRC	People's Republic of China
SMA	Single Market Act
SPS	Sanitary and Phytosanitary measures
SVHCs	Seven Substances of very High Concern
TBR	Trade Barriers Regulation
TACs	Total Allowable Catches
TBT	Technical Barriers to Trade
TEC	Transatlantic Economic Council
TEC	Treaty Establishing European Community

TEU	Treaty on European Union
TFEU	Treaty on Functioning of the European Union
TKM	Tonne Kilometre Benchmark
USDOC	United States Department Of Commerce
VAT	Value Added Tax
WTO	World Trade Organization

EXECUTIVE SUMMARY

ECONOMIC ENVIRONMENT

- Euro Area has recorded a GDP growth rate of 0.1% during this quarter. The growth rate was in Romania.
- Cyprus, Czech Republic, France, and Italy continue to remain in recession.
- Unemployment rate has marginally declined by 0.1% from Q2 2013.
- Inflation rate in the EU is stable at 0.9%

AGREEMENTS AND ARRANGEMENTS

- EU has favourably viewed the WTO Bali Ministerial round and pledged a financial support worth €400 million over a period of five years to developing countries for develop trade facilitation.
- EU has entered into trade negotiations with various countries including Kazakhstan, Canada, Japan, MERCOSUR, Iraq, Georgia and Moldova during this quarter. The EU-Canada CECA is expected to be signed in 2014.
- EU has entered into first round of negotiations with China for a proposed China-EU Investment Agreement.
- EU has actively participated in TTIP and ITA negotiations.

TRADE POLICY BY MEASURE

- **Rules of Origin:** EU has proposed to extend measures on Rules of Origin for facilitating its market access for Algeria, Egypt, Jordan, Morocco, Palestine and Tunisia.
- **Anti-Dumping:** EU reviewed 22 anti-dumping actions during this quarter, of which two are against Indian products (Sulphanilic acid and Fatty Acids and their blends).
- **Taxation:** EU has referred Sweden to the European Court of Justice (ECJ) over its application of VAT on postal services.

SECTORAL UPDATES

- **Energy Sector:** EU has authorized phasing-out of biofuel support scheme by Belgium.

EU at the WTO

- The WTO Panel rejected the claims by Canada and Norway, concluding that EU's ban on seal products are justified under moral grounds.

- Faroe Islands requested consultations with EU with respect to the measures imposed by EU on fisheries.

- EU requested WTO for the establishment of a panel regarding the vehicle exports fee imposed by Russia.

- EU requested consultations with Brazil with respect to the tax measures imposed by the EU.

TRADE POLICY MONITORING REPORT OF EUROPEAN UNION FOR THE QUARTERLY PERIOD: OCTOBER 2013- DECEMBER 2013

I. INTRODUCTION

This is the eleventh Quarterly Trade Policy Monitoring Report prepared by the Centre for International Trade and Economic Laws (CITEL), Jindal Global Law School. This report will monitor and discuss the trade and macroeconomic policy developments that took place in the European Union during the period of October- December, 2013.

II. ECONOMIC ENVIRONMENT

II.A. OVERALL ECONOMIC ENVIRONMENT

Overall, calendar year 2013 has been a year of transition for the Eurozone where it exited the economic recession. The cumulative growth rate has been recorded at 0.4% for the Eurozone. Despite displaying economic resurgence during the quarter, many economically sound countries such as Germany have decided to invest savings outside the EU.[1] As per the Deloitte CFO Survey taken during the quarter, there is estimated to be an increase in the net balance of investment propensity. This means that businesses are more willing to fund investments at home than abroad.[2]

Notwithstanding the difficulties within the Eurozone, the possibility of a full blown economic crisis has been nearly averted. The risk of Greece exiting the EU diminished and smaller economies such as Ireland needed bailouts to prevent a collapse. However, outbreak of a crisis in Cyprus made other EU countries focus on their economic stability.[3]

Also during this quarter, Ukraine politically accepted the European Union Accession Agreement, despite political pressure from Russia.[4] This agreement includes a Deep and Comprehensive Free Trade Area (DCFTA) and will have various trade implications.[5]

II.B. GDP

The Euro Area GDP experienced a growth rate of 0.1%[6] during the present quarter. Notably, four European economies were in recession in Q3 2013: Cyprus (economic growth declined by 0.8%), Czech Republic (-

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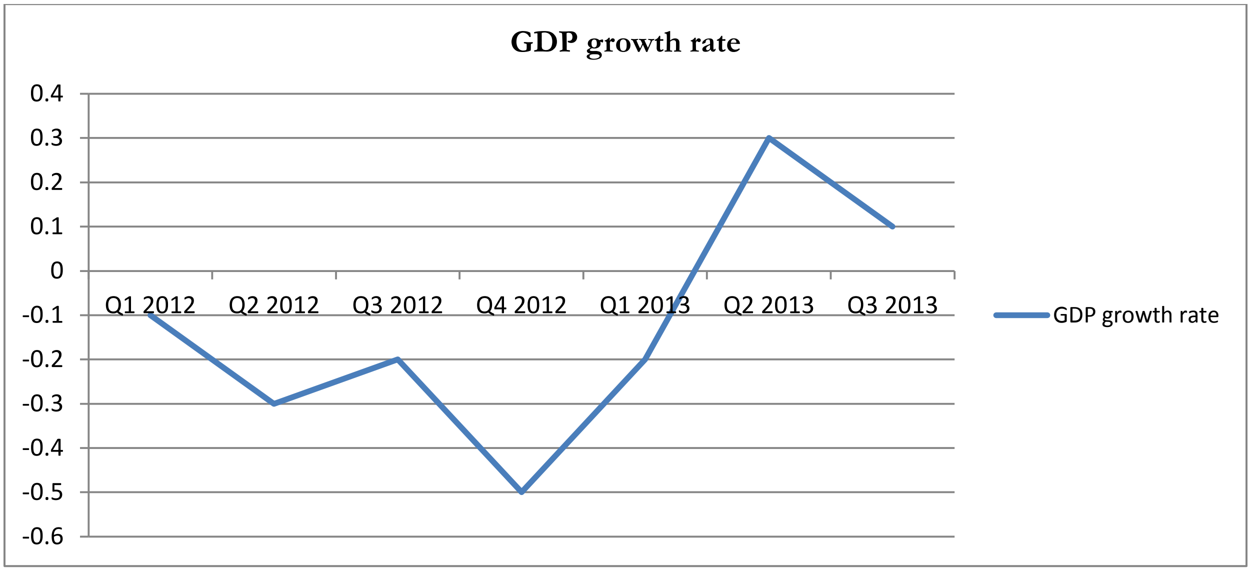
[1] Global Economic Outlook, Deloitte University Press: http://cdn.dupress.com/wp-content/uploads/2014/01/GEO_Q1_Jan14_Final.pdf
[2] CFO Survey 2/2013
[3] James Nedumpara & Rishab Raturi, CITEL, Survey of Trade Policy Developments in Key Economies at p.2.
[4] Please refer to part III.B.11 of this report.
[5] *Id.*
[6] Eurostat: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-04122013-BP/EN/2-04122013-BP-EN.PDF

0.5%), France (-0.1%), and Italy (-0.1%). The highest GDP growth numbers were seen in Romania (1.6%), Latvia (1.2%), UK (0.8%) and Hungary (0.8%).[7]

According to official estimates, the Gross Domestic Product (GDP) growth rate of 0.1% over the previous quarter in Q2 2013 was a moderate increase when compared to the 0.3% growth recorded in Q1 2013. This outcome reflected positive contributions to growth from domestic demand and changes in inventories.[8] The latest GDP developments bring to an end the extended period of negative output growth in the euro area, which can be explained mainly by developments in domestic demand.[9]

Table 2: GDP growth rate (Q1 2012-Q3 2013)



Quarter	GDP growth rate recorded
Q1 2012	-0.1%
Q2 2012	-0.3%
Q3 2012	-0.2%
Q4 2012	-0.5%
Q1 2013	-0.2%
Q2 2013	0.3%
Q3 2013	0.1%

[7] *Id.*
[8] European Central Bank, Monthly Economic Bulletin-December 2013.
[9] *Id.*

Source: *Eurostat 2013*

II.C. UNEMPLOYMENT

The level of unemployment during the quarter was 12.1% in quarter-to-quarter terms. This was a decrease by 0.1% when compared to the previous quarter.[10]

II.D. MONETARY POLICY

The European Central Bank (ECB) decided to reduce the refinancing operations interest rate to 0.25% from 0.5%. Mario Draghi, President of the ECB, has admitted to this being a measure against economic deflation.

The ECB has also considered implementing methods such as Asset Purchases or Negative Deposit Rates to contain economic deflation. Presently, the expected inflation rate is stable at 0.9%. This is below the ECB target of 2%.[11]

The annual growth rate of broad money declined to 1.4% in October 2013, down from 2.2% in the second quarter and 2.8% in the first quarter.[12]

II.E. EXCHANGE RATE

The Euro appreciated steadily from early September 2013, before weakening between the end of October 2013 and November 2013. Thereafter, it appreciated again in December 2013. On 4 December 2013, the nominal effective exchange rate of the Euro, as measured against the currencies of 21 of the euro area's most important trading partners, was 1.6% above its level at the beginning of September 2013 (quarter-on-quarter terms) and at 4.9% above the level one year earlier (year-on-year terms).

In bilateral terms, over the past three months the Euro has strengthened against the US dollar (by 2.9%) and the Japanese yen (by 6.3%), but has depreciated against the pound sterling (by 2.1%).

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[10] Europa, Press Release, available at: europa.eu/rapid/press-release_STAT-13-179_en.htm.
[11] ECB: Introductory Statement to the Press Conference: http://www.ecb.europa.eu/press/pressconf/2013/html/is131205.en.html
[12] European Central Bank, Monthly Bulletin-December 2013, available at:

II.F. CONSUMER PRICE & INFLATION

Euro area annual HICP inflation has decreased during 2013, at a slightly faster pace than expected.[13] This is attributable primarily to the sharp decline in energy price inflation from the elevated levels seen in 2011 and 2012.[14] In recent months, food price inflation has also declined significantly when compared to Q4 2012.

According to Eurostat's flash estimate, headline HICP inflation increased from 0.7% in October to 0.9% in November 2013, reflecting an increase in the annual rate of change in the energy and services components, which was mostly related to technical factors.[15]

Annual food price inflation, after remaining at 3% throughout the first eight months of 2013, declined markedly in September and October 2013, as the earlier upward impact of adverse weather conditions on fruit and vegetable prices started to unwind.[16] In September 2013, the annual food price inflation declined to 2.6% and in October 2013. The main driving force behind these developments was the unprocessed food component.[17]

On average, industrial producer price inflation declined to 0.2% in the first three quarters of 2013, down from 2.9% (on annual average) in 2012.

Producer price inflation (excluding construction) was estimated at -1.4% in December 2013, which was a decline from -0.9% in September 2013.[18]

II.G. BANKING SECTOR

The ECB's banking sector has been termed as "vulnerable and still prone to financial fragmentation".[19] However, there are indications of developments in systemic banking sector stress as well in funding the bank related channels to 'stressed' economies in the EU in future. At the end of 2013, this stress reached its lowest level since 2011. Thus, there is a normalization of bank funding conditions. The overall credit conditions are improving, which is supporting higher levels of investment activity.[20]

Current developments suggest that uncertainty is declining. The spreads of the Eurozone's crisis countries vis-à-vis German bonds have narrowed substantially since the beginning of 2013.[21]

II.H. ECONOMIC SENTIMENTS & MANUFACTURING

During the present quarter, the economic sentiment has recorded a further increase. This is in continuation to the growth that has been observed since May 2013. However, the momentum of growth has declined despite

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[13] European Central Bank, *Monthly Bulletin*, December 2013.
[14] *Id.*
[15] *Id.*
[16] *Id.*
[17] *Id.*
[18] *Id.*
[19] European Central Bank, *Financial Stability Review,* November 2013.
[20] European Central Bank, *The Euro Area Bank Lending Survey, 3rd quarter,* October 2011.
[21] Global Economic Outlook, Deloitte University Press: http://cdn.dupress.com/wp-content/uploads/2014/01/GEO_Q1_Jan14_Final.pdf

analysts expecting growth rates to increase. The Economic Sentiments Indicator (ESI) has increased by 2.9 and 3.1 points in the EU and the Euro Area respectively. Further, the Euro Area has registered an increase in confidence in the business sectors due to increased confidence in all surveyed business sectors.[22]

Further, during the quarter, the overall manufacturing sector registered a marginal increase with the growth rate at 0.1% in the Euro Area.[23]

II.I. INVESTMENTS

For a second consecutive quarter, gross fixed capital formation continued to grow, increasing by 0.4% in the present quarter. This was despite a contraction observed from early 2011 to the first quarter of 2013. The weak investment developments observed over the past two years have related to a combination of weak demand and profits, high uncertainty and financing constraints.[24]

II.J. EXPORTS-IMPORTS

After returning to strong growth in the second quarter of 2013, the growth of euro area exports of goods and services slowed to 0.2% in quarter on quarter in the present quarter. Weak demand from advanced economies outside the euro area, notably the United States, has contributed to low euro area exports.[25]

Euro area imports increased on a quarterly basis, rising by 1.0% in the third quarter of 2013.[26] The increase in imports is in line with the gradual recovery in domestic demand after three years of declining growth and then negative growth as several euro area countries reduced their high current account deficits.[27]

III. TRADE & INVESTMENT AGREEMENTS & ARRANGEMENTS

The multilateral agenda remains a priority for the EU, and the EU's "absolute priority must be to preserve and strengthen the multilateral trading system."[28] During the quarter, EU entered into various trade facilitating agreement and arrangement negotiations. Further, the EU has actively participated at multilateral trade and investment forums.

III.A. EU: PARTICIPATION AT THE WTO

III.A.1. EU at Bali Ministerial Meet

III.A.4.1. EU pledged financial support to assist developing countries implement WTO Trade Facilitation Agreement

[22] EU Business Cycle Indicator (Short-Term Analysis from European Commission's Directorate General for Economic and Financial Areas): http://ec.europa.eu/economy_finance/publications/cycle_indicators/2013/pdf/4_en.pdf
[23] *Id.*
[24] *Id.*
[25] *Id.*
[26] *Id.*
[27] *Id.*
[28] European Commission document COM (2012) 22 final, 27 January 2012. Viewed at: http://trade.ec.europa.eu/doclib/docs/2012/january/tradoc_148992.EN.pdf

EU has pledged financial support in an attempt to promote implementation of the WTO Trade Facilitation Agreement, which will help the global trading community in simplifying, harmonising and modernising international border procedures. EU has committed to cover a significant share of the funding requirements of developing countries to implement the Agreement.[29]

EU's financial support is estimated at €400 million over a period of five years. This is in response to the demand for assistance from countries in order to comply with and avail benefit of the agreement for growth and development.[30] The Agreement was approved at the WTO's 9th Ministerial Conference in Bali, Indonesia, on 3-6 December 2013. EU has favourably reviewed the outcome of the Ministerial Round at Bali, Indonesia.[31]

III.A.2.WTO Panel Report upholds EU's ban on Seal Products

The WTO, on 25 November 2013, circulated the final panel report concerning the dispute on the EU's prohibition on the importation and marketing of seal products. The WTO Panel rejected claims formulated by Canada and Norway and confirmed that the EU's ban is justified on moral grounds.[32]

The Panel also accepted that an exception for seal products derived from traditional hunting by Inuit people can be justified as it responds to the internationally recognised need to preserve the Inuit culture. The panel however found that the EU's exception was formulated and applied in a discriminatory manner as in fact the Canadian Inuit are not currently benefitting from it. The EU has argued and continues to believe that the fact that the Canadian Inuit are not using the exemption to date cannot be attributed to the EU or the EU's seals regime.

III.B. TRADE AGREEMENTS & ARRANGEMENTS

III.B.1.Association Agreement between EU and Central America: Enforcement in Costa Rica, El Salvador & Guatemala

During the present quarter, an Association Agreement between EU and some countries from Central America (including Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) that was signed in May 2010 was entered into force in some of the countries. Following clearance from the European Parliament in June 2012, the application of this Association Agreement commenced on 1 October 2013 in Costa Rica and El Salvador, on 1 December 2013 in Guatemala. The agreement had earlier been applicable in Honduras since 1 August 2013.[33]

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[29] World Trade Organization, Trade Facilitation News Archive, available at: http://www.wto.org/english/news_e/archive_e/fac_arc_e.htm.
[30] Europa Press Release, available at: http://europa.eu/rapid/press-release_IP-13-1224_en.htm.
[31] *Id.*
[32] Europa Press Release, available at: trade.ec.europa.eu/doclib/press/index.cfm?id=992.
[33] Europa, Press Release, EU Trade Deal with Costa Rica & El Salvador becomes operational, available at: http://europa.eu/rapid/press-release_IP-13-881_en.htm.

III.B.2. EU-Iraq Partnership and Cooperation Agreement: First Follow-up Meeting

The first meeting of the Trade Sub-Committee with Iraq took place in October 2013. EU and Iraq signed a Partnership and Cooperation Agreement on 11 May 2012. The Agreement's trade provisions entered into force on 1 August 2012 as part of a provisional application (while ratification procedures for the whole agreement continue). Notably, the Agreement does not give Iraq preferential access to the EU market and is based on the lines of MFN. However, EU has supported Iraq's objective of negotiating its accession to WTO.[34]

III.B.3. EU-Kazakhstan Partnership and Cooperation Agreement (PCA): 4th round of negotiations

The on-going negotiations for an enhanced PCA between the EU and Kazakhstan that aims to upgrade the trade and investment provisions continued during this quarter. The 4th negotiating round took place in Astana, Kazakhstan on 9-10 October 2013. Kazakhstan had earlier asked to exclude trade talks due to lack of available resources. The next round of negotiations is planned to take place in March 2014 in Brussels. The negotiations do not include FTA.[35]

III.B.4. EU-Canada Comprehensive Economic and Trade Agreement (CETA)

A political agreement with Canada on the key elements of CETA was reached on 18 October 2013.[36] It is expected that the agreement between the two countries is now in the final stages.[37] In 2012, Canadian exports totalled to about $463 billion, but only $41 billion went to the EU, thus implying that, even a 20% increase to the volume would be a modest increase in the overall economies of both.[38]

III.B.4.1. Rules of Origin

To determine whether goods qualify as originating in Canada or the EU, rules of origin will come into force alongside any preferential tariff measures. In determining what regional value content must originate in Canada, it is expected that the rules will not reduce Canada's trade and supply chain relationship with the US.

[34] Europa, Press Release, European Union signs new historic agreement with EU, available at: http://eeas.europa.eu/top_stories/2012/110512_iraq_en.htm.
[35] EU-Kazakh negotiations on track again, Eurasia.Net, available at: http://www.eurasianet.org/node/67613.
[36] EU signs Free Trade Agreement with Canada, DW News, available at: http://www.dw.de/european-union-signs-free-trade-agreement-with-canada/a-17167835.
[37] EU-Canada strategic agreement in the final stages, CBC News, available at: http://www.cbc.ca/news/politics/canada-eu-strategic-partnership-agreement-in-final-stages-1.2584078.
[38] Canada-EU trade deal to bring modest benefits to Canadian Economy, CTV News, available at: http://www.ctvnews.ca/business/canada-eu-trade-deal-to-bring-modest-benefits-to-canadian-economy-reports-1.1530535.

The CETA regional value content requirement for automobiles will further accommodate existing cross-border manufacturing supply chains.[39]

III.B.4.2. Notable sectors

Benefitting sectors from the possible agreement include the industrial, agricultural, pharmaceutical, life sciences, and the automotive sector. Industrial sector advantages will particularly benefit Canada's oil and gas and mining sectors. Canada is a leading nation in mineral exploration and mining. Exports of metals and mineral products are worth over Canadian Dollar $20 million annually to the EU.[40] Tariffs on metals, minerals and mining technology equipment will substantially reduce with the CETA coming into force. However, the shipbuilding sector, where the rates on imported commercial vessels are among the highest for Canada's non-preferential tariff rates, will not likely be impacted in the near future.[41]

III.B.4.3. Procurement

The right of procurement will be granted for nationals of the EU or Canada,[42] which is significantly different from the North Atlantic Free Trade Agreement provision. Further, Canada's contracting firms will have preferential access to the EU government procurement market which is worth CA$2.7 trillion annually.[43]

III.B.5. EU-Japan Free Trade Agreement: 3rd round of negotiations

President of the European Commission José Manuel Barroso, President of the European Council Herman van Rompuy and Trade Commissioner Karel De Gucht visited Japan for the 21st EU-Japan Summit on 19 November 2013. The Summit was held against the background of two major agreements that are being negotiated: the EU-Japan Free Trade Agreement (FTA) and the Strategic Partnership Agreement (SPA).[44]

The negotiations commenced in March 2013 and three rounds of negotiations have taken place so far. The third round took place in October 2013 in Brussels and the fourth round is scheduled to take place at the end of January 2014 in Brussels, Belgium. Fourteen working groups focused on various parts of the negotiated text including trade in goods, services, investment, competition, government procurement and sustainable development.[45]

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[39] *Id.*

[40] Opening New Markets in EU: How CETA will benefit Canada, Govt. of Canada, available at: http://actionplan.gc.ca/sites/default/files/pdfs/final-sectors-eng.pdf.

[41] *Id.*

[42] Ernest & Young, Tax Alert Canada, Issue No. 2 (Jan. 9, 2014) available at: http://www.ey.com/Publication/vwLUAssets/Tax_Alert_2014_No_02/$FILE/TaxAlert2014No02.pdf.

[43] *Id.*

[44] EU-Japan summit focusses on partnership and trade negotiations, European Council, available at:http://www.european-council.europa.eu/home-page/highlights/eu-japan-summit-focusses-on-partnership-and-trade-negotiations?lang=en.

[45] *Id.*

III.B.6.EU- Vietnam Free Trade Agreement: 5th round of negotiations

Vietnam and the EU are expected to finalize and sign a free trade agreement (FTA) by early 2014.[46]After the fifth round of negotiations was held in Hanoi from 4-8 November 2013, both sides expressed a strong commitment to successfully concluding negotiations ahead of the tenth Asia-Europe Meeting (ASEM 10). Following the negotiations, the European Parliament held its second hearing on the proposed FTA in Brussels on 12 November 2013.[47] The next round of negotiations is scheduled to take place in January 2014.[48]

III.B.7. EU-MERCOSUR

Despite having negotiated for over 31 months, the EU and the MERCOSUR have not reached any consensus over a proposed FTA between the two blocs. MERCOSUR is EU's eighth most important trading partner, accounting for 3 percent of the EU's total trade. EU's exports to the region have steadily increased over the last years, going from €28 billion in 2007 to €57 billion in 2012. Negotiations are presently stalled, but communications for the next round of negotiation was agreed upon by both parties in October 2013. The next round of negotiations is expected to be held in February 2014.[49]

III.B.8. EU- Georgia and Moldova

At the Eastern Partnership Summit in Vilnius, Georgia on 29 November 2013, the EU, Georgia and the Republic of Moldova began negotiating Association Agreements. The Association Agreement will include provisions establishing Deep and Comprehensive Free Trade Areas (DCFTAs) between the parties. The Association Agreements is also expected to strengthen political, economic and trade relations between the parties. The parties have also confirmed their intentions to implement the agreements as soon as possible. The Association Agreements focus on support for core reforms, democracy and human rights, economic recovery, governance, sectoral cooperation and the far-reaching liberalisation of Georgia's and the Republic of Moldova's trade with the EU.[50]

III.B.9. EU – Thailand FTA: 2nd round of negotiations

On 16-20 September 2013, the second round of EU-Thailand FTA negotiations took place in Bangkok, Thailand. Discussions were along the same lines as developed during the first round and included goods, rules of origin, services and investment, public procurement, competition, intellectual property, trade remedies, and trade and sustainable development. The first round of negotiations took place on 27-31 May

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[46] Vietnam-EU Negotiations, WTO Hoi Nhap, available at: http://wtocenter.vn/infocus/vn-eu-fta; *See also*, Europa, Trade Policy-Countries & Region, available at: http://ec.europa.eu/trade/policy/countries-and-regions/countries/vietnam/.

[47] Vietnam EU free trade agreement expected, Vietnam Briefing, available at: http://www.vietnam-briefing.com/news/vietnam-eu-free-trade-agreement-expected-by-late-2014.html/

[48] *Id.*

[49] EU-MERCOSUR talking across each other over trade agreement, Buenos Aires Herald, available: http://www.buenosairesherald.com/article/148072/eumercosur-talking-across-each-other-over-trade-agreement.

[50] EU brings forward Moldova, Georgia deal, European Voices, available at: http://www.europeanvoice.com/article/2014/march/eu-brings-forward-moldova-georgia-deals/80179.aspx.

2013 in Brussels, Belgium and ended on a positive note with both sides reiterating their commitment to conclude a comprehensive FTA. Trade between the EU and Thailand in 2012 reached nearly €32 billion.[51]

III.B.10. EU-China Investment Agreement

The first round of EU-China investment agreement negotiations is set to take place on 21-23 January 2014 in Beijing, China. Negotiations of a comprehensive EU-China Investment Agreement were formally launched at the EU-China Summit on 21 November 2013 in Beijing, China. The aim of this agreement is to remove market access barriers to investment and provide a high level of protection to investors and investments in EU and China markets. It will replace the 27 existing Bilateral Investment Treaties between individual EU Member States and China by one single comprehensive EU Investment Agreement. A second round is expected to take place in Brussels in the second quarter of 2014.[52]

III.B.11. Ukraine approves draft EU Association Agreement

The Department of Information and Communication of the Secretariat of the Cabinet of Ministers of Ukraine reported that, on 18 September 2013, the Cabinet of Ministers had unanimously approved the draft *EU-Ukraine Association Agreement* (EUAA).[53]

According to the EU External Action website, the EUAA is over 1200 pages in length, consisting of seven titles: General Principles; Political Cooperation and Foreign and Security Policy; Justice Freedom and Security; Trade and Trade related matters (see DCFTA, below); Economic and Sector Cooperation; Financial Cooperation with Anti-Fraud Provisions, as well as Institutional, General and Final Provisions. It has 43 Annexes setting out EU legislation to be adopted by a specific date and three Protocols.[54]

The Association Agreement includes a Deep and Comprehensive Free Trade Area (DCFTA). The DCFTA will offer Ukraine a framework for modernizing its trade relations and for economic development by the opening of markets via the progressive removal of customs tariffs and quotas, and by an extensive harmonisation of laws, norms and regulations in various trade-related sectors, creating the conditions for aligning key sectors of the Ukrainian economy to EU standards. The DCFTA consists of 15 Chapters, 14 Annexes and 3 Protocols.[55]

III.B.12. EU and Caribbean reaffirm commitment to trade and development partnership

On 22 November 2013, the European Commission announced that government officials from the EU and the Caribbean, meeting in St. George's, Grenada, on 21 November 2013, reaffirmed the two regions'

[51] EU-Thailand FTA, Europa, available at: http://trade.ec.europa.eu/doclib/press/index.cfm?id=964.
[52] EU-China begin Investment Agreement Talks, Europa, available at: http://europa.eu/rapid/press-release_IP-14-33_en.htm.
[53] Baker & McKenzie, International Trade Compliance Update Newsletter, available at: http://www.bakermckenzie.com/internationaltrade/newsletters/.
[54] *Id.*
[55] *Id.*

commitment to their trade and development partnership. Officials discussed progress in putting the CARIFORUM-EU Economic Partnership Agreement (EPA) into practice.[56]

III.B.13. EU approves Stabilisation and Association Agreement with Serbia

On 18 October 2013, the Official Journal published the Council and Commission Decision of 22 July 2013 on the conclusion of the Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Serbia, of the other part [2013/490/EU] as well as the text of the Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Serbia, of the other part.[57]

The Decision approves the 458 page Stabilisation and Association Agreement with Serbia and substitutes 'European Union' for 'European Community' by virtue of the Treaty of Lisbon which entered into force on 1 December 2009, after the Agreement had been signed in 2008. With regard to other such agreements, the political dialogue in the Serbian Agreement is intended to promote: full integration of Serbia into the community of democratic nations and gradual rapprochement with the EU; convergence of positions on international issues; regional cooperation; and common views on security and stability in Europe. In addition, the Agreement will gradually move Serbia and EU towards a free trade area, applying the Common Nomenclature in tariff classification in trade between the parties and generally abolishing duties and quotas and reducing other charges on industrial products. Export duties and restrictions are also abolished under the Agreement in EU-Serbia trade. Substantial concessions are also made in agricultural products. Provisions on safeguards as well as anti-dumping and subsidy issues are also included. Protocol 3 to the Agreement sets forth rules of origin.[58]

In addition to the trade in goods, the Agreement includes titles covering movement of workers, establishment, supply of services, movement of capital; approximation of laws, law enforcement and competition rules (including IPR, public procurement, consumer protection, standardisation and conformity assessment); justice, freedom and security (including data protection, identity theft, money laundering, controlling illicit drugs, combatting terrorism); cooperation policies (economy and trade, banking, statistics, SME's, tourism, customs, fisheries, agriculture, education, taxation, energy, nuclear safety, environment, transport, R&D, public administration, etc.).

[56] Europa, Press Release, available at: trade.ec.europa.eu/doclib/press/index.cfm?id=991.
[57] Baker & McKenzie, International Trade Compliance New Updates, available at: www.internationaltradecomplianceupdate.com/blog.aspx?entry=1138.
[58] *Id.*

III.C. EU AT MULTILATERAL NEGOTIATING FORUMS

III.C.1. EU at the Information Technology Agreement (ITA) negotiations

The ITA was negotiated and signed in 1996 with the goal of expanding trade in IT and telecommunication products. The ITA initially had 14 signatories representing more than 90% of world trade in information technology products. This has since grown to a total of 43 signatories, representing 70 countries or separate customs territories and more than 97% of world trade in IT products.[59]

ITA signatories have agreed to eliminate customs duties and other duties and charges on certain IT products, which are specified in Attachments A and B to the Agreement. The ITA entered into force in April 1997 and required that the customs duties on covered products be reduced in stages and eventually eliminated by 1 January 2000. The commitments undertaken under the ITA are on a "most favoured nation" basis, which means that benefits must be extended to all WTO Members.[60]

The global trading system has seen an unprecedented expansion of trade in IT products since the signature of the ITA. IT products now account for over $1500 billion of exports world-wide, i.e. one-fifth of total world exports of manufactured products, up from $600 billion in 1996.[61]

III.C.1.1. ITA negotiations during the quarter

Parties held negotiations towards the expansion of the Information Technology Agreement (ITA) from 21-24 October 2013.[62] The parties decided in July 2013 to suspend such negotiations due to China's request for the exclusion of 106 of the 256 products from duty-free treatment under the expanded ITA; however, China subsequently held bilateral discussions with the US during which China agreed to submit a revised sensitivities list which allowed parties to proceed with this most recent late-October round. China reportedly removed from its sensitivities list one-third of the high-tech goods for which it had originally sought exclusion from duty-free treatment. However, China is seeking long-tariff phase-out periods for approximately half of the sensitive tariff lines appearing on its revised list. Specifically, China's revised list identifies approximately 140 sensitive tariff lines out of the total of 250 items under negotiation.[63]

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[59] Europa, Press Release, Information Technology Agreement, available at: http://europa.eu/rapid/press-release_MEMO-08-562_en.htm.

[60] *Id.*

[61] *Id.*

[62] White & Case LLP General Trade Report –JETRO (November 2013) 'China Agrees to Reduce ITA Exclusion List; Still Seeks Longer Phase-out Periods' http://www.jetro.go.jp/theme/wto-fta/news/pdf/w_c_monthly_report-201311.pdf (last visited Mar. 17, 2013); See also, James J. Nedumpara & Vandana Gyanchandani, CITEL, United States Trade Policy Monitoring Report, Volume 10.

[63] James J. Nedumpara & Vandana Gyanchandani, CITEL, United States Trade Policy Monitoring Report, Volume 10 at p. 33.

China is seeking exclusion for approximately half of these sensitive items, while seeking long tariff phase-out periods for the remaining half. As other ITA members generally agreed, the phase-out periods will be three years for non-sensitive items, five years for sensitive items and more than five years for exceptional cases. A trade diplomat involved in the negotiations asserted that the items shifted to the phase-out list include certain medical devices, semi-conductor manufacturing equipment and printers, all of which the Washington-based Information Technology Industry Council (ITI) has identified as essential for inclusion in the expanded ITA. Notably, China proposes a tariff phase-out period of longer than five years for approximately 30 products.[64]

An official involved in the negotiations noted that the phase-out list is "good", given that "some of the items are quite critical" for some ITA members. As several of the products in the phase-out list are consumer goods that have a short life cycle, phase-out periods of greater than five year for such products would be of little use. These concerns constitute major reasons for which the ITA negotiations will likely proceed slower than previously expected. The US appears to have informally linked China's engagement in the ITA talks to its participation in the Trade in Services Agreement (TISA). China recently declared its interest in joining TISA but the US expressed several reservations and concerns that China's participation in the TISA negotiations may reduce the Agreement's level of ambition and hamper its negotiations, citing China's original low-ambition market access offer in the ITA expansion negotiations.[65]

III.C.2. EU-US Transatlantic Trade and Investment Partnership (TTIP)

The EU and United States concluded the third round of week-long negotiations for the Transatlantic Trade and Investment Partnership (TTIP), wherein the EU's Chief Negotiator Ignacio Garcia Bercero stressed that any deal would uphold *"the highest standards of consumer, environment, health and labour protection."* Negotiators made progress on the three core parts of the TTIP – market access, regulatory aspects and rules – and these will be the focus for the round of talks expected in March 2014. The EU-US Transatlantic Trade and Investment Partnership (TTIP) aims to open up trade and investment between the EU and the US, which together make up 40% of global economic output.[66]

III.C.2.1. Updates on the TTIP during the quarter

During the quarter, second and third round of TTIP took place from 11-15 November 2013 and 16-20 December 2013 respectively. In the second round of negotiations, the main areas of negotiation were: investment rules, trade in services, range of regulatory issues like regulatory coherence, technical barriers to trade, sectoral approaches as well as energy and raw materials supplemented by video conference on sanitary and phytosanitary measures and other topics. The USTR noted that the second round of negotiations has enabled the US to reflect on its approaches as regards specific trade and investment issues, discuss areas of potential convergence in greater detail, including areas with respect to services, investment and regulatory issues.[67]

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[64] *Id.*
[65] *Id.*
[66] Europa, Press Release, available at: trade.ec.europa.eu/doclib/press/index.cfm?id=1007.
[67] James J. Nedumpara & Vandana Gyanchandani, CITEL, USA Trade Policy Monitoring Report, Volume 10.

The third round of negotiations was based on issues like services, government procurement, energy and raw materials, sanitary and phytosanitary barriers, intellectual property rights, labour and trade issues, textiles, small and medium size enterprises, regulatory coherence and sectoral regulatory approaches. In the midst of the negotiations, both the EU and the US took time to share information with and hear viewpoints from more than 350 stakeholders from environmental, consumer and other non-governmental organizations, labour unions, business and academia. Both the US chief negotiator Mr Dan Mullaney and the EU chief negotiator Mr Ignacio Garcia Bercero participated in the three hour session which included 50 policy presentations that covered a range of issues like consumer and food safety, innovation and agriculture; while a number of negotiators continued the progress on services, market access, competition, trade facilitation, sectoral issues, investment, textiles, labor and environment, IPR and TBT.[68]

Other major issues covered are market access for industrial and agricultural goods, rules of origin for these products, regulatory and standards which focused on trade regulation, SPS regulations primarily in the area of food safety, regulatory coherence and particular sectors, investment and services particularly in the areas of telecommunication, electronic commerce, cross-border services as well as financial services. Government procurement, IPR, labour, environment, State Owned Enterprises, small and medium enterprises, (localization) barriers to trade, competition, raw materials and energy and legal and institutional issues were also part of the third round of negotiations.[69]

During the press conference, the chief negotiator of the EU responded to questions from Inside US Trade stating that specific sectoral commitments in the TTIP Agreement were required to be further negotiated. EU's representative pointed out that sectors like automobiles, pharmaceuticals, medical devices, cosmetics, textiles, chemicals and ICT required further deliberation.[70]

On the energy and raw materials sector, the EU displayed interest to secure clear guarantees to access US resources, whereas the US maintained the position that export of natural gas in the US is deemed in the public interest.[71]

On the investor-state dispute forum via TTIP, the US and EU clearly added that a balance should be struck between the government's right to regulate and the investor's right to seek protection of its investment. Further, the US stated that it wishes to secure a strong investor protection which grants fair and equitable treatment to its investors abroad.[72]

III.D. AID FOR TRADE

[68] *Id.*
[69] *Id.*
[70] *Id.*
[71] *Id.*
[72] *Id.*

The EU and its Member States are the world's leading providers of Aid for Trade and in particular trade facilitation support.[73] Over the five-year period 2007-2011 (latest available figures), the EU and its Member States collectively provided a total of about €650 million for Trade Facilitation, which corresponds to 60% of the total support over the period. The EU itself is the world's leading provider of Trade Facilitation support with 48% of the total in 2011. The wider Aid for Trade agenda, which includes trade infrastructure and other expenditures, amounted in recent years to about €10 billion annually for the EU and its Member States.[74]

IV. TRADE POLICY BY PRACTICE AND MEASURE

IV.A. RULES OF ORIGIN

IV.A.1. Commission proposes to extend measures on rules of origin that facilitates EU market access for Algeria, Egypt, Jordan, Morocco, Palestine and Tunisia

On 24 October 2013, the European Commission announced that it had adopted proposals to extend the partial exemption from duty drawback prohibition in the origin protocols to the Association Agreements with Algeria, Egypt, Jordan, Morocco, Palestine and Tunisia until 31 December 2015. These measures continue to allow imports free of customs duty into the EU of products originating in these countries, without them having to levy full customs duty on imported materials used in the manufacture of these products.[75]

The measure puts production in these countries on the same footing with production in the EU and, as such, facilitates their market access to the EU and promotes their economic development.

The Euro-Mediterranean Agreements establishing associations between the EU and its Member States, of one part, and Algeria, Egypt, Jordan, Morocco, Palestine and Tunisia, of the other part, provide for the establishment of a free trade area between the EU and these countries. Amongst others, they provide that industrial products originating in the EU may be imported free of customs duty into these countries and that products originating in these countries may be imported free of customs duty into the EU. This is subject to the condition called 'prohibition of duty drawback', meaning that customs duty paid on imported materials used in the manufacture of the products and which are not originating in the country concerned or in the EU should not be reimbursed.[76]

However, as levels of customs duty applied by Algeria, Egypt, Jordan, Morocco, Palestine and Tunisia generally exceed those applied by the EU, the origin protocols to the Association Agreements provide for a partial waiver of the prohibition of drawback for products imported into the EU from these countries. The waiver allows these countries not to levy customs duty on materials used in manufacture in excess of a rate of 4% (for industrial products other than textile and textile articles) or 8% (textile and textile articles),

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[73] *See* EU Aid for Trade Report 2013: http://ec.europa.eu/europeaid/what/developmentpolicies/financing_for_development/documents/accountability-report-2013/accountability-report-2013-03_en.pdf.

[74] Europa, Press Release, available at: europa.eu/rapid/press-release_IP-13-1224_en.htm?locale=FR.

[75] Baker & McKenzie, International Trade Compliance News Updates, December 2013, available at: www.internationaltradecomplianceupdate.com/blog.aspx?topic=264.

[76] Europa, Press Release, Commission Proposes to Extend Measures on Rules of Origin, available at: ec.europa.eu/taxation.../duty-drawback_med_info-note_en.pdf.

which are the corresponding average levels of the conventional rates of duty applied by the EU. The measure thus puts industrial production in these countries on the same footing with production in the EU.[77]

IV.B. CUSTOMS

IV.B.1. EU-GSP SCHEME

The European Parliament and the Council jointly adopted a regulation[78] which lays down the Union Customs Code (UCC). The UCC is a recast of the Modernised Customs Code (MCC), which was adopted in 2008, and is observed to address some concerns of stakeholders. However, key issues such as centralized clearance and customs valuation still need to be outlined by the European Commission by means of delegated and implementing acts. Hence, there is still uncertainty on the legislation and its consequences on business. This legislation will be applicable from 2016.

IV.B.1.1. Background

The MCC provided for the creation of a pan-European electronic customs environment with harmonized and simplified customs procedures to promote trade with a balance between trade facilitation and customs controls. It was adopted in April 2008 as a regulation and was expected to be implemented once its implementing provisions were in force (latest by: mid-2013). The Commission however stressed on proceeding with a recast of the MCC as it was needed to be aligned with the Lisbon Treaty, according to which implementing provisions of the MCC have to be split between delegated acts and implementing acts. In addition, work on the implementing provisions revealed the need to adjust provisions that proved difficult to implement. Therefore, in February 2012 the Commission proposed a draft regulation laying down the UCC.[79]

Though the UCC entered into force 30 October 2013, most provisions will not apply before 1 June 2016. Furthermore, the MCC has been repealed by the UCC.

[77] *Id.*
[78] Regulation no. 952/2013
[79] *Id.*

IV.B.1.2. Centralized clearance

MCC enshrined centralized clearance, according to which it was possible for authorized EU traders to declare goods electronically and pay their customs duties at the place where their business is established, irrespective of the Member State where the goods are presented. The UCC introduced additional responsibilities for both the Customs Office at which the customs declaration is lodged, and the Customs Office at which the goods are presented. Furthermore, the Customs Office involved must exchange necessary information for the verification of the customs declaration and the release of goods.[80]

IV.B.1.3. First Sale for Export Rule

The First Sale for Export Rules was debated during the drafting of the implementing provisions for the MCC. Presently, many traders importing merchandise subject to multiple sales, prior to importation into the EU, benefit from the first sale for export valuation strategy. The existing rules allow EU importers meeting certain requirements to declare the price paid in the first sale for customs purposes, resulting in a lower dutiable value and thus lower customs duty liability.

IV.B.1.4. Royalties and license fees

The customs treatment of royalties and license fees is a controversial item. Royalties are added to the transaction value (i.e., Customs Value) of imported goods only if they are related to the goods being valued and payable as a condition of sale of those goods for export to the EU. Under existing rules, royalties can generally be excluded from the customs value where certain conditions are met. However, under the proposed implementing provisions of the MCC, condition of sale determination had been broadened so that royalties are much more easily included in the customs value, thus increasing the tax burden of affected traders.

IV.B.1.5. Single Authorization

The use of information and communication technologies is a key element in ensuring trade facilitation and customs control. The UCC allows the use of non-electronic data processing techniques on a transitional basis, but not beyond 31 December 2020. Transitional measures for centralized clearance would consist of maintaining the procedure, known as the '*single authorisation for simplified procedures*' until the necessary electronic systems are operational.[81]

IV.B.1.6. Beneficiary Countries of the GSP scheme

[80] *Id.*

[81] Trade Watch, Ernst & Young, 12 September, 2013.

Currently, the list of countries included in the EU GSP program contains 176 beneficiary developing countries. Over 20 of these countries, mostly those that no longer qualify as low-or middle-income countries under the EU GSP rules, will be excluded from the list and will no longer be eligible for GSP preferential treatment in the EU. Some of the countries excluded from the EU GSP applicable from 1 January 2013 are: Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, Oman, Bruinei Darussalam, Macau, Argentina, Brazil, Uruguay, Venezuela, Belarus, Russia, Kazakhastan, Gabon, Libya, Malaysia, Palau.[82] India is present on list 3 of the GSP scheme.[83]

Certain products originating from India will not be applicable as per new EU GSP Scheme:[84]

- Minerals
- Chemicals
- Raw Hides & Leather
- Textiles
- Vehicles and boats

IV.B.2. Strengthening cooperation with Europol

On 29 November 2013, the World Customs Organization announced that at the invitation of Europol, the World Customs Organization (WCO) Secretary General, Kunio Mikuriya, visited Europol headquarters at The Hague, Netherlands on 27 November 2013. He spoke at the Europol Tax Crime Conference about the WCO perspective and its tools to ensure efficiency, security, transparency and resilience of the global supply chain, including the Economic Competitiveness Package and the Compliance and Enforcement Package.[85]

Secretary General Mikuriya met separately with the Europol Director, Mr. Rob Wainwright, to explore ways of enhancing cooperation between the two Organizations, based on the Memorandum of Understanding signed in 2002. They agreed to review areas of joint work, especially in terms of exchanging information and intelligence while taking data protection aspects into consideration. This could serve as a model for intensifying collaboration between Customs and Police at national level.[86]

IV.B.3. Commission proposes exemption from customs duties for jet fuel

On 4 November 2013, the Commission proposed an exemption of jet fuel imports from customs duties from 1 January 2014. The aim of the proposal is to ensure that the 0% customs tariff, which has been applied to jet

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[82] *Id.*
[83] *Id.*
[84] *Id.*
[85] Baker & McKenzie, International Trade Compliance News Updates, December 2013, available at: http://www.bakermckenzie.com/files/Uploads/Documents/Global%20Trade%20Commerce/NL_InternationalTradeComplianceUpdate_Dec13.pdf.
[86] *Id.*

fuel for many years, is continued. Currently, the vast majority of the EUs jet fuel imports originate in countries that benefit from the Generalised Scheme of Preferences (GSP).[87]

However, due to changes in the GSP rules next year, imports of jet fuel may no longer benefit from preferential treatment under EU trade rules. In order to give time to the EU airline industry to adjust as well as provide certainty for traders, the Commission has therefore decided to propose exemption to all jet fuel imports from customs duties, regardless of their country of origin. The proposed Regulation will now have to be adopted by the Council before it enters into force.[88]

IV.B.4. EU relaxes Customs declaration of musical instruments

On 1 November 2013, the *Official Journal* published Commission Implementing Regulation (EU) No. 1076/2013 of 31 October 2013 amending Regulation (EEC) No. 2454/93 and laying down provisions for the implementation of Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code as regards the temporary import, export and re-import of portable music instruments.[89]

Previously, portable musical instruments which were temporarily imported by travellers with the intention of using them as professional equipment were to be presented to the customs and to be declared explicitly for the temporary importation procedure. Because artists in the music sector have been negatively affected by the application of customs rules at import, the implementing regulation simplifies the access to the temporary importation procedure. In order to avoid similar problems occurring in connection with export and reimport, the simplification also covers portable musical instruments which have been declared for export or which have been re-imported and declared for release for free circulation as returned goods by travelers.[90]

IV.B.5. European Commission recommends a common approach to violations of EU customs law

European Commission proposed a framework to harmonise customs infringements and align the 28 national sets of related sanctions. The proposed Directive sets out acts that must be considered infringements of the Union's customs rules, as well as a framework for imposing sanctions when these occur. The customs union is the foundation of the EU. Since the beginning of the Internal Market, EU customs legislation has been fully harmonised in a single legal act.

Currently EU member states have widely differing definitions for customs infringements, and apply different types and levels of sanctions. The European Commission said EU-wide customs procedures will better fit modern-day trading needs and challenges.[91]

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[87] EU proposes to keep jet fuel imports duty-free, Reuters, Nov.4, 2013, available at: http://in.reuters.com/article/2013/11/04/us-eu-jetfuel-idINBRE9A30PX20131104.

[88] *Id.*

[89] EuroAlert, available at: euroalert.net/en/ojeu.aspx?idd=32759

[90] Baker & McKenzie, International Trade Compliance News Update, available at: http://www.bakermckenzie.com/internationaltrade/newsletters/.

[91] Xinhua, available at: http://www.chinadaily.com.cn/xinhua/2013-12-13/content_10813823.html

IV.C. ANTI-DUMPING

Antidumping activity during the quarter is mentioned in **Annexure A**. There were also two anti-dumping activities against India during the quarter. These are mentioned below:

Reference Number	Merchandise	Action
2013/C 300/05	Sulphanilic acid originating in China and India	Notice of initiation of an expiry review of the AD measures
2013/C 294/11	Fatty alcohols and their blends originating in India	Notice concerning the AD measures in force: modification of the corporate name of a company subject to an individual ADD rate.

IV.D. TECHNICAL BARRIERS TO TRADE

Kindly refer to **Annexure B.**

IV.E. SANITARY AND PHYTOSANITARY MEASURES

Kindly refer to **Annexure C.**

IV.F. TAXATION

IV.F.1. European Commission begins in depth investigation into public funds of Certain Spanish Professional Football Clubs

The European Commission has opened three distinct in-depth investigations to verify whether various public support measures in favour of certain Spanish professional football clubs are in line with EU state aid rules. The Commission has concerns that these measures provided significant advantages to the beneficiary clubs to the detriment of the clubs that operate without such support.

Along with Football club Real and Barcelona, which are the two most successful clubs in Spanish football, the Commission has also opened an inquiry into their fellow top-flight sides Valencia, Athletic Bilbao, Osasuna and Elche. The Segunda División side Hercules are also under investigation as the Commission seeks to determine if state aid received by those clubs is in line with European Union regulations.[92]

IV.F.2. European Commission examines compatibility of exemptions with EU state aid rules

The European Commission accepted the judgement of the EU Court of Justice, setting aside a General Court ruling that annulled a Commission Decision of December 2005 finding that exemptions from excise duty of

[92] Barcalona, Real Madrid EC investigation, The Guardian, available at: http://www.theguardian.com/football/2013/dec/18/barcelona-real-madrid-ec-investigation-public-funding.

mineral oils used as fuel for alumina production granted by France, Ireland and Italy were in breach of EU state aid rules. This ruling clarifies the powers of the EU Courts to raise pleas of their own motion and, most importantly, confirms again the Commission's exclusive competence regarding state aid control in the EU and the objectivity of the concept of State aid.

In 2005, the Commission decided that the exemptions from excise duty on mineral oils used as fuel for alumina production granted by France, Ireland and Italy until 31 December 2003 constitute illegal and largely incompatible State aid was needed to be recovered from the beneficiaries.[93]

IV.F.3. Gibraltar tax regime under investigation

The European Commission has opened an in-depth investigation to verify whether the new Gibraltar corporate tax regime selectively favours certain categories of companies, in breach of EU state aid rules. The Commission will in particular examine the exemption for passive income such as royalties and interest from corporate tax. The opening of an in-depth investigation gives interested third parties an opportunity to submit comments on the measures under assessment; it does not prejudge the outcome.

The Commission will examine, in particular, the exemption for passive income such as royalties and interest from corporate tax.[94]

IV.F.4. Commission confirms that debt write-off for Slovak alcohol producer is incompatible with EU rules

The European Commission has adopted a new decision confirming that a Slovak SKK 416.5 million (€11 million) write-off of tax debt in favour of Frucona Košice (a spirits and beverages manufacturer) was incompatible with EU state aid rules. The non-payment of taxes which its competitors had to bear has given Frucona Košice an undue economic advantage. In order to redress the distortion of competition caused by the debt write-off, the company has to pay the due amounts with interest. Frucona Košice was a producer of spirit and spirit-based beverages in Slovakia and currently operates as a distributor.[95]

IV.F.5. European Commission creates Expert Group on Taxation

European Commission has adopted a decision to create a High Level Expert Group on Taxation of the Digital Economy. The task of this group will be to examine the best ways of taxing the digital economy in the EU, weighing up both the benefits and risks of various approaches. Its focus will be on identifying the key problems with digital taxation from an EU perspective, and presenting a range of possible solutions.[96]

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[93] ECJ says commission has right to examine compatibility exemptions, N Europe, available at: http://www.neurope.eu/article/ecj-says-commission-has-right-examine-compatibility-exemptions-eu-state-aid-rules.

[94] European Union: Gibralta State, T Magazine, available at: http://tmagazine.ey.com/news/ibfd/european-union-gibraltar-state-aid-european-commission-opens-investigation-gibraltar-corporate-tax-regime/.

[95] Europa, Press Release, available at: http://europa.eu/rapid/press-release_IP-13-959_en.htm.

[96] Europa, Press Release, available at: http://europa.eu/rapid/press-release_IP-13-983_en.htm.

The expert group will be comprised of up to seven members, who will be internationally renowned experts on the digital economy and on taxation. It will be chaired by a person of political profile with relevant background on such issues.[97]

IV.F.6. Easing standards for tax return for businesses and improving tax compliance

A standard VAT return, which can cut costs for EU businesses by up to €15 billion a year, has been proposed by the Commission. The aim of this initiative is to slash red-tape for businesses, ease tax compliance and make tax administrations across the Union more efficient. As such, it fully reflects the Commission's commitment to smart regulation and is one of the initiatives set out in the recent "REFIT-Fit for Growth" programme, to simplify rules and reduce administrative burdens for businesses.

The standard VAT return – which will replace national VAT returns – will ensure that businesses are asked for the same basic information, within the same deadlines, across the EU. Given that simpler procedures are easier to comply with and easier to enforce, the proposal should also help to improve VAT compliance and increase public revenues. Businesses would file the standard VAT return on a monthly basis, while "micro-enterprises" would only be required to file on a quarterly basis. The current requirement of some EU Member States for an annual "recapitulative VAT return" would be repealed.[98]

IV.F.7.Brussels Tax Forum

7th Brussels Tax Forum took place on 15 November 2013 and included 250 participants from 37 countries to discuss the EU VAT system, and how to improve its efficiency. Among the topics to be discussed were fight against VAT fraud, improving VAT compliance and the role of VAT in fiscal consolidation. Commissioner Šemeta hosted the Forum and delivered the opening address. Among the other high-level speakers were Belgian State Secretary John Crombez, Portuguese State Secretary Paulo Nuncio and MEP Sharon Bowles. This annual event is an important opportunity for policy-makers, stakeholders and experts to come together, exchange views and discuss solutions on key issues in the field of EU taxation.[99]

IV.F.8. Commission refers Sweden to the Court of Justice over VAT on postal services

The European Commission has decided to refer Sweden to the Court of Justice over its application of VAT on postal services. Sweden applies VAT to some services that, under EU rules, should be exempt from VAT. The EU VAT Directive states that services supplied by 'public postal services', and the sale of stamps, should be exempt from VAT.[100]

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[97] *Id.*

[98] KPMG, Tax News Updates, available at: http://www.kpmg.com/global/en/issuesandinsights/articlespublications/taxnewsflash/pages/eu-standard-vat-return-proposed.aspx.

[99] Europa, Press Release, available at: http://europa.eu/rapid/press-release_IP-13-1083_en.htm.

[100] Europa, Press Release, Commission refers Sweden to Court of Justice, available at: http://europa.eu/rapid/press-release_IP-13-1111_en.htm.

Sweden does not exempt postal services from VAT. All operators, including the one which provides the universal service, are obliged to charge VAT. Sweden has consequently failed to apply an exemption provided for under EU legislation.[101]

IV.F.9. Commission in-depth investigation into tax exemptions given to certain Belgian companies

The European Commission has opened an in-depth investigation to determine whether Belgium's implementation of a system of support for innovative companies is in line with EU rules on state aid. The Commission will examine in particular the terms on which a certain number of Belgian companies have benefitted from tax relief. The opening of an in-depth investigation gives third parties an opportunity to comment on the measure under assessment. It does not prejudge the outcome of the investigation. The Commission in 2006 approved a scheme that allowed Belgium to grant young innovative companies exemption from paying payroll tax on the salaries of scientific staff. Belgium had pledged to define the types of research eligible for such tax breaks, but had failed to do so until 2013.[102]

V. TRADE POLICY BY SECTOR

V.A. ENERGY SECTOR

V.A.1. European Commission authorises phasing-out of Belgian biofuel support scheme

The European Commission has found a 12-month phasing-out of excise duty reductions granted by Belgium to seven biofuel producers to be in line with EU state aid rules. The seven producers, who were selected in 2006 following a call for application, will continue to benefit from the reduction until 30 September 2014 for a limited volume of biofuels, so as to ensure a smooth transition towards a new biofuel support scheme to be put in place in 2014.[103]

In 2005, Belgium adopted a biofuel support scheme reducing excise duties for a limited number of bioethanol and FAME producers, to be selected through a call for applications based on environmental and economic parameters. The Commission approved the scheme for duration of six years, which expired on 30 September 2013. In 2012, Belgium applied for a prolongation until 2019 of the initial scheme.

VI.WTO DISPUTE SETTLEMENT UPDATES

VI.A. EU requests WTO consultations over increase in taxes by Brazil

During the quarter, the EU requested consultations with Brazil under the dispute settlement provisions of the World Trade Organization (WTO) on tax measures that EU claims causes discrimination against imported goods and provide prohibited support to Brazilian exporters. EU alleges that Brazil has increased its use of the tax system in ways which are incompatible with its WTO obligations. These tax measures provide

[101] Id.
[102] US, EU, Belgium Tax, Reuters, available at: http://www.reuters.com/article/2013/12/04/us-eu-belgium-tax-idUSBRE9B30CF20131204.
[103] Europa, Press Release: Commission authorizes phase-out of Belgium Biofuels, available at: europa.eu/rapid/press-release_IP-13-957_en.htm.

advantages to domestic industries and sheltering them from competition. This is mainly done through selective exemptions or reductions from taxes on domestic goods.[104]

EU notified the WTO Secretariat on 19 December 2013 of a request for consultations with Brazil over the alleged discriminatory tax advantages by Brazil. The sectors that EU identified were the automotive sector and the electronics and related sectors with regard to goods produced in Manaus, Brazil and other Free Trade Zones.[105]

VI.B. EU requests WTO panel with Russia over vehicle exports

During the quarter, EU requested for the establishment of a dispute settlement panel at the WTO in Geneva to rule on the legality of the 'recycling fee' imposed by Russia on imported automobile vehicles.[106] EU had earlier held formal consultations with Russia in July 2013.[107]

EU considers the fee to be discriminatory, having a 'severe impact' on EU vehicle exports to Russia. The Commission has estimated this economic impact to be quantified at €10 billion per year.[108] EU sent the request to DSB after failing to solve the issue through discussions in bilateral talks with Russia and in formal WTO consultations. The Dispute Settlement Body, on 25 November 2013, established a panel requested by the European Union to examine Russia's recycling fee on motor vehicles.[109]

Russia expressed regret over EU's request for the establishment of a panel and said that the Russian President had signed the legislation eliminating and modifying sections of the existing utilisation fee regime which the EU had referred to in its request for the establishment of a panel. Russia believes that the matter could be resolved through consultations.[110] The DSB established a panel. China, India, Japan, Korea, Norway, Turkey, Ukraine and the United States reserved their third-party rights to participate in the panel's proceedings.[111]

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[104] Europa, Press Release, available at: http://europa.eu/rapid/press-release_IP-13-1272_en.htm.
[105] WTO Press Release, European Union files dispute against Brazil on "tax advantages", available at: http://www.wto.org/english/news_e/news13_e/ds472rfc_19dec13_e.htm.
[106] Europa, Press Release, available at: http://europa.eu/rapid/press-release_IP-13-933_en.htm.
[107] European Commission document, Press Release, available at: http://europa.eu/rapid/press-release_IP-13-933_en.htm.
[108] EU requests WTO panel with Russia over vehicle exports, Xinhua, available at: http://www.china.org.cn/world/Off_the_Wire/2013-10/11/content_30255548.htm.
[109] WTO, Dispute Settlement News Archives, available at: http://www.wto.org/english/news_e/archive_e/dis_arc_e.htm.
[110] WTO News, Panel established on Russia's recycling fee on motor vehicleshttp://www.wto.org/english/news_e/news13_e/dsb_25nov13_e.htm.
[111] *Id.*

VI.C. Faroe Islands files dispute against the EU over fisheries measures

On 4 November 2013, the WTO announced that the Kingdom of Denmark, in respect of the Faroe Islands, notified the WTO Secretariat, on 4 November 2013, a request for consultations with the European Union regarding "the use of coercive economic measures in relation to Atlanto-Scandian herring".[112]

The Faroe Islands is a self-governing territory of Denmark and is covered by Denmark's membership of the WTO. However, the Faroe Islands is not covered by Denmark's membership of the European Union.[113]

The request for consultations claims that on 28 August 2013, the EU Commission adopted measures against the Faroe Islands, including prohibition on imports into the EU of Atlanto-Scandian herring and associated species of mackerel caught under the control of the Faroe Islands. The measures also include prohibition of the use of EU ports by Faroese-flagged vessels that fish for these species and by vessels that transport fish and fishery products stemming from herring or mackerel caught by Faroese-flagged vessels or vessels flying other flags but authorized by the Faroe Islands.[114]

This is the first case in which an EU member state has requested consultations under the Dispute Settlement Understanding with another WTO member.[115]

ANNEXURE A

ANTI-DUMPING

REFERENCE NUMBER	MERCHANDISE	MEASURE
(EU) No. 861/2013	Certain stainless steel wires originating in India	Council Implementing Regulation imposing a definitive CVD and collecting definitively the provisional duty imposed
(EU) No. 871/2013	Certain molybdenum wire, containing by weight at least	Council Implementing Regulation extending the definitive ADD to

[112] Baker & McKenzie, International Trade Compliance Update Newsletter, available at: http://www.bakermckenzie.com/internationaltrade/newsletters/.
[113] *Id.*
[114] *Id.*
[115] *Id.*

	99,95% of molybdenum, originating in China	imports of molybdenum wire, containing by weight at least 97% of molybdenum, of which the maximum cross-sectional dimension exceeds 1,35 mm but does not exceed 4,0 mm
(EU) No. 875/2013	Certain prepared or preserved sweetcorn in kernels originating in Thailand	Council Implementing Regulation imposing a definitive ADD following an expiry review
2013/C 264/10	Certain prepared or preserved citrus fruits (namely mandarins, etc.) originating in China	Notice concerning the AD measures in force in respect of imports into the Union: change of the name of a company subject to an individual ADD
2013/C 270/09	Certain candles, tapers and the like from China	Notice of the impending expiry of certain anti-dumping measures on 15 May 2014
2013/C 270/10	Certain PSC wires and strands from China	Notice of the impending expiry of certain anti-dumping measures on 14 May 2014
(EU) No 917/2013	Certain polyethylene terephthalate originating in Iran, Pakistan and the United Arab Emirates	Council Implementing Regulation amending Implementing Regulation imposing a definitive CVD and collecting definitely the provisional duty imposed
2013/C 289/06	Biodiesel from the USA	Notice of the impending expiry of certain CVD measures on 7.11.2014
2013/C 294/11	Fatty alcohols and their blends originating in India	Notice concerning the AD measures in force: modification of the corporate name of a company

		subject to an individual ADD rate.
2013/C 295/06	Certain footwear with uppers of leather originating in China and Vietnam	Notice concerning the judgments by the Court of Justice of the European Union in case C-249/10P and C-247/10P in relation to Council Regulation (EC) No. 1472/2006 imposing a definitive ADD and collecting definitely the provisional duty imposed.
2013/C 299/05	Certain tube and pipe fittings of iron or steel originating in S. Korea and Malaysia	Notice of initiation of an expiry review of the AD measures
2013/C 300/04	Sulphanilic acid originating in India	Notice of initiation of an expiry review of the CVD measures
2013/C 300/05	Sulphanilic acid originating in China and India	Notice of initiation of an expiry review of the AD measures
(EU) No. 1026/2013	Certain iron or steel fasteners originating in China, as extended to imports consigned from Malaysia, whether declared as originating in Malaysia	Council Implementing Regulation terminating the partial interim review concerning the AD measures
2013/C 318/06	Wire rod, originating in or exported from China	Notice of the impending expiry of certain AD measures
2013/639/EU	Certain seamless pipes and tubes of iron or steel, of an external diameter exceeding 406,4 mm, originating in China iron or steel, of an external diameter exceeding 406,4 mm,	Commission Decision terminating the AD proceeding

	originating in China	
(EU) No. 1106/2013	Certain stainless steel wires originating in India	Council Implementing Regulation imposing a definitive ADD and collecting definitively the provisional duty imposed
(EU) No. 1194/2013	Biodiesel originating in Argentina and Indonesia	Council Implementing Regulation imposing a definitive ADD and collecting definitively the provisional duty imposed
(EU) No. 1198/2013	Biodiesel originating in Argentina and Indonesia	Commission Regulation terminating the anti-subsidy proceeding, repealing the Regulation and making such imports subject to registration
(EU) No. 1205/2013	Solar glass from China	Commission Regulation imposing a provisional ADD
2013/C 349/04	Monosodium glutamate originating in Indonesia	Notice of initiation of an AD proceeding
2013/C 349/05	Monosodium glutamate originating in China	Notice of initiation of an expiry review of the AD measures
2013/C 351/06	Citric acid originating in China	Notice of initiation of an expiry review and of partial interim reviews and an ex officio partial interim review of the AD measures

ANNEXURE B

TECHNICAL BARRIERS TO TRADE

Notification/ Date of Notification	**Product**	**Description**	**Objective**
G/TBT/N/EU/155 2 October 2013	Food	This draft Commission Regulation concerns the authorisation of one health claim made on foods, other than those referring to the reduction of disease risk and to children's development and health in accordance with Article 18(4) of Regulation (EC) No. 1924/2006 of the European Parliament and of the Council of 20 December 2006 on nutrition and health claims made on foods.	The proposed measure is a Commission Regulation authorising a health claim made on foods and amending Commission Regulation (EU) No. 432/2012, as referred to above under point 6 that has been assessed by the European Food Safety

			Authority (EFSA), and which complies with the conditions set out in Regulation (EC) No. 1924/2006. Protection of Human health or Safety
G/TBT/N/EU/156 1 October 2013	Biocidal products.	This draft Commission Implementing Regulation approves Iodine for use in biocidal products for product-types 1, 3, 4 and 22.	Harmonisation of the EU market on biocidal products. Protection of human health and safety, protection of the environment.
G/TBT/N/EU/157 1 October 2013	Cosmetics	This draft Commission Regulation aims at banning five parabens (isopropylparaben, isobutylparaben, phenylparaben, benzylparaben and pentylparaben) for which no data is available to carry out a safety assessment, by removing them from Annex V (positive list of preservatives) to Regulation (EC) No. 1223/2009, and restricting the use of triclosan as a preservative in cosmetics, by amending Annex V.	Protection of human health
G/TBT/N/EU/158 7 October 2013	Fresh, chilled and frozen meat, meat of animals	This draft Commission Regulation concerns mandatory rules for origin labelling of fresh, chilled and frozen meat of swine, sheep, goats and poultry	Consumer information
G/TBT/N/EU/159	Ventilation units.	This draft Commission Regulation sets minimum energy efficiency	The aim is to remove the worst

10 October 2013		requirements, maximum sound power levels, and information requirements for ventilation units, as there exists a cost-effective potential to limit their energy consumption and to increase the space heating energy savings. In accordance with Ecodesign Directive 2009/125/EC, products not meeting these requirements will not be allowed to be placed on the EU market. The draft Regulation is based on the findings of a technical, environmental and economic study which has been carried out with stakeholders.	performing ventilation units from the market- thereby pushing the market towards more environmentally friendly ventilation units. It will contribute to the fight against climate change and to increase the energy efficiency in the EU.
G/TBT/N/EU/160 10 October 2013	Residential ventilation units.	The draft Commission Delegated Regulation establishes requirements for the energy labelling and the provision of product information of residential ventilation units. The draft Commission Delegated Regulation is based on the findings of a technical, environmental and economic study which has been carried out with stakeholders.	The aim is to allow end-users to make an informed choice when buying residential ventilation units - thereby pulling the market towards more environmentally friendly residential ventilation units. It will contribute to the fight against climate change and the increase of energy efficiency in the EU
G/TBT/N/EU/161 25 October 2013	Biocidal products.	This draft Commission Implementing Regulation approves Transfluthrin for use in biocidal products for product-type 18.	Harmonisation of the EU market on biocidal products; Protection of human health and protection of the

			environment
G/TBT/N/EU/162 25 October 2013	Biocidal products	This draft Commission Implementing Regulation approves lauric acid for use in biocidal products for product-type 19.	Harmonisation of the EU market on biocidal products; Protection of human health or safety; Protection of the environment
G/TBT/N/EU/163 28 October 2013	Biocidal products	This draft Commission Implementing Regulation approves cyproconazole for use in biocidal products for product-type 8.	Harmonisation of the EU market on biocidal products; Protection of Human health or Safety; Protection of the environment
G/TBT/N/EU/164 28 October 2013	Biocidal products	Draft Commission Implementing Regulation approving synthetic amorphous silicon dioxide as an existing active substance for use in biocidal products for product-type 18	Harmonisation of the EU market on biocidal products; Protection of Human health or Safety; Protection of the environment
G/TBT/N/EU/165 28 October 2013	Biocidal products	This draft Commission Implementing Regulation approves ethyl butylacetylaminopropionate for use in biocidal products for product-type 19.	Harmonisation of the EU market on biocidal products; Protection of Human health or Safety; Protection of the environment
G/TBT/N/EU/166 28 October 2013	Biocidal products	Draft Commission Implementing Regulation approves copper pyrithione for use in biocidal products for product-type 21	Harmonisation of the EU market on biocidal products; Protection of Human

			health or Safety; Protection of the environment.
G/TBT/N/EU/167 28 October 2013	Biocidal products	This draft Commission Implementing Regulation approves 4,5-Dichloro-2-octyl-2H-isothiazol-3-one for use in biocidal products for product-type 21.	Harmonisation of the EU market on biocidal products; Protection of Human health or Safety; Protection of the environment
G/TBT/N/EU/168 31 October 2013	.	The proposal for a regulation establishes rules for restriction to the free movement of new psychoactive substances in the EU. This instrument sets out the principle of free movement of new psychoactive substances, but only for commercial and industrial uses as well as for scientific research and development purposes. It then introduces rules for the adoption of restrictions to this free movement at the EU level, which are graduated, proportionate and calibrated to the risks that substances pose, and which ensure that legitimate uses of the substances and research are not unduly hindered. According to the proposed rules, when a substance raises concerns across the European Union because of health, social and safety risks that it poses when consumed by humans, the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) and Europol drafted a joint report on this substance. On the basis of this	This proposal for a Regulation aims at ensuring that the health and safety of individuals are protected from harmful new psychoactive substances, and that trade in these substances having industrial and commercial uses is not hindered and the functioning of the EU internal market is improved

		joint report, the Commission decides whether to request a scientific risk assessment of the substance. If the joint report shows that the substance poses immediate risks to public health (for example, it is highly toxic and is causing fatalities across Europe), the Commission can also subject it to temporary market restriction. This will forbid the sale of the substance to consumers for one year, but legitimate uses of the substance (for instance in industry or in research) will not be affected. In this way, consumers are protected during the risk assessment of the substance, while industrial, commercial or scientific uses of the substance are not impeded. Once the risks of the substance have been assessed, action will be taken depending on its level of risk. The EU can: (i) take no action, if the substance poses low risks; (ii) ban the substance from the consumer market if it poses moderate risk: this will forbid the sale of the substance to consumers, but legitimate uses of the substance will not be affected; or (iii) ban the substance from the consumer market as well as restrict its commercial and industrial uses (specifically authorised uses will remain allowed), if it presents severe risks. Criminal measures, introduced at national level, would accompany the ban on severe-risks substances. Member States will have	

		to adopt within one year the necessary national provisions to subject the substance to the criminal law provisions applicable to illicit drugs.	
G/TBT/N/EU/169 15 November 2013	Biocidal Products	This draft Commission Implementing Decision excludes certain active substances from the European Union positive list of active substances, which may be used in biocidal products	Harmonisation of the EU market on biocidal products; Protection of Human Health or Safety; Protection of the Environment
G/TBT/N/EU/170 9 December 2013	Construction products in the meaning of Article 2(1) of Regulation (EU) No. 305/2011	This draft Commission Delegated Regulation proposes to adapt the model set out in Annex III to Regulation (EU) No. 305/2011 in order to fulfil three main objectives: first, to allow the flexibility required by different kinds of construction products and manufacturers, including response to technological progress; second, to simplify the declaration of performance; and third, to provide further instructions to manufacturers in order to help them draw up the declaration of performance in line with applicable legislation.	The adoption of the draft notified measure would facilitate the drawing up of declarations of performance by manufacturers, empower them to adapt these documents to their particular needs or uses, make these declarations of performance shorter, more user-friendly and understandable. All these should both reduce administrative burden and increase clarity on the information concerning construction products covered

			by declarations of performance.
G/TBT/N/EU/171 13 December 2013	Food	This draft Commission Regulation concerns the amendment of the Regulation (EC) No. 983/2009 concerning the conditions of use authorised for two health claims related to the effects of plant sterols and plant stanol esters on the lowering of the blood cholesterol, and the amendment of Regulation (EU) No. 384/2010 concerning the conditions of use authorised for one health claim related to the effects of plant sterols/plant stanol esters on the lowering of the blood cholesterol, in order to reflect the magnitude of the effect.	The proposed measure is a Commission Regulation for the health claims referred to above under point 6 that have been assessed by the European Food Safety Authority (EFSA) to be scientifically substantiated. The proposed amendments take into account the scientific opinions given by the European Food Safety Authority and also other legitimate factors in order to ensure that such health claims referring to the magnitude of the claimed effect are authorised in a way that would not mislead the consumer, and that their conditions of use are set in a coherent way.
G/TBT/N/EU/172	Agricultural	The draft Commission Delegated	The purpose of

16 December 2013	products	Regulation with regard to conditions of use of the optional quality term "mountain product" concerns the provisions supplementing certain non-essential parts of Regulation (EU) No. 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs.	this draft Regulation is to lay down derogations from the conditions of use of the optional quality term "mountain product" and other criteria relevant for its application. The use of the term "mountain product" aims at providing mountain producers with an effective tool to better market their product and at reducing the actual risks of consumer confusion as to the mountain provenance of products in the market place.
G/TBT/N/EU/173 16 December 2013	Fenbutatin oxide (pesticide active substance)	The draft provides that fenbutatin oxide ceases to be included in the positive EU list of approved active substances and that Member States have to withdraw authorisations for plant protection products containing that substance. This draft Decision only concerns the placing on the market of this substance and does not affect the Community or national	Regulation (EC) No. 1107/2009 of the European Parliament and of the Council concerning the placing of plant protection products on the market and repealing

		Maximum Residue Levels (MRLs) for residues of the concerned pesticide.	Council Directives 79/117/EEC and 91/414/EEC, sets up a harmonised framework for the authorisation and placing on the market of plant protection products in order to protect human health and the environment. Fenbutatin oxide is a substance that has been approved through Commission Directive 2011/30/EU under the condition that the notifier submits, within defined deadlines, additional confirmatory information as regards the genotoxic potential and ecotoxicological relevance of impurities. In addition, information was requested as regards the characteristics of the formulated product. That information failed to be

			submitted and, as a consequence, it is appropriate to withdraw the current approval. A grace period for placing on the market, disposal, storage and use of existing stocks of plant protection products containing fenbutatin oxide may be allowed by Member States, in accordance with the provisions of Article 46 of the Regulation, but shall not exceed 18 months, as from the entry into force of this draft Implementing Regulation.
G/TBT/N/EU/174 18 December 2013	Agricultural products intended to be marked as organic in the EU.	Commission Regulation (EC) No. 889/2008 defines among other things, detailed rules on fertilisers, soil conditioners and nutrients, plant protection products and feed that may be used in organic production. The proposed amendments update the correspond Annexes with those substances that may be authorised as fertilisers, soil conditioners, nutrients, plant protection products or feed materials and feed additives.	The objective of this implementing Regulation is to update the list of the substances that may be used in organic production

G/TBT/N/EU/175 20 December 2013	Chemical substances	This draft Commission Regulation aims at amending Annex XIV of the REACH Regulation. Annex XIV lists the substances which are subject to the authorisation requirement laid down in Title VII of the REACH Regulation. The draft proposes to include nine additional substances in that Annex, namely formaldehyde, oligomeric reaction products with aniline (technical MDA); arsenic acid, bis(2-methoxyethyl) ether (diglyme), 1,2-dichloroethane (EDC), 2,2'-Dichloro-4,4'-methylenedianiline (MOCA), dichromium tris(chromate), strontium chromate, potassium hydroxyoctaoxodizincatedichromate and pentazinc chromate octahydroxide. Once the draft regulation is adopted and enters into force, the placing on the market and the use of those substances in the EU will only be possible, after the date specified for each substance ("sunset date"), for those operators who have been granted an authorization in accordance with Articles 60-64 of REACH, and for those who have submitted an application for authorisation before a given date ("latest application date") but a decision has not yet been adopted.	The objective of this draft Regulation is to subject nine substances of very high concern to the authorisation requirements laid down in the REACH Regulation. According to Article 55 of REACH, the aim of the authorisation provisions is "*to ensure the good functioning of the internal market while assuring that the risks from substances of very high concern are properly controlled and that these substances are progressively replaced by suitable alternative substances or technologies where these are economically and technically viable.*"

ANNEXURE C

SANITARY & PHYTOSANITARY MEASURES

Notification/ Date of	Product	Description	Objective

Notification			
G/SPS/N/EU/57	Materials and articles in contact with food including catering containers and materials and articles in contact with drinking water	The proposed Commission Regulation is amending and correcting Commission Regulation (EU) No. 10/2011 on plastic materials and articles intended to come into contact with food. Regulation (EU) No. 10/2011 of 15 January 2011 is a specific Regulation within the meaning of the framework Regulation (EC) No. 1935/2004 which sets out the main principles and procedures applicable to food contact materials. The proposed Commission Regulation is updating the Union list in Annex I to Regulation (EU) No. 10/2011. It includes two new substances with a favourable assessment by the European Food Safety Authority (EFSA) for their use in plastic materials and articles intended to come into contact with food. It corrects a mistake in the listing of one substance.	Food safety
G/SPS/N/EU/58	Invasive alien species	The proposed draft Regulation is a new legislative act which aims to address the issue of invasive alien species (IAS) by establishing a framework for action to prevent, minimise	Animal health, Protect humans from animal/plant pest or disease,

		and mitigate their adverse impacts on biodiversity and ecosystem services. Furthermore, it seeks to limit social and economic damage of IAS. This will be achieved through measures on IAS considered to be of EU concern, with a particular focus on preventing their introduction and spread into the European Union. Early warning and rapid response measures as well as management measures are also included. When it comes to measures to eradicate or control animals, the proposed draft Regulation makes reference to the Guiding Principles on Animal Welfare developed by the World Organization for Animal Health (OIE).	Protect territory from other damage from pests.
G/SPS/N/EU/59	Raw milk, dairy products, colostrum and colostrum based products	This Commission Implementing Regulation amending Regulation (EU) No. 605/2010 will allow the import of colostrum and colostrum based products from non EU countries which are, prior to import, free from foot-and-mouth disease (FMD) without vaccination for a period for at least 12 months and are listed in column A of Annex I to Regulation (EU) No. 605/2010.	Food safety, Animal health

G/SPS/N/EU/60	Numerous commodities under chapter 44 (Wood and articles of wood; wood charcoal)	This draft legislative proposal introduces amendments to the Annexes of the EU Plant Health Directive (Council Directive 2000/29/EC) listing the EU regulated harmful organisms (quarantine plant pests) as well as to the Annexes laying down provisions for the introduction into, and movement within, the Union of plants, plant products and other objects. Import requirements for plants or plant products of the following plant orders/families/genera/species are introduced or are amended: *Acer saccharum* Marsh., *Aegle* Corrêa, *Aeglopsis* Swingle, *Afraegle* Engl, *Amyris* P. Browne, *Apium graveolens* L., *Atalantia* Corrêa, *Balsamocitrus* Stapf, *Burkillanthus* Swingle, *Calodendrum* Thunb., *Capsicum* L., *Casimiroa* La Llave, *Castanea* Mill., *Choisya* Kunth, *Citropsis* Swingle & Kellerman, *Citrus* L., *Clausena* Burm. f., *Coniferales* (conifers), *Dendranthema* (DC) Des. Moul., *Dianthus* L., *Eremocitrus* Swingle, *Eryngium* L., *Esenbeckia* Kunth., *Ficus* L., *Fortunella* Swingle, *Fraxinus* L., *Glycosmis* Corrêa, *Gypsophila* L.,	Plant Protection

		Hibiscus L., *Juglans* *ailantifolia* Carr., *Juglans mandshurica* Maxim., L., *Limnophila Limonia* L., *Manihot* *esculenta* Crantz., *Medicago sativa* L., *Merrillia* Swingle, *Microcitrus* Swingle, *Momordica* L., *Murraya* J. Koenig ex L., *Naringi* Adans., *Ocimum* L., *Orchidaceae*, *Pamburus* Swingle, *Pelargonium* l'Hérit. ex Ait., *Platanus* L., *Poncirus* Raf., *Populus* L., *Pterocarya rhoifolia* Siebold & Zucc., *Quercus* L., *Severinia* Ten., *Solanum melongena* L., *Solidago* L., *Swinglea* Merr., *Tetradium* Lour., *Toddalia* Juss., *Triphasia* Lour., *Ulmus davidiana* Planch., *Vepris* Comm, *Vitis* L. and *Zanthoxylum* L. Further modifications of import requirements concern the following general classes of plants: plants intended for planting, plants with roots and plants of herbaceous species. The following harmful organisms are added to the list of EU quarantine pests: *Agrilusanxius* Gory, *Anthonomus eugenii* Cano, *Dryocosmus kuriphilus* Yasumatsu and *Thaumatopoea processionea* L. The following organisms are	

		deleted from the list of EU quarantine pests (deregulation): *Ciborinia camelliae* Kohn, Citrus vein enation woody gall and *Monilinia fructicola* (Winter) Honey.	
G/SPS/N/EU/61	Cereals, foodstuffs of animal origin and certain products of plant origin, including fruit and vegetables	These notified annexes to the draft Regulation set proposed maximum residue levels (MRLs) for acibenzolar-S-methyl, ethoxyquin, flusilazole, isoxaflutole, molinate, propoxycarbazone, pyraflufen-ethyl, quinoclamine and warfarin in Annexes II and V to Regulation (EC) No. 396/2005.	Food safety
G/SPS/N/EU/62	Citrus fruit	Restriction on the import of citrus fruit from South Africa, allowing only the import of citrus fruit originating in pest free areas for citrus black spot officially recognised by South Africa for citrus fruit produced during the 2012-2013 growing season.	Protect territory from other damage from pests.
G/SPS/N/EU/63	Cereals, foodstuffs of animal origin and certain products of plant origin, including fruit and vegetables	These notified annexes to the draft regulation propose maximum residue levels (MRLs) for ethoxysulfuron, metsulfuron-methyl, nicosulfuron, prosulfuron, rimsulfuron, sulfosulfuron and thifensulfuron-methyl to be set in Annex II to Regulation (EC) No.	Food safety

		396/2005. MRLs for these substances in certain commodities are changed: either increased or lowered. Higher MRLs are set to accommodate new uses in the European Union and in third countries which export those commodities to the European Union. Lower MRLs are set after updating the limit of determination and/or deleting old uses which are not authorized any more in the European Union or for which there is not enough data for an MRL to be set.	
G/SPS/N/EU/64	Novel foods	The proposed regulation repeals Regulation (EC) No. 258/97 on Novel Foods. It creates in the European Union (EU) a centralised authorisation system, with a scientific risk assessment based on food safety and a Commission authorisation decision for the placing of novel foods on the EU market. It provides greater certainty, simplifies and speeds up the authorisation process for applicants thereby reducing administrative burden and costs. The proposed regulation also introduces an appropriate authorisation process for foods, which are new in the European Union but are traditional in third countries. If a history of safe food use can	Food safety

		be demonstrated in a third country and there are no food safety objections from the European Food Safety Authority (EFSA) or EU member States, the food will be allowed to be placed on the EU market on the basis of a notification from the third country's food business operators	