FIFTH REPORT ON POTENTIALLY TRADE RESTRICTIVE MEASURES

TRADE

EUROPEAN COMMISSION

Fifth report on potentially trade restrictive measures

in the context of the global economic crisis

for the 133 Committee

November 2009

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Executive summary

This fifth monitoring report takes stock of the potentially trade restrictive measures introduced between October 2008 and October 2009 by the European Union's (EU) major trade partners and looks at them in a more analytical way. It brings together and builds on elements elaborated and analysed in the previous versions of this report, with a view to provide, as much as possible, a comprehensive picture of trade restrictive trends from the EU's perspective since the beginning of the economic crisis.

September 2009 has marked one year since the outbreak of the financial crisis. It swiftly spurred into the real economy, severely affecting both the macroeconomic situation of many countries as well as the wealth and employment of ordinary citizens around the globe. A major contraction of the global economy prompted all players to search for solutions that would avoid major damage to domestic markets, prevent decrease of production and job losses.

As the financial crisis unfolded, rapidly turning into a global economic downturn, we have witnessed increased state intervention in the financial markets and the real economy through subsidies, bail-outs and other types of guarantees to prevent major industries and the banking sector from collapsing. However, such assistance has borne the risk of protectionist impact on the economy, distorting competition and trade, and thereby further exacerbating the economic crisis. In addition, as trade flows decreased even more significantly than global output, questions appeared as to whether trade has contributed to the crisis or fell victim of it. Comparisons with the Great Depression of the 1930s quickly emerged in the public discourse, followed by concerns about repetition of the same mistakes, notably protectionism and beggar-thy-neighbour policies, which at the time led to an almost complete halt of the global economy, collapse of trade and significantly delayed a return to economic growth.

In this context global leaders of the G-20 swiftly drew the lessons of that historical account. It has become clear that revival of trade, in itself an important barometer of the global economy's health, is necessary for the recovery and needs to be part of the solution. The G20 leaders recognised this potential and pledged in November 2008 that *"within the next 12 months, [they] will refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organisation inconsistent measures to stimulate exports".* This pledge was further extended in April 2009 to the year 2010. Importantly, the G-20 economies pledged to *"rectify promptly any such measures".* At the recent G-20 summit on 25 September 2009 in Pittsburgh the leaders further committed to maintain stimulus measures in place only as long as sustainable recovery is not achieved, and reaffirmed once again their engagement not to impose new barriers to trade and investment. They further pledged to rectify the new measures imposed and to *"seek an ambitious and balanced conclusion of the Doha Development Round in 2010".*

Hence, DG Trade began to monitor potentially trade restrictive and trade distortive tendencies as a follow-up to the G-20 commitments and has developed this exercise in parallel to the monitoring efforts undertaken by the World Trade Organisation (WTO). While DG Trade's monitoring exercise only focuses on measures introduced by the EU's trading partners, the EU remains committed to global leadership in the international response to the financial and economic crisis and reiterates its firm engagement to openness and transparency in order to encourage trade and economic growth. In this respect, the EU continues to actively contribute to global monitoring exercise undertaken by the WTO, including by providing information on measures adopted at EU and Member States level.

During the last year, the monitoring exercise proved its usefulness in exhorting peer pressure and assessing the extent to which the major world economies respect the pledges made. It has now become clear that not all G-20 countries have entirely respected the commitments they undertook and this breach has posed an additional burden on the ailing economies. At the same time, it can be noticed that the fears of widespread protectionism have not materialised.

Since the start of the summer (i.e. nine months into the crisis) global trade has begun to stabilise in tandem with the first indications that the slump in global economic activity is bottoming out. The available data show that in August global trade volumes were 2.6% above the lowest point since the start of the crisis of May 2009. However, world trade volumes were still 15.5% below their level in August 2008 (and almost 18.1% their peak of April 2008). Trade activity is due to continue to gradually recover but the slow demand growth in industrialised countries will continue to have a dampening effect on global trade for some time to come. The latest IMF forecasts point to an increase in global trade activity of only 2.5% in 2010 following a sharp drop of 11.9% in 2009.

The analyses that have been done so far with the trade data available identify the simultaneous collapse in demand across the largest world economies as a key determinant of the decline in trade. The fact that the demand slump hit hardest goods (notably transport equipment and other investment goods) that make up a large share of global trade exacerbated further the decline of the latter. The fall in trade values was further fuelled by the sharp decline in the prices of energy and raw materials from their 2008 peak. The drying up of short-term trade finance in the fall of 2008 (the reduction in supply as banks struggled to reduce their risk exposure coupled by the increase in prices due to a sharp reduction in liquidity in interbank markets) also had a negative impact on trade. The only study to date that goes beyond macroeconomic and sectoral analysis shows that during the crisis the firms (in this case French exporters) that were more dependent on external financing sources were the hardest hit[1]. This provides additional evidence pointing to the general conclusion that the fall in world trade was primarily a reaction to the financial and related credit crisis and not driven by trade policy initiatives.

Although new trade restrictive and distortive policy initiatives have been implemented since the start of the crisis, a widespread and systemic escalation of protectionism has been prevented.

Close monitoring of potentially trade restrictive measures revealed that identification and quantification of such measures is not an easy task. Trade restrictive measures are a very heterogeneous category which ranges from measures that apply to one specific product to measures affecting all trade in a horizontal manner. Therefore it is important to keep in mind not just the number of measures but also their scope in terms of product coverage, before making an assessment of the impact on trade. Furthermore, for horizontal measures it is difficult to assess the exact range of products they impact on. Another difficulty lies in the fact that not all measures that occurred in the past months and categorised as trade distortive have been adopted with such an intention. Sometimes, their introduction in the given timeframe was a result, for example, of a lengthy internal legislative process whose outcome merely coincided with the crisis. In some cases, other considerations than the economic crisis may have played a role in introducing a restriction on trade. The latter considerations led to the exclusion from the Commission's monitoring report of measures adopted in the sanitary and phytosanitary (SPS) domain; indeed qualifying SPS measures as introduced in response to the economic crisis would largely amount to a speculation.

Against this background, the following overall conclusions can be drawn from the past year's monitoring exercise.

[1] See "Firms and the global crisis: French exports in the turmoil", by Bricongne, J.C., L. Fontagné., G. Gaulier G., D. Taglioni, and V. Vicard, forthcoming.

- It appears that the sharp drop in world trade was above all a reaction to the financial and related credit crisis and not driven by trade policy initiatives. The simultaneous collapse in demand across the largest world economies was a key determinant of the decline in trade and was amplified by the globalisation of the world economy.

- All in all, in October 2009 roughly 223 trade restrictive measures are reported as planned or introduced since October 2008[2]. But a protectionist worst-case scenario has been avoided as the measures taken so far are rather limited in scope, relative to fears and previous experience with economic downturns. History tells us that protectionist measures are not part of a coherent policy mix for economic recovery. Indeed, it is by keeping markets open and trade flowing that the prospects for a rapid return to economic growth and prosperity are maximised.

- Some G-20 members continue to impose potentially trade restrictive measures and a domino effect remains a real threat. However, thanks to the globalised nature of the world economy and the continuous fight against protectionism at the political level, proliferation of the kind of beggar-thy-neighbour protectionist policies of the 1930s has been prevented. The current multilaterally based world trade system seems to have passed one of the most serious stress tests in its entire history.

- The use of border measures in response to the crisis has been clearly contained given the existing WTO disciplines that had a notable restraining effect. Nonetheless the import restricting border measures that have been adopted (including tariffs, quotas, licenses, reference prices, and import bans) could still potentially affect around 5.2% of EU exports.

- At the same time other types of behind-the-border trade restrictions have multiplied in the areas where WTO rules are less stringent. The specific trade impact of such measures would require more detailed analysis on an individual basis grounded on extensive information about their specific design. However, there are reasons for concern about these measures given their pervasiveness and lack of legal instruments to challenge their use. All in all, with regard to both border and behind-the-border measures, the trend detected in the past year has been confirmed in that the majority of measures introduced concentrate on key sectors for European economy, such as steel, automotives, agriculture and food, and textiles.

- As regards the timeline, imposition of new measures accelerated in December 2008, and this trend was upheld until July 2009. Since August 2009 we have noted a downward trend in introduction of new obstacles. However, only few potentially trade restrictive measures have been rectified in the past year, even if certain countries have undertaken efforts toward greater trade facilitation, followed at times by minor tariff reductions for selected products.

- The risk that certain measures remain in place as the crisis retreats continues to be serious, in particular for countries that stay outside the WTO framework. Adherence to the G-20 commitment made in Pittsburgh to rectify the measures introduced will be an important litmus test. The economy's path to recovery is by no means straightforward and predictable, with significant burden on national budgets and employment likely to last for months if not years to come.

- Many of the potentially trade restrictive and trade distortive measures have been introduced in areas where WTO rules are either weak or non-existent. This is in particular the case with regard to measures affecting public procurement. Similar concerns relate to the few measures identified as obstacles to investment.

[2] It has to be noted that throughout the year some measures have meanwhile been removed, some merely introduced an update of an existing measure. The above figure reflects the situation as for October 2009.

- Trade defence instruments seem to have been used by certain WTO Members in an accelerated manner in the context of the crisis, thereby prompting concerns of a protectionist application of otherwise legitimate WTO instruments. This trend has levelled off from the EU perspective. Further vigilance will be necessary, as countries strive to protect domestic production and industries from distress.

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The structure of this report is as follows: chapter 1 sets out the new measures introduced since September 2009, including an overview of regional and sectoral trends. Chapter 2 takes stock of developments regarding potentially trade restrictive measures since the outset of the crisis in September 2008. Finally, chapter 3 provides some conclusions on the economic effects of the crisis on trade as well as on the impact of the policy responses chosen.

I. Recent developments: new measures reported in key trade partner countries

Since the last report on potentially trade distortive measures, new relevant developments have been identified in several countries. 45 new measures[3], have been reported. Out of them, 41 are trade restrictive and 4 have a sectoral support character. Some measures have been introduced earlier but have come into the spotlight only recently. Furthermore, the scale and impact of new measures are different in each case.

Tendencies previously identified in our reports are presently confirmed, such as the 'snow-ball effect' of potentially trade restrictive legislations, retaliatory behaviour or domestic tendencies to push for 'save jobs' legislations. The risk of a 'domino effect' is noted again; there is still the danger of some countries initiating a spiral of retaliatory behaviour.

Argentina and Russia have yet again introduced the majority of new potentially trade restrictive measures, again focusing on tariff increases, import licences and reference prices. For the recent reporting period, Argentina has also taken the lead in the number of TDI investigation initiations and measures.

Ukraine is considering further measures after the expiry of the 13% surcharge on cars and refrigerators on 7 September 2009, following international pressure strongly voiced both bilaterally and in the WTO. Various proposals are being discussed in the different parliamentary committees, including a temporary charge on agricultural products and a temporary automobile charge (to apply to transport vehicles and, presumably, parts of them). The Parliament is also to discuss a framework law, which would allow for introduction of surcharges on a variety of products in case of future balance of payments' instability. The trade restrictive character of the above initiatives remains uncertain as long as final proposals are not discussed in the Parliament.

As an illustrative example of a worrisome domino effect, shortly after the USA imposed safeguard measures against imports of certain tyres from China, China has initiated an anti-dumping and an anti-subsidy investigation against imports of poultry from the USA and is likely about to do the same on cars. If this was a reaction to the measures imposed by the USA, it would have to be considered a clear threat for global trade and its multilateral trading system. China did however also request WTO consultations on the measures on tyres. This is the most appropriate and the only acceptable way to resolve such disputes.

Table 1. New potentially trade restrictive and/or distortive measures *reported* since September 2009[4]

Country	Date of adoption	Measure
Algeria	01/2009	Introduced measures restricting imports of a certain number of products such as drugs in order to “protect the local pharmaceutical industry” (list of 450 drugs) linked with intellectual property rights protection.
		Restriction on exports (metal scrap, leather and cork), and prohibition to export subsidized agricultural and food products: cereals (wheat and barley), flour and milk.

[3] Without the updates to previously mentioned measures.

[4] New and updated (including confirmed) measures reported since September 2009. The list of new measures is in country alphabetical order. A detailed description can be found in the annex of the report. *Measures not yet implemented are marked in italics.*

	10/2009	Measure related to services (access to ports): it is no longer possible since 1 October 2009 to use the port of Algiers for non-container shipments, including cars. As a result, all non-container sea freight going to Algeria must clear customs and be picked up and removed in other Algerian ports, which adds delays and costs to the import procedures.
Argentina	21/08/2009	Import licenses for some auto parts, those of more than 12 volts or 28mA.
	28/07/2009	Reference price set for imports of embroideries (8544.11.00) from South-east Asia, MERCOSUR, Ecuador, Chile and Colombia.
	03/09/2009	Setting reference values for imports of wire (from China, Hong Kong, Korea, The Philippines, South-east Asia, MERCOSUR, Ecuador, Chile, and Colombia.
	03/09/2009	Setting reference values for imports of gloves from China, Hong Kong, Korea, The Philippines, South-east Asia, India, Pakistan, etc.
	10/09/2009	Setting a minimum FOB value for imports of colorants and pigments from China and India.
	16/09/2009	Setting a minimum FOB value for imports of glass fiber from New Zealand of USD 1.525 (uncoated) and USD 3.28 per kg (coated)
	19/09/2009	Setting a minimum FOB value for imports of pneumatics tyres for bicycles made by HWA FONG RUBBER Company from China and Thailand at USD 2.59 per kg.
	18/09/2009	A minimum FOB value for imports of compact disks from Paraguay at USD 0.25 per unit
Canada		'The ice cream initiative': The programme will give dairy processors a rebate on their cost of buying Canadian milk products to encourage Canadian dairy processors to use 100% Canadian dairy products in the manufacture of ice cream.
	Under consideration	*Proposed decision on domestic content in Ontario's Green Energy Act and Feed in Tariff (FIT) program*
China	14/09/2009	Announced anti-dumping investigation on "certain imported automotive products and certain imported chicken meat products originating from the US" to determine if they were being subsidized or dumped below cost in the Chinese Market.
	Under consideration	*Support measures in favour of the tyre industry and its upstream and downstream processing announced in the press in the wake of the US decision to impose special safeguard measures on tyres imported from China.*
		Published the rare earth export quota for foreign companies for the second semester 2009 with a 2 months delay. Announcements on the development by the Chinese government of a "Rare Earths Industry Development Plan in 2009-2015" (not released yet) that may tighten

		administration on production and exports of rare earths in the next six years.
Egypt	24/09/2009	Export ban on rice extended for another year until October 2010.
	2009	Implementation of the fiscal package aimed at addressing the economic crisis
India	20/08/ 2009	India initiated one more safeguard case on caustic soda (2815).
	10/09/2009	India moved electrical energy to restricted list of products requiring an import licence.
Indonesia	31/08/2009	Regulation by the Indonesian Food and Drug Safety Agency (BPOM) stipulates restrictions (complete ban or emergency/safety/quality requirement) on marketing licenses and labeling requirements for drugs, traditional drugs, food supplements, cosmetics and food that are sourced from, or contain un-Halal substances and/or contain alcohol.
	07/2009	*Law on Trade: large companies are prohibited from selling products and services directly to consumers and have to use a distributor.*
	Under consideration	*Planned export duty on cocoa ores and other commodities such as rubber, palm oil, coffee and sugar*
Mexico	02/2009	'Made in Mexico' campaign to promote Mexican exports and increase internal consumption of Mexican-made products.
	01/2009	25-point economic plan to mitigate the crisis
Russia	20/08/2009	Confirmed introduction of tariffs on the tariffs on aircraft spare parts, equipment/ units (also mock-cockpits), by Decree No. 679, entered into force as of 21 September 2009. This confirms earlier tariffs of 2008, introduced originally for the period of 9 months.
	14/09/2009	Confirmed import duty of 15% but no less than € 0.12 per 1 kg on polyvinylchloride (up from the 15% duty, without euro component). The duty is in force starting 18 October for the period of 9 months
	14/09/2009	Confirmed import duty of 15% but no less than € 0.07 per 1 kg on hydrate of sodium (before 15%). The duty is in force starting 18 October for the period of 9 months.
	14/09/2009	Decree No. 809 extends for a period of 9 months the tariff on ferrous metals waste and scrap (extends measures of 7 November 2008, Decree No. 813).
	15/09/2009	A temporary import duty, for 9 months, of 5% on the following types of equipment: water boilers, internal combustion engines, air and vacuum pumps etc.
	09/10/2009	Decree No. 807 extends for a period of 9 months import duties on certain types of cars.

	21/10/2009	Confirmed increase of import duty on snow vehicles, raised from 5% to 10%
	21/10/2009	An import duty on ventilating equipment has been increased from 0% to 10% for 9 months.
	28/09/2009	A special duty for 3 years on pipes made of corrosion-resistant steel with the outer diameter up to 426 mm inclusive, at 28.1 % of the customs value.
	04/09/2009	Import duty of 5% (now 0%) on washing machines with the capacity exceeding 10kg, drying machines and ironing machines; import duty of 10% on drying machines (now 5%).
	Under consideration	*Import duty for polycarbonate for optical production (CB code 3907 40 000 1) an import duty of 5% until 1 January 2010, and import duty of 10% from 1 January 2010. The import duty on other polycarbonates will be set at 10% ad valorem.*
	Under consideration	*Restoration of the import duty of 5% on certain types of goods for medical purposes.*
	Under consideration	*Export duties on magnesium waste and scrap at the rate of 20%, but not less than €138 per 100 Kg. Effective since 1 January 2010.*
	Under consideration	*The Government is considering increasing the import tariffs for pesticides (5% to 20%)*
	Under consideration	*The Government is considering increasing the import tariffs for tyres for trucks (from 15% to 25%)*
	Under consideration	*The Government is considering increasing the import tariffs for tyres for passenger vehicles (from 20% to 30%).*
	Under consideration	*The Government is considering the introduction of an import duty of 5% for the drops for contact lenses for the period of 9 months*
	Under consideration	*Further amendments regulating state procurement with view to prioritise the use of Russian goods*
South Africa	*14/08/2009*	*Draft Preferential Procurement Regulations, which seek to align the SA preferential procurement regime with Broad-based Black Economic Empowerment (B-BBEE) law.*
	10/2009	As announced previously South African authorities adopted an increase in import tariffs for 35 categories of imported garments.
Ukraine	*Under consideration*	*Planned framework law on temporary surcharges with regard to the balance of payments' situation*
	Under consideration	*Introduction of a temporary charge of 10 % on agrarian and automobile products is registered in the Parliament.*
	Under consideration	*Moratorium on any rise in prices and tariffs for medicines; price of domestically sold medicines to be fixed by the state with variations foreseen for domestically manufactured and*

		imported medicine
	30/07/2009	Mandatory conclusion of agreements for packaging waste utilisation by importers with one state company remains applied despite amendments introduced.
USA	*Under consideration*	*Financial Services and General Government Appropriations bill: would prohibit inverted companies from receiving funds through contracts with federal government agencies.*
	Under consideration	*The Reciprocal Market Access Act - would instruct US trade negotiators to eliminate foreign market barriers - including non-tariff barriers - before reducing US tariffs.*
	06/09/2009	*Foreign Manufacturers Legal Accountability Act of 2009: aims to further protect U.S. consumers and businesses from injuries caused by defective products manufactured abroad.*
	Under consideration	*Black liquor: cellulosic biofuel producer credits for companies applying cutting-edge technologies for production in the US.*
	Under consideration	Draft bill H.R. 6969 aims to amend the Internal Revenue Code risking unfair tax disadvantages to EU-owned US subsidiaries in the insurance sector.

The following measures, as reported by the Commission's Delegations, ease certain trade restrictions and relate mainly to the elimination of import and export duties. It is important to note that the list is not exhaustive and possibly more measures have been introduced that would fall under this category.

Table 2. Trade promoting measures

Country	Date	Measure
Argentina	18/09/2009	Allows free imports to institutions related to scientific and technological research.
	8/09/2009	Suspended for 60 days application of import licences for the following products: trade and advertising material, pictures-designs and photographs, printed material in general, and electrical transformers
Egypt	20/08/2009	All import duties on sugar (raw and refined) have been abolished until the end of December 2009.
Mexico	08/2009	Mexico consolidated the initiative to exchange of electronic certificates of origin with Colombia, by introducing the necessary modifications in their FTA.
	09/2009	Further modifications to the External Trade legislation were published, in an effort to further deregulate, simplify and reduce import and export procedures.
Russia	5/10/2009	Decree No. 803 establishes import duty of 0% (down from 10%) on stamping machines with programmed numerical control and import duty of 10% (the same rate) on other (stamping machines).
	21/08/2009	Decree No. 696 establishes a zero percent duty on certain types of medical equipment.
	28/08/2009	Decree No. 700 from introduces a zero percent duty on ceramics used to produce catalysers (CAT) for cars.
	19/08/2009	Decree No. 664 extends a zero percent import duty on certain types of LCD screens (codes 8529 90 870 1 and 8529 90 870 2) for the period of nine months.

	5/10/2009	Decree No. 803 of 5 October 2009 effectively reduces the 10% import duty on stamping presses numerically controlled with automatic loading and unloading for stamping body parts, to 0%, and retains the zero rate of import duty for the new CN code 8462 10 100 9 (Other). The measure is applicable for 9 months.
		The Government extended a 0% import duty on certain types of equipment for metal-processing industry.
	Under consideration	*The Government is considering extension of a zero import duty for panel for the equipment classified under CN code 8528.*
	Under consideration	*The government is currently considering establishing a zero-rate import duty on the following types of aircraft:* *- civil passenger aircraft with the capacity not exceeding 50 passenger seats (CN codes 8802 30 000 2 and 8802 40 001);* *- civil aircraft of an unladen weight exceeding 120,000 kg (CN code 8802 40 009);* *- civil cargo aircraft without cargo containers with the top takeoff weight exceeding 370,000kg (CN code 8802 40 009.*

A limited number of measures lifting previous restrictions have been noted as well, however their low number remains overshadowed by the number of introduced measures with a distortive character.

Table 3. Measures lifting previous restrictions

Country	Date	Measure
Argentina	08/09/2009	Argentina suspends for 60 days the application of import licenses for products trade & advertising material (4911.10.90), Pictures-designs & photographs (4911.91.00), printed matter in general (4911.99.00) and electrical transformers (8504.10.00).
	08/09/2009	On September 8, 2009 Argentina suspends for 60 days the application of import licenses (Resolution 61/2009) for products trade & advertising material (4911.10.90), Pictures-designs & photographs (4911.91.00), printed matter in general (4911.99.00) and electrical transformers (8504.10.00).
India	9/09/ 2009	Through Notification 08/2009-2014, India moved carbon black (2803 00 10) and other polyesters (5402 47 00) back to 'Free' list.
	11/08/2009	Through Notification 14/23/2008-DGAD India terminated anti-dumping case on Hot Rolled Steel Products from Romania.
	30/09/2009	India terminated safeguard investigation concerning imports of Acrylic Fibre into India.
Mexico	08/2009	The Mexican Ministry of Economy eliminated 10 year-old antidumping duty on crystal polystyrene originating from the European Union.
	10/2009	Mexican Authorities announced the elimination of antidumping measures (0.24$ per kilo) imposed on crystallised sorbitol originating in France.
	10/2009	Mexican Authorities announced the elimination of antidumping measures imposed on malathion originating in Denmark.

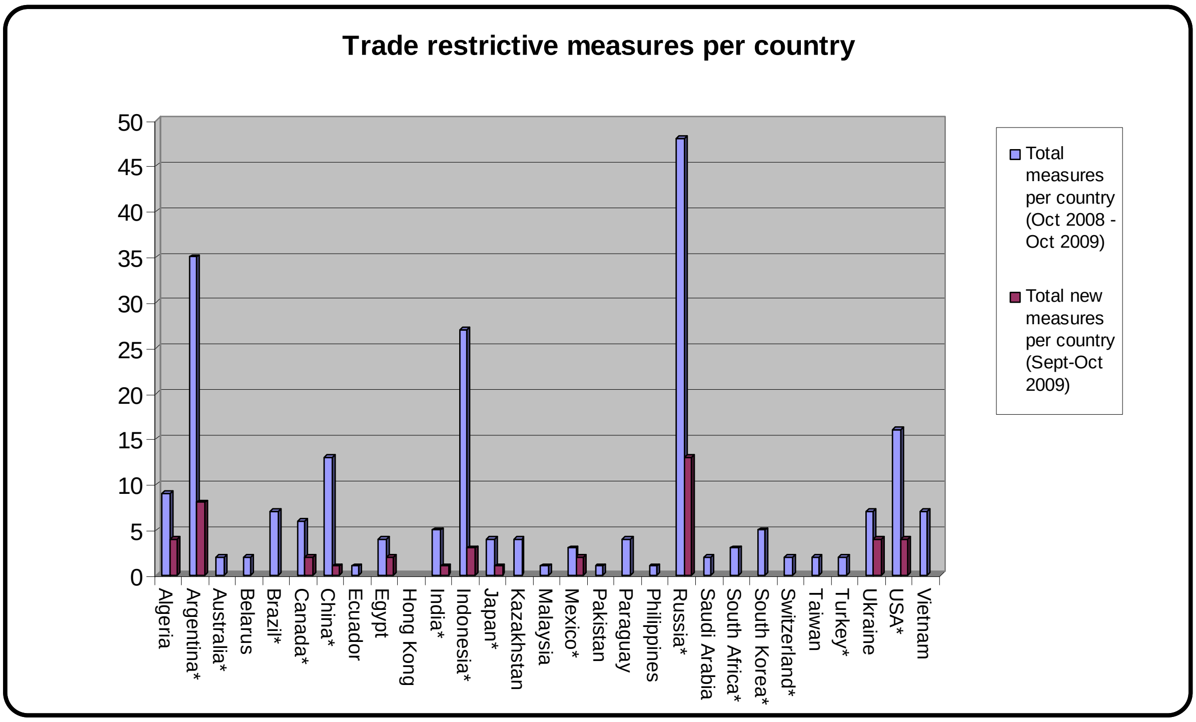
USA		The discriminatory provision in the "Appropriations for Energy and Water Development and Related Agencies Act of 2010" has been removed during the conference process. The amended bill has passed the House and will be considered in the Senate.
		The “National Defense Authorization Act for Fiscal Year 2010” passed both the House of Representatives and the Senate and it does not include 'Buy American' provisions.
Ukraine	7/09/2009	The 13% surcharge on cars and refrigerators has expired on 7 September 2009.
	20/10/2009	Moratorium on any rise in prices and tariffs for medicines

II. Policy responses to the economic crisis 2008-2009

Countries around the world have responded to the crisis through a variety of measures; the type of measure was often linked to the level of economic development and internal budget considerations as well as other circumstances due to the specific export profile of the respective countries. We have thus seen between October 2008 and October 2009 the emergence of classical tariff increases, import and export bans or quantitative restrictions on imports or exports, which directly restrict and distort trade. Other more complex behind- the-border measures that increased trade costs have proliferated as well, including a variety of non-tariff barriers but also government procurement and investment measures, which sometimes explicitly discriminate against foreign goods or companies. Another set of measures, such as export credits, has aimed to correct market failures, while bearing the risk of becoming a distorting type of subsidy. Finally, a number of countries resorted to stimulus packages of various scope and size, aiming at rescuing sectors considered of importance to the national economy that also contained monetary and fiscal measures intended to boost growth and employment.

Table 5 gives an overview of the geographical distribution of potentially trade restrictive measures reported since October 2008. Despite their pledges made in the G-20 context, Russia, Argentina and Indonesia have been top users of trade restrictive measures.

Table 4.



The following table shows that in terms of type of measure introduced, emerging economies have resorted mostly to border barriers, such as tariff increases and other border barriers. However, these countries have also used behind-the-border measures of a varying degree of complexity, such as various certification and standardisation requirements.

On the other hand, the use of stimulus packages or government procurement measures has been most widespread among the OECD countries. However, more complex, potentially trade restrictive measures, such as 'buy local' clauses, applied in public procurement legislations, or potentially trade distortive initiatives through stimulus plans, have also been initiated by other countries, irrespective of their level of economic development.

Table 5. Potentially trade restrictive/ distortive measures by country and type of measure[5]

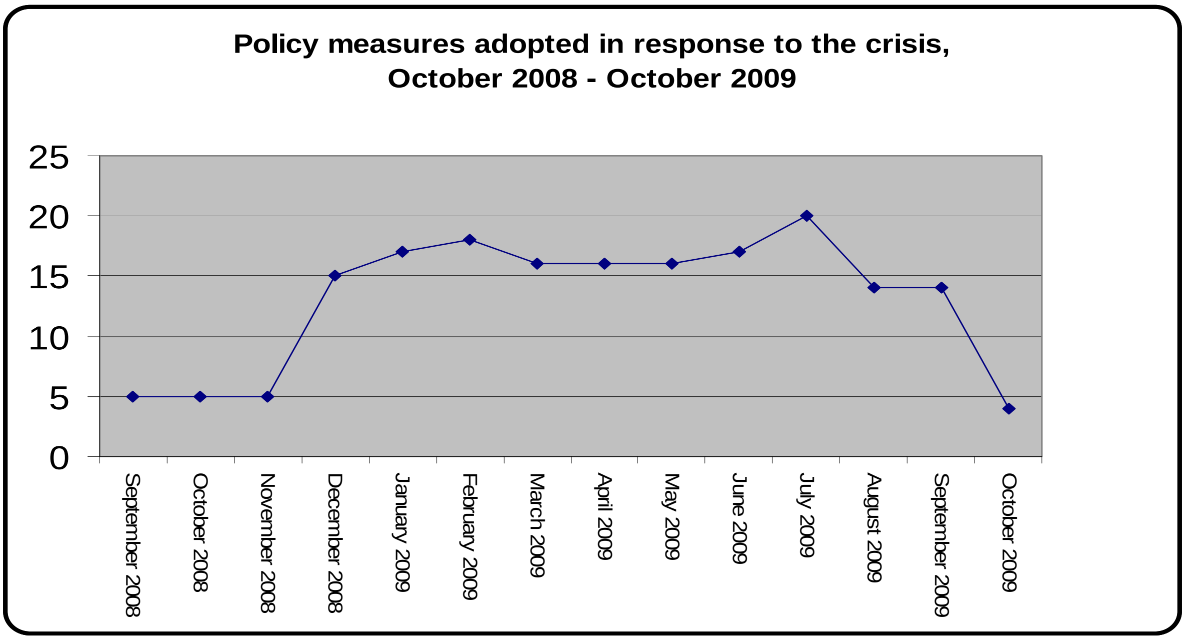
Country	Border barriers	Behind-the-border measures*	Investment barriers	Export restrictions	Measures to stimulate exports	Other measures	Total measures per country (Oct 2008 - Oct 2009)
Algeria	1	4	2	1		1	9
Argentina*	35						**35**
Australia*		2					2
Belarus	2						2
Brazil*	3	1			1	2	7
Canada*		3				3	6
China*	1	2	1	1	1	7	13
Ecuador	1						1
Egypt	1			2	1		4
Hong Kong							
India*	3	1			1		5
Indonesia*	5	14	3	4		1	**27**
Japan*					1	3	4
Kazakhstan	1	3					4
Malaysia		1					1
Mexico*	1					2	3
Pakistan				1			1
Paraguay	4						4
Philippines						1	1
Russia*	35	4	1	2	1	5	**48**
Saudi Arabia	2						2
South Africa*	1	2					3
South Korea*					1	4	5
Switzerland*					2		2
Taiwan					1	1	2
Turkey*		2					2
Ukraine	2	3				2	7
USA*		7	1		1	7	16
Vietnam	4	1				2	7
Total measures by type (Oct 2008 - Oct 2009)	**102**	**50**	**8**	**11**	**11**	**41**	**223**

* G-20 members
# Includes government procurement measures

[5] The table covers all the measures introduced since October 2008. The division of countries has followed the criteria applied by the International Monetary Fund in the World Economic Outlook, October 2009. It has to be noted that some of these measures apply to several sectors; this impact is reflected in Table 8 and in Table 9, which illustrate a sectoral breakdown.

Finally it should also be noted that during the year of monitoring the greatest surge in adopted measures has been observed between January 2009 and July 2009. In addition, the first half of 2009 showed two peaks of increase in the number of adopted measures identified: in February 2009 and July 2009. It seems that transparency and peer pressure created through the G.20 summits in London in April 2009 and in Pittsburgh in September 2009 have played a crucial role in slowing down protectionist tendencies.

Table 6.



In terms of sectoral coverage, over the past year several sectors have been severely affected by potentially trade restrictive measures imposed by EU trade partners. Among those affected most over the past 12 months are agriculture, textiles, automotives and metal (steel) industries.

Table 7.

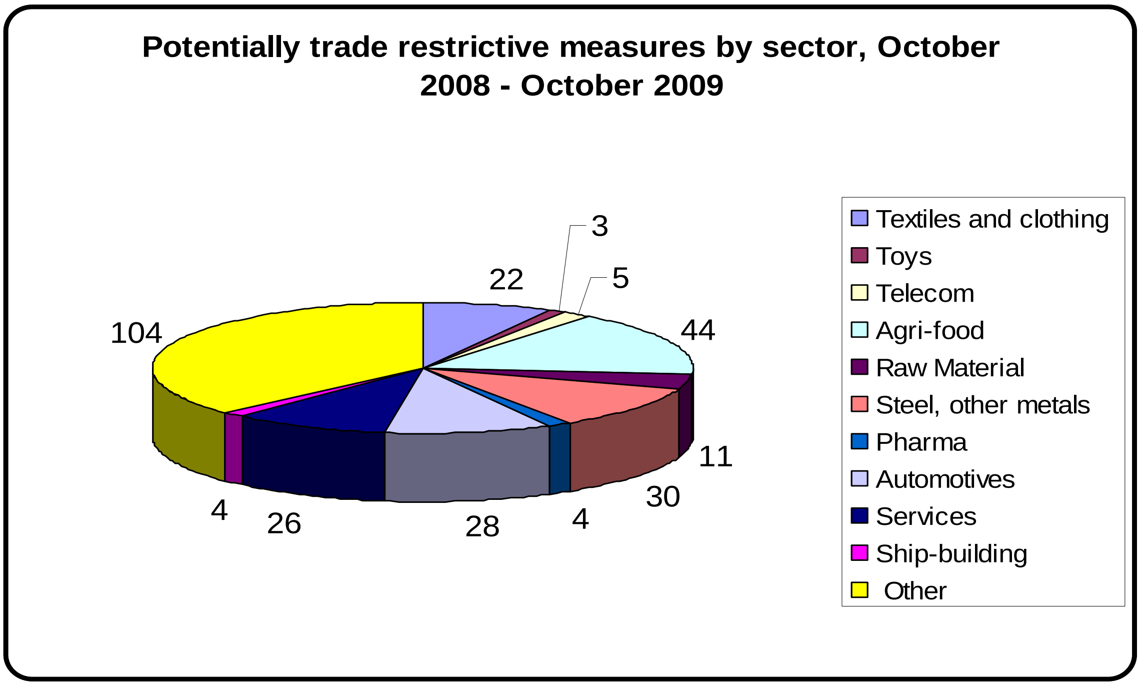


Table 8. Potentially trade restrictive/distortive measures – sectoral coverage[6]

Country	Textiles and clothing	Toys	Telecom	Agri-food	Raw Material	Steel, other metals	Pharma	Automotives	Services	Ship-building	Other	Total per country
Algeria				1					3		2	6
Argentina*	11	1				6		6			17	41
Australia*									1		1	2
Belarus	1			1	1			1			1	5
Brazil*						1				1	3	5
Canada*				3						1	3	7
China*	1		1		1	2		2	2	1	5	15
Ecuador				1				1			4	6
Egypt	1			1		2	1	1	1		1	7
India*	1	1				2		1			3	8
Indonesia*	1	1	4	12	4	3	2	1	7		6	41
Japan*				1				1			2	3
Kazakhstan				1					1		2	4
Malaysia						1						1
Mexico*				1							6	7
Paraguay	1			1							3	5
Philippines											1	1
Russia*	1			12	3	8		7	4		23	58
Saudi Arabia								1			1	2
South Africa*	2										1	3
South Korea*	1					1		1	1	1	6	10
Switzerland*				2								2
Taiwan											1	1
Turkey*											2	2
Ukraine				1		1	1	1	1		3	7
USA*	1			1		2		4	5		4	16
Vietnam				5	2	1					3	11
TOTAL	**22**	**3**	**5**	**44**	**11**	**30**	**4**	**28**	**26**	**4**	**104**	**276**

[6] This table reflects the impact of protectionist measures on different sectors; one measure may have an impact on several sectors, therefore the total number of sectors affected is not equal to the total number of measures introduced. Textile sector also includes: fabrics and yarn, footwear; automotive sector includes: cars, motorbikes, tyres.

II.1. Border measures: import and export restrictions

Since the outbreak of the economic crisis, border measures have been the predominant instrument applied to shield national economies from the impact of the crisis.

Several countries chose to resort to border measures, by restraining conditions on import of products as well as restricting export of certain goods. Increase of import duties, introduction of licensing schemes or quotas, additional pre-shipment inspections and more thorough customs clearance, including stricter customs valuation procedures, have been used to control the flow of goods across borders and support domestic producers of like and directly competitive goods, so as to sustain production against falling global demand and to prevent job losses. In some cases, these instruments were also applied in a conscious attempt to increase government revenues at the same time – collection of import duties in some cases on an inflated basis through the introduction of minimum reference prices for the purpose of customs valuation are notably the cases in point.

This sudden resort to border measures is an interesting development in the context of global trade relations, which today are increasingly affected by more sophisticated behind-the-border measures. Resort to this type of measures may be due to their straightforward and swift application, which does not demand complex policy-making tools and lengthy implementation procedures. The impact of this type of measures may be felt to a greater extent in sectors characterised by vertical specialisation where intermediate inputs are internationally produced and therefore cross several borders.

It appears that border measures proved to be the most efficient and simple tool to protect domestic production immediately after the outbreak of the crisis, in particular by developing and emerging economies. The trend recognised in the previous reports is confirmed in this annual monitoring in that **Argentina, Indonesia and Russia** are predominant users of border protection. Although border measures are easily introduced and can in theory be swiftly removed as the economic recovery picks up, there is an increasing concern that the latter may not necessarily be the case. The majority of tariff increases and other tools have been introduced on a temporary basis, yet, as the example of **Russia** shows, **some tariff increases have already been prolonged beyond their temporary period of application**. This trend is worrisome in particular as the Russia is one of the European Union's major trading partners and therefore poses a risk of delayed recovery of trade flows and artificially forces EU producers to invest in production facilities in Russia so as to bypass border restrictions. It is worth noting that border measures introduced by Russia in the past year affected more than 14% of EU-Russia trade.

Examples of **tariff increases** come from Argentina, Ukraine, Russia, Egypt and Ecuador. Other instruments have also been used, such as import licenses (Argentina, Indonesia, India), quotas (Ecuador), and other customs procedures (Argentina, Turkey, Indonesia and India). With regard to non-tariff border measures, such as non-automatic import licensing procedures and reference prices on import, preliminary evidence suggests that, for example, the aforementioned licenses in Argentina can be costly and burdensome for businesses and often take more than 30-60 days to be processed due to a backlog of license applications. These increased costs are said to have led some exporters to abandon the Argentinean market.

The **border restrictions** introduced since the start of the crisis have been imposed by a limited number of EU trading partners and targeted a limited number of product categories. In total, the measures adopted by third countries potentially affect 5.2% of total EU exports (more than 86% of which correspond to measures imposed by just two countries, Russia and Ukraine). Additionally, a few measures target third countries but could nonetheless have an indirect impact on the EU. It should be noted that this figure is based on 2008 volumes, and largely builds on trade flows preceding the start of the economic crisis. Given that the reduction of trade flows that occurred since October 2008 results in the first place from the very crisis, rather than from trade restrictive measures introduced, an exact impact of the said measures on current trade is difficult to evaluate without further detailed analysis. One should also bear in mind that among the border restrictions adopted, the number of import bans remains very limited.

Regarding **export restrictions**, these have been used by China, Egypt, Indonesia, Pakistan and Russia and target a very limited number of tariff lines and a rather small amount of trade. The Chinese government has recently announced in the press that it would tighten its scrutiny over production and exports of rare earths in the next six years.

II.2. Behind-the-border barriers

Both developed and emerging economies have resorted over the past year to different non-tariff barriers, from technical and regulatory measures to public procurement rules and investment measures.

<u>Technical barriers to trade and regulatory measures</u>

These more sophisticated measures included various certification schemes, related mainly to compliance with domestic technical regulations or standards but also road taxes and provision of services. There exists no identifiable pattern as to the way these measures were introduced in that they affect a broad variety of products, ranging from cosmetics to tyres. On average every country introduced no more than two different behind-the-border measures. In terms of sectors hit, the steel sector seems to have been particularly hit by the new certification requirements and additional inspections. Major Asian countries have taken the lead in introducing restrictions for steel products, among them India, Indonesia, Malaysia and Russia.

It is notable though that the number of behind-the-border barriers introduced in the last twelve months has been significantly lower than that of border measures. Interestingly, this figure (50) does include a significant proportion of measures in the field of **public procurement**. Because of their horizontal nature and often broad impact, these measures potentially influence global trade much more than individual restrictions in the form of certification schemes affecting one category of goods for example.

<u>Public procurement measures</u>

Not only is the number of 'buy national' policies significant; these 'buy national' policies have also been introduced by major economic players around the world.

Following the example set by the United States and later China, countries such as Indonesia and Russia introduced wide-ranging ‘buy local’ schemes, which exclude several categories of goods and services from provision by foreign suppliers. Their impact on foreign trade flows could be the more damaging given the size of stimulus packages adopted by these countries. Australia, Brazil, Kazakhstan, Ukraine, Turkey and South Africa followed suit through restrictions in government procurement, albeit in a more selective way, in that provision of only certain goods has been affected. As the example of Canada shows the risk of a domino is real. Canada offered to the US reciprocal preferences in public procurement as a way to prevent negative effects of the "buy American" clause (so far, the US-Canada negotiations have not been successful).

The introduction of discriminatory provisions in government procurement is a particularly important threat given their potential economic impact as government spending increases and the fact that only a few WTO Members are bound by the plurilateral Government Procurement Agreement (GPA). Moreover, such disciplines in many cases do not apply to sub national level of government. In recent months even countries that have signed up to the GPA such as the US has adopted domestic preference clauses.

It is yet difficult to asses the actual economic impact of the buy national policies. It is not always clear what portion of the additional stimulus money shall follow the strict buy national regime. Moreover, the daily application of the buy national measures (which were in many countries just quickly put together) may prove very difficult and it may lead to more stringent practices than those required in the law.

<u>Investment-related measures</u>

Preliminary conclusions of the previous monitoring reports can be confirmed with regard to investment and trade-related investment measures. Protectionist tendencies of the past year do not seem to have gained ground in this area.

Not only OECD countries but also emerging economies have largely withheld from introducing restrictions on investment. UNCTAD reported that the thrust of policy changes has been, for the most part, towards greater openness and clarity, with a substantial number of the policy changes found to be directed at facilitating international investment and financial flows. Notable exceptions are the wide-ranging measures introduced by Algeria, which affect foreign investors in a significant way, a few selective measures put forward by Indonesia and restrictions to foreign investment in the so-called strategic sectors in Russia.

Further monitoring of the situation is needed, as the danger period for investment is rather in the medium to longer term. There is a risk of countries introducing or reintroducing restrictions or discriminations as the economy recovers and as they execute exit strategies.

<u>Services</u>

Similarly, the services area has not been targeted in any particular way in the past twelve months.

This being said, numerous measures in the government procurement area do also restrict provision of services by foreign suppliers.

Furthermore, the patchwork nature of commitments undertaken in the framework of GATS still leaves much scope for further development of services trade around the world, including its opening by emerging economies. A limited number of restrictions in this area is therefore contingent on the still relatively closed trade in services. However, China, US, Russia and Indonesia were among those countries that introduced most measures influencing trade in services since September 2008.

II.3. Stimulus packages and export support measures

While in general stimulus plans are considered a desirable and positive contribution to help withstand the economic downturn, it has become clear that certain measures included, in particular those supporting specific national industries or discriminating against foreign producers established in the country, may have a distortive effect on trade.

Most of the measures that have been taken by governments are generally aiming to stimulate demand (which a priori could be expected to affect positively trade flows, becoming privileged channels for cross border positive spillovers). However, there are also measures that aim to provide emergency aid to sectors that were particularly hit by the crisis. These initiatives include sector/firm specific subsidies that could affect the competition environment of particular sectors as well as certain public procurement and "buy national" measures that can be trade distortive. The specific trade impact of such measures would require more detailed analysis on an individual basis grounded on extensive information about their specific design.

Interestingly, these packages, including export support measures, have been introduced by both developed and emerging economies, with the US, Russia and China in the lead, followed by South Korea, Japan and Canada, among others. Notable is the widespread use of these measures by Asian economies.

In general, export support, subsidies as well as SME-, investment- and innovation-oriented support measures have been predominant among those introduced. Noteworthy is the focus of many countries on support for the automotive, construction and electronics sectors, as are attempts to shift to pro-environmental measures, such as the Korean Green Deal or US Clean Energy and Security Act (ACES).

II.4. Trade Defence Instruments

As already pointed out in the previous reports**,** the use of trade defence instruments (TDI) is not protectionist as such, but constitutes an appropriate legal instrument agreed at the WTO level in order to remedy any injury to a domestic industry. ***However, in the current situation of an economic crisis there is a risk that trade defence instruments are used in a non-WTO compatible way as an additional means to protect domestic industries.***

In this context, since the end of 2008, an acceleration of the number of initiations of TDI investigations against the EU had been observed. The increased use of safeguards is notable, in particular by countries such as India, which initiated eleven new safeguard investigations with most of them posing serious WTO compatibility concerns. In addition, a number of review investigations have been initiated by Turkey which is now considering on the prolongation of five different safeguard measures currently in force. The use of safeguards is particularly problematic because they act against fair traded imports, in opposition to anti-dumping or countervailing measures which are taken against unfairly traded imports. However, given that safeguards are imposed against all countries of origin, they are a real concern only when the product under measure is actually exported from the EU to the country having imposed the measures. This is obviously not always the case.

It has also been noted that certain countries, which have so far hardly resorted to TDI measures against the European Union, now have started doing so; this is in particular the case for Israel and Kazakhstan.

The pace of new investigations has been slowing down since June 2009. Data of the last months seem to confirm this development. Nevertheless, although decreasing, the number of new investigations still merits attention. In addition, a very high number of investigations is still on-going and there is a risk that their outcome will have also result in new measures in the coming months.

Table 9. TDI Initiations 1 October 2008 – 15 October 2009 (Antidumping and Countervailing duties against the EU and safeguard measures imposed on an *erga-omnes* basis)

Country	Product	Instrument	Date of initiation
Argentina	Laminated Flooring	AD	2009-Jan-28
Australia	Geosynthetic clay liners	AD	2009-Jan-05
Belarus	Fibreglass	SG	2008-Oct-29
Brazil	Coconuts desiccated	SG	2009-Jul-31

Chile	Powdered milk and Gouda cheese	SG	2009-Sep-04
China	Certain iron or steel fasteners	AD	2008-Dec-29
	Polyamide-6,6	AD	2008-Nov-14
	Adipic acid	AD	2008-Nov-10
	Polyamide-6 (PA6)	AD	2009-Apr-29
Croatia	Semi-hard Cheese and Cheese supplements	SG	2009-Jun-23
Dominican Republic	Glass bottles and flasks	SG	2009-Apr-15
India	Cold-Rolled Flat Products of Stainless Steel	AD	2008-Nov-25
	Hot Rolled Steel	AD	2008-Nov-28
	Phthalic Anhydride	SG	2008-Dec-11
	Linear Alkyl Benzene	SG	2008-Dec-19
	Oxo Alcohols (Acylic.Alcohols)	SG	2009-Jan-16
	Certain Phosphorous based chemical compounds	AD	2009-Feb-13
	Dimethoate Technical	SG	2009-Feb-06
	Acrylic Fibre	SG	2009-Apr-09
	Hot Rolled Coils, Sheets and Strips	SG	2009-Apr-09
	Coated Paper and Paper Board	SG	2009-Apr-20
	Uncoated Paper and Copy Paper	SG	2009-Apr-20
	Caustic Soda	SG	2009-Aug-20
	Plain Particle Board, Oriented Strand Board and similar Boards from wood or other ligneous materials	SG	2009-Apr-22
	Unwrought Aluminium, Aluminium Waste and Scraps	SG	2009-May-22
Indonesia	Wire Nails	SG	2008-Nov-05
Israel	Recycled containerboards - Testliner and Flutting	AD	2009-Jan-18
	Uncoated woodfree printing papers (white papers)	AD	2009-Feb-25
	Steel rebars for construction, straight and spiral, used for reinforcement of concrete, in diameters 8 - 40 millimetre	SG	2009-Mar-26
	Stretch wrap	AD	2009-Apr-02
	Bituminous Membranes - waterproofing products	AD	2009-Aug-16
Jordan	White cement, whether or not artificially coloured	SG	2008-Nov-16
	Ceramic tiles	SG	2008-Nov-25
Kazakhstan	Asphalt	SG	2008-Nov-18
	Confectionery	SG	2008-Dec-19
	Wadding and articles of wadding, Absorbents cotton wadding and articles thereof	SG	2008-Dec-31
	Active yeast	SG	2009-Jun-13
	Glass bottles	SG	2009-Jun-13
Kyrgyzstan	White Sugar	SG	2009-Feb-18
	Wheat Flour	SG	2009-Apr-28
Morocco	Polyvinyl chloride	SG	2009-Aug-10
Pakistan	Tinplate (secondary quality)	AD	2009-Jan-16
	Hydrogen Peroxide	AD	2009-Aug-31
	Hot rolled steel coil	AD	2009-Sep-04

Peru	Cotton Yarn	SG	2009-Mar-13
	Olive oil	CVD	2009-Jul-07
Russia	Metal bolts, nuts, springs	SG	2009-May-14
Turkey	Mono-ethylene-glycol	AD	2008-Dec-26

Table 10. Measures imposed between 1 October 2008 and 15 October 2009 (Antidumping and countervailing duties against the EU and safeguard measures imposed on an *erga-omnes* basis)

Country	Product	Instrument	Type Of Measure	Date Of Imposition
Argentina	Electrical terminals	AD	Definitive	2009-Apr-02
Australia	Processed dried currants	AD	Definitive	2008-Nov-17
	Geosynthetic clay liners	AD	Provisional	2009-May-08
Brazil	Viscose Fibres	AD	Provisional	2008-Oct-09
	Glassine/glazed papers	AD	Definitive	2008-Oct-22
	Viscose Fibres	AD	Definitive	2009-Apr-08
	Viscose Yarn	AD	Provisional	2009-Mar-16
China	Polyamide-6,6	AD	Definitive	2009-Oct-12
	Adipic acid	AD	Provisional	2009-Jun-26
Croatia	Semi-hard Cheese and Cheese supplements	SG	Provisional	2009-Jun-23
India	Coated Paper and Paper Board	SG	Provisional	2009-Apr-24
	Dimethoate Technical	SG	Provisional	2009-Mar-23
	Cold-Rolled Flat Products of Stainless Steel	AD	Provisional	2009-Apr-22
	Thyionyl Chloride	AD	Provisional	2009-Apr-29
	Phthalic Anhydride	SG	Provisional	2009-Jan-29
Indonesia	Dextrose monohydrate	SG	Definitive	2009-Aug-24
	Wire Nails	SG	Definitive	2009-Oct-12
Israel	Stretch wrap	AD	Provisional	2009-Aug-30
	Recycled containerboards – Testliner and Flutting	AD	Provisional	2009-Sep-01
Kazakhstan	Confectionery	SG	Provisional	2009-Jun-13

Pakistan	Tinplate (secondary quality)	AD	Provisional	2009-Jul-16
Philippines	Steel angle bars	SG	Definitive	2009-Aug-31
South Africa	Tall Oil Fatty Acid	AD	Definitive	2009-Jun-05
Thailand	Glass Block	AD	Definitive	2009-Jan-15
Turkey	Cotton yarn other than sewing thread	SG	Definitive	2008-Oct-21
	Certain electrical appliances	SG	Definitive	2008-Nov-01
	Matches	SG	Provisional	2009-Jun-06
Ukraine	Steel Seamless Casing and Lifting Pipes	SG	Definitive	2008-Oct-01
United States	Certain Lightweight Thermal Paper	AD	Definitive	2008-Nov-10

III. Concluding remarks: Challenges for the multilateral arena

The fact that only a few countries have resorted to border measures since the crisis started, can be interpreted as evidence that the WTO passed the biggest stress-test since the inception of the GATT in 1947.

Russia and Belarus, which have not yet acceded to the WTO, are among the countries that have used border measures more widely. Other countries, namely Argentina and Indonesia, have made extensive use of the 'flexibility' offered by WTO rules for instance in respect of the possibility to raise applied tariffs up until their bound levels. Mexico, Vietnam, Paraguay, Egypt, and Brazil have also taken advantage of this policy space but they have done so in a more 'selective' fashion.

Other flexibilities of the WTO system of trade rules have also played their role. The use of trade defence instruments has increased since the crisis started. Overall, up until the end of the third quarter of 2009 industry requests for the use of trade defence instruments are 30.3% higher than in the same period in 2008, which itself was 36.4% higher than in 2007[7]. Despite this marked increased, recent World Bank research shows that the new remedies proposed between the first quarter of 2008 and the first quarter of 2009 have had a limited effect on trade covering just 0.4% of the value of imports to the US and the EU. The investigations started by China and India, two of the heaviest users of trade defence instruments, also affected around 0.6% and 1.8% respectively of their imports.

The WTO rules clearly restrict some of the initiatives that some countries are pursing and provide a legal basis for their withdrawal. For example, import restricting measures adopted by Ukraine, allegedly on the basis of balance-of-payment-related reasons, were deemed illegal by the WTO that asked for their urgent removal. Non-automatic import licenses and references prices are also often applied in a manner inconsistent with the WTO.

[7] Data from the World Bank's Global Antidumping Database.

It is in the areas where WTO rules are less stringent that there are more reasons for concern about the possible multiplication of trade distorting measures. The unprecedented increase of public spending has crucially contributed to turn the economic outlook around preventing an escalation of inward looking policies. However, the increased State intervention in the economy is also creating new challenges as it led to the introduction of a wide range of behind the border measures that can have an impact on trade.

To conclude, while the potentially trade restricting and distorting measures that have been introduced up until now are limited, close monitoring is needed in the coming months. There are two main reasons for this. First, protectionism tends to trigger retaliation. There are already some indications of retaliation dynamics emerging in some areas such as public procurement. Second, the risk of a political backlash against free trade is not yet behind us. As all major international institutions point out the recovery in many countries will be sluggish and may not be enough to curb unemployment for some time to come. The IMF expects unemployment to continue to grow and to reach in 2010 10.1% and 11.7% in the US and the euro-area respectively. The danger that some many turn to inward looking policies will be amplified by the fact that in many economies the room for manoeuvre for more fiscal and monetary loosening is all but exhausted.

ANNEX

Potentially trade distortive measures reported since October 2008[8]

TABLE OF CONTENT

[8] Measures reported since September 2009 are marked in **bold.**

I. BORDER BARRIERS

Algeria:

- **Introduced measures restricting imports of a certain number of products such as drugs in order to "protect the local pharmaceutical industry".**

Argentina:

- Import Licences
    - In October 2008, the Government implemented the requirement for non-automatic import licenses for ovens and TV/video sets (Customs Codes 8516.60.00 and 8528.72.00) and in November 2008 introduced the requirement for a Certificate of Imports (CIM) for metallurgical products, yarns and fabrics and footwear.
    - In December 2008 the Government announced that it would increase the use of non-automatic licenses for sensitive sectors (footwear, textiles, etc.) and in January 2009, licenses (the so-called "Certificado de Importación" or CIN) for imports of tyres.
    - In February 2009, the Government updated the list of merchandise subject to automatic import licenses (LAPI) in which it included, for example, aluminium bars.
    - On 4 March 2009, through Resolution 61/2009, Argentina extended the coverage of import licenses to 200 new product lines. Non-traditional sensitive goods (air conditioners, furniture, machinery, etc) have been included.
    - On 14 April 2009 Argentina introduced import licenses for 60 new product lines, covering mechanical appliances, clothing, musical instruments, dye/paint and other manufactured products.
    - On 14 April 2009 Argentina suspended for 30 days the licensing requirement for imports of self-tapping screws and other types of screws and bolts and as of 21 April 2009 it made licenses for imports of tyres mandatory only for final consumption purposes.
    - On 13 July 2009 by Resolution 251/2009 Argentina extended the list of products requiring an import licence by some 60 items, such as motor powered fans, vacuum cleaners and cotton textiles. This Resolution modifies the previous ones on import licence requirements (444/2004, 343/2007, 588/2008, 589/2008 and 61/2009).
    - **On 21 August 2009, through Resolution 337/2009, Argentina introduced import licences for some auto parts (5903.10.00, 5903.20.00, 5903.90.00, 6813.81.90, 6813.89.10, 8507.10.00 – those of more than 12 volts or 28mA, 8708.30.19 and 8708.93.00).**

- Reference prices (covering around 24,000 products)

- Since September 2008, reference values for imports have been updated in order to avoid commercial fraud (under invoicing) for several sectors, such as textiles, metallic products and tyres.

- In October 2008 the customs administration set new revised reference prices for toys, textiles, footwear, steel, etc.In January 2009 reference prices were set for steel pipes and in February 2009 for glass fibre discs, cotton fabrics, backpacks, drive-axles, guitars, flash memories, etc.

- The External Note 20/2009 of 3 March 2009 introduced reference values for imports of 'brake parts' from the EU, China, South East Asia and MERCOSUR countries.

- The External Note 24/2009 of 17 March 2009 introduced reference values for imports of sweaters and pullovers from South-East Asia and Mercosur countries.

- The External Note 28/2009 of 27 March 2009 introduced reference values for imports of 'cermet' (ceramic and metal) products.

- In April 2009, Argentina set minimum FOB prices for imports of roller chains, tableware, kitchenware and household items, cooling pumps for cars and tube and pipe fittings from China.

- Additionally, Argentina set reference values for imports of wool products from China, South-East Asia, MERCOSUR and Latin America and for imports of brooms and brushes from China and South-East Asia.

- On 14 May 2009, by the External Note 43/2009, reference values were introduced for synthetic textiles of South Asian origin.

- On 15 May 2009 Argentina introduced reference values for imports of plastic tableware.

- On 22 May 2009 Argentina established reference value for copper wire imported from South-East Asia, Mercosur, Ecuador, Chile, Colombia and China.

- The External Note 49/2009 of 28 May 2009 introduced reference price for tyres from China and South-East Asia.

- On 3 June 2009 reference price was established for steel products imported from Chile and Mercosur countries through the External Note 54/2009.

- On 16 June 2009 Argentina introduced reference values for electrical connection terminals, implemented through the External Note 57/2009.

- On 26 June 2009 reference price was set for fibreglass imports from South-East Asia.

- On 14 July 2009 reference price was introduced for imports of crossheads from Korea, India and other South-East Asian countries through the External Note 65/2009.

- On 14 July 2009 Argentina also set reference price for brake parts and dampers by the External Note 66/2009.

- Reference price for imports of flanges from China, Hong Kong and other South-East Asian countries since 17 July 2009 were introduced through the External Note 68/2009.

- Reference price was also set for imports of footwear from China since 20 July 2009, on the basis of the External resolution 259/2009.

- **The External Note 70/2009 of 5 August 2009 introduced reference price for imports of embroideries (8544.11.00) from South-east Asia, MERCOSUR, Ecuador, Chile and Colombia since 28 July 2009. .**

- **Reference values for imports of wire (8544.11.00) from China, Hong Kong, Korea, the Philippines, South-East Asia, MERCOSUR, Ecuador, Chile, and Colombia were implemented through External Note 76/2009 of 3 September2009.**

- **Reference values for imports of gloves (6116.10.00, 6116.91.00, 6116.92.00, 6116.93.00, 6116.99.00) from China, Hong Kong, Korea, the Philippines, South-East Asian countries, India, Pakistan, etc. were implemented through External Note 77/2009 of September 3, 2009.**

- **A minimum FOB value for imports of colorants and pigments from China and India (3204.14.00 at USD 5.36 per kg, 3204.12.10 at USD 10.56 per kg, and 3204.17.00 at USD 8.38 per kg) was implemented through Resolution 365/2009 of 10 September 2009.**

- **A minimum FOB value for imports of glass fibre from New Zealand (7019.39.00) of USD 1.525 (uncoated) and USD 3.28 per kg (coated) was implemented through Resolution 376/2009 of 16 September 2009.**

- **A minimum FOB value for imports of pneumatics tyres for bicycles (position 4011.50.00) made by HWA FONG RUBBER Company from China and Thailand at USD 2.59 per kg was implemented through Resolution 377/2009 of 19 September 2009.**

- **A minimum FOB value for imports of compact disks (8523.40.11) from Paraguay at USD 0.25 per unit was implemented through Resolution 393/2009 of 18 September 2009.**

- <u>Tariff increases</u>
  - Since 15 October 2008 Argentina implements the legislation adopted in September 2007 on increase of the external Mercosur tariff on textiles and footwear to 26-35% (depending on the product).
- In October 2008 controls of all imports were increased with the stated objective of "preventing commercial fraud" in the context of the global financial turmoil. The customs administration also sent alerts to increase border controls for sensitive goods.

Belarus:

- The Decree 320 of 18 June 2009 'On temporary increase of import tariffs' enacts a temporary (9 month) increase of import tariffs on imported trucks (including tractors) to 25% for the new items and 50% for used items. The Government also eliminated temporary import tariffs on new, environmentally friendly trucks. (The Decree defines obligatory threshold levels of CO_2, hydrocarbon and nitric oxide to that purpose.) The Decree states as its objectives the protection of domestic producers and widening of the range of transport modes that comply with European safety and quality standards. Tractors and trucks traditionally belong to the two top Belarusian export products, accounting for 10% of all exports (coming second to petroleum, which accounts for 32%).

- On 21 April 2009, with a presidential edict No. 214 Belarus raised import duties on a wide range of consumer goods: for 9 months, 40% duty on imported meat and 30% duty on imported grape wines; 25% duty on butter, fats, starch and ice cream; 30 % duty on textiles (not applicable for goods imported from the EU-Member States, Turkey, Switzerland and Lichtenstein). The edict raised the import duty on some home appliances from 25 to 40 %. Wood products are also affected by import duties raised to 25-30%. For a period of 6 months, the edict imposed a 180 % import duty on vegetables (potatoes, onions, carrots, cabbages and beets).

Brazil:

- On 5 June 2009 Brazil raised tariffs applied on eight steel products from 0 to 12-14%. The measure hits mainly China, NAFTA, Argentina and Russia, the main suppliers of Brazil.

- On 18 June 2009, the Ministry of Trade increased import tariffs from zero to 14% on all wind turbines with capacity up to 3,300kVA, which corresponds to approximately 2.640kW (CAMEX Resolution No. 37, of 18 June 2009). Turbines with capacity over 3,300kVA continue to face a zero tariff. The tariff measure includes a grace period for imports registered until 21 December 2009.

  The Brazilian bound tariff for this product at WTO is 35%. The affected trading partners are all countries producing wind-powered electric generating sets. In 2007, four countries were responsible for 94% of all wind turbine exports: Denmark (49.6%), Germany (28%), Japan (10.2%) and Spain (5.7%)[9].

- Brazilian government raised on 26 August 2009 the import duty on lauryl alcohol and stearyl alcohol, which are used in the production of cosmetics, from 2 to 14% (bound WTO tariff is 35%).

China:

- The Ministry of Finance recently released the Circular on Suspending the Policy of Tariff Reduction and Exemption on Imported Taxable Products in the Trade Remedy Measures. It entered into force on 1 May 2009.

Ecuador:

- On 22 January 2009, Ecuador adopted import measures from additional tariffs to quotas affecting a large number of products, including cosmetics, perfumes, alcoholic beverages, plastic articles, electrical products and car parts. These measures were taken in response to current balance-of-payment difficulties of Ecuador. The Balance of Payment Committee at the WTO adopted a consensus report on 4 June 2009 and Ecuador agreed to replace most of the quantitative restrictions for price-based measures no later than 1 September 2009, to progressively modify the level and scope of the measures as Ecuador's balance of payments (BoP) situation improves, and to remove all trade measures for BoP purposes before 22 January 2010. The BoP Committee reviewed the implementation of its June consensus conclusions on 25 September 2009. Ecuador complied partially with the Committee's conclusions.

[9] According to the UN Comtrade.

Quantitative restrictions have been replaced with ad-valorem duties. Ecuador noted that its BoP situation had improved, but the situation was still problematic, and it endeavoured to respect the commitments and would modify the trade measures depending on improvements in the BoP. **Several WTO Members considered that the situation has already improved and urged Ecuador to take concrete steps to phase out the remaining measures before the 22 January 2010 deadline. The issue was again put to review in the WTO BoP Committee on 19 October 2009.**

Egypt:

- A 10% import duty was imposed on cold rolled flat tin sheets of steel, on top of existing duties, to stabilise the local market price. This is a preventive measure (Ministerial Decree 124/2009) applied from February 2009 for one year on rolled steel sheets either cold rolled or galvanised or pre-painted[10]. Egypt applies the *erga omnes* measure, considered to be compatible with the WTO as the duty remains below the bound rate. The measure is said to be temporary.

India:

- India is increasingly using import licences at the discretion of the authorities to limit imports of sensitive products. On 21 and 24 November 2008, less than one week after the G-20 declaration on standstill, several products were moved from the "free" to the "restricted" list of imports involving import licences. In January, several products were brought back onto the "free" list of imports (including seamless tubes/pipes, parts and accessories of motor vehicles and carbon black – only the upmarket segment of the latter being liberalised). Steel products were also put on the list of restricted imports, for which an import licence is requested. The experience – especially in the tyres sector - shows that the licensing system is not automatic: it involves delays; authorised quantities can be lower than requested; and the granting of licences is limited to actual users.
- India decided on 26 January 2009 to ban the import of Chinese toys for six months, without indicating any official reason. Chinese toys account for half of India's toy market. Recently, India eased the ban on Chinese toys, saying shipments fulfilling international safety requirements and duly certified would be allowed to enter the Indian market. It also specified that Indian producers would have to meet the same criteria. The implementation remains to be seen and according to press reports citing government sources, only 10% of Chinese exports would fulfil these criteria. This new approach poses less concern about WTO compatibility.

- **Through Notification 09/2009-2014 dated 10 September 2009 India moved electrical energy (2716 00 00) to the restricted list. In this case, import licence will be issued by the DGFT in consultation with the Ministry of External Affairs, Ministry of Power and Department of Power. However, imports for Special Economic Zones (SEZs) will be 'free'.**

Indonesia:

- A regulation, which entered into force on 15 December 2008, imposed burdensome requirements on imports of over 500 products. Imports are subject to licenses, must undergo pre-shipment inspection and can only enter the country through six seaports and international airports. Affected sectors include clothing and textiles, electronics,

[10] Cold rolled 10% of the CIF value with a minimum amount of US$ 150/MT; zinc coated 10% of the CIF value with a minimum amount of US$ 200/MT; pre-painted or lacquered 10% of the CIF value with a minimum amount of US$ 250/MT.

toys, footwear and food and beverages. It became effective for clothing and textiles on 1 January 2009 and for other products on 1 February 2009. The economic impact for EU exporters is up to EUR 630 million[11]. However, priority lane importers, including many of the large European companies, are exempted from the requirements. The decree is temporary and expires on 31 December 2010.

- Ministry of Trade Decree 8/2009 (08/M-DAG/PER/2009) requires that 200 iron and steel products be only imported by licensed importers and that all shipments undergo a pre-shipment inspection. The requirement for pre-shipment inspection was postponed until 30 April 2009. Other requirements imposed by the Decree (import licenses) would apply nevertheless. The application of the Decree has been further delayed since the Minister of Trade is still considering which user industries should be excluded. No firm date for application has been set. The Decree 8/2009 has been updated by Decree 21/2009, which reduces the amount of HS codes included in the regulation from 203 to 169 HS codes. Ministry of Trade has appointed two surveyors (PT Sucofindo and PT Surveyor Indonesia) to conduct the pre-shipment inspections. Obligatory pre-shipment inspections were to be launched on 25 July 2009. The revised Decree 21/2009 eliminates the requirement to submit Goods Import Plan in the application by an importer-producer (IP) or an importer (IL) for importation of iron and steel products (a requirement present in the Decree 8/2009). Furthermore it enlists the industries excluded from the scope of the Decree: (i) the industries of automotive, electronics, ship building, heavy equipment and their components, (ii) importers in Priority Lane: user industry with SKVI (Industry Verification Reference Letter) through USDFS (User-Specific Duty Free Scheme), and the company owning SKVI through BM-DTP (Import Duty Paid by the Government); and (iii) contractor of Joint Operation in Oil & Gas and Mining; the operator of development of Power Plant for Public Interest; and the operator of the development of Oil and Gas downstream for Public Services.

- Ministry of Finance Regulation 101/2009, which entered into force on 1 June 2009, imposed 5% duty on imported raw materials for processed milk products (milk powder and processed milk). The stated objective is to promote the milk produced by domestic dairy cattle farmers as lobbied for by the Association of Indonesian Dairy Cattle Farmers, affected by low prices on international market. **The milk producers' association urges the Government to raise the import duties on dairy products further from 5%. The Minister of Agriculture has commented in press that it was very likely that the duties would be raised.** European exporters of milk products have been reporting on the increasing difficulties with imports to Indonesia, such as delivery of a questionnaire filled by European veterinary authorities. **In September 2009, also other countries such as the United States and New Zealand received requests to complete the country and establishment approval process.**

- Ministry of Finance Decree No. 19/2009, adopted on 13 February 2009, raises import tariffs on some products that are competing with locally manufactured products. This includes products such as milk, animal or vegetable oils, fruit juices, coffee and tea, chemicals, silver, steel, electronic products (machines, TVs etc.), as well as manufactured products: packaged juices (10 to 15%), instant coffee (5 to 10 %), iron wire (7,5 to 10%), wire nails (0 to 7,5%) and electrical and non-electrical milling machines (0 to 7,5%). At the same time certain tariffs were reduced, mainly on input products needed for local manufacturing (e.g. dairy products and base chemicals).

- Import conditions for sugar remain unclear and restricted. Ministry of Trade decides on an annual importation quota and an annual 'importation period', when refined

[11] This is an overestimation based on a calculation at HS 4 digit level.

crystal sugar can be imported. The decision is made upon consideration whether the domestic sugar production is first fully used. In 2009, white crystallized sugar can only be imported two months after the end of sugar cane milling season and a month before the milling season begins. In 2008, the Ministry of Trade only allowed imports of sugar during 3 months instead of previously promised 6 months. The problem for EU companies is the unpredictable and scarce supply of high quality sugar for food and beverage manufacturers who are producing in Indonesia. Press reports in August 2009 say that imports of white crystallized sugar will probably only be allowed for four state-owned plantations. **Imports of sugar are only allowed for registered importers, and to become one a company needs to absorb at least 75% of sugar cane farmed in Indonesia.**

Kazakhstan:

- In a government decree issued in the week of 12 August 2009, Kazakhstan limited sugar imports to 54,423 tonnes until April 1, 2010 in a bid to protect domestic producers.

Mexico:

- Mexico imposed MFN tariffs on 89 US products, effective since 19 March 2009, in retaliation for ending a pilot programme allowing circulation of a limited number of Mexican trucks on American roads. The sanctions are expected to affect US $ 2.4bn worth of goods originating from 40 different states of the US. The products concerned include a mixture of agricultural and industrial consumption goods, selected so as to avoid affecting Mexican competitiveness and excluding raw materials and capital goods. The sectors most affected include the agro-industrial, agricultural, editorial, perfumes and cosmetics, glass and electrical manufactured goods.

Paraguay:

- On 27 March 2009 Paraguay temporarily raised applied tariffs of the Mercosur nomenclature (NCM) for certain chemical goods until 31 December 2009 (Decree No. 1.731/09). The justification for this measure is article 9 and 10 of the law no. 1095/84 to defend the local industry in specific cases. A 10% tariff (three tariff lines) and 15% tariff (for 16 tariff lines) are applicable. It seems that this measure has been taken directly against Argentina, as a response to a similar increase of tariffs in the chemical sector.
- Import licence requirement was introduced for clothing products, applicable since 5 February 2009.
- Import licence requirement for poultry meat is in force since 9 February 2009 (with temporary 6-month application).
- Import licence requirement for cosmetics and personal hygiene products is applied since 23 December 2008. These measures have been put in place mainly in reaction to the financial and economic crisis, justifying the need to protect the domestic production.

Russia:

- New Decree on harvesters (No. 12 of 9 January 2009, entered into force on 15 February 2009). Russia has raised import duties for combine harvesters to 15%, but no less than €120 per 1 kW of engine[12].

- Increased import duties for cars were introduced by the Decree No. 903 of 5 December 2008, valid for 9 months, entered into force on 12 January 2009. The duty increases are between 5 % and, 20 % ad valorem. Changes to the specific duties represent in certain cases (specifically for trucks) an increase of up to 400%. Steepest increases are for used cars, but new cars are hit across the board. On top of this, the rouble has been devalued, which makes imported cars very expensive. **On 9 October, the Decree No. 807 has prolonged the validity of the duty for a further 9 months, until June 2010.**

- Decree No. 918 of 8 December 2008 on meat quotas reduced the EU poultry quota from 236.4 thousand tonnes to 185.8 thousand tonnes (on beef and pork, the quota was increased). Russia put a request to redistribute some of the unused frozen beef quota from the EU to other countries.

- New Decree No. 9 on steel of 9 January 2009, which entered into force on 14 February 2009, raised import duties for a range of rolled steel products and steel tubes (pipes, carbon long products (wire rod, merchant bars, sections), stainless flat products etc) for 9 months.

- Increased import duties on several agricultural products were introduced by means of three decrees published on 31 January 2009, which entered into force one month after publication. The decrees increased import duties by 5 % on soy meal for a period of 9 months (Decree No. 70), increased import duties on butter and other dairy fats by 15% but not less than €0.35 per 1 kg (Decree No. 71), and increased duties on certain types of milk and cream by 20% (Decree No. 72).

- Decree No. 179 of 14 February 2009 on seasonal duties on rice and milled products from rice. The decree introduced a seasonal duty on rice and milled products from rice at €0.16 per kg for the period from 15 February until 15 May 2009. *The Russian Government is considering an increase of the import duty from €0.07/kg to €0.12/kg on rice, flour-grinding and cereal produce thereof.*

- Decree No. 173 from 26 February 2009 on certain types of dairy products for babies. The decree raised the import duty from 5% to 15% and took effect at the end of April 2009.

- Increased duties on non-alloy steel bars and rods were introduced by the Government Decision No. 299 of 3 April 2009, which entered into force one month after publication. Duty rates were increased from 5% to 15% for a period of 9 months.

- Increased duties on maize starch and manioc starch of 20%, but no less than €0.15/kg (an increase from €0.06/kg) were prolonged by the Russian Government Decision No. 328 of 15 April 2009 for a period of 9 months.

[12] Following joint efforts by the EU and the US, Russia committed to gradually reduce the tariff surcharge of 15% introduced in January 2006 to 5% in the context of the US-Russia bilateral WTO accession agreement of November 2006. The duties were reduced to 5% temporarily in June 2007 and the lower duty was applied temporarily until January 2009.

- The Government Decision No. 273 of 31 March 2009 introduced increased duties on imported liquid crystal displays (LCDs) from 10% to 15% for a period of 9 months. The increase entered into force 1 month after publication date.

- The Government Decision of 22 April 2009 prolonged the validity of the 15% duty on radio frequency coaxial cables.

- Civil Aircraft Decree No. 379 of 30 April 2009 modified import customs duties on certain types of civil aircraft: it increased the duty to 20% for planes capable to carry more than 29, but less than 200 passengers, and reduced the duty to 0% for planes capable to carry less than 19 passengers.

- From 3 May 2009 a 15% import duty for asynchronous electric motors (Codes 8501 51 000 1 and 8501 52 2000 1): the import duty of 15% for each is in force since 3 May 2009. Both measures are valid for a period of 9 months.

- On 8 May 2009 the temporary import tariff on magnesium scrap metal and crowbars (first introduced in November 2006) was extended for 9 months. The order maintains the tariff, which is levied at a rate of 5% against the declared value of the goods. The announcement of the extension, posted on the website of the Ministry of Economic Development, was not accompanied by a discussion of the continued need for the temporary measure. The order came into effect on 8 June 2009. **Decree No. 809 extends for a period of 9 months the tariff on ferrous metals waste and scrap (extends measures of 7 November 2008 introduced by Decree No. 813).**

- Russian Government Decree of 15 June 2009 introduced a temporary minimum import tariff on pentaerythritol. The minimum tariff payment will be 5% ad valorem but no less than €0.07 per kg. The measure is applied for 9 months.

- Russian Government Decree of 15 June 2009 introduced a temporary minimum import tariff on ‘other plates’, sheets, film, foil, strip of plastics, of 10% but no less than €0.35 per kg.

- Decree No. 680 of 20 August 2009 introduced temporary tariffs on cheese for a 6-month period. The Decree is in force from 20 September 2009. The set tariff is at 15% but not less than €0.5 per 1kg.

- The Russian Government Committee on the External Trade Protection Measures also recommended reintroduction of the export duty on nickel, abolished in January 2009. The proposal suggests a 5% export duty.

- Decree No. 616, which entered into force on 14 August 2009, established a tariff on bodies for specific motor vehicles at 15% but not less than €5000 per piece.

- Decree No. 671, in force from 4 September 2009 sets tariffs for laundry equipment for 9 months at 5-10% rate.

- **A special duty for 3 years on pipes made of corrosion-resistant steel with the outer diameter up to 426 mm inclusive, at 28.1 per cent of the customs value was introduced on 28 September 2009.**

- **Decree No. 729 of 14 September 2009 introduces for 9 months an import duty of 15% but no less than €0.12 per 1 kg on polyvinylchloride (up from the 15% duty, without euro component). The duty is in force starting on 18 October 2009.**

- **Decree No. 730 of 14 September 2009 introduces for 9 months an import duty of 15% but no less than €0.07 per 1 kg on sodium hydrate (previously set at 15%). The duty is in force starting on 18 October 2009.**

- **Decree No. 742 of 15 September 2009 establishes a temporary import duty of 5% for 9 months, on the following types of equipment: water boilers, internal combustion engines, air and vacuum pumps, etc. Previously all these types of equipment were imported on a duty-free basis (0%). The measure enters into force one month after official publication of the Decree.**

- **The Russian Government has increased the import duty on snow vehicles from 5% to 10% for a period of 9 months.**

- **The Russian Government has increased an import duty on ventilating equipment from 0% to 10% for the period of 9 months.**

- **The Russian Government established on 4 September 2009 for 9 months an import duty of 5% (now 0%) on washing machines with the capacity exceeding 10kg, drying machines and ironing machines; import duty of 10% on drying machines (now 5%).**

- ***The Russian Government is currently considering to establish an import duty for polycarbonates for optical production (CN code 3907 40 00 01) of 5% until 1 January 2010, and import duty of 10% from 1 January 2010. The import duty on other polycarbonates (CN code 3907 40 00 09) will be set at 10% ad valorem.***

- ***The Russian Government is currently considering to restore the import duty of 5% on certain types of goods for medical purposes.***

- **Decree No. 679 of 20 August 2009, on the tariffs on aircraft spare parts, equipment/ units (also mock-cockpits), entered into force as of 21 September 2009. This confirms earlier tariffs of 2008, introduced originally for the period of 9 months.**

- ***The Government is considering increasing the import tariffs for pesticides from 5% to 20%,***

- ***The Government is considering increasing the import tariffs for tyres for trucks from 15% to 25%.***

- ***The Government is considering increasing the import tariffs for tyres for passengers' vehicles from 20% to 30%.***

- ***The Government is considering the introduction of an import duty of 5% for drops for contact lenses for the period of 9 months.***

Saudi Arabia:

- On 9 June 2009 Saudi customs authorities announced a ban on the import of used vehicles older than 5 years for passenger cars, buses and light transport. The importation of heavy trucks over the age of 10 years was also banned. Imports of spare parts for old vehicles were not banned. A six-month grace period has been granted to Saudi importers to adjust, effectively postponing implementation until December 2009. No reason for the ban has been reported. In 2008 140,000 used cars that were older than 5 years were imported. The total value of those imports was SR17.5 billion (US$4.7 billion) and accounted for a quarter of the value of all cars imported into Saudi Arabia in 2008.

- A ban on import of water desalination equipment was introduced on 26 July 2009 in order to stimulate domestic production and support Saudi industry.

South Africa:

- **South African authorities adopted at the beginning of October 2009 an increase in import tariffs for 35 categories of imported garments (a 5% increase in import tariffs for 35 categories, headings 61 and 62 of imported garments, from 40% to 45% ad valorem). This hike remains however within the bound tariff commitments of South Africa. (More information is also available in the section on government procurement).**

Ukraine:

- New initiatives to replace the expired 13% surcharge are currently under discussion. **Draft Law No. 5080 "On amendments to certain Laws of Ukraine on taxation (regarding support of employment level in Ukraine in the conditions of the world financial crisis)", which foresees introduction of temporary charge on agrarian and automobile products in amount of 10% is registered in the Parliament.** The following goods should be covered by the new measure: transport vehicles and bodies to them (UKTZED codes 8703, 8707, 8711 40, 8711 50, 8711 90), as well as the products with the codes 0203, 0206, 0207, 1600. **The main objective of the law is to support employment in the sectors concerned through the subsidies. It remains unclear whether imports will be discriminated.** The tariff is said to be of temporary character and should enter into force on 1 January 2010, for three years, if adopted.

- Draft Law No 4767 **"On amendments to certain Laws of Ukraine (regarding temporary surcharge to the valid import duty rates" is on the Parliament's agenda for consideration. The objective is to introduce a framework law which, in line with constitutional requirements, would provide the possibility to the Parliament to introduce additional surcharges (for the period of 12 months) if the balance of payment situation requires it.**

Vietnam:

- Automatic licensing regimes for exports of rice and minerals as well as imports of key consumer goods for imports by the Vietnamese Ministry of Industry and Trade (MOIT) were re-introduced in January 2009. So far, no complaints have been made in this regard, as the registration procedure by the MOIT is swift. The new decree also establishes a difference between 'essential and 'non-essential' imports, clearly signalling that Vietnam is preparing to identify the imports that are not key to the continuing development of the country.

- On 10 February 2009 the Ministry of Finance announced an increase on the tariff levied on newsprint from 20% to 29% and on printing/writing paper from 25% to 29%, except on that coming from members of the Association of Southeast Asian Nations (ASEAN). In a further step to protect local industry, the Ministry of Industry and Trade proposed end of March 2009 to raise the import duty on newsprint, printing and writing paper imported from ASEAN countries from 3% to 5%.

- On 5 March 2009 the Ministry of Finance issued a decision to raise the import tariff on milk and dairy products. Accordingly, an import tariff of 15% (instead of the current 5%) is imposed on condensed milk and cream, milk and cream with fat by 1% of weight, 1-6% or over 6%. On other kinds of milk and cream a new import duty of 10% is applied (from the previous rate of 3%). The import tariff on fresh milk is raised from 7% to 20%. Only tariffs on powdered milk remain unchanged at average rates of 3-7%.

- The Vietnam Steel Association proposed to the government to increase tariffs on imported steel pipes to 10% and galvanised steel sheets to 12% from the current 5% and 7% respectively. It further proposed a hike in the import tax on steel ingots from the current 5% to 15%. Import duties on finished products of rolled and barred steel were also recommended to rise from the current 12% to 22%. Some of the recommendations have been followed by the Ministry of Finance. In March 2009 the import duty on steel billet increased from 5% to 8%, rolled steel for construction from 12% to 15%, cold rolled steel from 7% to 8% and other kinds of steel from 12% to 13%. On 13 April 2009 the ministry raised the import tariff on alloyed steel from 0% to 10%.

II. BEHIND THE BORDER BARRIERS

Algeria:

- The note 16/DGC/2009 of the Bank of Algeria, dated 16 February 2009, introduced a requirement to supply certification documents with each delivery of goods to Algeria. The certification requirement concerns quality control and control of origin of the goods, as well as phytosanitary safety. They are needed when the payment of the goods involves a bank, and risk being extended to all deliveries. (please also see the related barriers in the section on restrictive measures in investment for more information)

- The law "La loi de finances complementaire 2009" of 26 July 2009 introduced the following restrictions: a domiciliation tax on all bank transactions related to import activities; obligation to produce a letter of credit (accompanied by the certificates of origin, phytosanitary control and quality control certificates) for the purpose of payment for imported goods. The law equally forbids all types of consumption credits; only credits for the purpose of purchasing real estate by individuals are allowed. The law also doubles the tax on new cars with significant engine capacity (depending on the engine type) and imposes a 0.5% tax on the turnover of mobile phone operators in Algeria (foreign investors principally).

- **Measure related to services (access to ports): it is no longer possible since 1 October 2009 to use the port of Algiers for non-container shipments, including cars. As a result, all non-container sea freight going to Algeria must clear customs and be picked up and removed in other Algerian ports, which adds delays and costs to the import procedures.**

Canada:

- Ontario Province introduced sales targets for various wines. Wines sold in the stores of the Liquor Board of Ontario (LCBO) below these thresholds can be de-listed. Thresholds for Ontario wines are set at a substantially lower level than imported wines, despite higher sales volumes in the LCBO stores. These net thresholds can be considered as a possible barrier to trade. This measure is effective as of 20 July 2009.

India:

- In September 2008 the Ministry of Steel issued two 'Orders' which stipulate mandatory compliance for 17 steel products with new national standards and certification by the Bureau of Indian Standards (BIS). In February 2009 the Ministry of Steel notified that the second of the two 'Orders' – concerning 11 out of 17 products - will not be implemented before 12 February 2010. Out of these eleven, three items would not need any certification at all. However, the deferral of the implementation only offers an opportunity for the industry to get accustomed with BIS standards. Recent indications suggest that India will not show any additional flexibility.

Indonesia:

- Ministry of Industry is proposing, through two decrees, to introduce mandatory standards and certification for a number of iron and steel products[13]. The requirements would apply to both imported and domestically manufactured products. The two draft decrees have been notified under the WTO TBT Agreement[14]. It is not clear when they would be enacted. EU exports of iron and steel[15] to Indonesia in 2007 amounted to about EUR 261 million. Press reports have indicated that more mandatory standards (SNIs) for three additional types of products will be issued (cold rolled coils, cables and hot rolled plates). DG Ansari Bukhari from Ministry of Industry has even said that these SNIs are made mandatory as a policy of non-tariff barriers to hinder a flood of imported "non-standard" steel during the economic crisis. Last year, the domestic producers reported an increase in imported steel, which is suspected being a result of dumping practices. To anticipate this, the Ministry of Industry establishes mandatory SNIs. Indonesia Iron and Steel Industry Association says that these new SNIs are in accordance with the wishes of the domestic producers following the drastic increase in volume of imported products in 2008.

- Increased costs and delays for European tyre exports to Indonesia. Ministry of Industry / Indonesian National Standards Agency (SNI) has begun to require on-site inspections of tyre manufacturing plants in Europe for allowing tyre exports from these factories to Indonesia. **Ministry of Industry has recently indicated that it would join the international standard UN-ECE for tyres. This is supported by an EU-funded technical assistance project that began in October 2009.**

- Mandatory standard, certification and marking requirements for refined crystal sugar entered into force on 13 March 2009.

- Indonesian authorities introduced implementing regulations to the Law on Shipping (17/2008, of 8 April 2009) that limit the right to cabotage to Indonesian vessels only. They will have an exclusive right to ship oil, gas and coal as of 1 January 2010. Similarly, as of 1 January 2011 only Indonesian vessels will have the right to transport passengers and cargo within the country.

- Ministry of Trade Decree 19/2009 requires electronics and telecommunications producers to have six service centres in Indonesia. Utilization manual and warranty cards are required to be in Indonesian language. The decree entered into force on 26 August 2009.

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[13] Mainly hot rolled sheet, coil steel, hot rolled sheet, coil steel for gas cylinder, zinc aluminium - coated sheet and coil steel.
[14] Notifications G/TBT/N/IDN/23 and G/TBT/N/IDN/24.
[15] HS chapters 72 and 73.

- A pre-shipment inspection and reporting requirements on imports of non-hazardous waste are introduced by the Ministry of Trade Regulation nr 26/2009 of 23 June 2009 (which amends a Regulation 58/M-DAG/PER/12/2008). It will enter into force on 24 September 2009. An independent surveyor appointed by the Minister will conduct inspections of non-hazardous waste at the port of entry before being admitted to the Indonesian territory.

- Draft regulation on cosmetics in preparation by the Food and Drug Safety authority (BPOM) is intended to tighten the labelling and packaging requirements for imported cosmetics, in that product information, utilization advice, product number, expiry date etc. are to be labelled on the product in Indonesian. Authorities have also started to strictly require an undersigned certificate from BPOM before allowing products to enter into the market (earlier an approval in the internet system was sufficient). Bottlenecks in the issuance of import licenses by the BPOM have thus resulted in delays of many months of products entering into markets. Furthermore, all French dossiers applying for import license have suddenly been refused, as French Certificates of Free Sales issued by the Federation of Beauty are no longer accepted, and a government-issued certificate is required instead. ***The draft regulation on packaging and labelling was expected to be issued in June 2009, but has not been issued yet. It seems likely that the draft decree on packaging will not be adopted.***

- **On 31 August 2009, the Food and Drug Safety Agency of Indonesia (BPOM) adopted a 'Halal Regulation' (HK.00.05.1.23.3516) that regulates ('for consumer protection') the registration for drugs, traditional drugs, cosmetics, food supplements and food containing un-halal substances. These need to receive a marketing license from BPOM before they can be sold to Indonesian consumers. The Decree lists non-permitted substances from a wide range of animals not approved by sariah law or not slaughtered in Halal way. For some products (alcohol, emergency drugs) labelling is required, other products are simply banned from Indonesian markets.**

- From August - September 2008 the Indonesian food and drug regulatory agency (BPOM) started to vigorously enforce the requirement that all foodstuffs must be approved and registered. It is reported that it can take 6 to 9 months to register a product. BPOM seems to recognise to a certain extent the long delays in registration and has committed to reduce the time to 3 months (the legal requirement is 45 days).

- ***According to the latest version (July 2009) of the draft Law on Trade, large companies are prohibited from selling products and services directly to consumers and have to use a distributor. Medium-sized companies are allowed to sell to the level of retailers and only micro and small companies directly to consumers. Ministry of Trade has commented that this also depends on the type of commodities, dangerous goods such as chemicals "are more suitable" for the industry to sell directly.***

Kazakhstan:

- Law on currency control, introduced on 4 July 2009, allows the President to impose temporary foreign currency restrictions. The bill specifies the types of restrictions that can be imposed, such as forcing residents and companies to sell their foreign currency reserves to the government, imposing restrictions on foreign banks, and requiring permission from the central bank to exchange currency. The special currency regime would be limited to one year if adopted, though the Central Bank stated that the new legislation was a precautionary measure and had no intention to use it under current circumstances.

Malaysia:

- The International Trade and Industry Ministry of Malaysia (MITI) has announced a review of steel policy, which will ultimately lead to reductions in duties on the imports of steel and the introduction of a set of Malaysian standards for imported steel products. The motivation for the review is to enhance the competitiveness of the Malaysian steel industry. The measures are implemented since 1 August 2009.

Russia:

- A new road tax on all foreign transport as of 1 February 2009 was introduced by the Government Resolution No. 1007 of 24 December 2008. It applies to freight vehicles weighing over 3.5 tonnes. On 20 May 2009 a Decree was adopted to amend the Resolution by lifting the road charges for 14 EU Member States.
- The Government Anti-Crisis Plan for 2009 of 10 June 2009 foresees toughening of customs control over imports of foreign steel this year. Customs clearance procedures for rolled steel imports are to be reviewed so as to prevent undervaluation and wrongful declaration of goods. Customs points, which organize clearance of imported pipes and rolled steels, are to be equipped so as to permit the conduct of radiological and phytosanitary control.

Turkey:

- New import procedures were introduced on 1 January 2009. These new procedures entail a major change in the treatment of imports originating from third countries. Turkey requires that products in free circulation in the EU but manufactured outside the EU be subject to the conformity assessment of the Turkish Standard Institute.

Ukraine:

- **Requirement of a mandatory conclusion of agreements for packaging waste utilization by importers with one state company "Ukrecocomresursy", which basically creates a monopoly and contradicts with the principles of free market competition without an obvious reason. In spite of the Presidential Decree No. 718/2009 of 8 September 2009 that terminated certain provisions of the Resolutions of the Cabinet of Ministers of Ukraine No. 915 of 26 July 2001 ("On Implementation of the System of Collecting, Sorting, Transportation, Recycling and Utilization of Wastes as Secondary Raw Materials") and No. 508 of 20 May 2009 (which introduced changes to the Resolution No. 915), de facto it is not being implemented and the Joint Order of the Ministry of Economy of Ukraine, Ministry of Environmental Protection and the State Customs Service No. 789/414/709 of 30 July 2009 (issued on the basis of the Government's Resolutions) is still de facto applied.**

United States:

- FAA Reauthorisation: the House of Representatives approved on 23 September 2009 a temporary, three-month extension of FAA programs, allowing more time for Congress to debate a permanent reauthorization bill for the FAA. This means that the issues relating to airline ownership, mobile voice communication in aircraft and foreign repair stations are not yet off the table.

- ***New Bill: The Foreign Manufacturers Legal Accountability Act of 2009 was introduced in the Senate on 6 August 2009 and referred to the Committee on Finance. The bill aims to further protect U.S. consumers and businesses from injuries caused by defective products manufactured abroad. It would require the heads of federal government agencies such as the Food and Drug Administration to pass regulations requiring that foreign manufacturers of products regulated by their agencies register an agent who will accept service of process. Regulators may exclude manufacturers who only import a minimal amount of products into the United States. The Bill creates an obligation that these foreign manufacturers are consenting to the jurisdiction of the courts in the state where their agent is located. http://thomas.loc.gov/home/gpoxmlc111/s1606_is.xml***

Vietnam:

- A decree on the new law on excise duties (SCT) was issued on 16 March 2009. While the law establishes a single, non-discriminatory duty to be applied to both foreign and local products, the decree outlines an 'exception to the rule' in cases where the producer is selling non-imported products to a 'business and trading establishment'. The price reference is the production price (with some conditions). In practice, this could amount to a tax cut of up to 10% for local wines and spirits products**.**

II.1. GOVERNMENT PROCUREMENT RESTRICTIONS

Algeria:

- **Local content requirement for acquisition of office equipment (up to 15% of tender). Preference is given to Algerian goods and services for administrative purposes: 1) when at least with equal quality as foreign tenderers 2) 15% preferential margin applied on products and services from Algeria.**

Australia:

- Two Australian provinces have adopted provisions, which seem to run against the position of the Federal Government. First, the State of Victoria (sub-national level) announced on 19 November 2008 (operative from 1 July 2009) that Victorian Government procurement for declared strategic projects greater than $A250m should be subject to 40% local (Australian and New Zealand) content requirements. The measure will have a potential adverse impact over a broad range of sectors, specifically in relation to passenger rail rolling stock and tram fleets.
- Furthermore, a stimulus package announced on 16 June 2009 by the New South Wales government gives a preference to Australian and New Zealand content in government procurement. 20% Price Preference Margin (PPM) applies to Australian and New Zealand content of goods and services offered and an additional Country Industries Price Preference Margin of 2.5% or 5% is applied to goods and related services. The preference extends to SMEs with up to 500 employees for tenders from countries having a free trade agreement with Australia. It should be noted that Australia is an observer to the WTO GPA.

Brazil:

- The Brazilian Ministry of Mines and Energy (MME) will hold the first wind energy auction on 25 November 2009, as part of the ongoing Program of Incentives for Alternative Electricity Sources (PROINFA), a government program that aims to promote the use of renewable technologies in the production of electricity. The Ministry set out the requisites for new electricity generation projects participating in the auction in Administrative Act (Portaria) No. 211, published on 28 May 2009. This act banned the use of imported wind turbines with nominal power up to 2,000kW by bidders participating in the auction. This restriction was modified by MME Administrative Act No. 242 of 25 June 2009, which stated that the use of imported turbines with nominal power under 1,500 kW were not allowed by bidders in the auction.

  Brazil is not a party to the WTO GPA.

Canada:

- On 29 January 2009 the Government of Canada announced that it would provide CAD175 million "on a cash basis" to the Canadian Coast Guard for the purchase of new vessels and improvements to existing vessels. The allocated funds are included as part of Budget 2009's provisions for infrastructure renewal. Although the Government had yet to award the contracts when the Budget was announced, it clearly stated that "work will be conducted in Canada, and where possible, by shipyards located within the regions of the vessels' home-ports". The Budget foresees acquisition of 60 small craft, 30 environmental response vessels, five life boats and two inland scientific research craft.
- ***Proposed decision on domestic content in Ontario's Green Energy Act and Feed in Tariff (FIT) program. It is expected that the Ontario government will be finalizing a decision on domestic content at a cabinet meeting within weeks. Feedback from the Ministry of Energy and Infrastructure (MEI), CanWEA and the draft FIT rules indicate that domestic content will be based on 'soft costs plus', a percentage of the project's total capital expenditure (i.e. balance of plant) and Major Equipment (nacelles, blades & towers). The total percentage has yet to be released, however, it is expected to be between 20-40%.***

China:

- 'Buy local' clauses exist in China since 2003. Article 10 of the 2003 Government Procurement Law (GPL) provides for a domestic preference except for
  - products that cannot be obtained in China or cannot be obtained in China under reasonable business conditions
  - or for products that are to be used out of China..

  This 'Buy Chinese' policy was strengthened in 2007 by two implementing decrees[16]. They limited the possibility to procure foreign goods in China to cases when domestic products are 'unreasonably' more expensive or of lower quality.

  In spring 2009 China emphasised to its procuring entities that they should tightly enforce the existing 'Buy Chinese' provisions in its public procurement legislation

[16] Decree 2007/119 on "Printing and distributing the administrative measures for the government procurement of import products" and Decree 2007/120 on "Administrative measures for government procurement on initial procurement and ordering of indigenous innovation products" adopted by the Chinese Ministry of Finance.

(Opinion 2009/35)[17] by further eliminating the possibility to buy foreign products, even if they are of better quality or less expensive. The Opinions state in particular that all products falling under the scope of the above mentioned Decrees (2007/119 and 2007/120) must be purchased in China. The Opinions 2009/35 stipulate further that the procurement of imported "high tech or innovative equipment" will only be possible if no such products are available in China. Also close supervision of construction projects launched under the RMB 4-trillion stimulus packages adopted in 2008 and 2009[18] has been announced.

Moreover, the Chinese National Development and Reform Commission (NDRC) issued in 2009 a notice[19] reminding all authorities to strictly apply the 'Buy Chinese' rules in all procurement financed by the stimulus package. In particular,

- article 2.1 asks to eliminate any possible discrimination against domestic manufactured equipment;
- article 2.2 reminds that 'Buy Chinese' is the guiding principle in procurement in China and the procurement of foreign goods and services is only allowed under the exceptions foreseen in the GPL (i.e. article 10 of the GPL); the article also imposes new sanctions and penalties against officials setting up rules or criteria that exclude domestic bidders or favour foreigners.

- Central and local entities tend to implement in a very broad manner those provisions, going far beyond discrimination already imposed by the law. The nationwide 'Buy Chinese' measures have been echoed by numerous 'Buy Chinese' or even 'Buy Local' initiatives taken by provincial or municipal authorities. So far cases have been reported in twelve provinces.

It should be noted that China does not yet undertake any substantial multilateral or bilateral commitments concerning government procurement. It is currently negotiating its accession to the WTO GPA[20].

Indonesia:

- The Ministry of Industry adopted on 29 May 2009 a regulation (49/2009) requiring the use of domestic products and services in 558 sub-sectors for public procurement. The regulation relates to both domestic and foreign companies established in Indonesia, which could be considered as local producers in several sectors (raw materials, equipment, machinery, supplies, construction materials, agriculture and agri-food, energy, telecommunication sector etc.). The regulation is a response to a presidential instruction No. 2/2009, which entered into force on 9 February 2009, stipulating that all state administration should 'optimize' the use of domestic goods and services and give price preferences for domestic goods and providers. Domestic products are defined as 'goods/services (including construction-design and engineering) produced or prepared by company investing and producing in Indonesia, with possibility to use

[17] The State Council of China released in 2009 the "Opinions for further strengthening the management on Government Procurement" (Opinions 2009/35). It is related to the enforcement of the Government Procurement Law (GPL) adopted on 29 June 2002. In January 2003 a law on Government Procurement entered into force in China, with a wider coverage than the 1999 Law on Tendering and Bidding.

[18] For more information on stimulus packages, see the 133 Report on potentially trade restrictive measures of July 2009.

[19] Notice 2009/1361 on "The implementation of deployment on the expanding of the domestic demand to promote the economic development" and "Opinions for the supervision of project tendering procedure" jointly with seven other Ministries (Ministry of Industry and Information Technology, Ministry of Water Resources, MOFCOM, Ministry of Railways, Ministry of Transport, Ministry of Supervision, Ministry of Housing and Urban-Rural Construction).

[20] It submitted its WTO GPA (Government Procurement Agreement) initial offer end of December 2007.

imported raw material or component in the production or working process'. The law is effectively in force since 12 August 2009.

- The Ministry of Communication and Information Technology commented in the press in July 2009 that companies with foreign capital ownership beyond 49% are forbidden from participation in tenders for broadband internet access (WiMax, 2.3 GHz frequency). The exact legal basis is not confirmed, however, the Ministry referred to the investment negative list, which establishes limits on new investments in the sector and is being applied.

- Ministry of Industry Decree 04/2009 (dated 15 January 2009) stipulates a domestic content obligation for electric power generation infrastructure construction.

  - 1) Article 6-8: Coal and water power generators with less than 100 MW shall be constructed and managed by a national company, and with above 100 MW it can be a foreign company but it must work together with a national company. For geothermal power, the limit is 110 MW for similar conditions.

  - 2) The buyer of these construction services must give a price preference to locally produced goods and services. The size of discount depends on the category of costs, between 7.5 – 30%

  - 3) The attachment of this regulation stipulates the required levels of domestic content for the different sectors - coal, water power, geothermal and distribution, as well as for different sub-categories of goods and services. The local content requirements range from 15% up to 96% for different categories, but mostly are above 50%.

  Ministry of Industry introduced administrative sanctions for not following the regulation, in the form of penalties or blacklisting. Foreign products can be used only when locally produced goods are not available. The Decree will affect the procurement related to the Government's 10,000 MW electricity crash program.

- Draft regulation is being prepared to introduce local content requirement of 50% on oil and gas contractors, who will be obliged to spend 50% of their total project expenditure on local products and services in the framework of the "Indonesia Incorporated" concept in the sector to support these industries in terms of service, financial and human resources procurement.

  Indonesia is not a party to the WTO GPA.

Kazakhstan:

- The Republic of Kazakhstan adopted changes and amendments of the Law on public procurement No. 156-IV on 4 May 2009 (entry into force on 5 May 2009) introducing a local clause in the public procurement law for goods - 20%, services and construction - 15%, thus limiting the purchase of foreign goods, services and works.

  A company with more than 50% foreign shareholding is considered as foreign and therefore excluded from participation in public procurement tenders, unless it fulfils all of the following criteria making it a 'national producer':

  - the company is resident in Kazakhstan,
  - the company produces finished products in Kazakhstan,
  - the company uses no less than 85% of local workforce.

Despite these rules, local branches of foreign companies created as a public limited company (LTD) in accordance with national regulations are refused access to public procurement tenders.

- Furthermore, the Government plans to set up administrative punishment for entities violating local content clauses in the procurement law. On 25 February 2009 the Kazakh government published a list of companies subject to mandatory monitoring of procurements.

  Kazakhstan is not a party to the WTO GPA.

Russia:

- Instruction 427 of 5 December 2008 by the Ministry of Economic Development "On the Conditions for Access of Foreign Origin Commodities for the Purposes of Placing Orders for Commodity Supplies for the Government and Municipal Use" determines conditions for access to the Russian market for a large number of goods and services from foreign countries: agricultural products, hunting products; agricultural and hunting services, food products and beverages, textile products, clothes, fur and fur products, leather and leather products, saddlery products, shoes, organic and non-organic synthesis products, rubber and plastics articles, machines and equipment, cars, trailers and semi-trailers, car bodies, components and accessories and others. In fact it legitimizes the preferences for goods produced in Russia, by enabling the national producers to win bidding with a price which is up to 15% higher than that of a foreign producer. The new 'Buy Russian' provisions will only apply for a limited period of time. Expiration is foreseen at the end of 2010.
- The Government Anti-Crisis Plan 2009 further envisages measures to increase the demand for domestically manufactured goods in public procurement. Amendments are to be introduced in the legislation to that purpose.

  Amendments are to be introduced into the legislation regulating state procurement so as to prioritize the use of Russian goods, including sophisticated equipment. Leasing schemes are to be also used to support Russian producers, while organizing state procurement (as envisaged by the Government anti-crisis plan for 2009). However, no related changes have been made so far in the Federal Law on state procurement No. 94-FZ. (The Federal Law On State Procurement No. 94-FZ establishes national regime for foreign firms on the basis of reciprocity with foreign countries. No priorities for Russian firms are envisaged so far.)

  - ***Agriculture Ministry Order 82 from 3 March 2009 - Russian authorities discriminate in granting loans (with interest subsidies) to farmers depending on the origin of agricultural equipment purchased. It could be considered as formal discrimination with regard of imported agricultural machines.***
  - ***Subsidies for executive bodies, regional authorities, militia, communal services and medical establishments are envisaged to buy locally produced passenger cars, transportation cars and special vehicles (32.5bn roubles).***
  - ***The anti-crisis plan for 2009 envisages a working out of measures to stimulate the demand for locally produced steel products from the construction industry, the machine-building sector and the fuel-and-energy complex.***

- ***The anti-crisis plan calls for further steps in order to increase the demand for domestically manufactured goods from the Federal Government, private business and the population.***

Russia is not a party to the WTO GPA.

South Africa:

- The Customised Sector Programme (CSP) was adopted on 21 May 2009 in order to assist the textile and clothing industry as part of the "Framework for South Africa's Response to the International Economic Crisis" of February 2009. It stipulates tariff increases (see above), safeguard investigations and a 'Buy SA' public procurement policy. South African public institutions are expected to procure only textiles and clothing manufactured locally and by companies in compliance with national tax and labour laws.
- On 14 August 2009, the SA Finance Minister gazetted for public comments new draft Preferential Procurement Regulations, which seek to align the SA preferential procurement regime with Broad-based Black Economic Empowerment (B-BBEE) law. Under the draft Regulations, the 'B-BBEE status' of companies becomes a key factor of competitiveness in the awarding of public contractors. The proposed Regulations do not formally discriminate against foreign producers and service suppliers, but may indirectly do so in practice.

  South Africa is not a party to the WTO GPA.

Turkey:

- Turkey's public procurement legislation allows for a 15% price preference in favour of domestic suppliers when participating in tenders as well as for set asides for Turkish goods and suppliers. A Prime Minister circular of December 2008 encouraged Turkish contracting authorities to apply more rigorously those provisions. The procedure was used in a total of 1285 tenders in 2008, a volume which constitutes about 10% of all tenders and 14,8% of tenders open to foreign bid (12.6% and 20.17% respectively in 2007). In 2008, about 68.2% of all tenders were open to foreign bid. Following the above Decree, a big increase is observed in the first quarter of 2009 for using the 15% price advantage. The procedure is used in 336 tenders with a volume TL 2,2 billion (ca. €1 billion) whereas the numbers were 101 (ca. €47 million) and TL 403 million (ca. €188 million) respectively in the same quarter in 2008.

  Turkey is not a party to the WTO GPA.

Ukraine:

- According to the Government's Resolution "On amendments to the resolution on public procurement of goods, works and services" of 24 June 2009, goods, works and services are to be purchased from the domestic producers or their representatives, dealers, distributors and only if such goods, works and services are not produced in Ukraine, they can be purchased from non-residents or their official representatives. This measure is in force until 1 January 2011. Earlier the Constitutional Court ruled as unconstitutional the Law No. 694-VI "On amendments to the certain Laws of Ukraine to minimise the impact of the financial crisis on the development of domestic industry" of 18 December 2008 that contained the same provision. But since the Resolution is in force, it is still valid.
- Furthermore, on 11 March 2009 the Cabinet of Ministers approved Resolution No. 264 "On enlargement of internal market for domestic producers of machine-building

for agriculture complex", which envisages that agricultural equipment purchased with state funds should only be purchased from domestic producers. The Resolution was further complemented by the Decree No. 328 "On state support in 2009 of domestic machine-building for agriculture complex", which lays down more detailed operational instructions on public procurement for state institutions.

Ukraine is not a party to the WTO GPA.

United States:

- On 13 February 2009 the US Congress passed the $790bn American Economic Recovery and Reinvestment Act (ARRA), which was signed into law by President Obama on 17 February 2009. The legislation includes two new 'Buy America(n)' provisions that:
  - 'prohibits funds appropriated by this Act to be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel and manufactured goods used in the project are produced in the United States.';
  - 'prohibits funds appropriated by this Act to be used for the procurement by the Department of Homeland Security of a detailed list of textiles items (e.g. clothing, tents, cotton and natural fibres, etc.) unless the item is grown, processed in the United States.'

  Specific waivers to these restrictions can be requested on the basis of public interest, non-availability or unreasonable costs. The final new Buy America(n) type amendments contain language that the law should be "applied in a manner consistent with US obligations under international agreements". Such wording is supposed to give ARRA consistency with, among other US international agreements, the WTO plurilateral Government Procurement Agreement (GPA).

  As regards the application the rules apply to:
  - State procurement entities not covered by the US GPA commitments as well as the procurement by the States not committed under the GPA;
  - States covered by the GPA will have to admit bidders coming from GPA Parties if the procurement in question is covered by the US GPA commitment.

  Although the funding, in the form of grants, will be provided by the federal authorities, the States will be for the most part the ultimately procuring entities.

  Following the adoption of ARRA, the U.S. Administration has issued two sets of implementing rules and guidance aiming at further clarifying the new provisions. These have been subject to a two-month stakeholder consultation. Comments received during that period are due to be assessed and integrated by the relevant authorities in the final implementation rules and guidance, still to be published.

  Since the adoption of the "Buy American" provisions in ARRA, the U.S. Congress has tabled several legislative proposals with similar 'Buy American' provisions (21st Century Green High-Performing School Facilities Act, Water Quality Investment Act[21], Appropriations Act for energy and water development as it relates to motor vehicles). Restrictions with a similar discriminatory 'pro-American' intention have also been included in a funding announcement by the US Department of Energy (Department of Energy Recovery Act "Financial Assistance Funding opportunity Announcement").

[21] Water Quality Investment Act (passed in the House on 12 March 2009) and 21st Century Green High Performing Public School Facilities Act (passed in the House Education and Labour Committee on 6 May 2009.)

- On July 17, 2009 the House of Representatives passed H.R. 3183, "Appropriations for Energy and Water Development and Related Agencies Act of 2010 ". The House also adopted a "Manager's amendment" - made up of a series of 10 amendments including a so called Kissell/Pastor Amendment, which says: "None of the funds made available in this Act may be used to purchase passenger motor vehicles other than those manufactured by Ford, GM or Chrysler" . This discriminatory provision has been removed during the conference process. The amended bill has passed the House and will be considered in the Senate.

  http://appropriations.house.gov/pdf/EW_Conf_Rpt_FY2010.pdf

- Financial Services and General Government Appropriations bill (S 1432, HR 3170) The Senate Appropriations Committee and the full House passed their own versions of the Financial Services and General Government Appropriations bill (S 1432, HR 3170), which would prohibit inverted companies from receiving funds through contracts with federal government agencies. The specific language states: None of the funds appropriated or otherwise made available by this or any other Act may be used for any Federal Government contract with any foreign incorporated entity which is treated as an inverted domestic corporation or any subsidiary of such an entity. **Although the Senate version of the bill states consistency with international obligations (the prohibition in subsection (a) shall not apply to the extent that it is inconsistent with the United States obligations under an international agreement), the House version of the bill, which has already passed in the House of Representatives, does not. This provision will only apply to the appropriations funds for the fiscal year of 2010. Currently there are only a couple of companies that would be negatively affected (that recently inverted to become European companies), but this does not mean that there will not be more in the future. The Commission continues to monitor the situation closely.**

- The “National Defense Authorization Act for Fiscal Year 2010” includes three provisions that introduce either 'Buy American' requirements or otherwise imply set-asides or protection for U.S. providers of goods or services.

- 'Buy American' provisions on steel and iron and manufactured goods and 'Hire American' provisions are expected to be included in the economic stimulus legislation.

  Concrete negative effects of these provisions to the procurement possibilities of European companies in the US market have already been reported

II.2. INVESTMENT RESTRICTIONS

Algeria:

- A series of instructions issued on 20-22 December 2008 introduced stringent procedures for foreign investors and traders in Algeria. The instructions specify that any foreign investment required a majority participation of Algerian capital. Furthermore, all foreign investment would be subject to examination by the National Investment Council; the capital could only be mobilised on the Algerian capital market; and any project would need to result in positive foreign exchange balance for its entire duration. Finally, any company importing goods to the country would be obliged to have a 30% Algerian participation in its capital. It has to be noted though that the initial provision regarding the retroactive character of the requirement has been lifted largely due to the pressure exercised by the European Union.

- The law "La loi de finances complementaire 2009" of 26 July 2009 introduced further restrictions, such as 'Buy Algerian' requirement for all investors benefitting from assistance of Agence Nationale de Developpement des Investissements (ANDI) and a pre-emptive right of re-aquisition of shares sold by foreign investors by the State.

China:

- As of August 2009, Chinese authorities encourage new airline operators setting up in China to operate Chinese-made aircrafts, as a pre-condition in order to receive an air operator certificate (AOC). Chinese government promotes the local product on domestic market since Chinese aircrafts (MA60) have usually been exported, due to domestic operators' preference for foreign-made aircrafts.

Indonesia:

- Indonesia set up an 80% limit on foreign direct investment in the fisheries sector, according to the Decree 5/2008 of the Ministry of Fisheries.

- In November 2008 the Ministry of Communications published a draft Decree on its website (for public consultation) that imposes a minimum 30% local content requirement on telecom equipment acquired by local operators, as well as related services. Although the Decree has not yet been adopted, and the local content requirement as expressed in percentages has been removed from the draft, the Decree prescribes the method of calculating the local content, which may be used as a criterion in the selection of offers.
- Ministry of Health Decree 1010/2008 restricts the scope of imported drugs that can be registered and provided that drugs which are currently imported must be manufactured locally within 5 years. The Decree was adopted and became effective on 3 November 2008. Contrary to previous commitments to ensure that existing foreign importers (so called PBF companies) could continue to register their products, **the Ministry of Health has returned to its original position whereby drugs can only be imported if they fulfil the need and are not manufactured locally; furthermore imported drugs can only be registered by companies having manufacturing facilities in Indonesia. EU exports of pharmaceuticals to Indonesia amounted to EUR 145 million in 2007[22]. According to the investment coordinating board, investments into the pharmaceuticals sector have come to a halt since the limitation of FDI to 75%. In August-September 2009, Food and Drug Safety Agency sent warning letters to foreign companies which have not applied for a production licence, threatening to revoke their PBF licence. Although the regulation should be applied equally to domestic PBF companies, its enforcement seems to target foreign companies. The pharma industry, is making efforts to change the old Decree 245/1990 in order to convert the status of the PBF companies into 'manufacturer', which would mean that they could still register their own drugs in Indonesia. The anti-monopoly commission KPPU has conducted an investigation of the Decree 1010 and found that it did not hamper access to important medicines while it was likely to increase investments.**

Russia:

- There are currently 45 applications from foreign investors awaiting permission from the Putin Commission to invest in strategic sectors (Federal Law No. 58). The Law

[22] SITC 515, 516 and 541 - accounting for around 3% of total EU exports to Indonesia.

seriously complicates the process for foreigners to invest in Russia. There are attempts by the advocates of state control in the Government to revise the Law for further toughening of state control over the key economic sectors.

Unites States:

- Foreign ownership of US airlines: the US Code 40102 establishes that 75% of the voting rights in a US carrier must be owned by persons who are citizens of the United States.

III. EXPORT RESTRICTIONS

Algeria:

- **Restriction on exports (metal scrap, leather and cork), and prohibition to export subsidized agricultural and food products: cereals (wheat and barley), flour and milk.**

China:

- **After months of delay, in October 2009 China published the rare earth export quota for foreign companies for the second semester of 2009. Almost at the same time, Chinese government announced in the press that it would tighten its administration on production and exports of rare earths in the next six years, according to a "Rare Earths Industry Development Plan in 2009-2015" drafted by the country's Ministry of Industry and Information Technology. This Plan has not been publicly released yet.**

Egypt:

- On 10th March 2008, the Egyptian Government raised the export duty on rice from 200 LE to 300 LE per tonne. This measure was followed on 27th April 2008 by a Ministerial Decree (MD197-2008) banning rice export, allegedly for a period of 6 months (from April to October 2008) in order to supply in priority the local market. On 25th May 2008 a second Ministerial Decree (MD 450/2008) was issued extending the ban on rice export until April 2009. On February 2009, the Government of Egypt (GoE) announced that the ban would be extended until further notice. End of March, the GoE confirmed the extension of the ban until October 2009. "The decision is intended to preserve the stability of prices in the local market". Exports companies which also import rice on behalf of the state for distribution as part of food subsidies would be allowed to export the same amount they import. Export companies would also be allowed to export any surplus rice after meeting domestic demand for a fee of 1,000 EGP. On 6 July 2009, Egypt's Ministry of Trade and Industry doubled the above mentioned export duty on rice to 2,000 EGP per tonne. On 15 July 2009, the export ban was lifted for broken rice and replaced by an export duty of 300 EGP per tonne. On 30 August 2009, the above export duty of 300 EGP per tonne of broken rice was cut to 100 EGP per tonne**. On 24 September 2009, the Ministry of Trade and Industry announced the prolongation of the export ban by another year until October 2010.**

- A ban on exports of cement (and clinkers) and steel, introduced primarily in March 2008 has been extended on 15 July 2009, following the market price increase, until

October 2010. **This new directive includes assignments for the Competitiveness Protection and Antimonopoly Agency (ECA), Egypt's competition watchdog, to examine the cement market structure and analyse the competition mechanisms (note: a court ruling from last year fined 20 executives in cement companies for anti-competition practices).**

Indonesia:

- Ministry of Fisheries Decree 5/2008 on Catch Fishing Business requires both domestic and foreign fisheries companies to set up fish-processing industry in Indonesia. According to the press statement, caught fish has to be processed domestically first before exportation. The stated purpose is to create added value to the Indonesian fisheries sector and to create jobs.

- A new mining law adopted on 16 December 2008 requires that minerals and coal be processed before export. The Government has one year to put into place the necessary implementing regulations to give effect to the provisions of the law**. *A second draft of the implementing regulations as well as the draft Decree on Mining Services (received in August 2009) still retains local content, local processing, domestic market obligation, price controls and divestment obligations. For mining services, local and national companies should be prioritized over foreign-owned ones. In consultations with foreign embassies in August 2009, MEMR gave no indication that the stipulations of EU concern would be removed. Some flexibility will be introduced on the local processing requirements to ensure that only economically rational processing will be required to take place.***

- Obligation for exporters of certain products (palm oil, minerals, also coal, coffee, cocoa and rubber) to obtain letters of credit from local banks for export transactions exceeding US$ 1 million. In addition, exporters will be barred from receiving payment from foreign customers through overseas bank accounts. Companies with existing long-term contracts have been granted postponement until end of August 2009. **For palm oil, minerals, and metals, full implementation began on 1 April 2009. However, companies with existing long-term contracts have been granted a postponement until 1 September. All coffee, cocoa and rubber exporters were exempted until 1 September 2009. Several commodities exporters have requested for additional delays to the requirement beginning on 1 September 2009. Ministry of Trade has commented that several exporters are likely to receive a delay.**

- ***Ministry of Agriculture is planning to introduce an export duty on cocoa ores (cocoa raw material) to promote the national cocoa industry and processing in Indonesia. The funds from the export tax would be for developing the national cocoa industry. The Indonesian Chamber of Commerce (Kadin) has also proposed to the Indonesian Government to raise export duties on 10 commodities, when the new Indonesian administration takes office in late October. The 10 commodities would include cocoa, rubber, palm oil, coffee and sugar, for each of which (except for sugar) Indonesia is among the world's largest suppliers. The stated objective of the suggested policy would be to increase the competitiveness of domestic processing industries, to increase the share of 'value-added' in Indonesia, to secure domestic supplies with an affordable price and to promote employment in processing industries. No date disclosed yet for implementation. Cocoa industry has been lobbying for a 10% export tax in order to push for increase of domestic production/manufacturing. 70-80% of the cocoa beans are currently said to be exported unprocessed.***

According to Kadin and press statement from Coordinating Ministry of Economic Affairs, the Government seems to support the proposed policy of commodities export taxes, in line with their commitment to reduce Indonesia's dependency on exporting 'raw'/unprocessed natural resources. The policy would be established on commodity-by-commodity basis, depending on the international market price for each commodity and the equilibrium price level deemed suitable for domestic market.

Pakistan:

- On 13 April 2009 Pakistan imposed 15% regulatory duty on export of molasses. Molasses is used to feed production but is also an important feedstock for bio-ethanol production. The decision has been taken to encourage ethanol production in Pakistan, which has witnessed increasing export trend to other markets owing to unprecedented fuel price hike.

Russia:

- The Federal Customs Service issued an Order No. 1514, in force as of end of April 2009, which restricts customs clearance points for exports of metal scrap. It leaves now only one single land crossing point on the western border, thus contradicting the provisions of the EU-Russia bilateral steel agreement. A justification for limiting the customs clearance points for exports of scrap is based on request from Russian metallurgical industry, which is in a shortage of raw materials.

- ***The Russian Government is currently considering imposing export duties on magnesium waste and scrap at the rate of 20%, but not less than €245 per 1000 kg, to be applicable since 1 January 2010.***

IV. MEASURES TO STIMULATE EXPORTS

Brazil:

- Sovereign wealth fund was introduced, aiming to protect the country from the global financial crisis and to help Brazilian companies to boost trade and to expand overseas.

China:

- The sectoral plans that have been published for various sectors cover various forms of support including financial support measures, consolidation around national champions and reduction of outdated capacity. There is generally a reference to increases of export tax rebates as a way to support exports. The measure does not discriminate between domestic and foreign producers established in China.

Egypt:

- **The government has announced a fiscal package aimed at addressing the impact of the global crisis on the domestic economy (1 December 2008 and disbursed essentially during the first half of 2009). The EG Government has announced a package of incentives of LE 15 Billion (€ 2 Billion) to support the manufacturing and export activities as well as stabilizing the prices of natural**

gas and electricity to all factories. This package includes other measures such as eliminating trade barriers, increasing tax exemptions (i.e. exempting car component imports from customs fees), and reviewing planned increase in the prices of energy. An initial LE 15 billions has been unblocked to tackle the global financial crisis. Around EGP10 billion will be spent on infrastructure in FY2008/09 (this will likely extend into 2H2009), while a further EGP5 billion will go on export subsidies (EGP3 billion) and the reduction of investment-related tariffs (c. EGP2 billion). The Export Development Fund will also receive LE 3 billion of financial assistance. Several sectors will be affected by theses decisions, automotive manufacturing, weaving and textile industry (i.e. committees to set benchmark prices for the imported ready-to-wear clothes, textiles and yarns, in order to protect the local industry), tourism sector, pharmaceuticals, etc.

- **- LE 9.9 Bn for budget sector investments, of which the major bulk of 8.2 are in water and sewage projects and infrastructure (roads and bridges construction).**
- **- LE 0.6 Bn for improving railways and ports**
- **- LE 2.8 Bn for exports promotion, infrastructure development for internal trade and support to industrial zones.**

India:

- The Minister of Commerce and Industry announced that the exports of leather and textile sectors would be given incentives of INR 325 crore (USD$ 67 million) with effect from 1 April 2009.

Japan:

- On the basis of the Emergency Measures to Defend People's Daily Lives decided by the Ministerial Meeting on Economic Measure and a public notice issued by the Ministry of Finance on 25 December 2008, the Japan Bank for International Cooperation (JBIC), a subsidiary of the government-owned Japan Finance Corp., has initiated a scheme on 'Credit for exports to developing countries'. The scheme will be in force until the end of March 2010. Japanese companies exporting goods and services to developing countries are eligible to receive loans. http://www.jbic.go.jp/en/about/news/2008/0115-01/index.html.

Russia:

- State support for exports of Russian manufactured goods envisaged at 9 billion roubles in 2009, which is three times more than in 2006. This is mainly made by subsidising of interest rates on credits received from Russian commercial banks. The upper limit of state guaranty granted to exporters of manufactured goods is raised from $50 million to $150 million. The procedure of granting state guarantees is streamlined. The Government is considering delegating its right to grant such state guarantees to the Finance Ministry.

South Korea:

- The government and the Korea Export Insurance Corporation plan to invest an additional 3 trillion won into troubled exporters that suffer from the weak won and a falling global demand.

Switzerland:

- The Swiss Federal Office for Agriculture increased on 23 July 2009 the support credit for exports of breeding cattle and productive animals from CHF 4 to 5 million.
- Switzerland reintroduced export refunds for cream as of 1 January 2009.

Taiwan:

- Taiwan has pursued three main programmes to stimulate its economy, including one on stimulating exports. The measures are currently viewed as relatively non-discriminatory. On 25 December 2008 the Cabinet announced an export stimulus package totalling NT$8.53billion (US$ 258.7 million, €182.7 million) to be used through 2012. The main focus of the package, developed by the Bureau of Foreign Trade, is on stimulating exports to China and markets in emerging economies. The program of stimulus is named the 'New Zheng He Plan'. The bulk of the funds, NT$5.58 billion, will be used between 2009 and 2010 and focused on supporting financing for export businesses by providing preferential loans and export insurance. A further NT$1 billion will be used between 2009 and 2010 specifically to boost exports of foodstuffs to China. The majority of the rest of the funds, around NT$1.8 billion will be used to target the markets of India, Russia, Brazil, Vietnam, Indonesia, Malaysia and those of the Middle Eastern countries. This plan, focused on export promotion and addressing SME financing difficulties, is relatively in line with measures seen globally. As such it is not seen as particularly objectionable. However there are currently indications that the government may be considering more direct export stimulus measures. This will continue to be monitored.

United States:

- On 22 May 2009 the United States Department of Agriculture (USDA) presented a 'Dairy Export Incentive Program' for the period from July 2008 through 30 June 2009. The programme is equivalent to the US WTO commitments for agricultural export. Some countries and regions will be excluded from the programme and quantities may be limited depending on the budget. USDA's Foreign Agricultural Service is in charge. The programme originally was introduced in 1985 and was reauthorized by the Food, Conservation and Energy Act of 2008, the so-called 'Farm Bill'. There are also plans for a 'National Dairy Promotion and Research Program', which would introduce a levy for milk produced in the US as well as on imported products.

V. OTHER MEASURES

V.1. STIMULUS PACKAGES

Algeria:

- **The Government recently announced measures to stimulate dairy production in Algeria, from locally produced milk, instead of from imported milk powder, used to produce reconstituted milk and other dairy products. The premium paid at all level of the dairy filière (producers, collecteurs et transformateur) are going to be increased significantly.**

Brazil:

- Brazil's state development bank, BNDES, is supplying subsidized loans for up to 90 percent of the costs for domestically built ships.

- The Brazilian Development Bank undertook on 26 August 2009 a reduction of interest rates on public financing of exports of capital goods within the framework of the existing rules on pre-shipment financing for exporters (PROEX). On the same day the benefits of the system were extended to small and medium-sized enterprises.

Canada:

- In the recent federal budget, the Canadian government announced initiatives that could possibly introduce subsidies to various industries. For the automotive industry there is an offer of short-term repayable loans to the industry; creation of a $12 billion credit facility to support vehicle and equipment financing; $170 million over two years to support innovation and marketing for the forestry sector; $500 million over five years to facilitate new agricultural initiatives; $50 million over three years to strengthen slaughterhouse capacity; as well as measures to enhance the resources and scope of action available to Export Development Canada (EDC).

- Canada decided to provide a subsidy to Bombardier, a Canadian aircraft manufacturer, in the form of repayable loans of up to CAN $173 million. This support, although formally in compliance with the Aircraft Sector Understanding for Export Credits signed in the OECD framework, does not follow the spirit of the agreement in that the preferential credit rate gives the Canadian producer an advantage over European manufacturer, none of which can benefit from a similar governmental support (Italy or France are not direct lenders).

China:

- Introduced a stimulus plan for the ICT industry. Investment will be targeted to six key projects, stimulation of domestic consumption, credit guarantees for SMEs in particular and including, measures aimed at strengthening international competitiveness. In order to stabilize exports, the import tax rebate will be continued and the rebate rate for certain IT products will be raised. Innovation and IPR protection for technologies are emphasised.
- Stimulus plan on automobiles (restructuring around 2-3 big firms producing around 2 million cars) and steel (restructuring around five major companies which would represent more than 45% of the domestic capacity by 2011). China may use the opportunity to accelerate the process of restructuring of these domestic industries.
- China will take a range of measures including a hike in export tax rebates, credit support and elimination of outdated capacity to prop up its light industry according to an industry stimulus and revival action plan outlined on 18 May 2009. The authorities will further hike export tax rebates on some light industry products that do not form part of "high pollution, high energy consumption and capital intensive industries", said the detailed action plan released recently by the State Council. The government, the three-year plan said, will extend financing support such as issuing credit lines to companies which have good track record but are temporarily short of liquidity, to help them weather the economic downturn. In particular, the plan said, the government would offer a proactive credit and guarantee policy to support well performing small- and medium-sized enterprises (SME) to create jobs. According to the plan, the government aims to form another 10 large companies in the sector through industry consolidation, each with annual sales revenue exceeding 15 billion Yuan.

- Stimulus plan in the shipbuilding sector aiming at raising the shipbuilding capacity. Specific measures:
    - o provides shipowners competitive bank loans until 2012 to encourage fleet renewal and replacement
    - o support to increase credit funds for ship export buyers (commercial loans and credit facilities) at preferential lending rate
    - o offers a 17% subsidy on ship prices for domestic ocean going ships´ buyers till 2012
    - o offers working capital at preferential interest rate to shipbuilders and provides mortgage financing for ships under construction.

  The stimulus package calls the country to raise its annual shipbuilding capacity to 50mln DWT, or, the shipping market is already constrained by overcapacity. The 2 largest shipbuilding companies, state owned, China State Shipbuilding Co. Ltd and China Shipbuilding Industry Corporation will be supported to carry out mergers and acquisitions through capital injection and the establishment of an industrial fund. State owned COSCO, China Shipping Group and Sinotrans are supported to pick up cancelled shipbuilding orders from state owned shipyards.

- ***Support measures in favour of the tyre industry and its upstream and downstream processing announced in the press in the wake of the US decision to impose special safeguard measures on tyres imported from China.***

Indonesia:

- A fiscal stimulus package has been adopted with measures aiming at improving the purchasing power, strengthening competitiveness and increasing job opportunities. The duty drawbacks for some industrial sectors have also been included.

Japan:

- On the basis of the Emergency Measures to Defend People's Daily Lives decided by the Ministerial Meeting on Economic Measure and a public notice issued by the Ministry of Finance on 25 December 2008, the Japan Bank for International Cooperation (JBIC) introduced a temporary measure to provide loans and guarantees for Japanese firms (including SMEs) to finance their business operations in industrial countries (including EU15). It will also provide government guarantees for possible losses on acquisitions. The scheme will be in force until the end of March 2010. http://www.jbic.go.jp/en/about/news/2008/0204-01/index.html.
  http://www.jbic.go.jp/en/about/news/2008/0115-02/index.html

- Some local governments (among them: Tokyo Metropolitan Government, Kanagawa Prefecture, Akita Prefecture) are offering subsidies for purchases of cars. The car acquisition subsidy schemes were launched mostly in April 2009; Kanagawa Prefecture began providing subsidies in April 2009 (possibly up to 700,000 yen) to individuals buying electric vehicles. The new tax measures for eco-friendly cars such reduction or exemption in automobile tax, acquisition tax and tonnage tax introduced in April 2009 (until April 2012) tend to benefit domestic eco-friendly cars. **Mercedes Benz is applying to the Transport Ministry for eco-car recognition of its new model E250 CGI (launched in October 2009). It will be the first imported gasoline car meeting the requirement, if admitted.**

Mexico:

- **Early January 2009, President Felipe Calderon unveiled a 25-point economic plan to mitigate the impact of the US crisis on the ailing Mexican economy and preserve employment. This is the 5th counter-crisis plan that the President has announced since the effects of the crisis have become apparent, with exports' figures falling, expected job losses for 2009 reaching 380,000 and important manufacturing industries increasingly requesting financial injections.**

  The series of measures fall into five categories:

  1) Employment: 2 billion USD have been earmarked to create an extra 250,000 temporary jobs. A special programme will be created to preserve jobs within affected industries. Unemployed Mexicans will be able to tap into their retirement funds for financial support and social security for the unemployed will be amplified.

  2) Safeguarding of the family's income: a 10% cut in liquid petroleum gas prices will be applied for households and gasoline prices for 2009 will be frozen. Access to credit for council housing will be increased.

  3) Assistance to SMEs: Government institutions are required to ensure that 20% of procurement contracts are awarded to SMEs. The latter will also benefit from new lines of credit worth $9.2 billion USD, 2 million of which will target specifically struggling industries and companies. The sectors to benefit most from it have not been specified yet, but the automotive alongside other export-orientated industries are the most likely ones. Electricity tariffs for some industries will be reduced by up to 20%.

  4) Infrastructure: an extra 2.2 billion USD covered by the oil surplus, are to be injected into infrastructure projects, raising by 30% the funds available for the National Programme for Infrastructure. Although the government says that the programme's implementation is to be accelerated, a number of legal obstacles have delayed the launch of several important infrastructure projects.

  5) Transparent public funding: apply the new Accountability Law and initiate the process of public tenders.

Philippines:

- Based on informal consultation with the Export Development Council (EDC), PHP 200 million was released in June. Nineteen projects were approved so far involving inter alia the following: international trade fair participation, capacity building, common service facility, product development training, and collateral. These 19 projects are reportedly worth PHP 242 million, the disbursement of which would go beyond 2009. More than PHP1 billion worth of project proposals were reportedly submitted under the Fund, which have yet to be evaluated and approved by the EDC.

Russia:

- Government Decree No. 205 of 10 March 2009 establishes rules for granting subsidies from the federal budget to producers of agricultural machines and tractors, the wood processing sector, producers of equipment for the oil and gas sector, producers of machine tools in order to cover part of interest rates on credits for up to 5 years for their technical modernization. The subsidies will be granted in the period 2009–2011, on a quarterly basis. There is a list of documents, which need to be submitted in order to receive a subsidy. The Ministry of Industry and Trade and the Federal Service for Financial and Budgetary Control are to exercise control over the use of subsidies.

- 39 billion roubles in additional subsidies for the automotive industry envisaged by the Government Anti-Crisis Plan for 2009 was approved on 19 June 2009. The upper limit for price of locally produced cars subject to state subsidies (2/3 of CBR refinancing rate for banking credits to individuals) is raised from 350 billion roubles to 600 billion roubles (foreign cars assembled in Russia partly included). Subsidies are also to cover costs of transportation by rail of locally produced cars (including some foreign cars assembled in Russia).

- Subsidies in the agriculture and fishery sectors in 2009, as envisaged by the Government Anti-Crisis Plan, will total 212 billion roubles, almost 45% more than in 2008. Other 95 billion roubles will be spent by the Russian regions. These are to include subsidising of 100% of CBR refinancing rate for banking credits to meat and milk producers, and additional capitalization of Rosselkhozbank (45bn roubles) and Rosagrolizing (25bn rouble), which grant lax credits to framers and organize leasing of agricultural machines and equipment.
- Military-industrial complex, according to the Government Anti-Crisis Plan, is to receive 969 billion roubles in subsidies in 2009, or 38% more than in 2008. Subsidies are to boost capitalization of the leading firms, such as MiG, Gorbunov and Khrunichev. Other subsidies are to prevent bankruptcies of enterprises producing weaponry.
- 325 million roubles are allocated in 2009 in order to subsidise interest rates on banking credits for the wood sector, and to create seasonal reserves of rough wood and fuels.

South Korea:

- In December 2008, the government unveiled an outline of industry support measures to be taken, with a view to covering liquidity and corporate tax exemptions to the nation's 9 key industries, namely automotive, semiconductors, petro-chemicals, textiles, shipbuilding, steel, displays, mobile phones and machinery.
- In January 2009, the government announced the "Green New Deal", an ambitious project aimed at pushing a "low-carbon, green-growth" policy and spending 107 trillion won ($87 billion) on a variety of projects to reduce emissions and develop cutting-edge technologies and other areas. Key areas of green technologies that South Korea plans to focus on include solar cell, hydrogen fuel cell, wind energy, and light-emitting diodes or LEDs, which are used in making energy-efficient bulbs and other products. As part of efforts to push this project, in late April 2009, MKE announced its plans to purchase and install renewable energy products manufactured locally for state-led projects[23]. Furthermore, Korean companies will receive support to develop local solar energy operations through an intensification of certification standards for solar module and solar collector functions.
- Plans to Finance Green Growth Related Industries[24]: The Korean government plans to promote investment in green growth related industries. The plan is aimed at creating funds fit for the industries and expanding sources of financing as a way to prevent potential bubble in the industries. The plan is formulated on the basis of the three stages of development as follows:

  - Stage 1: R&D and commercialization

  To promote R&D projects and their commercialization, the government will increase fiscal support from 2.0 trillion won in 2009 to 2.8 trillion in 2013, along with 300 billion won funds set up by the KDB (Korea Development Bank). SMEs doing projects in stage 1 will access fiscal funds exclusive for them, which will be expanded form 60

[23] Up to now only 1 out of 146 wind power generators currently operating in Korea was built by local companies. This year the central government in cooperation with regional authorities plans to install 26 new wind power generators across the country.
[24] Press release on 5 July 2009 by MOSF

billion won in 2009 to 1.1 trillion won in 2013. Credit guarantee offered to “green enterprises” and green projects will also be increased almost three folds from 2.8 trillion won in 2009 to 7 trillion won in 2013.

- Stage 2: Industries maturing

To boost maturing industries, the “green funds” of 500 billion won will be formed by the KDB and National Pension Fund in the last half of this year, along with long-term deposit products and “green bonds” launched by banks to attract private investors. The government will grant tax incentives on capital gains: no tax on dividend up to 30 million won, among others.

- Stage 3:Industries fully grown

To support fully grown industries, 100 billion won carbon funds will be set up in October 2009, followed by carbon emission rights exchange which will be test run in 2011. To promote exports of eco-friendly industries and projects, the government will expand export financing from 1.0 trillion won in 2009 to 3.0 trillion won in 2013 in addition to increased government guarantee for exporters.

- In February 2009, the Ministry of Knowledge Economy (MKE) submitted a plan to the National Assembly which indicated the possibility of providing support measures to the troubled local automotive and shipbuilding industries on the condition that they reduce production costs through restructuring. In April 2009, the government announced a massive package program to assist the shipbuilding industry. Total amount of 9 trillion won would be provided to excellent shipbuilding companies and their partners.[25] In July 2009, the state-owned Korean Asset Management Corporation (KAMCO) started the implementation of a sale-and-leaseback scheme for Korean shipping companies. Participating companies improve their liquidity position as they may sell and lease back part of their fleet. In the first round of this scheme, shipping companies successfully offered 62 ships to KAMCO. When business improves, the companies have the option to buy back sold ships. In addition, the Export Import Bank of Korea will provide loans of up to 4.7 trillion for the purchase of ships constructed by financially stricken local shipping companies.

Taiwan:

- The government is under pressure to support prominent local companies and is using the need to intervene to strategically restructure and consolidate industries – notably in the LCD and DRAM sectors (DRAM is a semi-conductor product for computer storage capacity and thus used in of a wide variety of high-tech products). The DRAM restructuring programme is aimed at consolidating the DRAM sector by combining different Taiwanese companies and involving US and Japanese producers, also in view of the heavy competition from South Korea. The restructuring is likely to involve state support with the aim of increasing the competiveness of the Taiwanese DRAM industry, although full details are not yet known. There are only very few DRAM producers in the world. The development in Taiwan is of particular interest in light of the present bankruptcy procedures affecting the only European competitor in the DRAM sector. Quimonda (DE) had 12,000 employees, of which about 7,000 in the EU. After declaring bankruptcy in January its future is uncertain. While these Taiwanese restructurings involve state support, they might be comparable to initiatives being undertaken in the EU and US. Since no firm plans have been agreed yet, the details will need to be followed closely.

Ukraine:

[25] MEK announcement on 30 April 2009

- The Government, seeking to support the steel **and chemical** sectors, has extended till the end of 2009 a number of preferences for them, which are envisaged by the corresponding Government's Resolution No 925 of 14 October 2008 and Memorandum signed between metallurgical and chemical enterprises and the Government. In particular, the preferences foresee introduction of moratorium for increase of railroad transportation tariffs, reduction of prices for coking coal, cancellation of target surcharge for gas and suggestion to the National Electricity Regulation Commission to stop from 1 November 2008 increase of prices for electric power.

United States:

- The U.S. government has approved two relevant auto loans to date. On 30 September 2008 President Bush signed into law the "2009 Continuing Appropriations Resolution", which included appropriation of funding for so called 'Advanced Technology Vehicles Manufacturing Incentive Program' (ATVMIP). On 19 December 2008 President Bush announced that the Administration would provide federal loans for GM and Chrysler in the total amount of US $ 17.4 billion using the 'Troubled Assets Relief Program' (TARP) originally approved for the financial institutions.

- The scope of the US fuel tax credit has been enlarged. It concerns a tax credit designed to promote the use of alternative fuels, which the US Congress expanded in 2007, with an offer of US $0.50 a gallon to firms that blend renewable fuels, such as ethanol, with traditional fossil fuels, such as diesel. By mixing a small amount of taxable fuel (diesel) into the 'black liquor', US companies that produce pulp through the kraft chemical process qualify for funding. Payment of those subsidies started in March 2009.

- **Related to Black Liquor, the program constituting a part of the 2008 Farm Bill, was supposed to benefit "companies that use expensive, cutting-edge technologies to distill ethanol from plant materials instead of corn". Despite Congress' intent, the Internal Revenue Service released a memorandum in October 2009 ruling that black liquor qualifies for cellulosic biofuel producer credits because the fuel is produced and used in the U.S. and is "derived from lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis."**

- On 17 March 2009 Rep. Betty Sutton introduced 'car scrappage' legislation (HR 1550), which would provide consumers with vouchers if they decide to scrap their high polluting automobile and replace it with a new fuel efficient automobile. All new cars benefit from this measure.

- The House of Representatives passed American Clean Energy and Security Act of 2009 (H.R. 2454) on 26 June, 2009 which includes section 123: Plug-In Electric Drive Vehicle Manufacturing, which directs the U.S. Department of Energy to establish a vehicle manufacturing assistance program to provide financial assistance to automobile manufacturers to facilitate the manufacture of plug-in electric drive vehicles that are developed and produced in the United States. The financial assistance would be provided for the reconstruction or retooling of facilities for the manufacture of plug-in electric drive vehicles or batteries for such vehicles that are developed and produced in the United States. This bill is placed on Calendar in Senate and this version also includes the section mentioned above with the same drafting.

Vietnam:

- The government is implementing a US $8 billion stimulus package to spur the economy. The funds are mainly spent on: (i) a 4% interest subsidy program for loans to SMEs; (ii) a zero interest loans program for the poor; (iii) a loans program for Vietnamese enterprises to invest in new technology, environmentally friendly technologies and expand scale of production & business; (iv) tax cut on goods and tax break for individuals and companies; (v) increase of minimum salary by 20% for public servants and increase of 5% in pension and social benefits.

V.2. OTHER

Canada:

- **'The ice cream initiative': Canadian dairy producers have instituted a CDN 13$ million/year programme to encourage Canadian dairy processors to use 100% Canadian dairy products in the manufacture of ice cream, instead of imported products, including imported butter-oil blends. The programme will give dairy processors a rebate on their cost of buying Canadian milk products. Contracts would be renewed annually and cover production from 1 January to 31 December with a start of 1 January 2009.**

China:

- Measures announced include references to funding of external expansion of Chinese companies, which needs to be monitored closely.
- China is scheduled to build three to four major oil refining plants in the Yangtze River Delta in eastern China and the Pearl River Delta in southern China by 2011. In addition to boosting processing capacity, the government wants to make existing facilities more environmentally friendly.

Japan:

- The Ministry of Agriculture (MAFF) has set up a campaign 'Food Action Nippon' in October 2008 to promote domestic agricultural products, raise the Japanese food self sufficiency by 1% per year in order to reach 45% by 2015 and address concerns on the safety of imported products. **MAFF subcontracted the world biggest advertising company, Dentsu to conduct the nationwide campaign through various media tools by using celebrities and famous athletes. New GoJ under DPJ is aiming at more ambitious target of raising the food self sufficiency rates up to 50% in ten years and therefore expected to carry out even stronger campaign.**

Mexico:

- **'Made in Mexico' campaign: In February 2009, the Mexican Ministry of Economy launched a made in Mexico campaign, in an effort to promote Mexican exports and increase internal consumption of Mexican-made products. The Ministry designed a specific logo and published a list of requirements to be met for the logo to appear on the product.**

Ukraine:

- ***Moratorium on any rise in prices and tariffs for medicines during the financial crisis until the level of minimum wages and pensions is set at the level of the living wage and all debts on wages and scholarships are repaid. According to the Law No. 3426 passed by the Parliament, domestically produced medicines should be sold at prices regulated by the state, while foreign medicines should be sold at the prices set as of July 1, 2008. If the Law is signed by the President, it enters into force since the date of its official publication.***

United States:

- On 22 May 2009 the United States Department of Agriculture (USDA) presented a 'Dairy Export Incentive Program' for the period from July 2008 through 30 June 2009. The programme is equivalent to the US WTO commitments for agricultural export. Some countries and regions will be excluded from the programme and quantities may be limited depending on the budget. USDA's Foreign Agricultural Service is in charge. The programme originally was introduced in 1985 and was reauthorized by the Food, Conservation and Energy Act of 2008, the so-called 'Farm Bill'. There are also plans for a 'National Dairy Promotion and Research Program', which would introduce a levy for milk produced in the US as well as on imported products. For the ongoing program, see: http://www.fas.usda.gov/excredits/deip/deip-new.asp.

- **A draft bill (H.R. 6969) has been introduced in Congress to amend the Internal Revenue Code and deny a tax deduction for excess reinsurance premiums with respect to US risks paid to affiliated insurance companies that are not subject to US taxation. The bill risks creating unfair tax disadvantages to EU-owned US subsidiaries compared to US-owned companies.**

- **Jones Act: On 17 July 2009 Customs and Border Protection (CBP) published a "Proposed Modification and Revocation of Ruling Letters Relating to the Customs Position on the Application of the Jones Act to the Transportation of Certain Merchandise and Equipment between Coastline Points", which proposed to remove exemptions to the Jones Act for certain offshore activities involving foreign flag vessels and thereby change long-standing interpretations of rules for vessels in the offshore oil and gas industry. The notice provided only a 30-day comment period and letters were sent to CBP by Ambassador Bruton, the Consultative Shipping Group and the European Community Shipowners' Association (ECSA), among others, requesting an extension of the deadline so the impacts could be fully examined. ECSA's request was denied. However on 15 September 2009 CBP withdrew the proposal based upon its consideration of 141 comments received both in favor of and against the proposal, and on additional research. CBP expects to publish a new notice on the subject in the Customs Bulletin in the near future so the issue should be monitored closely. http://www.cbp.gov/linkhandler/cgov/admin/fl/foia/elec_read_room/jones_act/withdraw_jones.ctt/withdraw_jones.pdf**

- **New piece of legislation would force the administration to reduce trade barriers in other countries before allowing other countries to sell their products in the US market. The Reciprocal Market Access Act would essentially add 'common sense' reforms to the process by which goods are exchanged between the United States and other countries. The bill would instruct US trade negotiators to eliminate foreign market barriers - including non-tariff barriers - before reducing US tariffs. It also would provide enforcement authority to reinstate the tariff if the foreign government does not honour its commitment to remove its barriers. The lawmakers indicated their legislation is particularly targeted at the**

ongoing World Trade Organization Doha Development Agenda trade negotiations. US negotiators currently do not have the flexibility to trade a tariff reduction for elimination of a non-tariff barrier, the lawmakers said. To correct that, the bill would require the President to provide a certification to the Congress, in advance of agreeing to a modification of any existing duty on any product, that sectoral reciprocal market access has been obtained; if trading partners do not grant similar market access or if they erect new barriers to US exports, the United States may withdraw tariff concessions. The process would be triggered by either a private-sector or Congressional petition.

Vietnam:

- On 10 May 2009 the Ministry of Finance sent for approval to the National Assembly a draft of "Law on Natural Resources Tax". The draft law proposes that mining royalties on gold, rare earth minerals, precious gemstones and crude oil be at 30% (at the most), while for wood the rate should be 40% and for water and mineral water 5-10%. The new tariffs will be applied from 1 January 2010 when the law takes effect.

VI. COUNTRIES THAT ARE FACILITATING TRADE

Argentina:

- **Allows tariff free imports to institutions related to scientific and technological research. Implemented on 18 September 2009 by the internalisation of MERCOSUR's Dec. 40/2008 of 15 December 2008.**

- **On 8 September 2009 Argentina suspended for 60 days the application of import licenses (Resolution 61/2009) for the following products: trade & advertising material (4911.10.90), pictures-designs & photographs (4911.91.00), printed matter in general (4911.99.00) and electrical transformers (8504.10.00).**

Australia:

- Australia announced on 4 August 2009 changes to its foreign investment screening regime, in order to reduce disincentives for overseas investors and promote Australia as a competitive and attractive destination. The six monetary thresholds applied to screening for private foreign investment will be reduced to two: 15% or more in a business worth $A219 million or more (the monetary threshold currently applied to US takeovers), indexed on an annual basis; secondly, the current threshold for US investors in non-sensitive sectors (or where the acquiring entity is not controlled by a US government) of $A953 million (indexed) will remain, as will current screening arrangements for the media sector and foreign government investments. Furthermore, the requirement that non-US investors notify the Government when establishing a new business in Australia worth more than $A10 million will be repealed.
  It is worth noting that there still exists a preferential treatment of US investors in Australia under the Australia-United States Free Trade Agreement (AUSFTA), namely the $A953 million threshold for investments in non-sensitive sectors. The above provisions are set to be implemented in September 2009 by means of amendments to the Foreign Acquisitions and Takeovers Regulations 1989.

China:

- Trade facilitation measures announced include customs and quarantine clearance in 24 hours and reduced costs for textiles, clothing and agricultural products border inspections[26].

Egypt:

- Ministerial Decree No. 51/2009 announced the reduction of 250 customs tariffs. Customs tariffs also will no longer be applied to some capital devices, machines and equipment, some raw materials and intermediate goods (as they are production inputs) and non-locally produced wood. These items will be exempted from customs fees (the current tariff issued in April 2008 is equal to 20%). According to the modifications, the customs tariff will often be reduced by up to 2%. The customs reduction has been applied to all sectors which demanded a reduction in tariffs (such as engineering, chemical and wood industries) as long as no damage is caused to local products.

- **On 20 August 2009, all import duties on sugar have been abolished be it on raw or on refined sugar until the end of December 2009. The measure aims at lowering domestic prices for sugar, in line with the policy of subsidising basic foodstuffs for citizens, especially those of the low income segment.**

India:

- Through a notification on 7 December 2008, India brought down the export duty on iron ore from 15% to 5%.

Indonesia:

- Local content requirement and discrimination in maritime and shipping services has been removed to some extent. Pelindo (State-owned port operator) has withdrawn the circular letter which would have given a 5% discount on port services only to Indonesian flagged ships. Now also foreign-flagged ships receive the discount.
- Indonesia introduced a new regulation "One Door Integrated Investment Services" on 23 June 2009, which aims to facilitate the procedural requirements related to foreign investments in the country, by removing unnecessary bureaucratic formalities and introducing more transparency in the approval of operational licence. The law foresees an electronic information system for the processing of licence applications; more decentralisation in the management of the system is planned as well. However, the exact implementation of the new law remains to be seen.

Japan:

- The Japanese government **announced in February 2009** a $1 billion emergency programme to finance trade between developing countries, especially in Asia. The move is part of a coordinated initiative with the Asian Development Bank. A total of up to $2 billion in loans will be provided to private financial institutions in Asia, with a focus on ASEAN members. These financial institutions are to use the funds for lending to local companies for trade settlements and issuing letters of credit. The $2 billion pool is foreseen to support annual funding demand of around $4 billion. The funds will be made available to local financial institutions, rather than directly to companies, to ensure that even small and medium-sized businesses have access to

[26] This has been announced but details of the implementation are still awaited.

it. For a updated information, see http://www.jbic.go.jp/en/report/jbic-today/2009/200908/04/index.html

Mexico:

- The Mexican Government took a unilateral decision to gradually eliminate, by 2013, import tariff on over 70% of products and has also engaged in an ambitious plan to modernise its customs infrastructure and procedures. The Government is taking concrete steps towards implementing the latest customs reform announced in March 2008, which seeks to facilitate trade mainly by simplifying procedures. The latest measures focus primarily on facilitating exports as opposed to imports.

- Mexico and Colombia have agreed to relax rules of origin on textiles.

- Rules of origin have also been eased for cigarettes originating from Chile, which are also exempt from tariffs since 14 July 2009.

- Mexico's automotive industry benefits from the elimination of import tariffs for car parts and spare parts between Brazil and Mexico as of 14 July 2009.

- **In September 2009, further modifications to the External Trade legislation were published, in an effort to further deregulate, simplify and reduce import and export procedures. These changes enable the importer / exporter to apply online for certificates of origin, registering products eligible for tariff preferences and for exporters to claim taxes back on imports whose return to the country is definitive and which have not suffered any modifications/transformation.**

- **In August 2009, Mexico consolidated the initiative to exchange of electronic certificates of origin with Colombia, by introducing the necessary modifications in their FTA.**

Russia:

- By the Decree No. 371 of 30 April 2009 Russia amended its customs code and decreased import duties on oil and pitch cokes, as well as graphitized electrodes, to 0% and 5% respectively.
- Decree No. 400 of 8 May 2009 reduced the import tariff on magnesium scrap and waste from 15% to 5% of their customs value in order to increase supply.
- Decree No. 442 of 25 May 2009 abolished a 5% import duty on skins and hides. The new duty is set at 0%.
- Decree No. 533 of 25 June 2009 extends a zero per cent import duty on some raw materials (paints, leather) used by the shoe industry.
- A duty free regime on sheets for furniture veneering of tropical wood has been introduced.
- The permanent zero import duty on ceramic pots for the production of catalysts has been introduced.

- Decree No. 664 from 19 August 2009 extends a zero percent import duty on certain types of LCD screens (codes 8529 90 870 1 and 8529 90 870 2) for the period of nine months.
- **Decree No. 700 from 28 August 2009 introduces a zero percent duty on ceramics used to produce catalysers (CAT) for cars.**

- **Decree No. 696 from 21 August 2009 establishes a zero percent duty on certain types of medical equipment.**
- **Decree No. 803 of 5 October 2009 establishes import duty of 0% (down from 10%) on stamping machines with programmed numerical control and import duty of 10% (the same rate) on other (stamping machines).**
- **The government has introduced a zero-rate import duty on the following types of aircraft: a) civil passenger aircraft with the capacity not exceeding 50 passenger seats (CN codes 8802 30 000 2 and 8802 40 001); b) civil aircraft of an unladen weight exceeding 120,000 kg (CN code 8802 40 009); c) civil cargo aircraft without cargo containers with the top takeoff weight exceeding 370,000kg (CN code 8802 40 009 3). This draft Gov. Decree also changes the criterion of 'number of seats' for the criterion of 'number of passenger seats' within the corresponding sub-item 'Aircraft and other flying apparatus of an unladen weight, which exceeds 2000kg, but not more than 15,000kg'. The previous duty rate for the abovementioned aircraft was 20% ad valorem.**
- **Decree No. 803 of 5 October 2009, while abolishing CN code 8462 10 100 0 with import duty rate of 10%, introduces two new CN codes 8462 10 100 1 with a zero rate of import duty (stamping presses numerically controlled with automatic loading and unloading for stamping body parts, etc.), and retains the zero rate of import duty for the new CN code 8462 10 100 9 (Other). The measure is for 9 months, and enters into force 2 months after official publication of the Decree.**
- **The Government extended a 0% import duty on certain types of equipment for metal-processing industry.**
- ***The Government is considering extending for 9 months a zero import duty set up by Gov. Decree No. 659 of 11 September 2008 for panels for the equipment classified under CN code 8528 (CN codes 8529 90 870 and 8529 90 870 2) and active matrix devices on liquid crystals (CN code 9013 80200 0). The draft Decree also introduces additional measurement unit, namely 'pieces', for CN codes 8529 90 870 1 and 8529 90 870 2.***

South Africa:

- The Government Notice No. 762 of 24 July 2009 introduced a full or partial reduction of MFN tariffs (previously set at the level of 5-10%) on a range of secondary aluminium products (aluminium bars, rods and profiles, aluminium wire, aluminium plates, sheet and strips, as well as aluminium foil). Current applicable duty for these products imported from the EU ranges between 0% and 3.8%, depending on the product.
- The Government Notice No. 815 of 7 August 2009 eliminates the 20% MFN tariff on electric heating resistors and solid plates used in the manufacturing of stoves, hobs and cookers, which are not produced domestically. Additional tariff reductions can be expected (in sectors such as chemicals, machinery and capital equipment) in line with the Government's plan to eliminate import duties on inputs not produced locally, in order to lower costs for downstream manufacturing.

South Korea:

- **According to the Ministry of Strategy and Finance's plans to promote corporate investment[27] for the second half of 2009, tax deduction will be granted to encourage R&D investment in core technologies and in the 17 areas of new national growth engines (up to 25 percent tax deduction to large corporations and 35 percent to SMEs in the case of R&D investment in core technologies, and as for R&D investment in the 17 areas of new growth engines, up to 20 % and 30% deduction to large corporations and SMEs, respectively). To encourage R&D investment by SMEs, municipal governments and public institutions will be obliged to purchase SMEs' products up to 10% of their total purchase value, a two-fold increase from 5%. In addition, the government will provide support to help commercialize newly developed technologies, which includes government assistance with cost incurred by quality inspection and product certification.**

Tunisia:

- As part of an economic stimulus plan presented on 23 December 2008, the government announced a reduction of customs duties to boost the companies' competitiveness. **As part of the economic stimulus plan the 2009 Law of Finance has reduced import duties on equipment, raw materials, semi-finished products and some other products as from 1 January 2009.**

Vietnam:

- On 16 April 2009 the government issued a Decision No. 58/2009/TT-BTC on some tax measures to implement its stimulus policy. The Ministry of Finance enacted a circular in May 2009 to implement a 50% reduction of value-added tax (VAT) on five categories of commodities. The VAT cut is applied on: (i) motorbikes with cylinder capacity of over 125cc; (ii) fibre, cloth and garment products; (iii) footwear & leather products; (iv) certain types of paper (with the exception of printing paper); and (v) cement, brick & fibro cement. The VAT cut of 50% is applicable from 1 May to 31 December 2009.
- On 4 May 2009 the Ministry of Finance issued a special incentive import duty list to implement Vietnam's commitment on tariff cuts for goods imported from five ASEAN countries namely Brunei, Laos, Malaysia, Myanmar and Singapore as well as Japan (AJCEP). Particularly, automobiles designed to carry passengers including those having separate luggage space and racing automobiles, ambulance automobiles and prisoner automobiles were subject to a duty rate of 9% from 1 December 2008 to 31 March 2009. A duty rate of 8% is being applied from 1 April 2009 to 31 March 2010; 7% from 1 April 2010 to 31 March 2011 and 6% from 1 April 2011 to 31 March 2012.

[27] Press release on 1July 2009 by MOSF.

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