Report on potentially trade restrictive measures

12 June 2009

Introduction and main findings

This is the third report on new potentially trade restrictive measures planned or implemented by our trading partners in the face of the economic crisis. The information used in this report has been primarily gathered by European Commission Delegations / Market Access Teams in G-20 countries and other key markets through their local monitoring exercises[1], as well as from business sources providing specific contributions.

The report provides an overview of the data received since mid-March 2009. It shows that trade restrictive measures continue to be on the rise, including in some G20 members. Moreover, the types of measures identified have become more complex and diversified, notably when they are part of broader stimulus packages. Therefore, increased alertness, as well as political determination to use all opportunities to address the measures put in place so far, remains all the more necessary at this stage.

The world-wide economic downturn has been dramatic since the start of the financial crisis last autumn. 2009 seems set to be the first year in which global trade will decline year-on-year since the early 1980s. Although more indications continue to emerge pointing to the gradual stabilisation of the financial sector (stock market indices, lower risk spread), the signals from the real economy continue to be at best mixed. Despite some evidence of a slowdown in the pace of decline, the evolution of exports and imports of all the major trading countries remains very negative. Moreover, the fact that unemployment continues to rise in most major economies, means that the global recovery is still not fully underway. This latter aspect is particularly important because real economy developments are crucial to the political environment within which trade policy is framed.

At the G20 summit on 2 April in London, leaders reaffirmed their shared responsibility and commitment to resist protectionist pressures and agreed to extend this commitment until the end of 2010[2]. In addition, a specific mandate has been given to the WTO secretariat to carry out surveillance of new trade and trade-related measures to be backed by quarterly technical reports. There is thus a sense of urgency at global level to resist any trade restrictive tendencies that may be prompted by the economic crisis.

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[1] Information was gathered from EC Delegations in: USA, China, Japan, Canada, Hong-Kong, South Korea, Mexico, Columbia, Singapore, Russia, India, Australia, Thailand, Saudi Arabia, Brazil, Turkey, Indonesia, Malaysia, Norway, South Africa, Philippines, Israel, Venezuela, Ukraine, Chile, Nigeria, Argentina, Algeria, Vietnam, Egypt, Kazakhstan, New Zealand, Switzerland (Bern), Tunisia, Morocco, Taiwan.

[2] In November 2008 the G20 leaders made two specific commitments to keep trade open and transparent. First, they pledged 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 (WTO) inconsistent measures to stimulate exports.* Second, they agreed to: *strive to reach agreement this year on modalities that leads to a successful conclusion to the WTO's Doha Development Agenda with an ambitious and balanced outcome.* At the G20 summit on 2 April 2009 in London global leaders committed themselves (among other things) to *'reaffirm the commitment made in Washington: to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organisation (WTO) inconsistent measures to stimulate exports. In addition we will rectify promptly any such measures. We extend this pledge to the end of 2010'.*

The EU has to continue to show global leadership in the international reaction to the financial and economic crisis, namely in the framework of the G20 and the WTO. At a time of rapid change and economic turmoil, Europe needs to make the case for openness and engagement, not isolation and retreat.

Against this background, the following overall conclusions can be drawn from the monitoring exercise:

- Whilst no generalised race towards protectionism was detected during the period covered by the report, the emergence of new trade restrictive or distortive measures confirms that extreme vigilance is required. Regular monitoring of the situation needs to be continued. It will not only serve to collect precise information that would allow assessing the trade distortive or restrictive effects of policy measures worldwide but also to send a strong signal to our partners that there will be no complacency on the part of the EU.

- Some G20 members continue to impose trade restrictive measures within the framework of their governmental policy. These actions clearly go against the G20 commitments not to resort to direct or indirect protectionism and show the need for further peer pressure to ensure full respect of the G20 commitments. The actions taken by Russia and Indonesia set out in this report merit special attention in this respect. In addition, Brazil has recently taken for the first time trade restrictive measures in the steel sector.

- Many countries, including in the developing world, have chosen to adopt stimulus packages, in particular China, Russia, and the US. Although most of these measures aim at economic recovery and promotion of trade, some of them may lead to trade restrictions adopted in more subtle forms. This is the case in particular when stimulus packages contain discriminatory elements, for instance in the area of subsidies or local content requirements for government procurement purposes. Therefore, further attention should be paid in the future - in particular to measures related to government procurement - as their full impact may only become clear at a later stage.

- In terms of sectoral coverage, the trend from the two previous reports is confirmed, i.e. trade restrictive measures continue to be focused on certain sectors, such as, the agricultural and food, iron/steel/metals and automobile sectors.

- This time we have received further detailed information regarding services, which has allowed the identification of certain trade restrictive measures in this sector. Close monitoring will be required to determine whether this reflects a new pattern that manifests itself more slowly due to the increased complexity of the regulatory framework applying for services. The fact that services remain less internationally integrated than other economic activities and less bound by international rules, warrants additional caution in monitoring the situation.

- An additional reason for remaining very firm in resisting protectionism relates to the risk of domino effects that is inherent to the adoption of any protectionist measures. Recent moves in Canada aiming at reciprocating 'Buy American' restrictions against US companies are illustrative in this respect.

- The WTO-monitoring exercise is likely to remain an important component of our trade policy for quite some time. In this context it will result in closer scrutiny of our trade measures, which needs to be taken into account when devising our trade policy. Moreover, it will be crucial to stimulate the necessary peer pressure for the effectiveness of the protectionism standstill commitment agreed by the G20.

In terms of sequencing, it seems appropriate to align future reports to the WTO reports and issue them on a quarterly basis, a few weeks ahead of the WTO report. The information contained in this report is also used for the EC contribution to the WTO secretariat.

The report is organised as follows. Section 1 outlines the most recent developments in terms of new measures reported since mid-March 2009. Section 2 analyses, more in detail, some salient trends and features since the inception of the monitoring exercise in January, notably as regards industry, stimulus packages, trade defence measures, and services. The annex lists all measures which have been reported, by Market Access Teams in EC Delegations and business associations in Brussels, since the start of the exercise in early January 2009. As in the previous report, measures are included that are planned, are to be implemented, or are already implemented. In some cases, the measures previously reported have been complemented with further information from the EC Delegations and business[3].

It should be highlighted once again that working closely with Member States and business, in particular through the Market Access Teams in European Commission Delegations, has proved to be very efficient. This is true notably in terms of capacity to quickly collect and analyse information on new planned measures, thus contributing also to the early warning aspect of our efforts.

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

Since the last report presented on 27 March 2009 new relevant policy developments have been identified in several countries, with additional potentially trade restrictive and distortive measures.

Tables 1, 2 and 3 give an overview of newly reported measures. They are classified as follows:

- measures which are clearly trade restrictive and trade distortive;

- measures which lift previous restrictions;

- measures aiming at boosting the economy which may have either a negative impact on trade or may stimulate trade ("support measures").

Measures which are planned but not yet officially adopted or implemented are put in *italics*.

[3] Measures were first identified according to their date of announcement. The G20 leaders' commitment on 16 November 2008 to avoid protectionism has been selected as a starting period for identifying potentially trade restrictive or distortive policy measures announced, planned or implemented after this date.

1. New potentially trade restrictive and distortive measures

Over the past months, there have been important new developments with regard to announced and/or implemented trade restrictive initiatives in **Argentina, Indonesia, Russia and Ukraine**. New measures were also introduced in **Belarus, Brazil, China, Egypt, India, Israel, Pakistan, Peru, South Korea, Turkey, the US and Vietnam.** More information is now available on the Chinese stimulus packages and on several **pro-green legislative acts in Asia** (South Korea, Vietnam and China). Whilst stimulus packages are not, per se, trade distortive, there is the potential for trade distortive measures to be included in them.

In the reference period since mid-March two countries have been the most active in terms of introduction of new trade restrictive measures:

In **Russia** trade restrictive measures are increasingly part of the government's policy strategy with increased import duties on a wide range of products, including certain steel products[4].

Indonesia has introduced several restrictive trade measures, including a potential local content requirement for public procurement of goods, mandatory certification for sugar and credit restrictions for the export of some raw materials such as palm oil, minerals, coal, coffee, cocoa and rubber.

Moreover, Argentina, Belarus and Ukraine have also introduced measures of considerable scope. **Argentina** keeps on introducing reference values (mostly with regard to imports from Asia and Mercosur) and import licences for new product lines including ceramics, furniture, mechanical appliances, metals and some textile products. **Belarus** raised import duties on a wide range of consumer products, such as textiles[5] and certain home appliances, meat, vegetables, wine, dairy and starch. **Ukraine** notified to the WTO that the 13% import surcharge measures have been eliminated, except for imports classified under UKTZED codes 8418 and 8703[6] (refrigerators and motor cars). The surcharge on these items is envisaged to be imposed for six months, i.e. until 7 September 2009. However, another negative signal has been given in the case of Ukraine regarding foreign operators' now more limited access to public procurement, the measure being in force until 1 January 2011 (table 1). There have been indications of 'buy Ukrainian' practices in the health care and agricultural equipment sectors.

All the measures included in the table below are worrisome developments which will need to be monitored closely.

[4] The Draft Customs and Tariff Policy Guidelines for 2010 and for Planning Period of 2011, which outline a systematic approach to the use of tariff measures to protect domestic production, are still under discussion by the Russian government. The Guidelines divide Russian goods into five categories in function of their competitiveness on the domestic market and envisage commensurate tariff protection to the producers of these products. The government claims that it aims to help Russia overcome the current economic crisis, bring additional money into the budget and protect uncompetitive sectors. The adoption of the guidelines would represent a worrying policy turn.

[5] EU textiles exports are exempted from this measure. Import duties indicated in the EU-Belarus agreement on textiles still apply.

[6] UKTZED is the Ukrainian Foreign Economic Activity Commodity Classification, based on Harmonized System 2002.

Table 1. New potentially trade restrictive and/or distortive measures since March[7]

Argentina
Reference values for imports of 'brake parts' from the EU, China, South East Asia, MERCOSUR. External note 20/2009 of 3 March 2009.
Reference values for imports of 'cermet' (ceramic and metal) manufactures. External Note 28/2009 of 27 March 2009.
Reference values for imports of sweaters and pullovers. External Note 24/2009 of 17 March 2009 (only applies to South-East Asia, Mercosur).
New extension of non-automatic import licenses for a wide range of products: metal, mechanics, furniture. Resolution 61/2009 of 4 March 2009.
Import license requirements for 60 new product lines, covering mechanical appliances, clothing, musical instruments, dyeing/paint and other manufactured products (14 April 2009).
Minimum FOB price for imports of roller chains, tableware, kitchenware and household items, cooling pumps for cars, tube and pipe fittings from China (April 2009).
Reference values for imports of wool products from China, South-east Asia, MERCOSUR and Latin America and for imports of brooms and brushes imported from China and South East Asia (April).
Antidumping measures imposed on electrical terminals (from Germany and China).
Belarus
Temporary increase of import duties on a wide range of consumer goods on 21 April 2009.
Brazil
Increased tariffs applied on eight steel products from 0 to 12-14%.
Antidumping measures imposed on viscose fibres (definitive) and on viscose yarn (provisional).
China
Antidumping investigations initiated on polyamide-6(PA6) (from EU27, Russia, Taiwan, US).
Circular on Suspending the Policy of Tariff Reduction and Exemption on Imported Taxable Products in the Trade Remedy Measures (into force on 1 May 2009).
Egypt
The export ban on rice was extended until October 2009.
India
Initiation of five safeguard investigations since April 2009 (on uncoated paper and copy paper, coated paper and paper board, certain boards of wood, acrylic fibre, hot rolled coils, sheets and strips).
The Standing Board on Safeguards, meeting to decide on the imposition of 20-25% safeguard duties on steel (hot rolled coils), coated and non-coated paper and other products, has decided in May 2009 to defer the decision for two months.
Indonesia
Potential local content requirement for public procurement of goods.
New update on the steel requirements: Requirement for pre-shipment inspection was postponed until 30 April 2009. It is still not clear what the state of play is and which

[7] New measures reported since mid-March and not included in the previous DG Trade report on potentially trade restrictive measures. The list of new measures is in country alphabetical order. A detailed description can be found in the annex of the report. *In italics you will find measures which have not been implemented yet.*

industries will be excluded.
Mandatory standard, certification and marking requirements for refined crystal sugar. Entered into force on 13 March 2009.
Requirement for on-site inspections of tyre manufacturing plants in Europe for allowing tyre exports from these factories to Indonesia.
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$ 1million.
Israel
Safeguard investigations initiated on steel rebars (from EU 27)
Antidumping investigations initiated stretch wrap (from EU 27)
Kazakhstan
Proposal of imposition of safeguard measure on confectionary imports for a period up to 180 days
Pakistan
Imposed 15% regulatory duty on export of molasses.
Peru
Safeguard investigations initiated on cotton yarn(EU27)
Russia
Increased duties on non-alloy steel bars and rods on 3 April 2009, enters into force 1 month after the date of its official publication.
Increased duties on maize starch and manioc starch on 15 April 2009.
Increased import duties on radio frequency coaxial cables – the 15% duty was prolonged by the Government Decision of 22 April 2009.
Increased import duties on asynchronous electric motors (the import duty of 15% for each is in force since 03 May 2009).
Increased duties on imported liquid crystal display (LCDs) on 31 March 2009 for a period of 9 months.
South Korea
Additional labelling and reporting requirements on alcoholic beverages. In force since 1 April 2009.
Turkey
Safeguard investigations initiated on matches (EU27).
Ukraine
Restriction of foreign operators' access to public procurement. Public procurement of goods, works and services is only done with domestic producers (except for goods which are not produced in Ukraine). This measure is in force until 1 January 2011.
The Law "On amendments to the certain Laws of Ukraine to minimise the impact of financial crisis on the development of domestic industry" No 694-VI was passed on 18 December 2008.
The temporary 13% import surcharge imposed on 4 March 2009 has been confirmed for cars and refrigerators.
Support measures to domestic producers of agricultural equipment. Resolution officially published on 11 March 2009.
Safeguard investigations initiated on liquid chlorine.
US
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.
Foreign repair stations: House FAA Reauthorisation bill approved by the Committee on 5

March 2009 contains language requiring foreign repair stations to be inspected every six months in order to provide services to US airlines, and for alcohol and drug testing, performed in accordance with US requirements, to be applied to repair station personnel and to every subcontractor down the chain.
Vietnam
Increased import duty on steel billet, rolled steel and other types of steel.
Increased import tariffs on milk and diary products.
Proposal to increase import duty on newsprint, printing and writing paper imported from ASEAN countries.
Draft of Law on Natural Resources Tax for approval proposes mining royalties on gold, rare earth minerals, precious gemstones and crude oil.

2. Measures lifting previous restrictions

Several countries lifted previous restrictions. Argentina, Mexico and Russia lifted border restrictions mainly concerning import duties.

Table 2. Measures lifting previous restrictions

Argentina
Suspended for 30 days the licensing requirement for imports of self-tapping screws and other types of screws and bolts (in April 2009).
Made licenses for imports of tyres mandatory only for final consumption purposes (April)
Mexico
The Mexican Government is temporarily exempting all surgical products and medical equipment from import duties until further notice.
Denatured alcohol imports are to be temporarily exempt from the business flat tax.
Russia
Abolished current import duties on child security seats for a period of 9 months.
Abolished import duties on poultry eggs.
Abolished 5% copper scrap import tax.

3. New support measures

This is the first report with considerable detail on new support measures that could have an impact on trade. A more detailed analysis is provided in section 2. The following initiatives merit special mention: **China** tightened the 'buy Chinese' provisions already adopted in the stimulus packages aiming at restructuring and consolidating some sectors. According to local sources, following recent government recommendations, the scope and number of exceptions to the "Buy Chinese" policy have been reduced. Moreover, some Chinese provinces appear to discriminate against foreign producers aiming at products such as autos (taxis and business cars), home appliances, tobacco and alcoholic beverages. **The US** is considering a number of measures specifically targeting the automotive industry (including i.e. financial support to US carmakers, car scrappage legislation and a scheme in support of auto suppliers). Two pieces of draft legislation have been introduced in the US House of Representatives that include similar "Buy American" provisions to those in the stimulus package: Water Quality Investment Act (passed in the House on 12 March) and 21st Century Green High Performing Public School Facilities Act (passed in the House Education and Labour Committee on 6 May 2009). In addition, the US has set up a dairy export subsidies programme on 22 May 2009 through a 'Dairy Export Incentive Program' for the period July 2008 through 30 June 2009.

The US is also planning to start a 'National Dairy Promotion and Research Program' which put a levy for milk produced in the US as well as on imported products. **Indonesia, South Korea, Vietnam and the Philippines** are also considering measures to support economic recovery and exporters.

Table 3. New support and trade promotion measures

China (more information on measures published)
Stimulus plan on textiles
Stimulus plan on non-ferrous metals
Stimulus plan on equipment manufacturing
Stimulus plan on logistics industry
Stimulus plan on ICT industry
Stimulus plan on steel
Stimulus plan on automobiles
Sectoral stimulus plan on light industry (food, home appliances, paper making)
Expansion of the government procurement catalogue with the objective of having all government projects covered by the rules in the Procurement law and stricter supervision of procurement of projects financed under the stimulus package. Tightening and reduction of the scope of the exceptions to the "buy Chinese" provisions that were outlined in Decrees 2007-119 and 2007-120.
Indonesia
Economic stimulus package put in place.
Japan
Subsidies are being designed for the electronics and car (measures to promote eco-friendly vehicles) industries.
Philippines
Export support fund has been put in place.
South Korea
Credit guarantees to SMEs via state-run credit insurers. Expanded support of the export insurance agencies.
The car industry gets support through a massive tax cut scheme (individual consumption tax, acquisition tax and registration tax) from 1 May 2009 until the end of 2009.
US
Two auto loans have been introduced.
New $5 billion program to help stabilize the American auto supply base and restore credit flows in the auto sector.
"Car scrappage" legislation - HR 1550 which would provide consumers with vouchers if they decided to scrap their highly polluting automobiles and replace them with new fuel efficient automobiles.
"Buy American" provisions in the '21st Century Green High Performing Public School Facilities Act' (passed in the House Education and Labour Committee on 6 May 2009.)
"Buy American" provisions in the Water Quality Investment Act (passed in the House on 12 March).
Dairy export subsidies programme has been reintroduced.
Plans for a 'National Dairy Promotion and Research Program' which puts a levy for milk produced in the US as well as on imported products.
Enlarged scope of the US fuel tax credit: payment of those subsidies started in March 2009.

Vietnam
US $8 billion stimulus package.
A 50% reduction of value-added tax (VAT) on five categories of commodities: motorbikes, fibre, cloth and garment products, footwear & leather products, paper, cement, brick & fibro cement. Applicable from 1 May to 31 December 2009.
Special incentive import duty list to implement Vietnam's commitment of tariff cuts for goods imported from five ASEAN countries (AJCEP).

A detailed description of all new measures as well as the complete list of all policy measures reported since January by our Market Access Teams in EC Delegations can be found in the annex of this report.

II. Overall trends and specific issues

Table 4 gives an overview of the new measures, according to the classification used in the G20 statements. Border and behind the border measures have been most frequently used, with other measures (mostly stimulus packages) catching up recently.

Table 4. Potential trade restrictive/distortive measures by country [8]

Country/measures

Country	New barriers to investment	Border barriers	Behind the border measures	New export restrictions	Measures to stimulate exports	Other measures
Argentina*		3				
Australia			1			
Belarus		1				
Brazil*		1				
Canada*						1
China*		1	1		1	2
Ecuador		1				
Egypt		2		1		
Hong Kong						
India*		2				
Indonesia*		6	5	2		
Japan*			1		1	2
Kazakhstan[9]			1			
Mexico						1
Russia*	2	14	1			
South Korea*			1		1	4
Taiwan						1
Turkey*		1				
Ukraine	1	1	1			
USA*			4			3
Vietnam		4	1			2
TOTAL	**3**	**37**	**17**	**3**	**3**	**16**

* G-20 members

[8] This table shows barriers identified by type of measure. Most measures affect several sectors, therefore Table 4 above appears to identify a larger number of measures than table 5.

[9] Administrative punishment for entities violating local content clauses in the procurement law.

1. Sectoral impact

The trend from the two previous reports is confirmed, i.e. trade restrictive measures continue to be focused on certain sectors such as agricultural and food, iron/steel/metals and the automobile sectors. To a lesser extent, also textiles & clothing, raw materials and toys are affected. In many cases, however, it is difficult to make a distinction, as horizontal measures will necessarily have a cross sectoral impact. Table 5 provides a breakdown per sector and country. Services are specifically analysed in section 5 below.

Table 5. Potential trade restrictive/distortive measures –sectoral coverage[10]

Country/Sector

Country	Textile1	Toys	Telecom	Agri-Food	Raw Material	Steel, other metals	Pharma	Auto 2	Services	Other
Argentina*	3	1				3		2		3
Australia										1
Belarus	1			1						3
Brazil						1				
Canada*				1				1		1
China (sectoral stimulus)*	1		1			2		1	3	3
Ecuador		1		1				1		1
Egypt				3	1	1				
India*		1				3		1		
Indonesia*	1	1	1	5	2	3	1	1	1	1
Japan									1	
Kazakhstan										1
Mexico				1						3
Russia*				6	1	4		3	2	5
South Korea				1					1	2
Taiwan										1
Turkey*			1	1						1
Ukraine								1	1	1
USA*				1		1		3	3	1
Vietnam				6	2	1				3
TOTAL	**6**	**4**	**3**	**27**	**6**	**19**	**1**	**14**	**12**	**31**

* G-20 members

1. Textile sector also includes: fabrics and yarn, footwear
2. Automotive sector includes: cars, motorbikes, tyres
3. Other sectors include inter alia, home appliances, electronics, construction, banking

The automotive industry has so far appeared as a main target of trade restrictive schemes, with Russia and the US being particularly active in the sector. A wide range of measures has been deployed by means of successive anti-crisis programmes, including both border measures (e.g. Russia, Ukraine) and stimulus packages (e.g. US, China).

[10] Tables 4 and 5 include all measures reported since the beginning of the monitoring exercise. Some adjustments have been made according to updated information from EC Delegations.

Many countries - representing ca. 25 % of total world imports - have taken measures in the steel sector specifically designed to limit exports. The risk of trade distortion is therefore high. These measures include tariff increases, especially in countries that are not part of the WTO zero for zero agreement, as well as non-tariffs measures, such as licensing requirements and "buy local" legislation. There is also a surge of trade defence actions, mainly by developing countries.

Measures imposed by third countries restricting access to raw materials have proliferated (Russia, Indonesia, Vietnam). They may have the effect of subsidising local industry by providing it with low cost raw materials.

2. Stimulus packages

Many countries have recently introduced **financial and fiscal stimulus packages** to tackle the crisis. These initiatives are to be welcomed in principle as they contribute to the restoration of trade growth globally. But some of them may contain elements – such as potentially trade-distorting subsidies and "buy/lend/invest/hire local" conditions – that favour domestic goods and services at the expense of imports. The majority of the measures in the stimulus packages aim at stimulating the economy in general and thus affect positively national companies as well as foreign companies and imports. However, other parts are aimed at helping particular national industrial sectors and could thus be trade distorting.

The information regarding the stimulus packages has often been scarce, not systemised and not very transparent. This makes it difficult to monitor and evaluate the effects of all the measures they encompass. The focus of this analysis has been motivated by the amount of information available for each of these plans. The categorisation shown in the tables below follows that used by DG ECFIN[11]. With this in mind the following structural measures have been analysed in terms of their potential trade-distortive impact.

Russia has extensively used stimulus measures (in the Anti-crisis Action Plan). The measures reported include, inter alia, support of employment, stabilisation of the financial situation in the main sectors (295 companies - backbone industries), support of demand (preferences for Russian suppliers in procurement procedures) and support to priority investment projects (energy, transport, processing industry). In terms of support to sectors, agriculture, automotive, military-industrial complex, transport, construction and utilities sectors are targeted. Administrative pressure on business has been reduced.

Seven **US** measures have been reported: the Water Quality Investment Act, the 21st Century Green High Performing Public School Facilities Act, the American Recovery and Reinvestment Act (ARRA), the Advanced Technology Vehicles Manufacturing Incentive Program, the White House loans for GM and Chrysler from TARP, the Auto Supplier Program and the car scrappage plan.

In the case of **China**, the list contains measures known through the stimulus plan for the ICT, automobile, steel, light industry, textiles, non-ferrous metals, equipment manufacturing, petrochemicals and logistics sectors. However, further investigation is needed on the actual implementation of the measures foreseen. These stimulus plans include export stimulus, particular support to SMEs and government procurement rules.

[11] Each structural measure identified has been classified.

In **Japan**, new subsidy schemes have been introduced. We take into account the following schemes: loans and purchase of commercial paper, guarantees, capital injection and the new emergency lending program for midsize and large companies. To date, the electronics and car industries have received loans. The subsidies for purchases of cars and homes in the Kanagawa Prefecture have also been monitored.

Programs aiming at stimulating exports such as those in **Taiwan** (New Zheng He Plan) and the **Philippines** and the **Vietnamese** export promoting stimulus measures as well as some others have also been included in the list. These measures may have a trade distortive effect, in particular if they benefit a specific sector.

In **Indonesia** the fiscal stimulus package has been taken into account 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.

As regards **South Korea,** the recovery plan for the automotive and shipbuilding industries, as well as the New Green Deal (aiming at creating new jobs, increasing the investment activity) are included in the list. Moreover, support for the car industry through a massive tax cut scheme has also been taken into consideration. The National Tax Service exemption from regular audits for foreign companies which create jobs is another measure to be highlighted.
Recovery plans which have been announced, but on which information is lacking, are not included in the assessment (such as plans in Taiwan for LCD and DRAM sectors, the Industry Competitiveness Plan in the Philippines, the Chinese trade facilitation measures and South Korean sectoral support). Finally, the **Canadian** initiative to apply subsidies to several industries has been included.

Table 5. General overview of structural reform measures reported[12]

Country	Total	Supporting industrial sectors, business, companies	Supporting good functioning of labour markets	Supporting the investment activity	Supporting the household purchasing power
Canada	6	6			
China	26	24	2		
Japan	6	6			
Indonesia	4	2	1		1
Philippines	1	1			
Russia	14	10	1	3	
South Korea	15	4	2	9	
Taiwan	3	3			
Tunisia	3	2		1	
USA	7	5		2	
Vietnam	6	2			4
TOTAL	**91**	**65**	**6**	**15**	**5**

[12] Analysis based on DG ECFIN classification. This is not an exhaustive list. Please note that information on some packages is incomplete, therefore numerical comparison between countries would be misleading.

The available data often does not show how much money is allocated to each measure. Therefore, the analysis is still rather cursory and should not be considered as definitive. Caution would therefore be necessary in terms of comments on the potentially trade distortive effects of such measures. Nonetheless, the following provisional observations can be made.

- Most countries have supported specific businesses or sectors through easing financing and economic constraints but also investment activities in general. The more sector specific these measures are, the more potentially trade distortive effects they will have.
- Measures aiming at supporting export activity (credit for exports, export promotion, export tax rebates, financing support etc.) may be trade distortive, if they are sector specific, or if they are provided only to national businesses.
- Very few measures are targeted towards support of the labour market (such as in China, Indonesia, Russia and South Korea as well as Vietnam).
- Very few countries adopted measures to support the household purchasing power, except Vietnam (VAT cut, zero interest loans for the poor, increase of minimum salary and social benefits), Indonesia (through tax cuts) and China (support for household purchasing power).

While table 5 shows all measures divided into four groups, table 6 expands on the first and most trade restrictive category – measures primarily aimed at supporting industrial sectors and specific companies.

Table 6. Measures aimed at supporting industrial sectors, business and companies[13]

Country	Total	Easing financing constraints for business, SMEs	Sector specific demand support	Non-financial measures supporting business (e. g. regulatory)	Sector specific direct subsidies
Canada	6	1			5
China	24	20	2		2
Japan	6	4	2		
Indonesia	2	2			
Philippines	1	1			
Russia	10	1	1	2	6
South Korea	4	1	1		2
Taiwan	3	3			
Tunisia	2	2			
Vietnam	2	2			
USA	5	3	1		1
TOTAL	**65**	**40**	**7**	**2**	**16**

- The sectors that concentrate the most measures are the automobile, construction and electronics sectors.
- Most countries opted to ease financing conditions for businesses (often targeting SMEs in difficulty in a particular sector).

[13] Analysis based on DG ECFIN classification.

- Sector specific and firm-specific direct subsidies (such as GM and Chrysler loans in the USA, the Canadian subsidies to the forestry and agricultural sector, the Russian subsidies to key national industries and the South Korean recovery plans for shipping and car industries) are potentially the most trade distortive.
- There is a risk of discriminatory and in some cases non-WTO compliant implementation (e.g. at the State level in the US and provincial level in China) of "Buy National" legislation.

To illustrate the last finding, in some Chinese provinces 'buy local' clauses are often implemented discriminating against foreign products and even Chinese products coming from different regions (in provincial legislation). Likewise, the US ARRA legislation restricts access to foreign bidders for certain procurement at the State level (namely for the use of iron, steel and manufactured goods in construction projects and textile items). This should be further monitored with a view to preventing discrimination against foreign companies.

Another aspect for further analysis would be the risk of a trade-distorting impact of some environmentally friendly measures. In some recovery measures emphasis has been put on the development of green technologies, such as the purchase of eco-friendly cars in Japan, the US car scrappage legislation, the US fuel tax credit, the South Korean Green Deal (green growth and job creation) and the Chinese and Vietnamese pro-green measures in their stimulus plans. Whereas environmentally friendly initiatives should be supported in principle, further attention should be paid in order to identify provisions that could be trade distortive.

It should be noted that the full impact of stimulus plans will only be clear at a much later stage. Whether measures have trade distortive effects and the degree to which they distort trade is not yet fully visible.

3. TDI investigations and measures

The current economic downturn with a difficult situation for the domestic industry in many countries has created the conditions for increased use of trade defence instruments ("TDI", encompassing anti-dumping, countervailing and safeguard measures). Indeed, an increase in both anti-dumping and safeguard investigations has been observed in the last few months although it is difficult to have a complete picture of TDI investigations initiated worldwide since January 2009. The Brookings research study[14] also indicates that new trade defence investigations are on the rise since the onset of the crisis. Data from the World Bank indicates that the bulk of this rise is due to investigations by "emerging" countries (notably Argentina, India and Turkey) that are mainly in response to competition from Chinese producers.

It should however be stressed that the use of trade defence instruments is not as such protectionist. On the contrary, TDI measures constitute the appropriate legal instrument agreed at WTO level to remedy unfair competitive behaviour by exporters in third countries (anti-dumping measures), certain kinds of subsidies (countervailing measures) or a sudden and unexpected surge in imports from third countries (safeguard measures) causing injury to the domestic industry of another country. In the current situation there is, however, a risk that TDI are used in a way which is not in conformity with the relevant WTO rules, as an additional means to protect domestic industries. In this context, the recent increase of new investigations is remarkable and particularly the intensive use made by certain countries, which should also be seen in relation with the respective import flows. The increasing use of safeguard instruments is especially worrying, since the imposition of safeguard measures does

[14] http://www.brookings.edu/articles/2009/0511_trade_bown.aspx.

not require demonstration that imports are dumped or subsidised, i.e. that they benefit from a distortion of trade in the exporting country.

Table 7 below gives an overview of reported investigations initiated in the reference period against EU exporters[15].

Table 7. TDI Initiations 1 March 2009 – 27 May 2009

Country	Product	Date of initiation	Instrument
China	Polyamide-6 (PA6)	29/04/2009	AD
Dominican Republic	Glass bottles and flasks	15/04/2009	SG
India	Uncoated paper and copy paper	20/04/2009	SG
India	Certain boards of wood	22/04/2009	SG
India	Coated paper and paper board	20/04/2009	SG
India	Acrylic Fibre	9/04/2009	SG
India	Hot rolled coils, sheets and strips	9/04/2009	SG
Israel	Steel rebars	26/03/2009	SG
Israel	Stretch wrap	2/04/2009	AD
Peru	Cotton Yarn	13/03/2009	SG
Turkey	Matches	2/05/2009	SG
Ukraine	Liquid chlorine	17/03/2009	SG

The case of **India** illustrates the situation. India decided to switch from more disruptive measures (such as the toys ban) to safeguards. Since the end of 2008, in only six months, India has initiated eight safeguard investigations, almost as many as in the past ten years. However some cases pose strong WTO compatibility concerns: either there was no evidence of a surge of imports or no evidence of serious injury. Provisional measures were recommended in all those cases shortly after the initiation of the investigations (in some cases in a couple of days). Fortunately and following intervention by the EC delegation in New Delhi the imposition of some measures has been postponed. The situation will require careful monitoring in the coming weeks.

Countries which hardly used the instruments in the past have also been quite active recently: **Israel** initiated three anti-dumping and one safeguard investigation against the EU in the first months of 2009 and Kazakhstan initiated three safeguard cases at the end of 2008. China has also initiated four new anti-dumping investigations since the end of 2008, its first investigations for more than two years.

Table 8 below gives an overview of reported measures taken in the reference period against EU exporters.

[15] Safeguard measures are imposed irrespective of the origin of the imports and therefore EU exporters are effectively or potentially affected in all cases.

Table 8. Measures Imposed from 1 March 2009 - 27 May 2009

Country	Product	Date Of Imposition	Instrument	Type Of Measure
Argentina	Electrical terminals	02/04/2009	AD	Definitive
Australia	Geosynthetic clay liners	08/05/2009	AD	Provisional
Brazil	Viscose Fibres	02/04/2009	AD	Definitive
Brazil	Viscose Yarn	16/03/2009	AD	Provisional
India	Thyionyl Chloride	29/04/2009	AD	Provisional

The Commission will continue to constantly monitor any such potential abuse of TDIs by third countries, and if it considers that the WTO rules have not been respected it will respond at technical and political level to remedy the abuses.

4. Services

When it comes to the services sector, protectionism can take many guises and might be only detected in the longer term. Services are a growing part of economic activity and employment in developed countries but remain less internationally integrated than other economic activities. Resistance to protectionism could therefore be weaker in services sectors. Moreover, these activities are less bound by international rules which leaves more scope for designing national regulations with protectionist objectives. Furthermore, it is also important to consider (particularly in financial services) the threat of the closure of certain segments of the market (possibly disguised in the form of over-regulation) if no common understanding emerges on how international coordination on regulatory and supervisory related matters can best be achieved. While reform plans of various sectors have often been in the pipeline since long before the crisis, it could be argued that the crisis has exacerbated protectionist tendencies and the wish to strengthen national players to the detriment of foreign competitors in the market.

An example of a sectoral reform finally going in the direction of protecting national players and not liberalising the market is the postal services law adopted by **China** at the end of April[16]. Again, as stated above, this reform has been long in the making thus it cannot be seen as protectionism enacted directly in response to the crisis, but as an example of how national regulatory reform can have the effect of protecting a national services market.

There have been some more specific recent measures, however, affecting trade in services. For example, **Kenya** is currently deliberating on draft measures restricting foreign ownership of firms involved in maritime transport – a sector open until now to foreign investment.

The US is also limiting foreign ownership in the air transport industry by introducing new legislation that imposes that 75% of the voting rights in a US carrier must be owned by US citizens. Another recent measure that could be considered to affect the temporary movement of service providers under GATS is the **US** limitations in the context of the H1-B visa programme. The "Employ American Worker Act" (EAWA) contained in the US Stimulus package tightens the conditions applicable to companies who seek to hire temporary foreign employees under the H1-B visa programme.

[16] This measure may seem not necessarily a direct result of the crisis only. However, it seems that the reform has been accelerated by the effects of the economic crisis.

Another sectoral development in the US, partly inspired by political efforts to shut down foreign tax havens, but seemingly also driven by protectionist sentiments, relates to draft legislation which would deny foreign insurance companies US tax deductions on reinsurance cessions to affiliated reinsurance companies outside the US. Proposals, currently before the Senate Finance Committee, risk introducing a punitive tax regime on US insurance companies that reinsure their risks with affiliated foreign companies.

This reporting exercise will be continued in the next few months with a view to monitoring compliance with the G-20 standstill commitments and preventing recourse to protectionist measures.

ANNEX

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1. BARRIERS TO INVESTMENT[17]

Russia:

- There are currently 45 applications from foreign investors awaiting permission from the Putin Commission to invest in strategic sectors (Federal Law #57). The Law 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.
- The Russian Government issued a decree related to the application of procurement procedures, giving discriminatory advantages to domestic suppliers.[18]

Ukraine

- **Restriction of foreign operators' access to public procurement. Public procurement of goods, works and services is only done with domestic producers (except for goods which are not produced in Ukraine); this measure is in force until 1 January 2011. The Law "On amendments to the certain Laws of Ukraine to minimise the impact of the financial crisis on the development of domestic industry" No 694-VI was passed on 18 December 2008.**

2. BARRIERS TO TRADE IN GOODS AND SERVICES

2.1. BORDER BARRIERS

Argentina:

- <u>Import Licences</u>
    - 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 the requirement for a Certificate of Imports (CIM) for metallurgical products, yarns and fabrics and footwear.
    - In December 2008 the Government announced that it will 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.

[17] In bold you will find new measures reported since March or new developments on measures reported already.

[18] Russia is not yet a WTO member and not a member of the GPA.

- In February, the Government updated the list of merchandise subject to automatic import licenses (LAPI) in which it included, for example, aluminium bars.
- **On March 4, 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 April 14, Argentina applied import licenses to 60 new product lines, covering mechanical appliances, clothing, musical instruments, dye/paint and other manufactured products.**
- **On the other hand, on April 14 Argentina suspended for 30 days the licensing requirement for imports of self-tapping screws and other types of screws and bolts and on April 21 it made licenses for imports of tyres mandatory only for final consumption purposes.**

- 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, 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 set new revised "reference prices" for toys, textiles, footwear, steel, etc.) The customs administration also sent alerts to increase border controls for sensitive goods.
  - In January 2009, reference prices were set for steel pipes. In February, for glass fibre discs, cotton fabrics, backpacks, drive-axles, guitars, flash memories, etc.
  - **Reference values for imports of 'brake parts' from the EU, China, South East Asia and MERCOSUR. External note 20/2009 of 3 March 2009.**
  - **Reference values were established for imports of sweaters and pullovers by External Note 24/2009 of 17 March 2009 (only applies to South-East Asia, Mercosur).**
  - **Reference values were established for imports of 'cermet' (ceramic and metal) products (through External Note 28/2009 of 27 March 2009).**
  - **In April, 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, it set reference values for imports of wool products from China, South-east Asia, MERCOSUR and Latin America and for imports of brooms and brushes imported from China and South East Asia.**

- Tariff increases
  - Since 15 October 2008, Argentina has implemented the legislation adopted in September 2007 on increase in the Mercosur external tariff on textiles and footwear to 26-35% (depending on the product).

Indonesia:

- A regulation which entered into force on 15 December 2008 imposed burdensome requirements on imports on 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. Sectors affected: clothing/textiles, electronics, toys, footwear and food/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[19]. However, importers with a priority lane status (including biggest European companies) are exempted from these requirements, which reduces its impact.

- Ministry of Trade Decree 8/2009 (08/M-DAG/PER/2009) requires that 200 iron and steel products can only be imported by licensed importers and that all shipments must 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) will 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.**

- From August - September 2008 the Indonesian food and drug regulatory agency 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 itself to reducing the time to 3 months (the legal requirement is 45 days).

- Ministry of Health Decree 1010/2008 restricts the scope of imported drugs that can be registered and provided that drugs which are currently importedmust 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 back tracked to its original position so that drugs can only be imported if they fulfil a need and are not manufactured locally and 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[20].

- Ministry of Finance Decree 19/2009 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.), manufactured products are as follows: 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 are reduced, mainly on input products needed for local manufacturing

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

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

(e.g. dairy products and base chemicals). The Decree was adopted on 13 February 2009.

- The Ministry of Trade decided to prolong an import ban on sugar. Imports were to be allowed from 1 January 2009, but the import ban was prolonged until the end of April. In 2008, the Ministry of Trade only allowed imports of sugar during 3 months after previously promising to keep imports open for 6 months. The ban mainly affects the EU food and beverage manufacturing industry established in Indonesia as they need reliable access to high quality sugar for their manufacturing processes.

Ukraine:

- **The Law No 923-17 imposing a temporary (up to 6 months) 13% import surcharge on valid import duties for certain goods (meat, sugar, alcoholic beverages, some garments, steel, machines, buses and cars) was passed by the Parliament and entered into force on 6 March 2009. Ukraine notified the measure to the WTO on 4 March. However, from 25 March the 13% surcharge was applied only with respect to the imports of cars and refrigerators. The government regulation which implemented this amendment to the law has never been published but is being de-facto applied by the State Customs Service at the border check points. Ukraine notified this amendment to the WTO on 18 May 2009. If the situation remains unchanged, Ukraine will have to start consultations in the WTO Balance of Payments Committee within 4 months of its initial 4 March notification.**

Turkey:

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

- Continuation of a surveillance measure on various products, some of which seem to be subject to a "reference price" that is used as a minimum import price for the purposes of applying excise duties or other taxes.

Russia:

- New Decree on Harvesters (# 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[21].

- Increased import duties for cars (Decree 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.

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[21] 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 in November 2006. The duties were reduced to 5% temporarily in June 2007 and the lower duty was applied temporarily until January 2009.

- New Decree on Steel (# 9 of 9 January 2009, entered into force on 14 February 2009, for 9 months): a decision to raise 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).

- Increased import duties on several agricultural products: 3 decrees were published on 31 January 2009, entering into force one month after publication, which increased import duties by 5 % on soy meal for a period of 9 months (Decree # 70), increased import duties on butter and other dairy fats by 15% but not less than 0.35 euro per 1 kg (Decree # 71) - 15% and increased duties on certain types of milk and cream by 20%. (Decree # 72).

- New Decree # 173 from 26 February 2009 on certain types of dairy products for babies. The decree raises the import duty from 5% to 15% and takes effect at the end of April 2009.

- New Decree # 179 from 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.

- Meat quotas (Decree # 918 of 8 December 2008), EU poultry quota is reduced from 236.4 thousand tonnes to 185.8 thousand tonnes (on beef and pork, the quota has actually been increased). Recent request by Russia to redistribute some of the unused frozen beef quota from EU to other countries.

- **Increased duties on non-alloy steel bars and rods. Government Decision 299 of 3 April 2009 enters into force 1 month after the date of its official publication. Duty rates are increased from 5% to 15% for a period of 9 months.**

- **Increased duties on maize starch and manioc starch (1108 12 000 0 and 1108 14 0000). Government Decision 328 of 15 April 2009 prolongs the 20% import duty for a period of 9 months. There is a new increase in the ad valorem part of the duty from no less than €0.06/kg to €0.15/kg.**

- **Increased duties on imported liquid crystal displays (LCDs): Government Decision 273 of 31 March 2009, entering into force 1 month after the date of its official publication. Duty rates are increased from 10% to 15% for a period of 9 months.**

- **Radio frequency coaxial cables (code 8544 20 000 1) – the 15% duty was prolonged by the Government Decision of 22 April 2009.**

- **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.**

Vietnam:

- The Vietnam Steel Association has 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. In the second week of March, the Association sent another petition proposing 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 the third week of March the import duty on steel billet increased from 5% to 8%, rolled steel for construction from 12% to 15%, cola rolled steel from 7% to 8% and other kinds of steel from 12% to 13%. On April 13, the ministry decided to raise the import tariff on alloyed steel from 0% to 10%.**

- 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-enacted in January 2009. So far, no complaints have been made in the regards because of the fast registration procedure by the MOIT. 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 5 March 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%) will be 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 from the previous rate of 3% is uplifted a new import duty of 10% 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%.**

- On 10 February 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, in the final week of March, to raise the import duty on newsprint, printing and writing paper imported from ASEAN countries from 3% to 5%.**

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. Consultations were held on 22-24 April at the Balance of Payment Committee at the WTO. The meeting ended without a consensus report and a new round of consultations is due in the coming weeks.**

Egypt:

- On 23 January 2009 the government imposed an additional duty of 70 euros per ton on imports of white sugar.

- 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 prepainted[22]. 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:

- Increased use of licences: 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.

- Ban on Chinese toys: 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

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.**

Belarus:

- **On 21 April a presidential edict n° 214 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 who are the main suppliers of Brazil.**

[22] 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.

2.2. BEHIND THE BORDER BARRIERS

Russia:

- A new road tax on all foreign transport as of 1 February 2009. It applies to freight vehicles weighing over 3.5 tonnes. Government Resolution No. 1007 of 24 December 2008 entered into force on 1 February 2009. On 20 May 2009 a Decree was adopted to amend the Resolution by lifting the road charges for 14 EU Member States.

India:

- In September 2008 the Ministry of Steel issued two 'Orders' which will make it mandatory for 17 steel products to meet new national standards and be certified by the Bureau of Indian Standards (BIS). In February 2009 the Ministry of Steel notified that the second of two 'Orders' – concerning eleven 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 only gives a change to get accustomed with BIS standards. Recent indications suggest that India will not show any additional flexibility.

Indonesia:

- In November 2008 the Ministry of Communications published a draft Decree on its web-site (for public consultation) that imposes a minimum 30% local content requirement on telecom equipment acquired by local operators. The Decree has still not been adopted and our latest information indicates that the Indonesian government might be re-considering the local content requirement.

- Ministry of Industry is proposing, through two decrees, to introduce mandatory standards and certification for a number of iron and steel products[23]. The requirements apply to both imported and domestically manufactured products. The two draft decrees have been notified under the WTO TBT Agreement[24]. It is not clear when they would be enacted. EU exports of iron and steel[25] in Indonesia in 2007 amounted to about EUR 261 million.

- Potential local content requirement for public procurement of goods. Presidential instruction No. 2/2009 which entered into force on 9th February 2009, which stipulates that all state administration should "optimize" the use of domestic goods and services and give price preferences for domestic goods and providers, according to Guidance for Increasing the Use of Domestic Goods and Services set by the Ministry of Industry. This is a list of 470 products in 21 sectors. A national team has been set up, consisting of key ministers, which has the power to formulate policies and strategies to intensify the use of domestic goods. The President has also launched an "I Love Indonesia" campaign to promote domestic products. **There have been rumours that the Ministry for Industry would be planning to introduce a local product requirement of 25 % to all retailers in Indonesia.**

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[23] mainly Hot Rolled Sheet, Coil Steel, Hot Rolled Sheet, Coil Steel for Gas Cylinder, Zinc Aluminium - Coated Sheet and Coil Steel.

[24] Notifications G/TBT/N/IDN/23 and G/TBT/N/IDN/24.

[25] HS chapters 72 and 73.

- **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.**

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

US:

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

- **Two pieces of draft legislation have been introduced in the US House of Representatives that include similar "Buy American" provision than in the economic stimulus legislation: Water Quality Investment Act (passed in the House on 12 March) and 21st Century Green High Performing Public School Facilities Act (passed in the House Education and Labour Committee on 6 May 2009.)**

- **Foreign repair stations: House FAA Reauthorisation bill approved by the Committee on 5 March 2009 contains language requiring foreign repair stations to be inspected every six months in order to provide services to US airlines and for alcohol and drug testing preformed in accordance with US requirements to be applied to the repair stations personnel and to every subcontractors down the chain.**

- **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.**

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. A small trial campaign was launched in one prefecture (from 19 February till 15 March).

Kazakhstan:

- Local content clauses in the procurement law were introduced. The Government plans to set up administrative punishment for entities violating local content clauses in the procurement law. On 25 February the Kazakhstan government published a list of companies subject to mandatory monitoring of procurements.

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**.**

Australia:

- The State of Victoria (sub-national level) announced that Victorian Government procurement for declared strategic projects greater than $A250m should be subject to 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, the measure will potentially adversely impact on previous and existing EU-based suppliers to the Victorian Government.

China:

- The Government Procurement Law of China institutionalized a "Buy Chinese" policy across the board, with some exceptions. Since the Procurement Law was enacted, some implementation rules have further restricted the scope of these exceptions by clarifying the definition and its application (notably decrees 2007/119 and 20077/120). The April 2009 *"Opinions for further strengthening the management on Government Procurement (GuoBanFa 2009 Nr 35)* are linked to Decrees 2007/119 and 120 and seem to further restrict the exceptions contained in the two decrees for the procurement of imported material, even though the actual impact in practice remains to be seen.

- There have been reports that a number of eastern coastal provinces in China are giving priority to locally manufactured products (e.g. automobiles and home appliances) for local procurement and purchases and requiring companies to source raw materials or equipment locally. Many of these "encouragements" seem to be done through personal contacts rather than communicated through written form[26]. It is to be noted that such 'provincial' protectionism would affect both foreign and domestic companies. The EC Delegation will continue to monitor the situation.

South Korea:

- **Additional labelling and reporting requirements on alcoholic beverages. In force since 1 April 2009.**

Ukraine:

- **On 11 March the Cabinet of Ministers approved Resolution "On enlargement of internal market for domestic producers of machine-building for agriculture complex" (No 264) which envisages that agricultural equipment purchased with state funds should only be purchased from domestic producers.**

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[26] One exception is a report that was issued in a press conference that took place in Anhui province on 7 January 2009 and was made publicly available
(http://www.ahzwgk.gov.cn/XxgkNewsHtml/OA001/200901/OA001011502200901001.html)
The Director of the economic and trade committee of Anhui province, Zhao Bingyun, announced eight measures that specifically spell out encouragements for provincial authorities and local enterprises to purchase products made locally.

3. EXPORT RESTRICTIONS

Indonesia:

- A new mining law adopted on 16 Dec 2008 requires that minerals and coal must be processed before export. The Government has 1 year to put into place the necessary implementing regulations to give effect to the provisions of the law.

- **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$ 1million. 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.**

Egypt:

- On 10 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. In February 2009, the Government of Egypt (GoE) announced that the ban would be extended until further notice. **End of March 2009, the GoE confirmed the extension of the ban until October 2009. Export 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.**

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.**

4. MEASURES TO STIMULATE EXPORTS

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.

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[27] to be used through 2012. The main focus of the

[27] US$ 258.7 million, Euro 182.7 million.

package, developed by the Bureau of Foreign Trade, is to be 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 are 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 focused specifically on boosting 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 current 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.

Japan:

- On the basis of 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.

South Korea:

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

Brazil:

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

5. OTHER MEASURES

China:

- Measures announced include references to funding of external expansion of Chinese companies, which needs to be monitored closely.
- Stimulus plan for 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.**
- 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.
- **The State Council of China has recently released the "Opinions for further strengthening the management on Government Procurement (GuoBanFa 2009 Nr 35)". The measure clarifies and provides more details on several aspects related to the procurement process and announces close supervision on construction projects launched under the 4-trillion Yuan stimulus packages. The areas covered by the new measures are:**

    a. **Expansion of the government procurement catalogue and strict supervision of procurement of construction projects financed under the stimulus package. Although the measures do not define which new products or services would be added to the catalogue, it seems the objective is to increase the array of products that would benefit from the 4 trillion stimulus package.**

    b. **Set up an independent supervision department.**

    c. **Supervision of budget plans and improving efficiency and quality of government procurement.**

    d. **Tightening the "buy Chinese" provisions already adopted in Decrees 2007-119 and 2007-120.**

    e. **Stricter sanctions for violations of GP rules.**

    f. **Further development of electronic GP**

    g. **Improve training to officials responsible for GP.**

  Measures a) and d) deserve attention. In particular provisions under chapter 4 require that procurement of all products falling under the scope of Decrees 2007/119 and 2007/120 must be purchased in China. Under current rules, if the foreign/imported products were of better quality or lower price, buyers were allowed to procure from foreign sources. The new rules eliminate this exception and oblige to "buy Chinese" in any circumstances, even if lower quality or more expensive.

US:

- Draft bills have been presented to the House and the Senate concerning taxation of international reinsurance transactions emanating from US domestic companies and reinsured to foreign incorporated affiliates. These bills create unfair tax disadvantages for EU owned US subsidiaries compared to US owned companies. Senate Finance Committee Staff draft requested comments by 28 February 2009.

- **The U.S. government has approved two relevant auto loans to date. On September 30, 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 December 19, 2008 President Bush announced that the Administration will provide federal loans for GM and Chrysler in the total amount of US $ 17.4 billon using the Troubled Assets Relief Program (TARP) originally approved for the financial institutions.**

- **On 22 May 2009 the USDA presented a Dairy Export Incentive Program for the period from the July 2008 through 30 June 2009. The Dairy Export Incentive Program is equivalent to the US WTO commitments for agricultural export. Some countries and regions will be excluded from this program and quantities may be limited depending on the budget. USDA's Foreign Agricultural Service is in charge of this program, which 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 puts a levy for milk produced in the US as well as on imported products.**

- **Enlarged scope of the US fuel tax credit: it concerns a tax credit designed to promote the use of alternative fuels, which 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", U.S. companies that produce pulp through the kraft chemical process qualify for funding. Payment of those subsidies has started in March 2009.**

- **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.**

Canada:

- In the recent federal budget, the Canadian government announced initiatives that could possibly apply 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; measures to enhance the resources and scope of action available to Export Development Canada (EDC).

Japan:

- Some local governments are offering subsidies for purchases of cars or homes. The Kanagawa Prefecture will begin providing subsidies in April 2009 (possibly up to 700,000 yen) to people buying electric vehicles. **The Japanese authorities are considering promoting the purchase of eco-friendly cars.**

- The Japanese government is now preparing several subsidy schemes to support Japanese companies including loans for Japanese companies exporting goods and services to developing countries, loans for investment projects in developing countries, loans and guarantees for Japanese firms in industrial countries, including EU15 and government guarantees for possible losses on acquisitions.

South Korea:

- The government unveiled, in December 2008, an outline of industry support measures to be taken in the coming months, with a view to covering liquidity and corporate tax exemptions to the nation's 9 key industries, namely auto, semiconductors, petro-chemicals, textiles, shipbuilding, steel, displays, mobile phones and machinery.

- On 25 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 decided to create a fund worth about 4 trillion won, which will be used to buy about 100 vessels from struggling shipbuilders at market prices as early as June 2009. Apart from this, 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.

- Green New Deal had been announced on 6 January 2009**. In relation to this, in late April 2009 the MKE announced government's plans to purchase and install renewable energy products manufactured locally for state-led projects[28]. 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.**

Mexico

- **Mexico has imposed MFN tariffs on 89 US products, effective as of 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.**

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[28] Up to now only 1 out of 146 wind power generators currently operating in Korea was made by local companies. This year the central government in cooperation with regional authorities plans to install 26 new wind power generators across the country.

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.

Vietnam:

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

- **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.**

Philippines:

- Export support fund (PHP 1 billion) has been put in place to finance export development and promotion as well as capacity building for small and medium-sized exporters. Also an Industry and Competitiveness Fund has been announced to subsidise power costs for companies in key sectors.

6. COUNTRIES THAT ARE FACILITATING TRADE

Mexico:

- Unilateral decision to gradually eliminate, by 2013, tariff lines on over 70% of products. Has also engaged in an ambitious plan to modernise its customs infrastructure and procedures.

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. In 2009 Tunisia reduced a number of tariffs.

China:

- Trade facilitation measures announced include customs and quarantine clearance in 24 hours and reduced costs for textiles, clothing and agricultural products border inspections[29].

Egypt:

- Ministerial Decree 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.

Japan:

- The Japanese government is launching 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 dollars 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 dollar pool is foreseen to support annual funding demand of around 4 billion dollars. 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 the money.

Vietnam:

- **On 16 April 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 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**

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

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 the Ministry of Finance issued a special incentive import duty list to implement Vietnam's commitment of 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 people including those having separate luggage space and racing automobiles, ambulance automobiles and prisoner automobiles were subject to a duty rate of 9 percent from 1 December 2008 to 31 March 2009. A duty rate of 8 percent is being applied from 1 April 2009 to 31 March 2010; 7 percent from 1 April 2010 to 31 March 2011 and 6 percent from 1 April 2011 to 31 March 2012.**