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Trade Policy Committee	
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NOTE FOR THE ATTENTION OF THE TRADE POLICY COMMITTEE

SUBJECT: *Trade Activities Report for the first half of 2014*

ORIGIN: **Commission DG Trade A2**

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OBJECTIVE: *For information*

REMARKS: Please find attached DG Trade's regular paper providing a snapshot of the main activities on the trade agenda in the coming six months.

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DG TRADE**Trade Activities for the First Half of 2014**

This periodically updated DG Trade paper provides an overview of current trade policy activity focusing on the six months ahead.

1. Introduction

Leaders at the European Council in February 2013 recognised the important contribution that trade can make to growth and jobs in the EU. This contribution can only become more significant as 90% of future global economic growth is set to be generated outside of Europe. That being said, the EU itself remains a central pillar of the world economy. It is the largest market in the world and the top trading partner for 80 countries. Europe must remain open to business in order to continue to harness the benefits of trade.

In the first half of 2014 we hope to build on the considerable progress already made in 2013 [provisional application of trade deals with Central America, Peru and Colombia, the initialling of agreements with Singapore (except for the Investment chapter), Georgia and Moldova, the breakthrough at the multilateral level in Bali and bilaterally with Canada and finally completion of key legislative files, in particular, the GSP and the "Omnibus" changes to trade decision-making procedures]. In particular, we will aim to maintain momentum in our negotiations with the US and with Japan, and to finalise the outstanding technical issues on the CETA. We will also work hard to make progress in all our other bilateral negotiations, and to continue to use trade as a positive tool for promoting inclusive and sustainable growth in developing countries. In the multilateral field, an important part of our work will be on follow up and implementation of the Trade Facilitation Agreement agreed in Bali and to focus on the post Bali work programme.

We will also continue to pay close attention to what other countries are doing in the trade and investment field and will continue to act, both within the WTO and bilaterally, to secure better market access for EU business, including SMEs, and a level playing field with our external partners.

The remainder of this paper is structured as follows:

2. Future of EU Trade Policy and Lisbon Treaty Issues
3. Creating the Right Conditions for Growth and Jobs
4. Trade in a multilateral and Plurilateral setting
5. Bilateral Trade Relations
 - On-going FTA negotiations
 - Initiatives with other strategic partners
 - Recently concluded agreements

6. Economic Partnership Agreements
7. Trade and Development Issues
8. Trade Defence

2. Future of EU Trade Policy and Lisbon Treaty Issues

2.1 Future of Trade Policy (*Europe 2020 Follow Up*)

Throughout the first half of 2014, EU trade policy will continue to be geared towards pursuing the main objectives of the strategy set out in the 2010 Commission Communication "Trade Growth and World Affairs", such as:

- Deepening our relationships with key strategic partners (through, for example, negotiations for Trade Agreements with the US and Japan, and an Investment Agreement with China);
- Creating the right conditions for business (notably through FTAs, but also through specific initiatives such as the Commission proposal for an EU instrument to help open third country public procurement markets, and the initiative aimed at improving the efficiency and effectiveness of Trade Defence Instruments); and
- Continuing to ensure that trade contributes to development (for example, through the negotiation of Economic Partnership Agreements with less developed partners and the implementation of the new Generalised System of Preferences) and to support sustainable development (for example, through specific provisions in bilateral FTAs).

The Commission will also continue to practice openness and transparency, including via regular Civil Society Dialogue.

2.2 Trade and Sustainable Development

Contributing to sustainable development outside of the EU remains an important feature of EU trade policy. The Free Trade Agreement (FTA) with South Korea represents the first in a new generation of FTAs to contain a trade and sustainable development chapter. The second set of meetings to implement this particular chapter of the FTA (the Trade and Sustainable Development Committee and the Civil Society Forum) took place in September 2013, and follow-up actions will be implemented throughout 2014, including the on-going dialogue with the EU Domestic Advisory Group. Work towards the establishment of similar bodies for the agreements with Central America and Colombia-Peru is well advanced, and the first meetings are expected in the first semester of 2014. The Commission will continue to promote similar arrangements in on-going negotiations, including in investment agreements.

2.3 Investment Policy

The Lisbon Treaty established exclusive competence for the EU on Foreign Direct Investment. Throughout the first half of 2014, work will continue on setting out an EU

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investment policy in line with the July 2010 Commission Communication "Towards a Comprehensive European International Investment Policy".

Negotiations:

The Commission will continue to negotiate investment agreements with third countries, both as part of on-going and future FTA negotiations and on a standalone basis.

In some cases, negotiating directives for on-going negotiations need to be updated to allow for the inclusion of investment. This was the case in 2012 for negotiations with Canada, India, and Singapore. The Investment Chapter of the trade agreement with **Canada** shall form an integral part of the final FTA. Regarding **India**, in line with the state of play of the FTA, we do not expect negotiations to take place in the first half of 2014. As regards **Singapore**, discussions on investment started later than on other areas of the FTA but we are expecting to complete them early in 2014.

Negotiations on Investment also form part of the on-going FTA negotiations with Morocco, Japan and the US.

On 18 October 2013, the Council adopted an update to the negotiating directives for the EU-ASEAN FTA, which authorises the Commission to open negotiations on investment with **Malaysia, Vietnam and Thailand**. The Commission is preparing the texts to be presented to our trading partners early in 2014.

Also on 18 October 2013 the Council adopted the negotiating directives for a standalone agreement on investment between the EU and **China**. Negotiations were launched on 21 November during the EU-China Summit and the first round is expected to take place in on 21-23 January 2014.

The Impact Assessment for an investment agreement with Myanmar has been successfully completed and a recommendation for negotiating directives is planned for adoption by the Commission in January 2014.

Legislation:

The **transitional regulation** on Member States' Bilateral Investment Treaties (BITs) entered into force in early 2013 and is now in the implementation phase. Several meetings of the Advisory Committee on Investment Agreements (CIA) took place in 2013 and further meetings are envisaged for 2014.

The negotiations on investment protection mentioned above will include provisions on **investor to state dispute settlement**. With a view to ensuring the effective management of cases against the EU, the Commission adopted a legislative proposal in June 2012 dealing with the **financial responsibility** flowing from possible disputes against the EU. The European Parliament adopted its position on this in late May 2013. Trilogues began in November 2013, with the objective of finding a first reading agreement. The Commission hopes that an agreement between the European Parliament and the Council can be found early in 2014.

Otherwise the EU's capacity to conclude the above – mentioned FTAs with Canada and Singapore could be seriously jeopardised.

UNCITRAL:

Another important aspect of the work on investor to state dispute settlement is the discussion on transparency in the context of UNCITRAL (United Nations Commission on International Trade Law). New rules on transparency for investor to state dispute settlement were endorsed by the UNCITRAL Commission in July 2013. However, these Rules will only apply automatically to investment treaties concluded after the date of application of the rules. As a consequence, the UNCITRAL Commission has mandated the responsible UNCITRAL Working Group to negotiate a multilateral convention which will permit the application of the Transparency Rules to existing treaties. The Commission intends to take full part in these negotiations which will probably be concluded during the course of 2014.

2.4 Implementing and Delegated Acts ('Omnibus I and II')

This refers to the Commission's March 2011 'Omnibus I' proposal (adapting existing sui generis decision-making procedures in the trade area to the new standard comitology rules) and the June 2011 'Omnibus II' proposal (adapting existing comitology procedures as necessary to fit in the framework of implementing or delegated acts) which aim at bringing trade legislation in line with the new rules set out in the Lisbon Treaty on the way powers are conferred on the Commission. After the successful conclusion of the trilogues, both pieces of legislation will enter into force in early 2014

2.5 Legislative Mechanism on Enforcement

Under international trade law, the EU may be called on to take unilateral measures to defend its rights and to ensure compliance with dispute settlement agreements, or to defend itself against illegal actions. We must be able to act swiftly to meet the deadlines set out in the EU's relevant international commitments.

In order to enforce effectively the EU's trade rights, the Commission adopted a proposal for a **legislative mechanism on enforcement** on 18 December 2012. The objective of the proposal is to ensure swift decision making procedures within the structures provided by the Lisbon Treaty (i.e. implementing acts). The Council and the European Parliament entered into trilogue discussions on 19 November 2013. The Commission hopes that the Council and Parliament will seek an agreement early in 2014. This would allow the formal legislative procedure to be finalised before the end of the current legislature.

3. Creating the Right Conditions for Growth and Jobs

3.1 Market Access Strategy

The Commission will continue to actively implement the Market Access Strategy, which is a central pillar of the EU enforcement agenda. The main focus remains dismantling priority barriers faced by EU companies in third country markets and monitoring the effective implementation of the EU's FTAs. The Commission regularly reports to the Market Access Advisory Committee on its activities in this area and will continue to focus on the needs of small- and medium-sized enterprises (SMEs).

In addition the Commission will continue to monitor the G20 pledges on protectionism, focusing on both monitoring the commitment to remove trade measures introduced during the crisis and on reinforcing transparency - namely the full and timely notification of potentially trade restrictive measures.

3.2 Intellectual Property Rights

Early in 2014 the EU will publish an update of its 2004 Strategy for the Protection and Enforcement of IPRs in Third Countries, which aims to promote IPR and combat IPR infringements abroad.

The EU will continue to promote Geographical Indications (GIs) as a useful IPR instrument to protect farmers' and food producers' rights in traditional and local products by: 1) ensuring a high level of protection of EU geographical indications through bilateral negotiations and in international cooperation; and 2) in order to safeguard our offensive interests, facilitating adequate protection in the EU for our negotiating partners' GIs on agri-food products and products closely linked to the rural economy.

3.3 Services

Mobility

During the Informal meeting of TPC Services and Investment, which took place in Vilnius on 11–12 July 2013, there was an open discussion on ways to improve transparency and procedures with respect to entry and temporary stay of natural persons providing a service (Mode 4), issues which until now have not been tackled.

This process, supported by expert meetings, should continue in order to deepen the approach to Mode 4, which in turn will allow us to respond better the EU's offensive and defensive interests in this area.

3.4 Technical Barriers to Trade and Sanitary and Phytosanitary (SPS) issues

The EU continues to be active in the WTO's Technical Barriers to Trade (TBT) Committee which remains the main multilateral forum for discussion of these issues.

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The EU will also be active in removing unjustified technical barriers to trade in bilateral discussions under the special committees of different FTAs, and in ad-hoc bilateral dialogues. The effective tackling of these barriers supports the EU's Market Access Strategy.

The focus on trade restricting SPS measures will continue to increase, in particular as part of the preparation, conduct, and implementation of bilateral free-trade agreements. There will be an increasing need to focus on SPS priorities. To this end, discussions will take place with Member States and stakeholders to confirm and update the overall SPS priorities, by commodities, target markets, and substantive SPS issues.

3.5 Public Procurement

Government Procurement Agreement (GPA)

Following the political conclusion of the negotiations in December 2011, the revised GPA text and additional market access commitments were formally adopted by the GPA Parties on 30 March 2012.

The EU internal process was completed in December 2013 with the consent of the European Parliament and the decision of the Council to conclude the revised GPA. The EU deposited its instrument of acceptance on the 3rd December 2013, the same day as the dedicated GPA meeting at the WTO Ministerial Conference in Bali. Seven Parties in total have now submitted their respective instruments of acceptance. Four more ratifications are required to trigger the entry into force of the revised GPA.

While other Parties are pursuing their ratification process, the GPA Committee will continue to focus on upcoming accessions to the Agreement, in particular those of China, New Zealand and Montenegro. At least one Committee meeting will take place during the first half of 2014, where accessions and implementing decisions for the revised GPA will be discussed.

Initiative on access of third countries to the EU's public procurement market

The Commission tabled this legislative proposal in March 2012, in order to establish an instrument in the area of public procurement which would ensure further opportunities and greater fairness for EU businesses competing internationally.

In Council this proposal is currently being examined by the Working Party on Trade Questions.

In the European Parliament, the lead committee INTA as well as the associated committee IMCO and three consulted committees (JURI, EMPL and DEVE) have all voted in favour of the proposal which will be subject to voting in Plenary in the spring of 2014. A trilogue may be launched during the Greek Presidency.

3.6 Energy

Energy will continue to be discussed in the negotiations with Morocco, with Azerbaijan (both in context of WTO Accession as well as the update of the PCA) and will also remain on the agenda in the negotiations with Russia. The negotiations with the latter have remained stalled over the last two years but may start again as it seems that Russia has obtained a new mandate. The EU is also exploring the possibility of updating the bilateral trade agreement with Mexico, and with the recent reforms in the energy sector, energy is also an important subject in that context.

The Commission will continue to promote the EU's interests in trade in green energy production technologies. Following the agreement with Singapore, we are negotiating further Green Tech Annexes with ASEAN countries, such as Malaysia, Vietnam and possibly Thailand. Elements of the Green Tech Annex are also being incorporated into the negotiations with Morocco.

The Commission is negotiating energy related provisions in the TTIP with the United States covering both conventional and renewable energy. Such provisions should establish a template that can also be used with other third countries.

Work will continue on the enforcement of WTO and bilateral trade commitments in the area of renewable energy. For EU action to remain credible, it is very important that EU Member States apply their renewable energy policy in a consistent manner and in full compliance with EU and WTO rules.

Finally, as regards trade and investment related activities in the context of the Energy Charter Treaty (ECT), there will be further discussions in the coming year in the ECT's Trade and Transit Group on the binding of WTO customs tariffs vis-à-vis ECT members.

3.7 Raw Materials

Raw materials strategy

The Commission's strategy for ensuring a sustainable supply of raw materials will continue to focus on three pillars:

(i) Defining relevant disciplines (e.g. on export duties) through negotiations in both multilateral and bilateral fora (WTO accessions, bilateral FTAs, EPAs and PCAs).

(ii) Monitoring and tackling barriers and enforcing disciplines, to ensure a sustainable supply of raw materials making full use of the Market Access Strategy to monitor, and take action as appropriate to challenge measures which violate WTO or bilateral commitments.

(iii) Reaching out to third countries to engage in more international cooperation: Outreach will be carried out mainly in the context of the OECD and in line with an ambitious 2013-2014 roadmap. The roadmap includes an update of the export restrictions inventory, an inter dependency study, three case studies on alternative

policies and transparency/best practices, a synthesis paper and a workshop all by the end of 2014.

Conflict minerals

In June 2013, DG Trade closed a public consultation on a potential EU initiative for responsible sourcing of minerals from conflict-affected and high-risk areas. On the basis of the outcome of the public consultation, DG Trade is currently preparing a proposal on supply chain due diligence for minerals originating in conflict areas. This will be followed up under the Greek presidency by launching a Commission proposal and a joint Communication with the EEAS.

3.8 Dual Use Export Controls

In the context of the Export Control Review Process, the Commission adopted, on 16 October 2013, a report to the Council and Parliament on the implementation of the export control Regulation, providing a comprehensive overview of developments in this area over the previous three years. The Commission is now preparing a Communication that should map out the direction for EU export controls, outlining a long-term vision for EU strategic export controls and identifying concrete policy options for the modernisation of the EU export control regime and its adaptation to rapidly changing technological, economic and political circumstances. We plan to issue the Communication in early 2014, and to discuss it with Member States in the first semester of 2014.

On the **legislative side**, the Commission hopes that the Council and the Commission will finalise the trilogue on the proposal to empower the Commission to amend the EU control list via delegated acts. This would accelerate future updates of the list in the first semester of 2014. Depending on the progress of that file, we may need to begin preparations for a Commission Regulation updating the EU control list in light of decisions agreed in the multilateral export regimes.

The Commission will continue its efforts in 2014 to improve the **consistency of implementation measures** taken across the EU, with the organisation of regular meetings of export control experts (the 'Dual-use Coordination Group') allowing experts from Member States to exchange practical experience and best practices in current priority areas of export control. Work on the development of a set of guidelines and on the introduction of new functionalities in the electronic system for exchange of information (DUeS) will continue in the first half of 2014.

4. Trade in a Multilateral and Plurilateral setting

4.1 Doha Development Agenda (DDA)

Multilateral trade liberalisation and rule-making remain the EU's top trade priorities. Activity in the first half of 2014 will centre on the follow-up to the successful outcome of the **9th Ministerial Conference of the WTO (MC9)** in Bali last December. The

main objective for the EU will be putting in place the Trade Facilitation Agreement. WTO members will also be expected to prioritise negotiations on the issues where no legally binding outcome was agreed in Bali. Early in 2014, we will begin to consider the work programme for the Tenth WTO Ministerial Conference (MC10). Key events in this regard will be the ministerial meetings hosted by Switzerland in Davos, at the end of January and by Australia in Paris in May, in the margins of the OECD Ministerial.

4.2 Plurilateral Trade in Services Agreement (TiSA)

At the end of 2013, the core elements of the GATS were incorporated into the TiSA agreement and initial market access offers were exchanged. The negotiations have now entered into a new phase with Costa Rica, Iceland, Israel, Lichtenstein, Panama, Paraguay and Turkey taking part in the talks as new members of the "Really Good Friends of Services". China and Uruguay have also applied to participate. In 2014 the process will seek to attract yet more participants.

In the first semester of 2014 the negotiations will focus on developing ambitious regulatory disciplines in areas such as financial services, ICT, maritime services and domestic regulation. The next rounds of negotiations are scheduled to take place in February, May and June or July of 2014.

4.3 Information Technology Agreement (ITA) review

In the second half of 2013, important progress was made in the negotiations on the expansion of the Information Technology Agreement (ITA) – a WTO plurilateral agreement on the elimination of import duties on certain IT products. However, in spite of cautious engagement from China and all other participants' efforts, no final list of products was produced. Thus the prospects for negotiations are uncertain. The Commission will continue its work with a view to resuming the negotiations at the earliest possible time.

There is an increasing awareness of the importance that Non-Tariff Barriers (NTBs) have for industry. In the context of the ITA review, two areas were identified for possible advancement. The first was on organising an NTB workshop/conference with industry in 2014. The second strand is on increasing transparency on the applicable conformity assessment legislation for particular risks (safety, electromagnetic compatibility and, radio emissions). Conditions are in place so that members who are willing to do so could move ahead on a voluntary basis.

4.4 Trade Disputes

Below is a brief overview of some of the major trade disputes in which there are likely to be developments during the first half of 2014. For a more complete overview, please see DG Trade's monthly general overview of active dispute settlement cases.

Argentina – import restrictions: A panel was established on 28 January 2013 following a request by the EU, US, and Japan. Given that Argentina failed to offer a

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horizontal solution to the dispute, the matter is currently subject to panel proceedings which will continue during the first half of 2014. A final report may be expected in mid-2014.

China - raw materials: the EU is monitoring the implementation by China of the first ruling on raw materials dating back to January 2012 (Appellate Body Report).

In the second raw materials case against China (covering rare earth, tungsten and molybdenum), the panel was established on 24 September 2012. The final confidential report was sent to the EU on 13 December 2013. The date for the publication of the report (circulation to all WTO Members) is the first quarter of 2014.

Canada - measures relating to the FIT Programme: The panel report concerning Ontario's Feed-in-Tariff (FIT) programme establishing local content requirements was issued to the main Parties to the dispute on 16 November, and was publicly released in December 2012. The panel report was appealed and the Appellate Body issued its report on 6 May 2013, confirming that the local content requirements are in breach of WTO rules. The reports were adopted by the DSB on 24 May 2013. Canada now has until the end of March 2014 to repeal the measures otherwise further WTO action will be required. The EU will closely monitor and assess the implementation of this ruling by Canada.

Hormones: The core obligations of the Memoranda of Understanding with the US and Canada (suspension of trade sanctions against EU versus the EU establishing a TRQ for High Quality Beef) will expire on 1 February 2014. The Memorandum with the US was re-negotiated to extend those core obligations until 31 July 2015 and to clarify the content of phase 3, i.e. the final termination of the WTO dispute. The Council approved the revised Memorandum on 18 October 2013. The EP gave its consent in December 2013, with conclusion by Council foreseen in January 2014.

EU – Anti-dumping measures on biodiesel from Argentina: On 19 December 2013 Argentina requested consultations with the European Union regarding (1) the provisional and definitive anti-dumping measures imposed by the European Union on imports of biodiesel originating in, *inter alia*, Argentina, (2) the investigation underlying the measures ("as applied" claims) and (3) Article 2(5) of Council Regulation (EC) No 1225/2009 of 30 November 2009 on protection against dumped imports from countries not members of the European Community ("as such" claims on Article 2(5) of the basic anti-dumping regulation). The European Union accepted the request for consultations. These will probably be held sometime in the course of January or February. Should the consultations fail to settle the dispute, Argentina may request the establishment of a panel.

China – HP-SSST: A panel was established on 30 August 2013 and composed on 11 September 2013. The first substantive hearing will take place at the end of February 2014. The EU challenges China's definitive anti-dumping duties imposed on 8 November 2012 on certain high-performance stainless steel seamless tubes (HP-SSST) imported from the European Union. The EU advances claims both on the substance (dumping and injury) and on the procedure (transparency). These products are used mainly in super-heaters and re-heaters of supercritical or ultra-

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supercritical boilers in power stations. The margins of dumping for the two EU companies involved are 9.7% and 11.1% respectively. Japan had requested the establishment of a panel concerning the same measure addressed against Japanese products in April 2013 and its panel was composed in July 2013. The two cases are reviewed by the same panel.

EU – Large Civil Aircraft (Airbus): the compliance panel (under Article 21.5 of the Dispute Settlement Undertaking) on the EU's measures implementing the Dispute Settlement Body recommendations and rulings was established on 13 April 2012. The panel hearing was held in April 2013. It is possible that the panel will issue its ruling in the first half of 2014. On substance, the US claims that the EU has failed to withdraw the subsidies to Airbus or remove their adverse effects.

EU - Herring and mackerel: on 4 November 2013, Denmark on behalf of the Faroe Islands requested consultations concerning measures adopted by the EU on 20 August 2013 banning the import into the EU and the unloading in EU ports of herring and mackerel fished under the authority of the Faroe Islands. These measures were based on the so-called "Fish Trade Instrument" regulation to ensure the conservation of the fish stock. The Faroe Islands claim that the EU measures are inconsistent with the GATT national treatment obligation, the freedom of transit and the prohibition of quantitative restrictions. Consultations were held on 12 December 2013.

EU – Certain anti-dumping measures on imports from the Russian Federation and the European Union's cost adjustment methodology: On 23 December 2013 Russia requested consultations with the European Union regarding Articles 2(3) and 2(5) of Council Regulation (EC) No 1225/2009 of 30 November 2009 on protection against dumped imports from countries not members of the European Community ("as such" claims on Articles 2(3) and 2(5) of the basic anti-dumping regulation). It also requested consultations with regards to "cost adjustment" administrative procedures methodologies or practices of the European Union for the calculation of the dumping margin and their use in certain investigations relating to imports of ammonium nitrate, imports of certain welded tubes and pipes of iron or non-alloy steel, imports of certain seamless steel pipes, or iron or steel all originating in the Russian Federation. Finally, Russia requested consultations concerning anti-dumping measures imposed on imports of the above-mentioned products ("as applied" claims). The European Union intends to accept the request for consultations. These will probably be held sometime in the course of January or February. Should the consultations fail to settle the dispute, Russia may request the establishment of a panel.

Russia - Recycling fee on motor vehicles: On 9 July 2013 the EU requested consultations with Russia, regarding Russia's measures relating to a discriminatory charge, the so called "recycling fee", imposed on motor vehicles. Those consultations did not resolve the dispute and, as a result, the EU requested the establishment of a WTO Panel to rule on this matter. The panel was established on 25 November 2013. In the meantime, Russia has adopted an amendment to the relevant legislation. An amendment to implementing rules is also expected. Those amendments are due to enter into force on 1 January 2014. The EU will assess the new regulatory situation and decide accordingly on the next steps in the dispute.

EU- Anti-dumping measures on Fasteners from China : On 28 July 2011 the Dispute Settlement Body adopted its recommendations and rulings in this dispute. The reasonable period of time agreed with China for implementation by the EU expired on 12 October 2012. The EU adopted the measures necessary to comply with the Dispute Settlement Body's recommendations and rulings before that date. On 30 October 2013 China requested consultations with the EU, pursuant inter alia to Article 21.5 Dispute Settlement Understanding (compliance). The request relates only to measures taken by the EU to comply with the Dispute Settlement Body recommendations and rulings with regard to specific Anti-Dumping duties on fasteners (i.e. Regulation No 924/2012 of 4 October 2012), and not to "as such" claims on Article 9(5) of the Basic Regulation. The consultations were held on 27 November 2013. China requested the establishment of a compliance panel. Such request may be made as early as December 2013. In such event, the panel proceedings would take place in the first months of 2014.

China – Anti-dumping measures on X- ray scanners from the EU: At its meeting on 24 April 2013, the Dispute Settlement Body adopted the Panel report in this dispute. China indicated its intention to implement Dispute Settlement Body recommendations and rulings. The reasonable period of time for implementation will expire on 19 February 2014. The EU will monitor the situation in order to assess whether the recommendations and rulings are properly implemented.

Brazil tax measures: On 19 December 2013, the EU requested WTO consultations with Brazil regarding certain tax measures which discriminate against imported products and which provide prohibited support to Brazilian companies. In particular, these measures consist of selective exemptions from or reductions of federal taxes or charges on domestic goods. Consequently, imported goods face higher taxes than domestic competitors. Furthermore, these measures restrict trade by favouring the localisation of production and supplies, and put Brazilian exporters at an advantage. Some measures contain a sectoral focus (automotive sector, electrical and electronic goods) while others are more general in scope. A consultation meeting is likely to be held in February 2014 and, depending on its outcome, there may be further consultation meetings or the EU may request the establishment of a WTO panel.

4.5 WTO Article XXIV.6 GATT and Article XXI GATS

Article XXIV.6 of the GATT allows for WTO Members to negotiate compensatory adjustments when faced with higher bound duties for certain products in the markets of new EU Member States following EU enlargement. The "EU-27" exercise was finally completed with the signature of the last pending agreement with China on 9 September 2013.

Regarding the EU-28 exercise, due to the accession of Croatia on 1 July 2013, the notification required by Articles XXIV and XXVIII GATT was submitted to the WTO on 27 March 2013.

On 15 July 2013, the Council adopted a Decision authorising the opening of negotiations under Article XXIV:6 of the General Agreement on Tariffs and Trade

(GATT) 1994 following the accession of the Republic of Croatia to the European Union.

On 21 and 22 October 2013, at the premises of the WTO in Geneva, the Commission held first meetings with the 12 countries that had submitted claims of interest under GATT Article XXIV.6 within the deadline of 15 July 2013 (Ecuador, USA, India, Japan, Uruguay, Argentina, Canada, Costa Rica, Brazil, China, Australia and New Zealand) and also with Guatemala, which had submitted a late claim allegedly justified by a discrepancy with the trade statistics and the reference period used by the EU in its notification. No meeting was held with Russia, which had submitted a generic claim only on 17 October without providing any reasons for being late.

The ratification of the agreement concluding the **Article XXI GATS** procedure (procedure for trade in services similar to that for trade in goods under Article XXIV.6 GATT) for the EU10 enlargement (EU25 consolidation) is still on-going with four pending national ratifications. The duration of that ratification process has affected the EU's ability to conclude negotiations on the Article XXI procedure corresponding to the accession of Bulgaria and Romania (EU27 consolidation). This is because some of our trading partners refuse to close EU-27 negotiations until they have certainty about the conclusion of the EU-25 consolidation.

In 2011 the Commission proposed a solution to the TPC Services and Investment Committee based on the exercise by the EU of any remaining areas of shared competence for the EU-25 package. This proposal was however not endorsed by all Member States. In order to move the process in the WTO forward, the Commission communicated to the WTO members affected by the EU-27 negotiations that the objective is to have the corresponding agreements signed by mid-January 2014. It remains to be seen whether affected WTO members will be ready to sign the EU-27 agreements even though four Member States still have to ratify the EU-25 agreements. It is important to find a solution quickly to this long-standing issue which in turn blocks the Article XXI GATS process for Croatia.

4.6 WTO Accessions

Twenty-three WTO accession processes, covering countries accounting for 3% of total world trade, remain to be concluded after the 9th WTO Ministerial Conference formally adopted the terms and conditions of the WTO Membership of Yemen. According to the WTO General Council discussion of the 2013 report on accessions, the acceding Members having reached an advanced stage of technical work (making accession possible in 2014) are Afghanistan, Bosnia and Herzegovina, Serbia, Kazakhstan and Seychelles; good progress has also been made in the accession processes of Algeria, Azerbaijan and The Bahamas.

From an economic and commercial point of view, **Kazakhstan** is the most important acceding country for the EU, due to the size of the EU's bilateral trade and investment relationship with the country, and to its membership of a Customs Union with Russia and Belarus. Having agreed the substantive elements for a deal on export duties, the key outstanding negotiating issues in this accession process continue to be local content requirements, SPS measures and tariff adjustment

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negotiations related to Kazakhstan's membership of the Customs Union with Russia and Belarus.

In the context of its enlargement and neighbourhood policies, the EU is also very interested in the accessions of **Serbia** and **Bosnia and Herzegovina** and has sent clear signals in this respect in Geneva. Both countries continue to face difficulties regarding bilateral negotiations with Ukraine and Brazil and Serbia still has to align its GMO legislation with WTO rules.

Finally, given the level of priority for the EU, we will continue actively and strongly to support the pending accessions of **Least Developed Countries**.

4.7 Environmental Goods / Climate Change

The EU will continue to pursue the liberalisation of trade in environmental goods and services through the avenues set out in the Commission's May 2012 non-paper on Trade and Green Growth (i.e. multilaterally, plurilaterally, bilaterally, and through enforcement of existing rules).

In addition to work under the Doha Development Agenda the Commission will continue its active engagement in the WTO Committee on Trade and Environment (CTE). As a follow-up to the APEC initiative to liberalise a list of green goods by 2015, the EU will work with both "close friends" and "extended friends" of Trade and Environment on the launch of negotiations for an MFN-based plurilateral agreement on green goods within the WTO. One option could be to announce the launch in Davos at the World Economic Forum on 22-25 January 2014, provided conditions are right.

4.8 Export Credits

An important priority in this policy area in 2014 will be to ensure an appropriate EU contribution to the work of the **International Working Group on Export Credits** ("IWG"). It will be recalled that this process was established in 2012 in order to bring China and other emerging export credit providers into a system of international disciplines. The EU hosted the third official meeting of the IWG in Brussels (September 2013) and Brazil will host the fourth IWG meeting on 23-24 January 2014. There will be at least one further IWG meeting in the first half of 2014 (most likely to be hosted by the US in Washington in April). The preparations for these meetings will occupy an important position on the agenda for the first half of 2014.

Work will also continue on the implementation of a **political reporting method under the new EU Regulation 1233/2011**, under which Member States submit Annual Activity Reports on their national export credit programmes which in turn form the basis of the Commission's Annual Review for the European Parliament. After the first reporting exercise, the European Parliament adopted a plenary resolution on the political reporting under Regulation 1233/2011. As this resolution was only adopted in July 2013, it would not have been possible to take it into account for the ongoing reporting exercise. Due to the late submission of several Member States' Annual

Activity Reports, the reporting exercise for 2012 will need to be finished during the first half of 2014.

5. Bilateral Trade Relations

- On-going negotiations:

5.1 USA

During the first semester of 2014, TTIP negotiations will move into a different phase. The third round of talks marked the end of the preliminary, analytical phase of negotiations. As of the fourth round, negotiations will focus on the actual content of the future agreement. The date of the fourth round has not yet been confirmed; however it is likely to take place in March. A political stocktaking meeting between Commissioner De Gucht and USTR Froman is expected in mid-February. This will provide an opportunity to assess the progress achieved so far and to define the way forward. Talks during the first semester of 2014 are likely to focus mainly on three areas; (i) market access: the Commission will aim for an initial exchange of offers on tariffs, services and public procurement (ii) regulatory issues: the Commission intends to define the level of ambition in agreed sectors (cars, pharmaceutical products, medical devices, cosmetics and textiles), and to move forward more horizontal elements of the "regulatory cluster", such as regulatory coherence, TBT and SPS, (iii) the Commission will discuss how to ensure greater transparency. This will start with access to US documents for Member States and the INTA monitoring group. Rounds are expected to take place approximately every two months and consequently the fifth round of negotiations is expected during the Greek presidency.

Regulatory and strategic cooperation in the framework of the Transatlantic Economic Council (TEC) will continue in the first half of 2014, in areas such as e-vehicles, electronic healthcare, raw materials, ICT services and nanotechnology.

5.2 Japan

The fourth round of FTA negotiations will take place in Brussels on 27-31 January and the fifth round will take place in Tokyo from 31 March to 4 April 2014.

The next few months of negotiations will be particularly important due to the review clause: one year from the start of the negotiations (i.e. around April-May 2014), the Commission will report on the progress Japan has made to fulfil the commitments entered into during the scoping exercise. It will therefore be crucial for Japan to deliver in the coming months on the commitments taken on non-tariff measures and on public procurement in the railway and urban transport sectors. This discussion on the review will take place in the Council on the basis of a written report by the Commission. The issue may be added to the agenda for the FAC Trade on 8 May 2014.

5.3 Canada

On 18th October 2013 the EU and Canada reached political agreement on the key elements of a Comprehensive Economic and Trade Agreement. Both sides'

negotiating teams are about to finalise the last technical issues so that an agreed text is ready for legal scrubbing in the coming weeks. Legal scrubbing will take several months and the aim is to initial the Agreement under the current Commission.

5.4 India

The EU has signalled at all levels that it is ready to engage and move forward to the conclusion of the FTA. However, India is still not in a position to meet the EU's red lines in key sectors such as services, cars/car parts, and wines and spirits, which are essential for the EU to conclude this negotiation. It remains to be seen if political conclusion can be reached before the Indian elections in April or May 2014. After the elections it could take several months to form a government coalition, further delaying the necessary political decisions in India.

5.5 Mercosur

At the EU-Mercosur Trade Ministerial meeting in January 2013, both sides agreed to exchange market access offers (covering goods, services and establishment, and government procurement) no later than the last quarter of 2013.

Work on both sides is very advanced. On the Mercosur side, Brazil has taken on a leadership role in the preparation of the Mercosur offer to the EU. According to reports, Brazil, Uruguay and Paraguay have consolidated an offer. However, it remains uncertain whether Argentina will be in a position to join a sufficiently ambitious Mercosur offer. The European Commission is also finalising the EU offer to Mercosur, which will be brought to TPC for consultation with Member States. Finalisation will, however, not be possible until there is full clarity as to the format of the Mercosur offer. Finally, Venezuela has indicated that while it is not ready to participate in the exchange at this stage, it will not block the process.

An exchange of offers could take place in early 2014.

5.6 Eastern Partnerships and Central Asia

The negotiations with **Moldova** and **Georgia** on Association Agreements (AAs), including provisions on establishing Deep and Comprehensive Free Trade Areas (DCFTAs), were completed on 12 June and 22 July respectively. These Agreements were initialled on the 29 November 2013 and are scheduled for signature in autumn 2014.

Armenia finalised the negotiations for an Association Agreement, including a DCFTA, with the EU on 24 July. It decided in September 2013 to join the Russian-led Customs Union, which is incompatible with the EU/Armenia DCFTA. In consequence, the Association Agreement, including the DCFTA has not been initialled. Following the EU-Armenia Joint Statement at the Vilnius Eastern Partnership (EaP) Summit on 29 November, the EU and Armenia will revisit the legal basis for their relations in order to further develop cooperation in areas of mutual interest, covered by the EaP framework.

LIMITED

The AA/DCFTA initialled with **Ukraine** in 2012 was not signed in the Vilnius Eastern Partnership Summit as planned, following the Ukrainian decision to suspend the signature process just one week before the Summit. The current political situation in Ukraine makes it impossible to predict the further evolution of this file.

As regards trade relations with **Azerbaijan** and **Belarus**, WTO accession is a precondition for the start of any preferential negotiations. Accession is not foreseen for either partner in the immediate future. Pending Azerbaijan's WTO accession, the EU is currently negotiating an upgrade of the existing PCA trade-related provisions, as part of an EU- Azerbaijan Association Agreement. Additional negotiating rounds are foreseen in 2014.

Negotiations for a new EU-**Kazakhstan** Political and Cooperation Agreement were launched in summer 2011 and are likely to continue into 2014.

5.7 South-Mediterranean

The negotiations for a Deep and Comprehensive Free Trade Area (DCFTA) with **Morocco** were launched in March 2013. The negotiating process is well under way: the third negotiating round will take place in January 2014 and a fourth is also likely during the Greek Presidency.

The preparatory process with **Jordan** has progressed well and negotiations could be launched in the first half of 2014, provided all necessary conditions are in place. The preparatory process with **Tunisia** has also advanced and a dialogue with **Egypt** was launched in June 2013. However, it is not expected that the conditions will be met to launch negotiations during the Greek Presidency.

Since 2011 the EU has also endeavoured, although with limited success, to accelerate on-going **bilateral negotiations on agriculture, services and industrial standards** with, as relevant, Egypt, Jordan, Morocco and Tunisia. Efforts to advance in these areas will continue, in particular on the preparations for negotiations of Agreements on Conformity Assessment and Acceptance of industrial products (ACAAs).

With regard to the **revision of Pan-Euro-Med rules of origin** under the Pan-Euro-Med regional convention (signed in 2011) this process is taking longer than expected not least because of the diverging interests of the participants (EU, EFTA, Turkey, Mediterranean and Western Balkans partners). Negotiations in this area will continue but it is not possible to give a concrete timeline for its conclusion.

WTO accession remains the priority for **Algeria** and **Lebanon**, which is a prerequisite for negotiations for a deep and comprehensive free trade area. As regards **Libya**, the re-launch of trade negotiations cannot be envisaged in the foreseeable future due to the continued unstable political situation. It should be noted that Libya's accession to the WTO remains the main priority in the field of trade and is a precondition for any future DCFTA negotiations.

A **Union for the Mediterranean Ministerial meeting on Trade** with the Southern Mediterranean partners will take place on 3 June 2014, together with a regional Business Forum.

5.8 Gulf Cooperation Council (GCC)

Since the GCC formally suspended negotiations in December 2008, the only outstanding trade-related issue has been the EU's request on the prohibition of export duties, which is particularly problematic for Saudi Arabia. The EU is asking for the GCC to change its position on export duties in order to address the issue in the WTO and leave it out of the agreement, however this seems highly unlikely. Unless there is a change in the current GCC position there are no prospects of concluding this agreement in the near future.

5.9 ASEAN

Negotiations for a Free Trade Agreement with **Singapore** were politically concluded on 16 December 2012. Following the legal review, the draft FTA was initialled and made public on 20 September 2013. The on-going translation of the agreement is due to be completed early in 2014. Negotiations on investment protection are continuing and are set to be completed early in the Greek Presidency. The Trade Policy Committee is set to begin its deliberation on the Decision to sign and conclude the EU-Singapore FTA under the Greek Presidency.

The last round of negotiations with **Malaysia** took place in April 2012. The negotiations were put on hold at that time because of elections. A further scheduling of negotiating rounds will depend on the level of commitment of Malaysia to re-engage in negotiations with a renewed and more ambitious mandate.

Negotiations with **Vietnam** are expected to continue throughout the Greek Presidency and it is likely that three to four rounds will be held during that period. Vietnam is keen to conclude the negotiations by October 2014.

Negotiations with **Thailand** are also expected to continue throughout the first half of 2014 with one to two rounds being held during this period. Thailand has indicated its ambition to advance quickly in the negotiations. However, Thailand's current political situation and the forthcoming elections on 2 February 2014 may impact on progress in the negotiations.

On **Indonesia**, the 2012 launch of talks on the scope and level of ambition for a 'Comprehensive Economic Partnership Agreement' (CEPA) (the scoping exercise) was not conclusive due to disagreement between the EU and Indonesia on the level of ambition. The Commission continues to be committed to the launch of negotiations for a comprehensive FTA, though realistically, negotiations are unlikely to start in 2014, mainly because of the big gap in ambition as demonstrated in the scoping exercise, but also due to the upcoming Indonesian elections (and post-elections adjustments).

Over the past two years, **Myanmar/Burma** has undertaken a comprehensive reform process which has led the EU to lift restrictive measures against the country (except

for the arms embargo) and to reinstate the Everything But Arms scheme. In 2013 the Commission also launched an impact assessment on a possible EU-Myanmar investment agreement, following the public consultation and positive position of the Impact Assessment Board. The Commission is likely to adopt a recommendation for negotiating directives in early 2014.

In parallel to the FTA negotiations with individual ASEAN countries, the EU remains fully committed to strengthening the trade relationship with the ASEAN region as a whole, with the ultimate objective of a bi-regional **EU-ASEAN FTA**. In, March 2013, the ASEAN Economic Ministers and the EU Trade Commissioner adopted a second Trade and Investment Work Programme for the next two years (2013-2014). This Programme includes a series of activities to strengthen EU-ASEAN trade and investment relations. In October 2013, the Council adopted an update of the EU-ASEAN FTA negotiating directives, which now authorises the Commission to open investment negotiations with the relevant ASEAN partners.

5.10 Australia and New Zealand

The EU is currently negotiating Framework Agreements with both **Australia** and **New Zealand**. These are non-preferential agreements but they contain economic and trade cooperation provisions. Negotiations with both partners have progressed well and only a few issues remain: institutional clauses and IPR (especially GIs) with Australia; while the trade chapter is closed with New Zealand. The conclusion of both agreements depends on progress on the political clauses and the related institutional provisions.

5.11 Adaptation of existing agreements concluded with third parties in view of EU enlargement

Existing Agreements signed or concluded by the EU with third parties must be adapted to take into account the accession of **Croatia** to the EU. The Council adopted a horizontal negotiating mandate in 2012, authorising the opening of negotiations for these adaptations. These negotiations will focus in particular on increasing tariff rate quotas (TRQs) for EU 28; adding the Croatian commitments for services and public procurement entities; and other technical adaptations such as on Rules of Origin.

Negotiations for some Protocols have already been concluded, while others are still on-going. The Enlargement Protocols should have been in place as of the day of Croatia's accession to the EU. Work continues in consultation with the relevant Council Working Groups.

- Initiatives with other strategic partners:

5.12 China

The first half of 2014 will be marked by the start of the negotiations of the bilateral EU-China investment negotiations, with two rounds foreseen before summer. The investment agreement is the top priority going forward, as a clear effort to enhance our agenda with China through positive long-term initiatives of cooperation and

mutual interest, whilst remaining firm on China's compliance with its international commitments

Furthermore the Commission will be looking out for legislative changes to be adopted at the March meeting of the National People's Congress (NPC), as a first signal of how - and how fast - China will implement the important policy orientations taken at the November 2013 Plenum meeting of the Communist Party of China (CPC). The 2014 NPC session may give a clearer view on the scope and depth of the plans for deepening reform and opening up in China (e.g. the possible roll-out of Free Trade Zones, opening up of the services sector, moves towards a more market-driven interest rate and exchange rate, reform of the state-owned enterprises etc.) and the degree by which this will translate into more market access opportunities also for *foreign* operators.

We would also expect to see movement on other TDI cases before the end of June 2014.

The Commission will endeavour to hold the fifth High Level Economic and Trade Dialogue (HED5) in China during the first semester – which could coincide with reaching an agreement on the TDI cases mentioned above. The annual Joint Committee meeting would be held in Brussels around April-May, so as to prepare the ground.

In our regular dealings with China (Mofcom) we will continue to pursue a limited number of key issues (investment, innovation, procurement) and continue to address the lack of a level playing field for our companies, especially with regard to technology transfer, subsidies and export credits. As regards the last of these, we look forward to continued work in the international working group on export credits which should have a further meeting in the first quarter of 2014, hosted by Brazil.

On the plurilateral side, the Commission remains willing to engage constructively with China in the negotiations for a Trade in Services Agreement (TiSA) and, if and when negotiations resume, for an update of the Information Technology Agreement (ITA). The Commission also stands ready to work with China to bring the APEC green goods initiative under the multilateral WTO framework.

The Commission also hopes to be able to reach a comprehensive bilateral agreement with China on geographical indications in the course of 2014.

5.13 Russia

Russia has put in place a range of trade restricting measures that are in certain cases contrary to commitments taken in their WTO accession. The Commission will continue to monitor the situation and work to ensure the proper **implementation of Russia's WTO commitments**. Further to the EU's request to establish a WTO Panel on the recycling fee for vehicles, Russia has now adopted a law where the payment of the fee will be extended to local producers. Another set of regulations concerning subsidies to the automotive industry has been adopted with the aim of compensating the local manufacturers for the payment of the fee. This subsidy scheme is again linked to local content requirements and the Commission is preparing a new potential case on this measure against Russia in the WTO. The Commission has started the preparation of another WTO case linked to the non-implementation of bound tariffs for import duties. The Commission has identified 25 tariff lines (including cheese,

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used heavy vehicles and paper) where Russia is in clear breach of its WTO commitments in view of the level of the import duties. On 25 further tariff lines (including poultry, palm oil and car bodies), Russia is in breach of its WTO commitments where, due to changes in the form of the WTO agreed bound rate, EU exports receives less favourable treatment than agreed in the WTO.

Concerning the other potential WTO breaches, the Commission is still analysing the details of the measures like for the Anti-Dumping duty on light commercial vehicles and the safeguard on combine harvesters.

Currently the formal **EU-Russia New Agreement** negotiations are stalled due to the fact that Russia claims not to have a mandate to negotiate trade issues falling under the competence of the Eurasian Economic Commission. The EU and Russia are in the process of exploring ways to keep these negotiations on a bilateral basis since two out of the three members of the Customs Union are not members of the WTO. Russia has informed the Commission that they are updating their negotiating mandate and would be willing to resume the formal negotiations. The EU can agree to this provided that the revised Russian mandate allows for progress in the substance of the Trade and Investment Chapter of the future agreement.

- Recently concluded Agreements:

5.14 South Korea

With the EU-South Korea Free Trade Agreement (FTA) being provisionally applied since 1 July 2011, the focus now is on monitoring the effective implementation of the FTA.

Some implementation issues persist, in particular in the automotive and financial services sectors, the most important ones being (1) marking of car parts and (2) transfer and processing of data outside of Korea. Discussions aimed at finding solutions are likely to continue in early 2014.

The FTA will also need to be amended to take into account the EU accession of Croatia. The Additional Protocol amending the FTA was initialled on 8 November 2013 and the relevant Council Decisions will be transmitted to the Council in the end of January 2014. Timing is rather tight as South Korea can only legally reimburse duties retroactively for up to one year, i.e. the Protocol needs to be signed and provisionally applied well before 1 July 2014.

The Commission has also proposed to make some other amendments to the FTA, notably to relax the direct transport rule and to insert a clause on duties paid on repaired goods. South Korea has recently proposed some other amendments and these negotiations will thus continue in 2014.

A number of meetings of the various FTA implementation bodies will also need to be scheduled for 2014. Most of these meetings will take place in Brussels, but remain to be confirmed with South Korea.

5.15 Andean Countries

Following the European Parliament's consent to the Trade Agreement with **Colombia** and **Peru** and the adoption of the corresponding safeguards regulation, the Agreement has been provisionally applied with Peru since 1 March 2013 and with Colombia since 1 August 2013. The processes for establishing the required institutional framework and adoption of the necessary Trade Committee decisions have begun (the Council will be consulted on these documents early in 2014). The Trade Committee and the relevant sub-Committee meetings will take place in the first half of 2014.

Although **Bolivia** and **Ecuador** suspended their participation in the negotiations in 2008 and 2009 respectively, the agreement maintains its region-to-region approach allowing for them to negotiate their accession in the future. Indeed, the process of possible accession has gained momentum with Ecuador ever since they sent a letter in May 2013 expressing an interest in restarting the negotiations. Member States have been consulted on the draft offers to be exchanged with Ecuador and a technical round is foreseen for January 2014. Channels of communication also remain open with Bolivia.

5.16 Central America

The Agreement was applied with the Central American countries as soon as they fulfilled the necessary conditions. As a result, the Agreement has been provisionally applied since 1 August 2013 with Nicaragua, Honduras and Panama, since 1st October 2013 with El Salvador and Costa Rica and since 1st December with Guatemala.

6. Economic Partnership Agreements (EPAs)

The first half of 2014 will see continued intensive negotiating activity in at least three EPA regions (EAC, SADC and West Africa). Implementation of the full agreement will continue in the Caribbean and implementation of the interim EPAs will continue in Eastern and Southern Africa as well as in the Pacific.

6.1 Caribbean

The joint Trade and Development Committee (TDC), will meet to prepare the third Joint Council and the five-year review of the Caribbean EPA. The TDC meeting in November 2013 also launched talks on Geographical Indications (GIs) as required under the EPA. The TDC also cleared the way for the first meeting of the joint Consultative Committee, representing civil society, in the first half of 2014.

6.2 Central Africa

The ratification of the interim EPA, is now expected at a session of Cameroon's parliament in 2014. Regarding the negotiation of the regional comprehensive EPA, there is no date as yet for the next meetings. The political situation in Bangui (CAR) –

CEMAC headquarters - is an obstacle to the resumption of negotiations. Considerable work still remains in some technical areas, notably on market access and accompanying measures where activity has focused on the *Programme Régional d'Accompagnement du Développement dans le cadre de l'APE* (PRADA).

6.3 East African Community (EAC)

At the latest senior officials' meeting in July 2013, about half of the outstanding issues were referred to Ministers for guidance. Commissioner De Gucht will meet EAC Ministers for a detailed negotiating session at the end of January.

6.4 Eastern and Southern Africa (ESA)

The EU and Mauritius, Madagascar, Seychelles and Zimbabwe continued the implementation of the interim Economic Partnership Agreement and have scheduled the third meeting of the EPA Committee for the end of January 2014. In further regional negotiations, the parties will seek to extend the scope and regional coverage of the existing partnership.

6.5 Pacific

Under the interim EPA, the parties will hold the fourth meeting of the Trade Committee in 2014 at a time and place to be confirmed. Fiji is not yet applying the agreement.

6.6 South Africa Development Community (SADC EPA Group)

The last round of negotiations took place in November and are due to resume soon. The main negotiating issues remain market access in agriculture, rules of origin and export taxes. The EU-South Africa Joint Cooperation Council and the Trade Cooperation Committee met in Brussels in November 2013.

6.7 West Africa

Outstanding issues remain market access, the non-execution clause, the text on agriculture, the MFN clause, and additional resources. Both sides have reiterated the need to finish the regional EPA negotiations as soon as possible. West African negotiators have come back with an improved market access offer based on the ECOWAS common external tariff, which was agreed at the Dakar Summit in October 2013.

7. Trade and Development Issues

7.1 Trade, Growth and Development

The Commission will continue to follow up on its 2012 Communication on "Trade, Growth and Development: Tailoring trade and investment policy for those countries most in need". This work includes:

- implementing the new GSP scheme which entered into force on 1 January 2014 (see section 7.2 below);
- ensuring that trade priorities (including support to the implementation of EPAs and FTAs, the new GSP, the WTO Trade Facilitation Agreement, the MC9 decision to operationalise the services waiver for LDCs, as well as prioritising LDCs and other countries most in need, small traders, etc.) receive due consideration under the Multiannual Financial Framework 2014-2020. This will include bilateral and regional aid programming and new thematic instruments under the development instruments (Development Cooperation Instrument, European Neighbourhood Instrument and European Development Fund).
- implementing FDI-related instruments;
- pursuing, concluding and implementing EPAs (see section 6) and FTAs whilst maintaining emphasis on sustainable development;
- continuing to implement an initial €1 million project to promote trade for small operators in developing countries;
- furthering work on trade and development at the multilateral level, whether in the context of WTO, the United Nations, UNCTAD, OECD, the G8 and the G20, as well as other relevant international bodies and fora;
- implementing trade and development-related projects on the basis of the DG TRADE Aid for Trade budget line, notably with the WTO, ITC, OECD and other relevant international organisations, focussing on LDCs and other countries most in need, barriers to value chain integration and access to the European market for producers in developing countries;
- continuing work on the EU proposal to promote responsible sourcing of minerals from conflict-affected and high risk areas.

7.2 Generalised Scheme of Preferences (GSP)

The preferences of the reformed GSP regulation (published on 31 October 2012) entered into force on 1 January 2014.

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The proper operation of the new law requires a number of preparatory legislative steps, many of which were completed in 2013 (such as the update of the list of beneficiaries, of the rules of procedures on investigations/safeguards and the granting of GSP+ to a number of applicant countries).

Some legislative work will be performed in the first half 2014, in particular the analysis on new GSP+ requests (if any), a decision on the transitional period for countries with which the EU has an FTA and the update of statistical thresholds following the graduation of countries in 2015.

An important element will be the implementation of the new GSP+ monitoring mechanism. The monitoring will entail the follow up of the compliance with GSP+ requirements by all the beneficiaries through an intense dialogue with them and taking into account the conclusions of relevant international monitoring bodies (e.g. the ILO). Member States, the European Parliament and civil society will play an important role in this exercise.

Another field of activity will be the continuous analysis of statistics on trade flows, which will allow for the management of a public database on GSP preferences and for the application of the provisions on automatic safeguards, whereby normal tariff duties are reintroduced in the (unlikely) case that certain economic thresholds are exceeded by the beneficiary countries.

7.3 Bangladesh "Sustainability Compact"

The Commission will continue its work on specific trade-related labour issues. This will include implementation of the Bangladesh "Sustainability Compact" signed in July 2013 in response to the incidents in the garment sector in Bangladesh and following up Commission work on forced prison labour to study implications for trade policy.

8. Trade Defence

8.1 Modernisation of Trade Defence Instruments

In April 2013 the Commission adopted a package proposal on Trade Defence, consisting of a Communication, a legislative proposal and draft Commission guidelines. The legislative proposal is currently under consideration through the ordinary legislative procedure in the Council and the European Parliament with the aim of conclusion by April 2014. The revised draft guidelines will be discussed in the Council and Parliament at the beginning of 2014, and will be adopted by the Commission in due course.
