



Malta-EU Steering & Action Committee

COMPETITIVENESS AND CONSUMER AFFAIRS

Sectoral Committee
Weekly Update
02.07.10

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COM (2010) 326 - Proposal for a COUNCIL DECISION concluding an Agreement between the European Union and the Kingdom of Morocco establishing a Dispute Settlement Mechanism

COM (2010) 328 - Proposal for a COUNCIL DECISION authorising the signature of an Agreement between the European Union and the Kingdom of Morocco establishing a Dispute Settlement Mechanism

The Euro-Mediterranean Agreements contain provisions liberalising trade in goods, but the dispute settlement rules applicable to disputes concerning these provisions rely mainly on a diplomatic approach and can be easily blocked by the party complained against. Thus, in the context of a widening and upgrading of Euro-Mediterranean trade relations, it was opportune to create a dispute settlement mechanism applicable to trade disputes based on streamlined and effective procedures within firm time limits, and modelled on the dispute settlement mechanisms of the most recent agreements concluded by the European Union and on the WTO Dispute Settlement Understanding. Such a mechanism will increase the security and predictability of our bilateral trade relations. To this end in the framework of the European Neighbourhood Policy EU- Morocco Action Plan the parties agreed to elaborate rules of procedure for dispute settlement.

A draft Agreement between the EU and Morocco was initialled at the Euro-Mediterranean Trade Ministerial Conference in Brussels on 9 December 2009. The scope of the dispute settlement mechanism includes Title II of the EU-Morocco Association Agreement, with the usual exception of the article on anti-dumping. After the entry into force of the Agreement on the liberalisation of agricultural products, initialled on 14 December 2009, disputes arising from that agreement would also be subject to this Agreement. It also contains opportunities to settle disputes before establishing a panel, via consultations and mediation.

By means of these proposals the Commission is proposing that the Council adopt a Decision on the signing of the Agreement (COM(2010)328) and a Decision to conclude (COM (2010) 326) the Agreement setting up Dispute Settlement Mechanism.

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0326:FIN:EN:PDF>

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0328:FIN:EN:PDF>



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COM (2010) 327 - REPORT FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT on effects of Directives 2006/48/EC and 2006/49/EC on the economic cycle

The minimum capital requirements for banks under the EU Capital Requirements Directive (CRD), based on the Basel II framework, are risk sensitive: the higher the risk, the more capital a bank needs to hold to meet that risk and cover potential losses. By consequence, as credit and market risks increase in a downturn, minimum capital requirements for banks will also increase to meet those higher risks.

The possibility that the CRD may contribute to the pro-cyclicality observed in the financial system under the predecessor Basel I framework led to the inclusion in the CRD of Article 156 which requires the Commission to periodically monitor whether the CRD has '*significant effects on the economic cycle*' and, in the light of the examination, submit a biennial report to the European Parliament and to the Council together with any appropriate remedial measures.

This report has been drawn up for that purpose. It was prepared in close cooperation with the ECB and the Committee of European Banking Supervisors which in 2006 set up a joint Task Force on the Impact of the new Capital Framework. In addition to stakeholder consultations that were conducted by the ECB in the process of preparing its analytical contribution, the Commission conducted two on-line questionnaires to facilitate the input from borrowing and lending parties. It has to be emphasised that the analysis provided is indicative given the fact that the rules of CRD II were only adopted in 2009.

In its conclusion the Commission notes that many international institutions and committees have emphasised the importance of introducing counter-cyclical measures in the prudential framework in order to reduce excessive pro-cyclicality within the financial system. In parallel with work going on in the Basel Committee, the Commission will in particular examine the options which address systemic risk and pro-cyclicality in the most effective way. The Commission believes that these measures should be able to limit excessive risk-taking in times of economic growth but also be designed in a way that they can be drawn down during economic downturns to increase.

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0327:FIN:EN:PDF>



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COM (2010) 331 - Proposal for a COUNCIL DIRECTIVE amending Directive 2006/112/EC on the common system of value added tax, with regard to the duration of the obligation to respect a minimum standard rate

Article 97(1) of the VAT Directive provides that from 1 January 2006 until 31 December 2010 the standard rate may not be less than 15% and Article 97(2) stipulates that the Council shall decide, on the level of the standard rate of VAT to be applied after 31 December 2010.

To maintain the degree of harmonisation of rates already achieved, the Commission has twice presented proposals providing for a standard rate band with a minimum rate of 15% and a maximum rate of 25%. The band was derived from the rates applied in practice in Member States, where standard rates have always varied between 15% and 25%.

In both cases, the proposals to approximate rates were amended by the Council, which kept only the principle of a minimum rate, referring to a 15% minimum rate comparable to the system introduced by the 1992 Directive. However, these Council Directives were adopted with a statement for the Council minutes mentioning Member States' efforts to avoid widening the 10 percentage point span between the lowest and highest rates applied. This demonstrates the continued concerns of Member States about distortions between high and low rate countries and the possible budgetary effects of different levels of VAT rates. In the light of the current economic crisis, there are further arguments for keeping a minimum standard rate to be laid down in the VAT Directive.

To give businesses necessary legal certainty, and allow further evaluation of the appropriate level of the standard VAT rate at EU level, it seems appropriate to extend the provision for another five years, while the Commission reflects on a new VAT strategy and re-examines the standard VAT rate appropriate for a common approach. Since the application of the minimum standard rate under Article 97(1) of the Directive expires on 31 December 2010, the object of this proposal is to enable the Council to extend the period during which this rate applies. The minimum standard VAT rate is therefore set at 15% for five years from 1 January 2011 to 31 December 2015.

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0331:FIN:EN:PDF>



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COM (2010) 334 - SEVENTH ANNUAL REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT OVERVIEW OF THIRD COUNTRY TRADE DEFENCE ACTIONS AGAINST THE EUROPEAN UNION

In this document the Commission reports on third country trade defence actions against the EU.

Despite the international commitments not to introduce protectionist measures in this climate of global economic crisis, the number of new investigations and trade defence measures imposed in 2009 was very high. Regrettably, the standards applied in a number of measures against EU exporters leave much to be desired. Furthermore, the ever increasing use of the safeguard instrument is preoccupying. The Commission's monitoring activity in this context has been very important. The Commission intervened frequently in order to assist EU exporters and to ensure that their access to foreign markets was not unduly restricted by unwarranted measures.

As long as trade defence instruments are used in full compliance with WTO rules, they cannot be considered as a protective tool. Their purpose is rather to remedy very specific situations in accordance with strict rules. Unfortunately, the trends and the problems identified in this report seem to indicate that in 2009 these rules were at times applied in a lenient way. The inappropriate use of the instruments and the all-too-often poor standards applied during trade defence investigations, as continuously deplored by the Commission in the past, have been more prominent than ever. The Commission assisted numerous industries in individual investigations and also intervened frequently at broader levels in order to avoid deviations from the applicable rules. Furthermore, the Spanish presidency has identified market access as a priority, which has given further prominence to the Commission's activities in this field.

There is certainly a need to maintain and even enhance the Commission's efforts. The Commission is continuously trying to improve its actions and the most important challenge for the coming years, besides assisting the EU exporters concerned in on-going investigations, is to try to anticipate and avoid the initiation of unwarranted new investigations. Intensifying exchanges with other investigating authorities in order to increase standards, transparency and predictability could help in achieving this aim.

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0334:FIN:EN:PDF>