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Ecuador joins the EU-Colombia/Peru Free Trade Agreement

On 11 November 2016, the European Union (hereinafter, the EU), its Member States, Ecuador, Colombia and Peru signed the Protocol of Accession of Ecuador to the EU's Free Trade Agreement with Colombia and Peru (hereinafter, the Agreement). The signature of the Agreement followed the decision by the Council of the EU to sign and provisionally apply this Agreement from 1 January 2017 onwards. The Agreement eliminates high tariffs on industrial goods and fisheries and tackles technical barriers to trade by increasing market access for agricultural products. It also liberalises service markets, protects EU geographical indications and opens up public procurement markets. In addition, it includes commitments on the enforcement of labour and environmental standards, as well as dispute settlement procedures.

In January 2009, the EU had launched talks for a free trade agreement with Colombia, Ecuador and Peru. In July 2009, Ecuador suspended its participation in the talks. Negotiations for an EU-Colombia/Peru Free Trade Agreement were finally concluded in March 2010 and the free trade agreement was provisionally applied from March 2013 with Peru and from August 2013 with Colombia. In May 2013, Ecuador expressed its willingness to resume the talks and to join the EU-Colombia/Peru Free Trade Agreement. Negotiations formally resumed in January 2014 and were concluded on 17 July 2014. In December 2014, the EU Council adopted Regulation (EU) No. 1384/2014 of the European Parliament and of the Council of 18 December 2014 on the tariff treatment for goods originating in Ecuador (hereinafter, the Standstill Regulation), which extended the Generalised System of Preferences (hereinafter, GSP) tariffs to Ecuador's exports to the EU, providing a sufficient time period of two years for the conclusion of the Agreement. Following the consent given by Colombia and Peru to the Agreement on 8 February 2016, the European Commission (hereinafter, the Commission) adopted, on 4 April 2016, the proposals for the Council of the EU's decisions on the signature and provisional application, as well as on the conclusion of the Agreement. The Commission then transmitted the proposals to the Council of the EU and the European Parliament, which adopted the texts on 12 October 2016. The Standstill Regulation will cease to apply on 31 December 2016 at the latest.

On 31 August 2016, Sorin Moisă, MEP of the Group of the Progressive Alliance of Socialists and Democrats in the European Parliament, submitted a written question to the Commission: "1) Does the Commission envisage any temporary solution for the situation whereby Regulation (EC) No 1384/2014 will expire before the accession protocol can be provisionally applied?, and 2) If not, has it analysed the possible implications of depriving Ecuador from preferential duty rates for the trade flows between the EU and Ecuador, and for the process

of concluding the accession protocol?". On 8 November 2016, the EU Commissioner for Trade, Cecilia Malmström, replied that the Commission will ensure the provisional application of the Agreement from 1 January 2017. Therefore, there should be no gap between the expiry of the Standstill Regulation and the provisional application of the Agreement.

Under the Agreement, tariff-cuts will be implemented gradually over a period of 17 years, with the EU liberalising almost 95% of tariff lines upon entry into force, and Ecuador about 60% of its tariff headings. The Agreement will allow Ecuador to benefit from improved access for its main exports to the EU, such as fisheries, cut flowers, coffee, cocoa, fruits and nuts. The benefits being offered exceed those enjoyed by Ecuador under the unilateral EU GSP preferences, for which Ecuador is no longer eligible. Bananas will also benefit from a preferential rate, but a stabilisation mechanism will be in place allowing the Commission to examine and consider the suspension of preferences if an annual threshold is reached, as is currently the case for banana imports from Colombia, Peru and Central America. The benefits for the EU will also be important. For example, the EU agriculture sector will benefit from increased market access for its products, as well as from the protection of about 100 EU geographical indications on the Ecuadorian market. Gains can also be expected for the EU in specific sectors, including enhanced market access for cars and machinery. The Agreement also includes commitments to effectively implement international conventions on labour rights and environmental protection, which will be monitored with the systematic involvement of civil society. Improving market access and facilitating customs procedures should be particularly beneficial for small and medium sized companies (SMEs) in Ecuador, which, according to a report issued by the OECD and the Economic Commission for Latin America and the Caribbean, represent 99% of the country's businesses. In addition, the Agreement is expected to create a stable and predictable business environment that will help boost and diversify trade and investment for both parties.

To summarise, total EU imports from Ecuador were worth almost EUR 2,600 million in 2015, while exports to Ecuador reached just over EUR 2,000 million, resulting in a slight trade deficit for the EU. The EU is also an important source of and destination for Ecuador's services. Ecuador's exports and imports to the EU account for a significant proportion of the country's total international trade in services. The Agreement will strengthen regional integration, with Ecuador becoming the third member of the Andean Community (alongside Colombia and Peru) included in the trade deal. The Agreement also remains open for the fourth member of the Andean Community, Bolivia, to seek accession to the Agreement, if it so decided. With this Agreement, the EU continues to strengthen its relations with the region and to advance its ambitious trade agenda with Latin America.

Stakeholders should carefully analyse the new trade regime and seize the significant trade opportunities that the Agreement aims at delivering. This includes the speedy resolution of the long-standing and thorny market access problems and trade restrictions imposed by Ecuador on a number of EU exports on the basis of controversial balance of payment measures. It is worth noting that, with respect to safeguards, the Agreement allows for safeguards to address problems in the balance of payments (Article 297 thereof). Yet, with regard to this instrument, the EU has consistently alleged (*i.e.*, bilaterally and at the WTO) that these measures are unjustified because Ecuador's balance of payments is no longer negative. Although Ecuador has taken measures to progressively eliminate these safeguards, it is thought that the process towards their complete elimination is unjustifiably slow and arguably targeting certain products for protectionist or trade distortive objectives other than balancing the payments.

Towards plain packaging of beer, wine and spirits? - Countries around the world are introducing new labelling measures for alcoholic beverages

Reports from the latest meeting of the WTO Committee on Technical Barriers to Trade (hereinafter, the TBT Committee), which was held on 10-11 November 2016 in Geneva,

indicate that a considerable number of WTO Members are working on measures related to the regulation of alcoholic beverages. These measures relate to a variety of aspects, from labelling requirements to content restrictions. Despite the assurances typically given by WTO Members, underlining the public health objectives of such measures, all measures must be scrutinised for their compliance with international trade rules.

In recent years, countries are increasingly regulating certain key sectors, namely food and (alcoholic) beverages and cigarettes, with a view to mitigate so-called '*lifestyle risks*'. In the most part, such measures aim at the prevention and reduction of non-communicable diseases, associated with, *inter alia*, certain dietary habits and the consumption of alcoholic beverages and tobacco products. Ever since WTO Members began introducing such rules, they have been subject to scrutiny by other countries within the relevant *fora*, in particular, within the relevant WTO Committees (see for example, *Trade Perspectives*, Issue No. 21 of 14 November 2014). At the most recent TBT Committee meeting, out of 58 Specific Trade Concerns (hereinafter, STC) reportedly discussed by the Committee, ten STCs pertained to measures related to alcoholic beverages. Such initiatives do not appear to be limited to a specific region, but are currently being drawn up by countries around the world. Reportedly, the concerns addressed issues ranging from health warnings, to on-product information requirements, content requirements (*e.g.*, related to additives) and the definition of certain specific products (*e.g.*, Tequila and Whisky), which deviated from the definitions and production methods in other countries.

In the EU, competences with respect to alcoholic beverages and food products, in general, are divided between the EU and the EU Member States. Certain labelling requirements fall under EU competence. In this context, Regulation (EU) No. 1169/2011 of the European Parliament and of the Council of 25 October 2011 on the provision of food information to consumers (the Food Information Regulation and, hereinafter, the FIR) requires the indication of the alcohol grade and exempts certain alcoholic beverages from ingredients listing, except when they contain allergens, such as sulphites in wine. The FIR also required the European Commission (hereinafter, Commission), by 13 December 2014, to produce a report "addressing whether alcoholic beverages should in future be covered, in particular, by the requirement to provide the information on the energy value, and the reasons justifying possible exemptions" and to "accompany that report by a legislative proposal, if appropriate, determining the rules for a list of ingredients or a mandatory nutrition declaration for those products". This report has been delayed and has, as of November 2016, not yet been published by the Commission (see Trade Perspectives, Issue No. 21 of 14 November 2014 and Issue No. 8 of 17 April 2015). On 29 April 2015, the European Parliament adopted a 'Resolution on Alcohol Strategy' and, therein, called on the Commission to present such a report and, most notably, urged EU Member States, "which are primarily responsible in this area, to draw up, implement and evaluate public health policies aimed at reducing the harmful use of alcohol and putting in place strict regulations on the marketing of alcoholic beverages, particularly to minors".

Ireland appears to be one of the first EU Member States to have introduced a measure related to public health and alcoholic beverages with its proposed 'Public Health (Alcohol) Bill 2015'. On 9 June 2016, Ireland had notified this measure to the TBT Committee and specified that the proposed Bill included provisions on: (1) minimum unit pricing of alcohol products; (2) health labelling of alcohol products; (3) the regulation of advertising of alcohol products; (4) the regulation of sponsorship by alcohol companies; (5) structural separation of alcohol products in mixed trading outlets; and (6) the regulation of the sale and supply of alcohol in certain circumstances. At the November 2016 TBT Committee meeting, concerns were reportedly raised concerning the WTO-compliance of the Bill. In particular, it was noted that such a measure could be more trade-restrictive than necessary to fulfil a legitimate objective and thereby violate Article 2.2 of the TBT Agreement. This was based on a number of aspects of the Bill, namely the proposed minimum price, the warning messages about health effects, and the physical separation of alcoholic beverages at the point of sale.

To the extent that measures relate to technical regulations and standards with respect to alcoholic beverages, they must comply with the rules laid out in the WTO TBT Agreement. In particular, and as often stressed by WTO Members, Article 2.2 of the TBT Agreement provides that WTO Members "shall ensure that technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create". In short, this provision requires a weighing and balancing of the detriments and benefits of action or inaction with respect to the measure. Article 2.2 of the TBT Agreement goes on to list a number of legitimate objectives, in particular the protection of human health or safety. The wording of Article 2.2 of the TBT Agreement suggests that the extent of the existing risk to human health needs to be considered as part of the weighing and balancing process. WTO Members may choose the level of health protection appropriate to their needs and, thus, the general legitimacy of the public health objective of measures related to alcoholic beverages is not challenged by WTO Members. However, the specific extent of the measures must be carefully analysed with respect to the degree of trade-restrictiveness of the measure.

Article 2.2 of the TBT Agreement notes, with respect to the risks of non-fulfilment of a legitimate objective, that "[i]n assessing such risks, relevant elements of consideration are, inter alia: available scientific and technical information [...]". The issue of scientific information is of particular importance for the issue of health warnings on alcoholic beverages because scientific studies appear to provide ambiguous and complex answers. A key aspect that must be considered is that the effects of alcohol consumption differ depending on the individual consumption. While an overly excessive consumption of alcoholic beverages would likely lead to health concerns for the consumer, a limited consumption may not and is, according to studies, even beneficial for the consumer's health. Studies do indicate that moderate alcohol consumption may provide some health benefits, such as the reduction of the risk of developing and dying from cardiovascular diseases, possibly the reduction of the risk of ischemic stroke, and possibly the reduction of the risk of diabetes.

Further to the proposed Irish measure, the 'Korean Draft Partial Amendment of the Notifications on Warning Messages on Smoking and Drinking' was reportedly discussed with great interest. This measure foresees, inter alia, warning messages on the health effects of alcoholic beverages. The EU, in its written comments on the Korean measure, noted that the health warnings proposed by Korea established a direct link between drinking and the occurrence of certain health problems, in particular, cancer. However, the EU noted that it believed that there did not exist an automatic link between drinking alcohol and the occurrence of certain diseases. Similar positions were reportedly voiced by other WTO Members with several requests for further information on the scientific assessments, studies and underlying assumptions supporting certain measures. Therefore, while warning messages with respect to the consequences of excessive consumption, as well as of consumption of alcoholic beverages by certain groups, such as children or pregnant women, appear to be based on the existing risk and, therefore, may be appropriate and proportional, more general and drastic warnings, such as graphic warnings, might not.

Finally and once again, measures by the Thai Government were reportedly raised during this month's TBT Committee meeting. It appears that the discussion focused on a 2015 measure providing rules, procedures and conditions for labels of alcoholic beverages. In this context, WTO Members reportedly also inquired about the status of a proposal on graphic health warnings and health warning messages, which was first proposed by Thailand in 2010 and that is apparently still under consideration.

Additionally, in order to support the global harmonisation of standards and regulations to facilitate trade and to avoid non-tariff measures, which often constitute non-tariff barriers to trade, Article 2.4 of the TBT Agreement provides that "[w]here technical regulations are

required and relevant international standards exist or their completion is imminent, Members shall use them, or the relevant parts of them, as a basis for their technical regulations". Currently, no specific international standards regulate health warnings on alcoholic beverages. In this context, the 2010 Global Strategy to Reduce the Harmful Use of Alcohol by the World Health Organization (WHO) does mention, as one of the suggested policy options, to provide "consumer information about, and labelling alcoholic beverages to indicate, the harm related to alcohol". No further details were provided in this study. However, and as laid out above, such information and labelling must comply with international trade rules and should take into account the specific risks, requirements and needs of manufacturers and consumers.

Currently, the majority of proposals address issues such as labelling requirements and rules on the content of alcoholic beverages (*i.e.*, restrictions on certain additives). However, as the example of measures related to tobacco packaging has shown over the years, simple and relatively small warning messages turned into large graphic health warnings and, in some regions, even turned into plain packaging requirements. While countries generally pursue legitimate public health objectives, measures must take international trade rules into account, must be proportional, and must be the least trade restrictive and distortive. At the intergovernmental level, such envisaged measures must be addressed within the relevant *fora* (such as the WTO TBT Committee, the WTO dispute settlement mechanism, and within Codex or the WHO) and through engagement with the respective countries without undue delay. Stakeholders in the alcoholic beverages sector are advised to take action and to ensure that their legitimate interests are voiced and represented within all relevant *fora*. The next TBT Committee meeting will take place at the beginning of March 2017 and other *avenues* provide further opportunities to comment on the proposed measures.

Codex discussions on 'front-of-pack' nutrition labelling in the context of relevant developments in Latin America and the EU

During the meeting of the Committee on Technical Barriers to Trade (hereinafter, TBT Committee) on 10-11 November 2016, a report of the thematic session of regulatory cooperation between Members on food labelling was reportedly delivered to the TBT Committee and distributed. A section of the document appears to address 'front-of-pack' (hereinafter, FoP) nutrition labelling, which is discussed at the Codex level. Discussions on FoP at Codex level have to be seen, in particular, in the context of the FoP developments in Latin America and the EU.

The WTO Agreement on the Application of Sanitary and Phytosanitary Measures (hereinafter, SPS Agreement) and the Agreement on Technical Barriers to Trade (hereinafter, TBT Agreement), acknowledge the *Codex Alimentarius* Commission as the competent international body in terms of standardisation of foods, both for purposes of guaranteeing safety and for ensuring that fair practices apply to their trade. Additionally, the coordination of all work on food standards undertaken by governmental and non-governmental international organisations is promoted by the *Codex Alimentarius* Commission, a joint body of the World Health Organization (hereinafter, WHO) and the Food and Agriculture Organization of the United Nations (hereinafter, FAO).

At the Seventh Triennial Review of the TBT Agreement, WTO Members agreed to hold thematic sessions in conjunction with regular meetings of the Committee. Members agreed to dedicate the 9 November 2016 thematic session on regulatory cooperation between Members to the topic of food labelling. In this session, it was reportedly recalled that Costa Rica had already expressed concerns in 2014, within the FAO/WHO Coordinating Committee for Latin America and the Caribbean, about the proliferation of various FoP nutrition labelling requirements. The 43rd session of the Codex Committee on Food Labelling (CCFL) in Canada on 9-13 May 2016 agreed to discuss FoP nutrition labelling through an electronic Working Group (hereinafter, eWG) co-chaired by Costa Rica and New Zealand. The eWG

was set up in 2016 and has three tasks: (1) to collect information of existing FoP labelling in different countries; (2) to consider the need of developing general principles for FoP labelling; and (3) to prepare a discussion paper and a draft project document for consideration at the next CCFL meeting. There are four reasons behind the work of the eWG: (1) simplified FoP labelling is an opportunity to guide consumers in making informed and healthier choices; (2) there is a proliferation of regulations to provide consumers with graphic nutrition information; (3) FoP labelling is being pursued by Governments in order to address obesity and noncommunicable diseases; and (4) countries are requesting WHO's guidance on how to implement FoP nutrition labelling. The new work of the eWG on FoP nutrition labelling has two objectives: (1) to determine whether the Codex Guidelines on Nutrition Labelling provide adequate guidance on FoP nutrition labelling; and (2) the role of Codex in promoting harmonisation of FoP labelling implemented by various stakeholders. Current developments include: (1) the distribution of the first discussion paper to eWG members; (2) the reception of comments; and (3) the analysis of the information gathered. The eWG is composed of 43 countries and 13 NGOs, and a set of 13 questions has been distributed to these stakeholders. The outcomes of the two working documents would feed into the 44th session of the CCFL in 2017, and would also include a global stock-taking report on FoP nutrition labelling schemes existing or under development worldwide.

Many countries are looking to Codex for clear and unambiguous guidance on areas such as nutrition labelling. Indeed, many countries see a need to assist consumers in making more informed and healthier decisions and choices through the use of simplified science-based nutrition information on the FoP and in fighting NCDs. Harmonisation of principles on FoP appears necessary and would facilitate international food trade. Currently, the Guidelines on Nutrition Labelling (CAC/GL 2-1985) only state in section 4 on 'Supplementary Nutrition Information' that such information "[i]s intended to increase the consumer's understanding of the nutritional value of their food and to assist in interpreting the nutrient declaration. There are a number of ways of presenting such information that may be suitable for use on food labels". Furthermore, "[t]he use of supplementary nutrition information on food labels should be optional and should only be given in addition to, and not in place of, the nutrient declaration, except for target populations who have a high illiteracy rate and/or comparatively little knowledge of nutrition. For these, food group symbols or other pictorial or colour presentations may be used without the nutrient declaration". Finally, "[s]upplementary nutrition information on labels should be accompanied by consumer education programmes to increase consumer understanding and use of the information". A careful examination of the benefits and limitations of the existing mandatory or voluntary programmes and/or schemes on FoP labelling should be undertaken through a comprehensive review. FAO and WHO appear to be committed to support the new work and expressed their availability to assist in the work. The purpose of the new Codex work is the review and clarification of the existing text to ensure that it provides for the use of simplified nutrition labelling on the FoP and the development of guidance to support its use, if required.

FoP nutrition information is a topic of interest in a number of countries around the world. Voluntary systems are in place in a number of countries and, at a global level, this is a topic of discussion at the WHO. Guiding consumers to healthier food choices and encouraging manufacturers to improve the healthiness of the food supply are areas where strong guidance could have a significant impact globally. According to the European Food Information Council, FoP nutrition labelling has been implemented or officially proposed in at least twelve countries (*i.e.*, Australia/New Zealand, Chile, Ecuador, France, India, Indonesia, Peru, South Africa, South Korea, Thailand, and the UK), where approximately 1.5 billion residents of WTO Member countries live, including by means of mandating public health nutrition messages on the front of packages. The January 2016 WHO Executive Board noted that the Governments of Bolivia and Fiji were also developing consumer-friendly nutrition labels and that the Cook Islands, Fiji, Kiribati, Samoa and Tuvalu were revising their labelling regulations. Recent reports of the WTO TBT Committee meetings reveal that there are differences of opinion between some of these countries and Canada, the US, the EU, and others about the concordance between, for example, the Chilean nutrition "stop signs" (see

Trade Perspectives, Issue No. 16 of 15 September 2015) and warning labels with Codex Standards and WTO rules. In the EU, schemes like the UK 'traffic light' or 'teaspoon' nutrition label, and also the myriad of FoP schemes developed in France (see Trade Perspectives, Issue No. 21 of 20 November 2015) and the 'activity equivalent' calorie labelling proposed by the UK Royal Society of Public Health, are other options (see Trade Perspectives, Issue No. 17 of 23 September 2016). In France, a five colour code is currently being trialled in a selected number of supermarkets, along with other potential FoP nutrition labels. Finally, in October 2016, the Dutch Ministry of Health has decided to substitute the use of the Dutch industry-led FoP 'Choices' logo by a smartphone app that allows consumers to scan products for nutrition information. The use of the Dutch logo will be terminated in October 2017. The Dutch Choices Foundation 'Ik Kies Bewust' will use this one year transition time to develop new ways to drive reformulation and consumer education on healthier choices.

Reportedly, there is a proposed timeline at Codex, where after the approval of new work by CAC in July 2016 and the establishment of eWG to develop a draft discussion document, including the stocktake of FoP nutrition labelling systems and a draft revised standard (if required), a first discussion paper should have been circulated to eWG members in August 2016, with deadline for comment on the first document by October 2016. In May-October 2017, the discussion document could be further considered and a draft revised standard could be adopted. Stakeholders in the food sector are advised to take action and to ensure that their legitimate interests are voiced and represented at all relevant instances at Codex and the TBT Committee and within all other *fora* where opportunities are given to comment on the Codex discussion paper on FoP nutrition labels and on the eventual amendment of the Guidelines on Nutrition Labelling.

Recently Adopted EU Legislation

Trade Remedies

- Commission Implementing Regulation (EU) 2016/2005 of 16 November 2016 imposing a provisional anti-dumping duty on imports of certain lightweight thermal paper originating in the Republic of Korea
- Commission Implementing Regulation (EU) 2016/1998 of 15 November 2016 withdrawing the acceptance of the undertaking for five exporting producers under Implementing Decision 2013/707/EU confirming the acceptance of an undertaking offered in connection with the anti-dumping and anti-subsidy proceedings concerning imports of crystalline silicon photovoltaic modules and key components (i.e. cells) originating in or consigned from the People's Republic of China for the period of application of definitive measures
- Commission Regulation (EU) 2016/1977 of 11 November 2016 imposing a provisional anti-dumping duty on imports of certain seamless pipes and tubes of iron (other than cast iron) or steel (other than stainless steel), of circular crosssection, of an external diameter exceeding 406,4 mm, originating in the People's Republic of China

Customs Law

 Commission Delegated Regulation (EU) 2016/1969 of 12 September 2016 amending Council Regulation (EC) No. 428/2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items

Other

- Commission Decision (EU) 2016/2003 of 14 November 2016 amending Decisions 2009/300/EC, 2011/263/EU, 2011/264/EU, 2011/382/EU, 2011/383/EU, 2012/720/EU and 2012/721/EU in order to prolong the period of validity of the ecological criteria for the award of the EU Ecolabel to certain products
- Commission Implementing Regulation (EU) 2016/1927 of 4 November 2016 on templates for monitoring plans, emissions reports and documents of compliance pursuant to Regulation (EU) 2015/757 of the European Parliament and of the Council on monitoring, reporting and verification of carbon dioxide emissions from maritime transport
- Council Decision (EU) 2016/1970 of 29 September 2016 on the signing, on behalf of the European Union, and provisional application of the Partnership Agreement on Relations and Cooperation between the European Union and its Member States, of the one part, and New Zealand, of the other part

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