BARBADOS PRIVATE SECTOR ASSOCIATION

BARBADOS PRIVATE SECTOR TRADE TEAM

A DIVISION OF THE BARBADOS PRIVATE SECTOR ASSOCIATION

DOING BUSINESS IN THE EU

A guide for businesses

Prepared for the Barbados Private Sector Association (BPSA) with the support of the IADB project "Building Capacity to increase exports"
JULY 2012

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Background

The EU is a unique economic and political partnership between 27 countries. Operating as a single market, the EU is a major world trading power with an estimated GDP of €12,268,387 million in 2010. With just 7% of the world's population, the EU's trade with the rest of the world accounts for around 20% of global exports and imports. The EU is the world's biggest exporter and the second-biggest importer. Approximately two thirds of EU countries' total trade is done with other EU countries. The United States is the EU's most important trading partner, followed by China. In 2005, the EU accounted for 18.1% of world exports and 18.9% of imports. The Euro is the legal tender for about 321 million people in 15 European countries: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Portugal, Slovenia, Spain and The Netherlands.

The roots of today's European Union were created in the aftermath of the Second World War on the philosophical principle that countries who trade with one another become economically interdependent and so more likely to avoid conflict. The European Coal and Steel Community (ECSC) was a six-nation international organization, formally established by the Treaty of Paris (1951) and signed by France, West Germany, Italy and the three Benelux states: Belgium, the Netherlands and Luxembourg. Between these states the ECSC would create a common market for coal and steel. In 1967 all its institutions were merged with that of the European Economic Community (EEC, which later became part of the European Union), but it retained its own independent identity. However in 2002 the Treaty of Paris expired, and with no desire to renew the treaty, all the ECSC activities and resources were absorbed by the European Community. During its existence, the ECSC had succeeded in creating a common market but could not prevent the decline of the coal and steel industries. It did however establish the groundwork for the future European Union. The European Economic Community (EEC) [1] was an international organization created by the 1957 Treaty of Rome. Its aim was to bring about economic integration, including a common market, among its six founding members. In 1993, the entry into force of the Maastricht Treaty enabled the renaming of the EEC as the European Community (EC) to reflect the intended coverage of a wider range of policy. The EC existed in this form until it was abolished by the 2009 Treaty of Lisbon, which merged the EU's former pillars and provided that the European Union would "replace and succeed" the European Community.

Through the development of harmonized approaches to legislation and regulation, the European Union has created a significant trading bloc. Exporters wishing to access the combined consumer market of 495 million inhabitants, comprising the world's third largest population after China and India, need to become familiar with the market requirements which determine market access. This chapter focuses on the key market requirements at the EU level. These should be investigated in conjunction with market requirements at the national and provincial levels within individual EU member states.

Getting help in Exporting to the EU

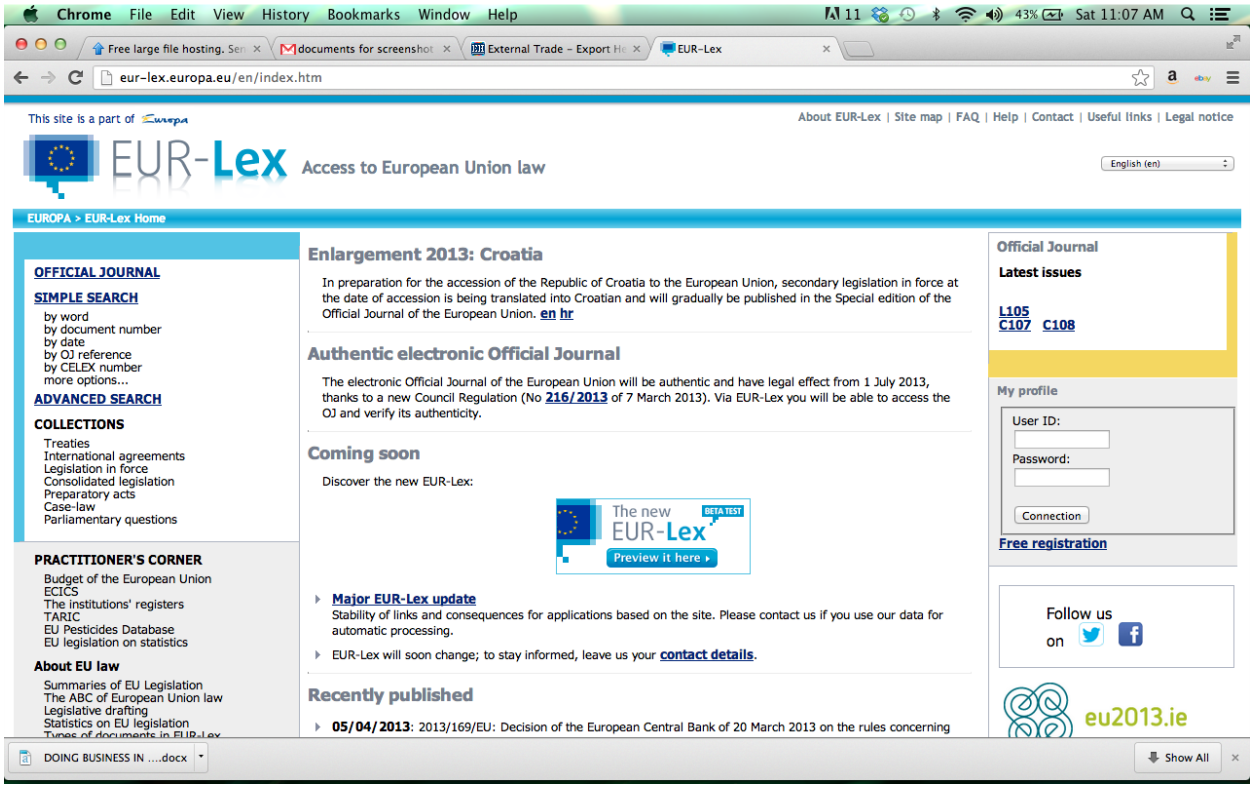
The European Union has created an online multilingual Export Helpdesk as a single point of access for online information about exporting to Europe. The Export Helpdesk is a database that allows an exporter to search for detailed information on specific products you want to export to Europe. The CARIFORUM Economic Partnership Agreement (EPA) is one of many preferential trading agreements which the EU has established globally to enable the export of goods and services, largely free of tariffs or quotas. Despite the duty and quota free access, there are a number of applicable mandatory import requirements which have to be fulfilled for the entry of goods to the EU market. In addition, the trading

[1] also known as the European Common Market and the European Community even before it was renamed as such in 1993

environment is dynamic, with frequent changes to policy and legislation. Exporters should consult the Export Helpdesk frequently, to determine the import tariffs that apply to their products as well as the import requirements applicable (such as labelling, plant health control, technical standards, etc.). The Helpdesk can also provide statistics on trade between the European Union and the rest of the world. Online access to the Helpdesk is free of charge and available through the portal http://exporthelp.europa.eu.

Where to find direct access to EU legislation

Since January 1998, direct access to European Union legislation is possible online through the website www.eur-lex.europa.eu. The database is searchable by word, date, document number, official journal (OJ) reference and/ or CELEX reference number and allows the user to follow the latest developments in EU legislation. The L series (Legislation) and C series (Information and Notices) of documents from the Official Journal of the European Union (as the official gazette) are updated daily. Adopted Directives which detail mandatory market requirements are published in the 'L' Series of the Official Journal of the European Communities, while draft Commission proposals for new Directives are published for comment in the 'C' series of the Official Journal.



The CARIFORUM EPA in brief

At the end of 2007, the first comprehensive Economic Partnership Agreement (EPA) was agreed through various rounds of discussion, consultation and negotiation between the EU and CARIFORUM[2]. The EPA is a successor, reciprocal trading agreement which replaced the long standing unilateral preferential access to European markets enabled by the Cotonou Agreement with ACP countries. The EPA Agreement was signed in October 2008 and is provisionally applied as from 29 December 2008. In addition to the reciprocal relationship, the EPA modernizes the provisions for trade and development, by the inclusion of provisions aimed at boosting trade in goods, in addition to trade in services; investment; intellectual property and a wide range of other trade-related areas. Sustainable development and regional integration are major themes running throughout the agreement, which also importantly includes development cooperation provisions. The EPA also establishes new joint oversight bodies for the implementation of the agreement and provides for ongoing monitoring and review. As of June 12 2012, 4 out of 15 CARIFORUM countries and 10 out of 17 EU countries have ratified the agreement, enshrining the provisions in national legislation. The agreement will continue to be provisionally applied until ratification is complete. Further information on the EPA agreement may be accessed at:

- http://www.carib-export.com/SiteAssets/TradeWins%20EPA%20Overview%20Final.pdf
- http://www.eubusiness.com/topics/trade/eu-caribbean-epa
- http://www.crnm.org/index.php?option=com_content&view=article&id=276&Itemid=76&0872a8d70c6252b77261d45b4779477d=622b2a59f393db5f623b5f9e12697d59

The full text of the EPA agreement can be found at http://www.sice.oas.org/Trade/CAR_EU_EPA_e/careu_in_e.ASP.

[2] CARIFORUM means Caribbean Forum of ACP States, comprising CARICOM plus the Dominican Republic

Scope of this Research

This document forms part of research focused on outlining the necessary requirements to enable Barbadian exporters to increase their capacity to export to three major EU markets: Germany, France and the Netherlands. These markets were selected as markets of interest, given their size and attractiveness, as well as the existence of related overseas territories within geographic proximity of Barbados, including Martinique, Guadeloupe, Curacao, Aruba, and Bonaire. Five subsectors were selected for review based on consultation with the project Steering Committee at startup. These are: specialty foods, fresh foods, beverages, arts and crafts and marketing of tourism services.

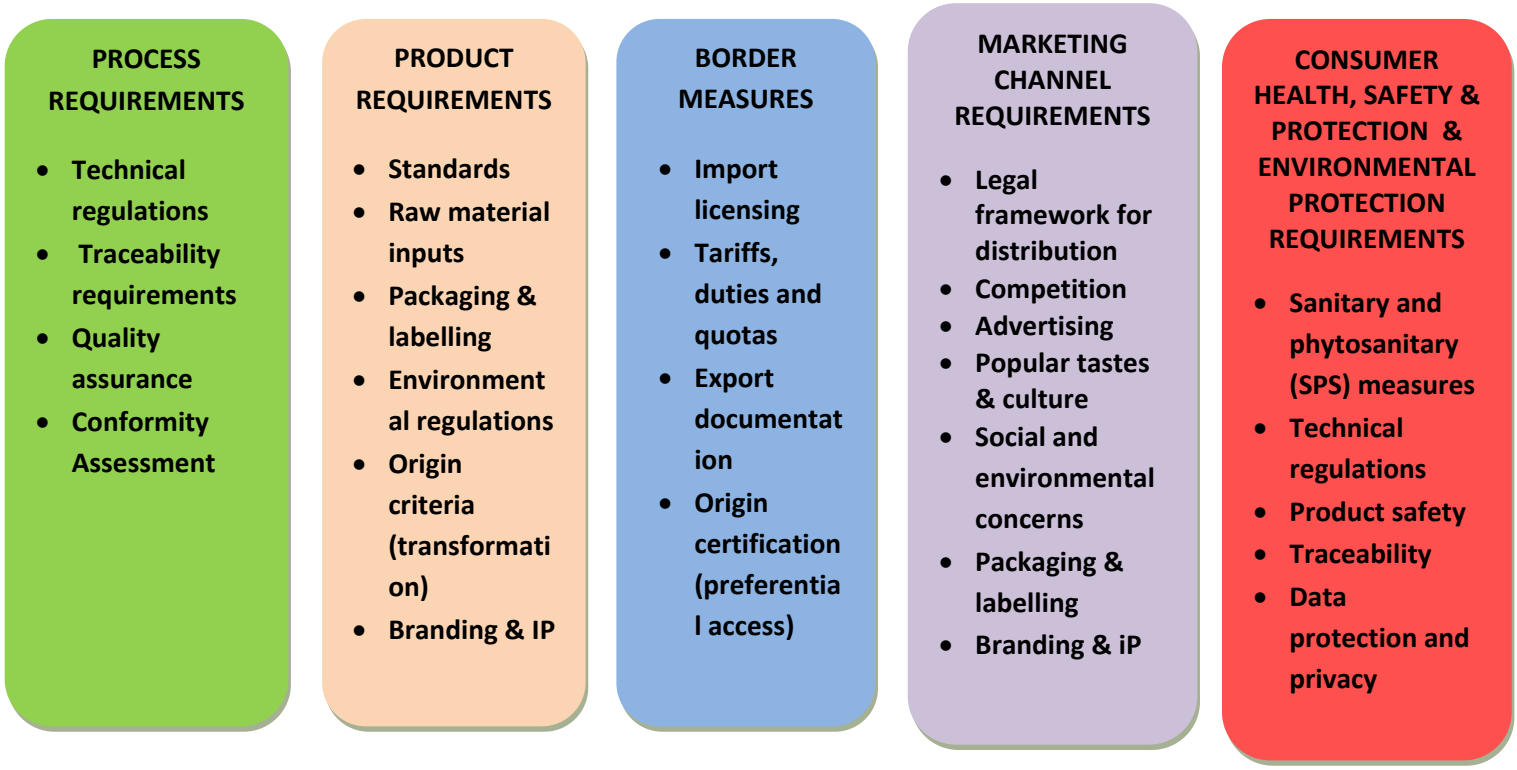
Understanding Market Requirements

Market access and penetration for the exporter are conditional on meeting general and specific market requirements. Market requirements may vary widely between countries. They may take the form of:

- **Process requirements**: for example; scientifically based technical regulations in relation to specific hazards, such as the use of batch coding and other systems which impact traceability
- **Product requirements:** including standards and mandatory legislation affecting packaging and labelling
- **Border measures:** including mandatory licensing procedures and or requirements for import permits
- **Marketing channel requirements**: for example, the expectation of barcode usage by producers and other specific inventory and/or product management systems in certain marketing channels and/or specific quality requirements which may be required access specific marketing channels (i.e. wholesale, retail, hotel supply, restaurant supply, etc.)
- **Consumer Health, Safety and Protection requirements:** for example, sanitary and phytosanitary measures and data protection and privacy measures.

Figure 1 below illustrates further examples. Because each of the market requirements can act as a barrier to accessing and penetrating a new market, a successful exporter begins the process of investigating market potential with research to identify the requirements for trading legally within a market.

Figure 1: Range of market requirements to be considered by exporters seeking market access and penetration



Exporting to the EU: About EU Import Procedures

The Customs Union

The 27 Member States of the EU form a single territory for customs purposes, which is a Customs Union; meaning that its Member States have no customs duty barriers between themselves and they all have a common customs tariff for imported goods. Moreover, once customs duties have been duly paid and compliance with import conditions has been inspected, imported goods are free to circulate within the rest of the EU without any further customs controls. The Customs Territory of the EU includes the territories of the following Member States:

- Belgium
- Bulgaria
- the Czech Republic,
- Denmark, except the Faroe Islands and Greenland,
- Germany, except the Island of Heligoland and the territory of Büsingen
- Estonia
- Ireland
- Greece
- Spain, except Ceuta and Melilla,

- France, except New Caledonia, Mayotte, Saint-Pierre and Miquelon, Wallis and Futuna Islands, French Polynesia and French Southern and Antarctic Territories, but including the overseas departments of Guadeloupe, French Guiana, Martinique and Reunion Islands,
- Italy, except the municipalities of Livigno and Campione d'Italia and the national waters of Lake Lugano which are between the bank and the political frontier of the area between Ponte Tresa and Porto Ceresio
- Cyprus (pending a settlement to the Cyprus problem, the application of the Community 'acquis' is suspended in those areas in which the Government of the Republic of Cyprus does not exercise effective control)
- Latvia
- Lithuania
- Luxembourg
- Hungary
- Malta
- the Netherlands in Europe
- Austria
- Poland
- Portugal
- Romania
- Slovenia
- the Slovak Republic
- Finland
- Sweden
- the United Kingdom of Great Britain and Northern Ireland and of the Channel Islands and the Isle of Man.

The following territories, including their territorial waters, inland maritime waters and airspace, situated outside the territory of the Member States, shall also be considered to be part of the customs territory of the Community:

- the territory of the principality of Monaco
- the territory of the United Kingdom Sovereign Base Areas of Akrotiri and Dhekelia, in Cyprus.

Community Customs Code

The bulk of the rules governing EU customs are contained in the Community Customs Code. This Code was adopted in Council Regulation (EEC) No 2913/92 (OJ L-302 19/10/1992) (CELEX 31992R2913), as well as Commission Regulation (EEC) No 2454/93 (OJ L-253 11/10/1993) (CELEX 31993R2454), laying down provisions for its implementation, cover all customs matters concerning trade with foreign countries. These provisions ensure uniform and transparent customs practices in all the EU Member States. Further details on the Code may be accessed at http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/community_code/index_en.htm

The EORI Number

EORI stands for "Economic Operator Registration and Identification". EORI commenced across the EU on July 2009. The EORI number is an identifier, unique throughout the EU, assigned by a customs authority in a Member State to Economic Operators (EOs), both companies (legal persons) and natural persons. By

registering for customs purposes in one Member State, an economic operator (EO) is able to obtain an EORI number which is valid throughout the EU. The operator will then use this number in all communications with any EU customs authorities where an EU-based identifier is required, for example in customs declarations.

Economic operators established outside the EU only have to be assigned an EORI number if they lodge a customs declaration, an Entry Summary declaration (ENS) or an Exit Summary declaration (EXS). The implementation of EORI will ensure that the measures to enhance security introduced by the Security Amendment Regulation (EC) No 648/2005[3] will be more effective, since EOs can be identified by reference to a unique number, common to all EU Member States. More information can be found in the EORI Guidelines at http://ec.europa.eu/ecip/documents/who_is/taxud1633_2008_rev2_en.pdf and on National Customs Websites for information on Customs for specific Member States.

Entry Summary Declaration

Starting on 1 January 2011, the carrier of goods entering the customs territory of the EU needs to lodge advance cargo information in the first customs office of entry to the EU. This information is provided through the Entry Summary declaration (ENS) which needs to be lodged in advance by the carrier of the goods, although in some cases it can also be done by the importer-consignee, or a representative of the carrier or importer. The ENS declaration must be lodged even if the goods are not going to be imported to the EU. The deadlines for the lodging of the ENS vary according to the mode of transport carrying the goods into the customs territory of the EU:

- ***Container maritime cargo***: at least 24 hours before commencement of loading in the foreign load port
- ***Bulk maritime cargo***: at least 4 hours before arrival.
- ***Short sea shipping:*** at least 2 hours before arrival.
- ***Short haul flights*** (less than 4 hours duration): at least by the time of the actual take off of the aircraft.
- ***Long haul flights (***duration of 4 hours or more): at least 4 hours before arrival at the first airport in the customs territory of the Community.
- ***Road traffic:*** at least 1 hour before arrival.

Part of the information that the carrier must include in the ENS comes from documents originated by the exporter: bill of lading, commercial invoices, etc.; therefore it is critical that these reach the party responsible for the lodging of the ENS in a timely and accurate manner.
The ENS declaration falls within the scope of the Import Control System (ICS) which has become fully operational on 1 January 2011, as part of the Security Amendment Regulation (EC) No 648/2005 mentioned previously. A document with answers to frequent questions about the ENS is available at http://ec.europa.eu/ecip/documents/procedures/import_faq_en.pdf. More general information on the new customs procedures is available at the European Customs Information Portal at http://ec.europa.eu/ecip/security_amendment/procedures/index_en.htm.

Border Measures

In general, all products entering the EU should be accompanied by a certificate of origin in order to verify qualification for preferential treatment, a packing list, commercial invoice, freight documents,

[3] Regulation (EC) No 648/2005 of the European Parliament and of the Council of the Community Customs Code and its Implementing Provisions (Reference: OJ L-117 04/05/2005 or CELEX 32005R0648)

customs value declaration where the value of the imported goods exceeds EUR 10 000, freight insurance and the Single Administrative Document (SAD), which provides the Community common import declaration form for all EU the Member States, laid down in the Community Customs Code published in Regulation (EEC) No 2913/92 [4] . All documents should be originals. For a particular category of import, specific requirements may exist, in the form of EU and national non-tariff requirements and taxes (VAT and excise duties). The information provided in the Export Helpdesk is about EU law (applicable for the "harmonized products", i.e. products that are subject to harmonized legislation at European Community level). Where there is no applicable EU law (i.e. for the "non-harmonized products"), national law in the importing country applies.

Import procedures

Goods imported into the EU customs territory must be accompanied by a summary declaration, which is presented to the customs authorities of the place where they are to be unloaded. Goods are then placed under the temporary storage procedure (not exceeding 45 days in the case of goods carried by sea, or 20 days in other cases), which means that they are subject to customs supervision until they are assigned a customs approved treatment or use. The main customs approved treatments or uses are the following:

- ***Release for free circulation:*** Goods are "released for free circulation" when the conditions relating to importation into the EU have been duly fulfilled (payment of tariff duties and application of non-tariff trade policy measures). Once the mentioned duties as well as the value added tax (VAT) and any applicable excise duties have been paid, goods are "released for consumption", as they have satisfied the conditions for consumption in the Member State of destination.
- ***Transit procedure***: Customs transit procedures facilitate the movement of goods between two different EU Member States customs offices, temporarily suspending duties and certain trade policy measures, thereby transferring customs clearance formalities to the customs office of destination.
- ***Customs Warehousing:*** This procedure permits the storage into designated facilities of imported goods, temporarily suspending duties, taxes and trade policy measures, until they are assigned another customs approved treatment.
- ***Inward processing:*** This procedure allows goods to be imported into the EU, without being subject to duties, taxes and commercial policy measures, in order to be processed under customs control and subsequently re-exported out of the EU. Where finished products are not finally exported, these shall be subject to the appropriate duties and measures.
- ***Temporary importation:*** It allows the entry of goods into the EU with relief from import duties; as long as they are intended for re-export without having undergone any change. The maximum period during which goods may remain under this procedure is 2 years.
- ***Entry into a free zone or warehouse***: Free zones are special areas within the EU customs territory where goods can be introduced free of customs duties, trade policy measures, VAT and excise duties, until they are either assigned another approved customs treatment or re-exported. Besides, goods may undergo simple operations such as processing and re-packing.

For more information on the European Commission, Taxation and Customs Union, Procedural aspects, please see:
http://ec.europa.eu/taxation_customs/customs/procedural_aspects/index_en.htm

[4] Reference: OJ L-302 19/10/1992 or CELEX 31992R2913

Customs declaration - SAD (Single Administrative Document)

The placing of the goods under any customs approved treatment or use is done using the Single Administrative Document (SAD), which is a common form for all the EU Member States according to the Community Customs Code and the Commission Regulation (EEC) No 2454/93. The SAD can be presented to the customs authorities **by the importer or his representative**. The representation may be: direct representation; representatives who may act in the name of, and on behalf of, another person; indirect representation: representatives acting in their own name but on behalf of another person. The SAD may be presented either by electronic means directly linked to the customs authorities (each Member State may have its own system) or by lodging it with the designated customs office premises. For further information, see:
European Commission, Taxation and Customs Union, Customs declaration: http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/declaration/index_en.htm

Value for Customs purposes

Customs authorities use the value of imported goods as one of the factors in assessing the amount of duty (customs debt), which has to be paid before goods can enter the EU, since most customs duties and VAT are expressed as a percentage of the value of the goods being declared. The definition of the value for customs purposes relies on the concept of "transaction value", which is the commercial value of the merchandise at the point of entry in the EU. At large, this value is the total amount of purchase price and delivery costs up to the point where the goods enter the customs territory. This value is not always equal to the price that appears on the sales contract and may be subject to specific adjustments. For more information see: European Commission, Taxation and Customs Union, Value of Declared Goods http://ec.europa.eu/taxation_customs/customs/customs_duties/declared_goods/index_en.htm.

The EU Single Market

The European Single Market is guaranteed by the principle of free movement of goods. This principle determines the abolition of border controls, customs duties and all trade barriers among Member States. The free movement of goods within the EU is achieved through:

- ***The principle of non-discrimination:*** This principle entails that lawfully imported goods cannot receive different treatment from similar domestic products on the basis of their origin, except for some permitted exceptions;
- ***The mutual recognition principle***: According to this principle, any product lawfully produced and marketed under the regulations of a Member State must, in principle, be admitted to the market of any other Member State.

Legislative harmonization

This regulatory technique is aimed to the approximation of national legislation of the Member States. The main EU instrument to achieve this harmonization is the Directive. Directives set up a structure to which the internal legislation of the Member States must conform by adopting new laws or regulations, or amending existing ones, so that national laws in all Member States are harmonized. For further information, please see:

- European Union, Summaries of Legislation, European Community legal instruments http://europa.eu/scadplus/glossary/community_legal_instruments_en.htm

- European Union, Summaries of Legislation, Transposition into national law of directives relating to the internal market http://europa.eu/legislation_summaries/internal_market/internal_market_general_framework/l22021_en.htm.

Product Classification in Tariff Nomenclatures

The correct classification of a particular product under a **tariff code** is the first step to obtain relevant trade related information on the product, such as:

- the level of duty rates and other applicable levies on import and export;
- the possible application of certain measures such as anti-dumping;
- quantification of the size of various markets by external trade statistics;
- import and export formalities and other non-tariff requirements.

The Harmonized Commodity Description and Coding System, otherwise known as the Harmonized System or "HS" Coding System is a global nomenclature developed for the common identification of product codes. The system comprises about 5 000 commodity groups, organized by Sections, Chapters (2 digit), Headings (4 digits) and Sub-headings (6 digits). The logic of the product classification relies on a hierarchical structure. In order to facilitate a uniform interpretation, the HS is supported by implementation rules and explanatory notes. The European Union and its Member States apply the Harmonized System for tariff classification. The system is used by more than 200 countries as a basis for their customs tariffs and for international trade statistics.

The Combined Nomenclature (CN) is the European Union's coding system for classifying products, which was established to meet the requirements both of the Common Customs Tariff and of the international and intra-EU trade statistics. It is an 8-digit coding system, which is composed of the HS nomenclature with further EU subdivisions.

The Integrated Tariff of the Community, referred to as TARIC (*Tarif Intégré de la Communauté*), is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. The TARIC identifies goods with a view to including all trade policy and tariff measures applicable in the EU (such as temporary suspension of duties, antidumping duties, etc.). Its structure is based on the 8-digit code of the CN and on two additional digits (Taric subheadings). The TARIC can be searched by country of origin, Harmonized System (HS) Code, and product description on the interactive website of the Directorate-General for Taxation and the Customs Union, which is updated daily. The database can also indicate if a license is required for a particular product. Exporters can check the TARIC online at http://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp?Lang=en. For more information, please see the European Commission, Taxation and Customs Union, Harmonized system: http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/harmonised_system/index_en.htm.

Import Trade Regime

The EU, as a member of the World Trade Organization (WTO) and embraces the rule of "free importation" for its Common Import Regime. This rule implies that the EU encourages liberal trade

policies to ease the flow of goods and services through its borders, implementing the principles of binding tariffs and of non-discrimination between trading partners. Nevertheless, there are some exceptions to this general rule, where the EU implements Trade Defense Instruments which recognize the right of its members to counter unfair trade practices. The instruments set by the EU are the following:

- **Surveillance measures** are not import restrictive instruments but a system of mandatory import licences issued by the EU Member States' authorities for monitoring purposes. These measures are applied principally on some agricultural, textile and steel products.
- **Quantitative Limits on imports** of some products originating from certain third countries are aimed to protect European producers against harmful mass importations at a very low price.
- **Safeguard measures** are applied on a case-by-case basis to imports which cause or threaten to cause damage to the EU industry. They consist in the temporary and emergency restriction of some specific imports. The procedure to impose these measures can be started either at the request of a Member State or at the European Commission's own initiative; however industry cannot directly lodge a request. Nevertheless, these measures must anyhow respect the WTO Agreement on Safeguards.

About EU Directives and national technical regulations

One of the most important objectives of the EU is to move towards a harmonized approach to the treatment provided to the movement of goods and services across the borders of member countries, as a strategy for growth in internal and external trade. However, what poses a challenge to exporters to the EU is the fact that a number of countries maintain national legislation and market requirements in addition to the harmonized market requirements and that some requirements are not yet benefiting from a harmonized approach. This is why it is important for exporters to keep abreast of major industry developments and changes in legislation over time, in order to maintain market access. Manufacturers, their authorized representatives and distributors (whether established within or outside of the Community) bear significant responsibility for compliance with market requirements and placement of products on the EU market. Directives in relation to product liability, consumer safety and environmental concerns can be particularly unforgiving in the event that standards and regulations are not met. In these cases, authorities generally react by ordering all products withdrawn from the market at the exporter’s expense.

The EU's efforts to harmonize standards across its internal market are contained in the safety Directives, also known as the "New Approach Directives". These Directives determine which fundamental safety requirements should be fulfilled by various product groups. The Directives do not offer detailed specifications, but contain the essential requirements for the product groups in the fields of safety, public health, environmental and consumer protection. The objective of the Directives is to allow for the free circulation of goods within the EU. Over 60% of industrial products, mainly electrical and mechanical devices, but also packaging waste, are covered by the specifications set forth in the Directives. A list of these harmonized EU regulations and standards for products and services may be located online at http://www.newapproach.org/Directives/DirectiveList.asp. More information on harmonized standards is available at http://ec.europa.eu/enterprise/policies/european-standards/harmonised-standards/index_en.htm or www.newapproach.org.

A feature of the New Approach is CE marking. For certain products and services CE marking is required for entry to the EU market. For example, the CE mark is mandatory in the EU countries for any electrical apparatus and often more than one CE mark law may apply to this category of products. CE marking is a

declaration by the manufacturer that the product complies with the minimum safety requirements set forth in the New Approach Directives. In general, Member States are not allowed to restrict the placing on the market and putting into service of CE marked products, unless there is evidence that CE marking has been erroneously or abusively affixed on these products. When a Directive provides for CE marking, the manufacturer is obliged to affix it on the product and it is required both for products manufactured within the EU and imported into the EU market. When there is no Directive, CE marking is not allowed. So CE marking is not a voluntary option; either it is mandatory, or it is not permitted. CE marking is not the same as certification or a quality mark, because it does not always involve a third party (Notified Body).CE marking is also not a proof of conformity with European standards; it is a presumption of conformity with the European Directive(s).

Conformity Assessment aims to ensure consistency of compliance during all stages of the production process to facilitate acceptance of the final product. Manufacturers often have options with regard to conformity assessment, depending on the level of risk involved in the use of their product, as long as the final product meets the published specifications. These may include self-certification, examination/product testing, a production quality control system that delivers products according to EU standards and a full quality assurance system such as ISO standards. In some cases, provided the risk to public safety is minimal, European manufacturers or importers can submit their own declarations that their products meet the EU regulations, whereupon they can apply the CE mark where relevant. In other cases, they must obtain a certificate from a testing institute approved by the national government. All these institutes must be notified to the European Commission, which is why they are referred to as notified bodies.

Independent certification bodies, known as notified bodies, have been officially accredited by EU Competent Authorities to test and certify to EU requirements. The notification process, when related to CE marking and European Directives, involves a country informing the European Commission and the other countries in Europe that a conformity assessment body (certification body, testing laboratory or inspection body) has been designated by them to carry out conformity assessment according to a specific Directive. Notification can be given for one or more Directives. Notified bodies are listed at http://ec.europa.eu/enterprise/newapproach/nando/index.cfm?fuseaction=notifiedbody.main.

Among EU states, the Mutual Recognition Agreements on Conformity Assessment (MRAs) form the basis of the accreditation and designation of conformity assessment bodies. These agreements stipulate that the authority in the importing country recognizes the evaluation of devices or quality management systems conducted by a conformity assessment body located in the exporting country. Also under Mutual Recognition Agreements (MRAs), notified bodies based in third countries, such as the United States, are also referred to as conformity assessment bodies and are allowed to test in the United States to EU specifications, and vice versa. The costs are then significantly lower for these manufacturers than direct EU certification which results in U.S. products becoming more globally competitive.

The European Commission has established several standard methods for testing products, or having them tested. For the structure of these methods, it uses so called testing modules. There are 8 different testing modules: A to H. The Directives indicate which modules and/or combination of these should be complied with in undertaking a test or series of tests for conformance. For products with a minimal risk level, such as soft toys, the manufacturer is allowed to perform the testing himself. For products associated with a moderate degree of risk (such as machines), or products which have not been produced according to the European harmonized standards, a type model should be tested by an

external testing institute, appointed by the government; that is, a Notified Body (NB). A company is free to choose a NB. Therefore, the NB does not have to be based in the country where the company is established. For products associated with a high degree of risk, such as pacemakers, each product has to be tested by a NB.

The Directives also identify the harmonized European standards which describe technical specifications that may be applied on a voluntary basis. Complying with the standards is, in contrast to the essential requirements of Directives, not mandatory. A manufacturer may ignore the European standards and try to prove by other means that his product meets the essential requirements specified in the Directives. This, however, takes time, requires efforts and extra money. A manufacturer who produces according to the European standards saves on testing costs. A test procedure is less expensive if there is only a check whether the standards have been applied. The use of European standards simplifies the verification procedure. Therefore, a company is advised to apply the European harmonized standards. These are converted into national standards by the national standardization institutes. Upon approval, the NB status is accepted throughout the EU. On the other hand, once a product has been rejected it may no longer be inspected by another NB, even in another country, until it has been modified to meet the essential requirements.

In addition to NB certification, a company may choose a voluntary certification of their production system; module H: total quality control. This is a particularly attractive option, if the company manufactures a broad range of products. Instead of having each product (or model type) tested separately, the overall production process can be inspected: system certification. This assessment is based on one of the standards set forth in the ISO 9000 series. When the production process satisfies the requirements of module H, all the products are considered to comply with the essential requirements of the relevant Directives. To facilitate system certification, an accredited NB must be utilized to carry out the testing.

Where member states impose technical regulations at the national level, outside of the harmonized framework, the 98/34/EC Directive (formerly 83/189/EEC) sets up a procedure which imposes an obligation upon the individual Member States to notify to the Commission and other states of all the draft technical regulations concerning products before they are adopted in national law. This procedure aims at providing transparency and control with regard to these regulations, in order to avoid the use of such regulations to create unnecessary barriers to trade between member states. National technical regulations are published on the Commission's website http://ec.europa.eu/enterprise/tris/pisa/app/search/index.cfm?lang=EN to allow other countries and interested parties to comment before finalization.

Food and Beverage products with nutritional and medicinal claims and food supplements

The advertising of medicinal products for human use is regulated by Council Directive 2001/83/EC. In general, the advertising of medicinal products is forbidden if market authorization has not yet been granted or if the product in question is a prescription drug. EC Regulation No 1924/2006, amended by Regulations No 107/2008 and No 109/2008, expresses harmonized rules across the European Union for the use of nutrition claims such as "low fat", "high fibre" or health claims such as "reducing blood cholesterol". The regulation applies to any food or drink product produced for human consumption that is marketed on the EU market. Only foods that fit a certain nutrient profile (below certain salt, sugar and/or fat levels) will be allowed to carry claims. The Regulation foresees implementing measures to ensure that any claim made on foods' labelling, presentation or marketing in the European Union is

clear, accurate and based on evidence accepted by the whole scientific community. Consequently foods bearing claims that could mislead consumers will be eliminated from the market. In addition, in order to bear claims, foods will have to have appropriate nutrient profiles which will be set in order to enhance the consumers' ability to make informed and meaningful choices. In order to have a comprehensive overview of the permitted nutrition claims and of both permitted and rejected health claims, the Commission has established a Register which will be regularly updated. Nutrition and health claims will only be allowed on food labels if they are included in one of the EU positive lists. Food products carrying claims must comply with the provisions of nutritional labeling directive 90/496/EC. Further information can be obtained from the website: http://ec.europa.eu/food/food/labellingnutrition/claims/nut_profiles_en.htm.

Food supplements are concentrated sources of nutrients or other substances with a nutritional or physiological effect whose purpose is to supplement the normal diet. They are marketed 'in dose' form i.e. as pills, tablets, capsules, liquids in measured doses etc. The Directive 2002/46/EC of the European Parliament and Council of 10 June 2002, provides for the setting of maximum and minimum amounts of vitamins and minerals in food products, based on specific criteria and introduces other specific rules on vitamins and minerals in food supplements. Annex II of Directive 2002/46/EC is a list of permitted vitamin or mineral preparations that may be added for specific nutritional purposes in food supplements. It has been amended by Commission Directive 2006/37/EC, Commission Regulation (EC) 1170/2009 and Commission Regulation (EU) No 1161/2011 to include additional substances. The aim is to harmonize the legislation and to ensure that these products are safe and appropriately labelled so that consumers can make informed choices. More information is available at http://ec.europa.eu/food/food/labellingnutrition/supplements/index_en.htm.

Directive on Packaging and Packaging Waste

Generally, mandatory harmonized requirements for packaging, labelling and marking across the European Union tend to be in the form of product-specific requirements for food, medicines, chemicals, pharmaceuticals and other items which the EU authorities regard as high-risk.

In 1994, after substantial discussion at all levels, the Directive 94/62/EC on Packaging and Packaging Waste was adopted, recognizing the challenges posed by the disposal of packaging waste. This Directive, which applies to all types of packaging placed on the market and all packaging waste, aims to harmonize national measures in order to prevent or reduce the impact of packaging and packaging waste on the environment and to ensure the functioning of the Internal Market. It contains provisions on the prevention of packaging waste, on the re-use of packaging and on the recovery and recycling of packaging waste. In 2004, the Directive was reviewed to provide criteria clarifying the definition of the term 'packaging' and increase the targets for recovery and recycling of packaging waste. In 2005, the Directive was revised again to allow new Member States transitional periods for attaining the recovery and recycling targets. The essential requirements of the revised Directive are, that packaging:

- be so manufactured that the packaging volume and weight be limited to the minimum adequate amount to maintain the necessary level of safety, hygiene and acceptance for the packed product and for the consumer
- be designed, produced and commercialized in such a way as to permit its reuse or recovery, including recycling, and to minimize its impact on the environment when packaging waste or residues from packaging waste management operations are disposed of

- be so manufactured that the presence of noxious and other hazardous substances and materials as constituents of the packaging material or of any of the packaging components is minimized with regard to their presence in emissions when incinerated or landfilled
- simultaneously conform to specific requirements in relation to the reusable nature of packaging, its recyclability and recoverability when the packaging is no longer reused and thus becomes waste
- must be manufactured in such a way as to enable the recycling of a certain percentage by weight of the materials used into the manufacture of marketable products, in compliance with current standards in the Community. The establishment of this percentage may vary, depending on the type of material of which the packaging is composed
- where biodegradable, must be of such a nature that it is capable of undergoing physical, chemical, thermal or biological decomposition such that most of the finished compost ultimately decomposes into carbon dioxide, biomass and water.

On a national level, Germany has established legislation that contains certain rules for the disposal of packaging materials. In response to this legislation, a cooperative effort for the collection and recycling of packaging materials was initiated. The organization involved is called the "*Duales System Deutschland*" and it administers the use of the "Green Dot," a recycling symbol that is found on the packaging material of virtually all products sold in Germany. While packaging materials for products sold in Germany are not legally required to carry the Green Dot, it is almost impossible to market a product in Germany without it. Typically, the importer pays a license fee to the user of the Green Dot, depending on the type and amount of packaging, and provides the exporter with the information necessary.

Labelling and Marking Requirements

Eventually, all labels for products sold in the EU will require metric units. At present, dual labelling is also acceptable. The EU Metric Directive (80/181/EEC) encourages multilingual information, while preserving the right of Member States to require the use of language of the country of consumption. The Directive, pending since May 2009, was scheduled to go into effect on January 1, 2010, but has been modified to allow the continuation of both supplemental (U.S. customary, inch-pound) and metric units for consumer goods sold in the EU. The modified Directive instructs the European Commission to produce a report to the Parliament and Council regarding the smooth functioning of the internal market and international acceptance of SI units by December 31, 2019, including proposals where appropriate.

In the absence of any EU regulations, there may be national regulations or voluntary agreements among freight forwarders that affect packaging and labelling of containers and/or packing material. In some cases these schemes may enjoy significant recognition by consumers, and therefore become necessary to gain market acceptance. One such voluntary scheme is the EU Ecolabel, which was launched in 1992 by the European Community as a voluntary environmental scheme to inspire consumers' trust. Since then, the scheme has experienced consistent growth in the number of subscribers each year. The Eco-label is awarded to producers who can show that their product (not including food and medicine) is less harmful to the environment than similar products. It also has a marketing dimension, in that it encourages consumers to buy green products. Licensee companies obtain the right to use the EU Ecolabel logo, a green flower symbol, for a specific product group, which may include cleaning products, appliances, paper products, mattresses, clothing and footwear, wooden flooring, textiles, lubricants, home and garden products and tourism services, among others. In the latter case, campsites and tourist accommodation awarded with the EU Ecolabel are restricted on the use of pesticides and fertilizers. By the end of 2011, more than 1,300 licences had been awarded for use on more than 17,000 products The

EU Eco-label can be a costly scheme with fees of up to EUR 1,300 for registration and up to EUR 25,000/year for the use of the label, with a reduction of 25% for SMEs.

The German "Blue Angel" scheme is another voluntary environmental labeling program created in 1978. It is the oldest environment-related label in the world. The mark is awarded to products and services, which are beneficial to the environment. High standards of occupational health and safety, ergonomics, economical use of raw materials, service life and disposal are also factors covered under this "seal of approval." About 3,700 products and services have been awarded the label, including, mobile phones and marine transport.

Product Safety

Product safety is an important issue for exporters seeking to enter the EU market, which is highly regulated. Where products are not regulated by specific EU technical legislation, they are always subject to the EU's General Product Safety Directive (GPSD) as well as to possible additional national requirements. A revised GPSD (2001/95/EC) is applicable as from 15 January 2004. The objectives of the Directive are both to protect consumer health and safety by ensuring a high level of product safety throughout the EU for consumer products that are not covered by specific sector legislation (e.g. toys, chemicals, cosmetics, machinery). The Directive also complements the provisions of sector legislation where there is no coverage of certain matters, for instance in relation to producers' obligations and the authorities' powers and tasks. The Directive provides a generic definition of a safe product as:

> "any product which, under normal or reasonably foreseeable conditions of use including duration and, where applicable, putting into service, installation and maintenance requirements, does not present any risk or only the minimum risks compatible with the product's use, considered to be acceptable and consistent with a high level of protection for the safety and health of persons, taking into account the following points in particular:
>
> (i) the characteristics of the product, including its composition, packaging, instructions for assembly and, where applicable, for installation and maintenance;
>
> (ii) the effect on other products, where it is reasonably foreseeable that it will be used with other products;
>
> (iii) the presentation of the product, the labelling, any warnings and instructions for its use and disposal and any other indication or information regarding the product;
>
> (iv) the categories of consumers at risk when using the product, in particular children and the elderly".

Products must comply with this definition. It was revised in 2001 to include an obligation on the part of producer and distributor to notify the Commission in case of a problem with a given product, provisions for its recall, the creation of a European Product Safety Network, and a ban on exports of products to third countries that are not deemed safe in the EU.

Directive 87/357/EEC on dangerous imitations prohibits the marketing, import and manufacture of products that look like foodstuffs but that are not actually edible, which could be confused with foodstuffs by their appearance, smell or packaging. This includes soaps, candles and other decorative articles made to bear a resemblance to food. The basis of the Directive is that food-imitating items pose

a risk of hazards including choking, poisoning or perforation of the digestive tract in particular to young children, because they can be mistaken for food and be sucked or ingested given their shape, colour, appearance and size. Member States must carry out checks to ensure that no such products are marketed. If a Member State bans a product under the terms of this Directive, it must inform the Commission and provide the details needed to inform the other Member States.

The EU has established the Rapid Alert System for Non-Food Products (RAPEX) and the Rapid Alert System for Food and Feed (RASFF) as Community- wide rapid alert systems that facilitate the rapid exchange of information between Member States and the Commission on measures taken to prevent or restrict the marketing or use of products posing a serious risk to the health and safety of consumers. The RAPEX system covers all products subject to EU harmonization regulation with the exception of food, pharmaceutical and medical devices, which are covered by other mechanisms. Measures ordered by national authorities and measures taken voluntarily by producers and distributors to correct the non-conformance are reported by RAPEX. Every Friday, the Commission publishes a weekly overview of the products posing a serious risk as reported by the national authorities (the RAPEX notifications) though the website http://ec.europa.eu/consumers/dyna/rapex/rapex_archives_en.cfm. The effect of publication is to block the placement of the non-conforming product on the market.

The Rapid Alert System for Food and Feed (RASFF) was established to provide food and feed control authorities with an effective tool to exchange information about measures taken to respond to serious risks detected in relation to food or feed. The legal basis of the RASFF is the Regulation EC/178/2002 of 1 February 2002 on the general principles and requirements of food law and procedures in matters of food safety. The regulation also established the European Food Safety Authority as the agency responsible for monitoring and implementation. The RASFF exchange of information allows Member States to act more rapidly and in a coordinated manner in response to a health threat caused by food or feed. RASFF notifications may include market notifications or border rejections and are published online at http://ec.europa.eu/food/food/rapidalert/rasff_portal_database_en.htm.

Product Liability

Directive 85/374/EEC on liability for defective products, effective 25 July 1985 and amended in 1999, effectively makes the producer liable for damage caused to a consumer by a defect in his product. A product is defective where it does not provide the safety which a person is entitled to expect, taking all circumstances into account, including the presentation of the product; its reasonable function and the time when the product was put into circulation. The victim must prove the existence of the defect and a causal link between defect and injury (bodily as well as material). A reduction of liability of the manufacturer is granted in cases of negligence on the part of the victim. For more information, see: http://europa.eu/legislation_summaries/consumers/consumer_safety/l32012_en.htm

Intellectual Property Protection

The EU has a modern legislative framework for copyright protection within the context of information and knowledge based societies. It consists of a series of Directives covering areas such as the legal protection of computer programs, the duration of protection of authors' rights and related rights, and the legal protection of databases. Almost all Member States have fully implemented the rules into national law, and the Commission is now focusing on ensuring that the framework is enforced accurately and consistently across the EU.

- ***On-line copyright:*** The on-line copyright Directive (2001/29/EC) addresses the problem of protecting rights holders in the online environment while protecting the interests of users, ISPs and hardware manufacturers. It guarantees authors' exclusive reproduction rights with a single mandatory exception for technical copies (to allow caching), and an exhaustive list of other exceptions that individual Member States can select and include in national legislation. The Directive aims to reflect different cultural and legal traditions, for example, private copying with the conditionality that right holders receive fair compensation.
- ***Patents:*** EU countries have a "first to file" approach to patent applications, as compared to a "first to invent" system. Where there is an expectation of future commercial value from a novel process, it is therefore necessary to create a property right by filing an early application. There has been significant discussion about the limitations of the system, which currently does not offer a unitary patent, valid in all EU Member States. What exists is a central European authority, the European Patent Office (EPO) for the grant procedure, but all the other aspects of the system, including the arrangements for validation, enforcement and litigation are "unbundled" and dealt with at national level. The most effective way for a company to secure a patent across a range of EU national markets is to use the services of the European Patent Office to obtain a bundle of national patents using a single application. However, these national patents have to be validated, maintained and litigated separately in each Member State.
- ***Trademarks***: The EU-wide Community Trademark (CTM) can be obtained via a single language application to the Office of Harmonization in the Internal Market (OHIM) in Alicante, Spain. The CTM lasts ten years and is renewable indefinitely. For a company seeking to protect trademarks in three or more EU countries, the CTM is a more cost effective option than registering separate national trademarks. On October 1, 2004, the European Commission (EC) acceded to the World Intellectual Property Organization (WIPO) Madrid Protocol. As a result Community Trademark applicants and holders are allowed to apply for international protection of their trademarks through the filing of an international application under the Madrid Protocol. Conversely, holders of international registrations under the Madrid Protocol are entitled to apply for protection of their trademarks under the Community Trademark system.
- ***Designs:*** Under the registered Community design system, holders of eligible designs can use an inexpensive procedure to register them with the EU's Office for Harmonization in the Internal Market (OHIM), based in Alicante, Spain. There are three different ways to obtain protection for a design throughout the EU: through a registered Community design (RCD), an unregistered community design (UCD) and an internationally registered industrial design (WIPO system). A registered Community design (RCD) is an exclusive right that covers the outward appearance of a product or part of it. An RCD initially has a life of five years from the filing date and can be renewed in blocks of five years up to a maximum of 25 years. Applicants may market a design for up to 12 months before filing for an RCD without destroying its novelty. An unregistered Community design (UCD) is defined by the CD Regulation in the same way as the RCD but protects a design for a period of three years from the date on which the design was first made available to the public within the territory of the European Union. An unregistered Community design confers on its holder a right to prevent copying. RCDs and UCDs have to meet the same conditions to be protected. Unlike a registered Community design, you do not have to file an application to protect an unregistered design. This simplicity does, however, have its downside because the holder of the UCD may encounter problems in proving that the protection exists, and protection exists only against copying. Since 1 January 2008, it has been possible to file an international application for an industrial design with the International Bureau of the World Intellectual Property Organization (WIPO) in Geneva. It will have the same effect as applying directly for a Registered Community

Design. Further information is available at http://oami.europa.eu/ows/rw/pages/RCD/design.en.do.

Marketing Channel Requirements

Directive 86/653/EEC establishes certain minimum standards of protection for self-employed commercial agents who sell or purchase goods on behalf of their principals. In essence, the Directive establishes the rights and obligations of the principal and its agents; the agent's remuneration; and the conclusion and termination of an agency contract, including the notice to be given and indemnity or compensation to be paid to the agent. Further information on the Directive may be obtained here http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31986L0653:EN:HTML

Directive 2000/35/EC aims to minimize payment delays involved in all commercial transactions within the EU, whether in the public or private sector. It prescribes consequences for late payment in B2B circumstances. The Directive entitles a seller who does not receive payment for goods/services within 30 to 60 days of the payment deadline to collect interest (at a rate of 7 percent above the European Central Bank rate) as compensation. The seller may also retain the title to goods until payment is completed and may claim full compensation for all recovery costs. Further information is available at: http://ec.europa.eu/enterprise/policies/single-market-goods/fighting-late-payments/index_en.htm

Data Protection and Privacy

The EU has very strict laws concerning the protection of personal data, including the use of such data in the context of direct marketing activities. Directive 95/46/EC mandates businesses to advise consumers when they are collecting data, state what they intend to use it for, and to whom it will be disclosed. Data subjects must be given the opportunity to object to the processing of their personal details and to opt-out of having them used for direct marketing purposes. This opt-out should be available at the time of collection and at any point thereafter. The general legislation is supplemented by the specific rules set out in Directive 2002/58/EC on the processing of personal data and the protection of privacy in the electronic communications sector, which require companies to secure the prior consent of consumers before sending them marketing emails. The only exception to this opt-in provision is if the marketer has already obtained the intended recipient's contact details in the context of a previous sale and wishes to send them information on similar products and services. Personal data can only be transferred outside the EU if adequate protection is provided for it or if the **unambiguous consent** of the data subject is secured. Further information is available at http://ec.europa.eu/justice/data-protection/index_en.htm.

Advertising

Laws against misleading advertisements differ widely from Member State to Member State within the EU. Some states restrict what is termed "comparative advertising" which explicitly, or by implication, identifies a competitor or goods or services by a competitor. Misleading advertising, which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches by virtue of its deceptive nature, is viewed negatively in the legislation of Directive 97/55/EC. This is particularly the case, where this can potentially injure a competitor by influencing the economic behavior of consumers. There are also concerns for the establishment of minimum and objective criteria regarding truth in advertising. Under the Directive, Member States can authorize even more extensive protection under their national laws.

Binding Terms of Sale, Legal Warranties and After-Sales Service

Based on the provisions of Directive 1999/44/EC on the Sale of Consumer Goods and Associated Guarantees, product specifications, as laid down in advertising, are now considered as legally binding on the seller. It requires a seller to guarantee the conformity of the goods with the contract for a period of two years after the delivery of the goods. Certain standards exist for assessing when conformity can be assumed and when not. If the goods are not delivered in conformity with the sales contract, consumers can ask for the goods to be repaired, replaced, and reduced in price or for the contract to be rescinded.

Fair Business Practices

Directive 2005/29/EC of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market was adopted by the EU to curb deceptive marketing practices in the interest of consumer protection. These new rules outlaw several aggressive or deceptive marketing practices such as pyramid schemes, "liquidation sales" when a shop is not closing down, and artificially high prices as the basis for discounts in addition to other potentially misleading advertising practices. Certain rules on advertising to children are also set out. More information is available at http://ec.europa.eu/consumers/cons_int/safe_shop/guarantees/index_en.htm.

E-Commerce and Distance Selling

The Electronic Commerce Directive (2000/31/EC) provides rules for online services in the EU. It requires providers to abide by rules in the country where they are established (country of origin). Online providers must respect consumer protection rules such as indicating contact details on their website, clearly identifying advertising and protecting against spam. The Directive also grants exemptions to liability for intermediaries that transmit illegal content by third parties and for unknowingly hosting content. Promotional offers must not mislead customers and the terms that must be met to qualify for them have to be easily accessible and clear. The Directive stipulates that marketing e-mails must be identified as such to the recipient and requires that companies targeting customers on-line must regularly consult national opt-out registers where they exist.

A special Directive 97/7/EC , which applies to distance selling through communication such as press adverts accompanied by order forms, catalogue sales, telephone is also relevant and applies equally to teleshopping, mobile phone commerce (m-commerce), and the use of the Internet (e-commerce). The legislation provides a number of fundamental legal rights for consumers in order to ensure a high level of consumer protection throughout the EU. These include:

- provision of comprehensive information before the purchase
- right to confirmation of that information in a durable medium (such as written confirmation)
- consumer's right of withdrawal; i.e. to cancel the contract within a minimum of 7 working days without giving any reason and without penalty, except the cost of returning the goods
- where the consumer has cancelled the contract, the right to a refund within 30 days of cancellation
- delivery of the goods or performance of the service within 30 days of the day after the consumer placed his order
- protection from unsolicited selling
- protection from fraudulent use of payment cards
- inability to waive the fundamental rights and obligations provided for under the Directive, whether instigated by the consumer or the supplier.

Further information on this Directive is available at:
http://ec.europa.eu/consumers/cons_int/safe_shop/dist_sell/index_en.htm.

Public Procurement

The EU public procurement market, including EU institutions and Member States, is valued at approximately 1,600 billion Euros. This market is regulated by two Directives: Coordination of procedures for the award of public works, services and supplies contracts (Directive 2004/18), and Coordination of procedures of entities operating in the Utilities sector (Directive 2004/17), which covers the following sectors: water, energy, transport and postal services. A commercial presence in the EU is a *de facto* requirement of participating in public procurement bidding processes.

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