Trade Regulations of the EU

The European Union (EU) is now a trading bloc comprising 28 countries in Europe. All Member States adopt common external trade policy and measures. Meanwhile, 19 EU Members, including Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain, have adopted the euro as their legal tender.

The UK voted to leave the EU in a historic referendum held on 23 June 2016 and triggered the formal exit process on 29 March 2017. Following rounds of EU-UK negotiations formally started on 19 June 2017, the two sides have agreed to a transition process of 21 months — from 29 March 2019 until the end of 2020 — during which the UK will continue to be part of the EU Internal Market and Customs Union.

Trade Policy

The EU’s Common Commercial Policy covers all the main measures affecting trade in goods and services and almost all trade-related issues. Trade-related areas partially covered by the common trade policy include: company law, indirect taxation, standards and other technical regulations, and enforcement of intellectual property rights.

One of the most important aspects of the EU trade policy is that the EU is a customs union. The same import duties are charged on imports from third countries regardless of the country of entry into the EU. The main principles of customs law are regulated at EU level, although the customs authorities of the EU Member States are in charge of their application.

The EU also applies trade defence measures against imports from third countries under various Union trade defence instruments, the main ones being anti-dumping (AD), countervailing (CV) and safeguard instruments. As at 31 January 2017, the EU had in place 53 AD measures and five CV against Chinese mainland-origin products.

Import Restrictions

All Members of the EU have adopted a common trade policy towards imports from third countries. The EU has a relatively liberal import regime. In general, import licensing is not required for products entering an EU country, except for certain sensitive products like agricultural goods, tobacco, weapons, etc., and products governed by quantitative restrictions (i.e. quotas) and surveillance.

The EU has also restrictions and prohibitions regarding the importation of pirated or counterfeit goods and some chemical products containing hazardous substances, restrictions on genetically modified organisms and imports of live animals and animal products.
The **HKTDC Research** monitors regularly on changes in trade policies and restricted measures of the EU, and publishes bi-weekly **Regulatory Alert - EU** that includes **Anti-dumping Actions**.

### Import licensing

The EU import licensing system is based on the premise that no import licences are required unless specific products are subject to import surveillance, quantitative restrictions or safeguard measures.

As regards import surveillance, specific products may be monitored by the EU in order to increase transparency in trade, but without the purpose of imposing limits on access to the EU market. As a result of this surveillance, statistical controls and further controls on the origin of the products are established. In such cases, the objective is to avoid eventual diversion of trade and customs fraud. EU surveillance measures apply to certain iron and steel imports from countries other than the countries of the **European Free Trade Association (EFTA)**, countries which are parties to the Agreement on the European Economic Area (EEA), and Turkey. **Surveillance measures** also apply to certain textile products, wood and potassium chloride from specific countries, but not currently from the Chinese mainland or Hong Kong.

### Restricted Use of Hazardous Materials

The EU has adopted a number of Directives for environmental protection, which may have an impact on the sales of a wide range of consumer goods and consumer electronics. Notable examples include the Directive on Waste Electrical and Electronic Equipment (WEEE) implemented in August 2005, and the Directive on Restriction of Hazardous Substances (RoHS) implemented in July 2006. On 3 December 2008, the European Commission (EC) presented two proposals: one for a recast RoHS Directive and the other for a recast WEEE Directive.

The recast RoHS Directive was published on 1 July 2011 and entered into force on 2 January 2013. The new Directive continues to prohibit EEE that contains the same six dangerous substances as the old RoHS Directive. Nonetheless, the new Directive will widen, as from 22 July 2019, the current scope of the previous RoHS Directive, by including any EEE that will have fallen out of the old RoHS Directive’s scope, with only limited exceptions.

On the heels of the recast RoHS and WEEE Directives, the EU’s framework Directive for setting eco-design requirements for energy-related product (ErP) is now in place. The ErP Directive is no longer limited to only EEE (as it was under its predecessor, the energy-using product, or EuP, Directive), but potentially covers any product that is related to the use of energy, including shower heads and other bathroom fittings, as well as insulation and construction materials.

Moreover, **REACH**, an EU Regulation which stands for Registration, Evaluation, Authorisation and Restriction of Chemicals, entered into force in June 2007. Among others, it requires EU manufacturers and importers of chemical substances (whether on their own, in preparations or in certain articles) to gather comprehensive information on properties of their substances produced or imported in volumes of 1 tonne or more per year, and to register such substances prior to manufacturing in or import into the EU.
Product Safety

Product safety is directly linked to the protection of consumer health and the environment, in that the EU aims for a high level of such protection, implemented in a harmonised manner across all the Member States. The EU’s legislation spans the safety of all products – whether in a product-specific manner under the New Approach directives (which refer to European standards developed by CEN, CENELEC and ETSI) and the harmonised standards adopted under these, or in a general manner (in all cases where product-specific directives do not apply) under the Directive on general product safety and the standards adopted under this.

Labelling and Marking Requirements

Wide ranging EU directives provide framework for EU laws on labelling and marking requirements to enhance consumer protection, with major sectors being the labelling and presentation and advertising of foodstuffs, labelling and standard product information of the consumption of energy and other resources of household appliance.

The CE marking is mandatory and must be affixed before any product subject to it is placed on the market and put into service (save where specific directives require otherwise). Where products are subject to several directives, which all provide for the affixing of the CE marking, the marking indicates that the products are presumed to conform to the provisions all these directives.

Generally there is no EU law requiring common consumer goods (non-edible) to bear marks indicating their origin. If such origin marks are applied to the goods, they must be accurate. The EU has presented a proposal in December 2005 for a Council Regulation on the indication of the country of origin of certain products imported from third countries including Hong Kong and Chinese mainland. However, in October 2012 the Commission withdrew its proposal, opining that it might fall foul of the WTO Agreement on Technical Barriers to Trade and be considered as protectionism.

Tariff Classification and Import Duties

The Harmonised Commodity System adopted by the World Customs Organisation determines the commodity codes at the level of 6 digits. That is the basis for the adoption of the European Common Customs Tariff or Combined Nomenclature which is divided at the level of 8 digits. Importers must classify their goods under the Combined Nomenclature which contains sub-divisions to the level of the eight digit code. The Common Customs Tariff is published at the end of each year and it will be applicable in the following calendar year.

Importers should also take into account the TARIC nomenclature which includes sub-divisions up to ten digit codes. The TARIC is necessary for the imposition of additional measures different from import duties, which require additional codes. The Commission has decided not to publish the TARIC on paper any more. It can be consulted via electronic format on the Commission’s website.

The EU has a Scheme of Generalised System of Preferences (“GSP”) in force whereby certain products of some beneficiary countries can benefit from lower or zero import duties. In particular, Regulation 978/2012 contains the relevant GSP provisions which are applicable from 1 January 2014 to the end of 2023 (the “GSP Regulation”). In order to
facilitate the interpretation of GSP rules, the Commission in May 2016 published a guide on how to interpret and implement the rules of origin that determine whether or not goods produced in the beneficiary countries are eligible for preferential tariff treatment under the EU's GSP for developing countries.

Import Documentation

The documents to accompany the declaration will depend on the type of customs procedure requested. For example, in the declaration for release for free circulation, the documents to accompany the customs declaration will generally include the following: the commercial invoice; the value declaration, where the customs value is to be established; a certificate of origin or invoice declaration where the application for a preferential tariff treatment is requested; an authorisation or certificate of authenticity where a favourable tariff treatment is requested; an import authorisation or licence where this is stipulated in EU or national law.

Hong Kong's Trade with the EU

Hong Kong’s total exports to the EU increased by 5% to US$44.5 billion in 2017, following an 1% decrease to US$42.4 billion in 2016. Major export items in 2017 included telecommunications equipment & parts (shared 29% of the total), computers (8%), electrical apparatus for electrical circuits (6%), pearls, precious & semi-precious stones (5%), semi-conductors, electronic valves & tubes (5%), toys, games & sporting goods (4%), articles of apparel, of textile fabrics (4%), jewellery (3%), electrical machinery & apparatus (3%), watches and clocks (3%), electric power machinery & parts (3%) and parts & accessories of office machines/computers (3%).

On the other hand, Hong Kong’s imports from the EU grew by 7% to US$36.5 billion in 2017, after decreasing by 4% to US$34.2 billion in 2016. Major import items in 2017 included pearls, precious & semi-precious stones (shared 7% of the total), non-electric engines & motors & parts (5%), travel goods & handbags (5%), aircraft & associated equipment; spacecraft; & parts (5%), jewellery (4%), silver & platinum (4%), telecommunications equipment & parts (4%), semi-conductors, electronic valves & tubes (4%), perfumery, cosmetics or toilet preparations (excluding soaps) (3%), fresh, chilled or frozen meat & edible meat offal (3%), measuring, checking, analysing & controlling instruments & apparatus (3%), medicaments (including veterinary medicaments) (3%), milk and cream and milk products other than butter or cheese (3%) and alcoholic beverages (3%).