COMMISSION DECISION

of 8 July 2005

suspending the examination procedure concerning obstacles to trade consisting of measures imposed and practices followed by the Eastern Republic of Uruguay affecting trade in Scotch whisky

(2005/567/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 3286/94 of 22 December 1994 laying down Community procedures in the field of common commercial policy in order to ensure the exercise of the Community's rights under international trade rules, in particular those established under the auspices of the World Trade Organisation [1], and in particular Article 11(2) thereof,

Whereas:

(1) On 2 September 2004, the Scotch Whisky Association (SWA) lodged a complaint pursuant to Article 4 of Regulation EC No 3286/94 (hereinafter referred to as the Regulation)

(2) SWA claimed that Community exports of whisky to the Eastern Republic of Uruguay were hindered by a number of obstacles to trade within the meaning of Article 2(1) of the Regulation.

(3) The alleged obstacles to trade were all linked to the Uruguayan internal excise tax system.

(4) The Commission decided, after due consultation of the Advisory Committee established by the Regulation, that the complaint contained sufficient evidence to justify the initiation of an examination procedure. A Notice of Initiation was therefore published in the *Official Journal of the European Union* on the 23 October 2004 [2].

(5) During the investigation, the Government of Uruguay expressed its readiness to seek a negotiated solution to the issues raised in the complaint, and proposed:

(a) to withdraw the requirement that whisky be aged less than three years to be included in the lowest tax category. The measure will take effect from 1 July 2005;

(b) to apply the same treatment to domestic and imported whiskies as regards the requirement to affix strip stamps. The Eastern Republic of Uruguay will amend its regulations by 30 June 2005 and the measure will enter into force after a transitional period of 90 days;

(c) to promote a change in the structure of the IMESI tax in order to bring it in line with the most usual tax systems at the international level. This change would help to address the issue of the alleged lack of transparency and predictability. The reform process is expected to be finalised by the end of 2006.

(6) The Commission considers therefore that it is appropriate to suspend the procedure.

(7) The Community will monitor the implementation of the negotiated solution and will terminate the procedure when the Government of Uruguay has fulfilled its commitments.

(8) The measures provided for in this Decision are in accordance with the opinion of the Advisory Committee,

HAS DECIDED AS FOLLOWS:

Sole Article

The examination procedure concerning obstacles to trade, consisting of measures imposed and practices followed by the Eastern Republic of Uruguay affecting trade in Scotch whisky, is hereby suspended.

Done at Brussels, 8 July 2005.

For the Commission
Peter MANDELSON
Member of the Commission

[1] OJ L 349, 31.12.1994, p. 71. Regulation as amended by Regulation (EC) No 356/95, OJ L 41, 23.2.1995, p. 3.
[2] OJ C 261, 23.10.2004, p. 3.