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TRADE POLICY REVIEW

Report by the Secretariat

EUROPEAN COMMUNITIES

This report, prepared for the ninth Trade Policy Review of the European Communities, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from the European Communities on its trade policies and practices.

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Document WT/TPR/G/214 contains the policy statement submitted by the European Communities.

CONTENTS

Page

CHARTS

TABLES

APPENDIX TABLES

SUMMARY OBSERVATIONS

(1) THE ECONOMIC ENVIRONMENT

1. Real GDP growth in the European Communities (EC) was 3% on an annual average during 2006-07, but fell to an estimated 1% in 2008 partly due to the global financial crisis (and subsequently economic slowdown) that emerged in the second half of the year. While the moderation in growth was broad-based, performance at Member States level remained dispersed. Following an increase in government revenues and a decrease in expenditure related to, inter alia, the pension system reforms in several Member States, the EC fiscal deficit, as percentage of GDP, declined from 1.4% in 2006 to 0.9% in 2007 (its best fiscal performance in many years), but is estimated at 2% in 2008. Further efforts to address concerns about long-term fiscal sustainability would appear to remain needed, particularly in the light of the large costs of the measures envisaged to respond to the global economic downturn.

2. As of January 2009, sixteen EC Member States have the euro as their currency. Romania has set a target euro adoption date for 2014. Denmark and the United Kingdom have opted to retain their national currencies, while Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, and Sweden do not have target dates for euro adoption. Influenced by increasing energy and other commodity prices, EC inflation rose from 2.3% in 2006 and 2.4% in 2007 to an estimated 3.7% in 2008. The key interest rate in the euro area increased from its historically low level of 2% during 2004 and most of 2005 to over 4% in July 2008. Nonetheless, by early 2009, it was back to 2% mainly because of the financial crisis.

3. The services sector is the backbone of the EC economy, with a share of about 70% in both gross value added (GVA) and employment. Manufacturing contributes around one-quarter to GVA, but its share has been decreasing over the last few years reflecting geographical shifts in international processing activities. As a result, the EC is implementing, since October 2005, a new industrial policy to become more competitive. The participation of agriculture (including livestock, hunting, forestry and fishing) in the EC's GVA is relatively low (around 2%), but remains significant for many new Members States such as Bulgaria and Romania.

4. The EC accounts for some 17% of world merchandise trade. Its trade account has been in persistent but sustainable deficit, amounting to €141.8 billion in 2006 and €153.4 billion in 2007. As a percentage of GVA, the EC had external current account deficits of 0.8% in 2006, 0.7% in 2007, and 1% (estimation) in 2008. The EC remains the world's largest trader in services, as well as the largest recipient and supplier of foreign direct investment (FDI), accounting for some 40% of global inward stock and over 50% of global outward stock. It is also a net investor in the rest of the world.

(2) INSTITUTIONAL FRAMEWORK

5. Since its last TPR in February 2007, the EC has made no major changes to its institutional framework. The Treaty of Lisbon, which will alter the structure of EC institutions, was signed by EC heads of state or government in December 2007, but its ratification has not been completed. Bulgaria and Romania joined the EC in January 2007, while accession negotiations with Croatia and Turkey are ongoing.

6. Under the Treaty of Nice of 2001, the EC's trade policy aims to contribute to, *inter alia*, the progressive dismantling of restrictions on international trade and the lowering of customs barriers. These objectives are pursued by the EC at the multilateral, bilateral, and unilateral levels. At the multilateral level, the EC has stressed the importance of the Doha Development Agenda (DDA) as the best approach to prevent trade protectionism in the current economic downturn. The EC remains one of the most active Members in WTO dispute settlement. During the period under review, the EC initiated six new disputes, and

was a respondent in six cases and a third party in thirteen disputes. The EC is also a major sponsor of trade-related technical assistance within its Aid for Trade framework.

7. The EC has continued to build upon its extensive network of preferential trade agreements (PTAs), as part of a broader policy of promoting multilateralism. These PTAs have so far resulted in free trade in non-agricultural goods, and limited liberalization of trade in agricultural products; in some cases, these agreements also cover trade in services. A significant number of its negotiations are with, or encourage the creation of, regional groupings. Negotiations with regional bodies include the Andean Community, ASEAN, Central America, the Gulf States, MERCOSUR, the Mediterranean countries, and Economic Partnership Agreements (EPAs) with the African, Caribbean and Pacific (ACP) regions. Negotiations on an EPA with the Caribbean region have been concluded; trade relations with countries in the other ACP regions are governed by interim agreements. Furthermore, the EC has launched bilateral negotiations on PTAs with India, the Republic of Korea and Ukraine.

8. The EC grants at least MFN treatment to all WTO Members and unilateral preferences through its Generalized System of Preference (GSP), which consists of three arrangements. First, all eligible countries benefit from the "general arrangement". Second, a "special incentive arrangement for sustainable development and good governance" (GSP+) provides additional benefits to countries implementing international standards in sustainable development and good governance. Third, under the Everything But Arms (EBA) initiative, LDCs benefit from duty-free and quota-free access to the EC market; for rice and sugar, tariff-free and quota-free access will be introduced in 2009.

9. As a result of preferential agreements and the GSP scheme, the EC's MFN tariff is applied to only nine WTO Members (Australia; Canada; Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; Hong Kong, China; Japan; Republic of Korea; New Zealand; Singapore; and the United States). These nine WTO Members accounted for 27.5% of the EC's total merchandise imports in 2007, compared to about 30% in 2005.

(3) TRADE POLICY INSTRUMENTS

10. The EC's trade regime has remained largely unchanged since its last TPR. Certain areas, such as customs procedures, internal taxation, incentives, and technical barriers to trade are yet to be fully harmonized. The structure of the EC's common MFN tariff, broadly unchanged over the last few years, remains complex. It comprises *ad valorem* and non *ad valorem* rates. The *non-ad valorem* duties (10.1% of all tariff lines) are specific (6.5%), compound (2.9%), and mixed or variable per entry price range (0.8%). *Non-ad valorem* rates apply mainly to agricultural goods (WTO definition), many of which are also subject to tariff quotas. The average applied MFN tariff rate has decreased slightly, to 6.7% from 6.9% (in 2006), with rates ranging from zero to 604.3% (an *ad valorem* equivalent (AVE) on isoglucose (HS 1702.40.10)); agricultural products still attract the highest rates.

11. The actual level of tariff protection for agricultural products is likely higher than the level estimated by the AVEs due to various simplifications (e.g. exclusion of non-*ad valorem* tariff lines with no import data and of non-*ad valorem* components of certain lines from the calculations). In consequence, the estimated level of overall tariff protection is also likely underrated. The EC's wide network of preferential trade arrangements, together with its system of unilateral preferences, adds to the complexity of its tariff regime. Value-added tax and excise duties apply to imports and locally produced goods (VAT also applies to services) at the same rates; these rates are set by Member States and are not yet harmonized within the EC.

12. Imports prohibitions and surveillance are maintained on, *inter alia*, security, technical, sanitary, phytosanitary and environmental grounds and under treaties and international conventions. Import licences are required where products are subject to quantitative restrictions, tariff quotas, safeguard measures or for import monitoring and surveillance purposes. Some non-agricultural products, including some textile products, have been subject to quantitative restrictions by the EC during the period under review. No changes were made to the EC legislation on trade remedies. The EC remains an important user of contingency trade remedies; however, the number of contingency measures notified by the EC to the WTO has decreased since 2005. Harmonization of technical requirements (including technical regulations, standards, and sanitary and phytosanitary measures) among EC Member States is still ongoing.

13. There have been no major changes to EC's regimes on export prohibitions, restrictions, or licensing since its previous TPR. An export authorization or licence is required to export cultural goods and certain agricultural products, and for the control of exports of dual-use items and technology. The EC still subsidizes exports of a number of agricultural products. Assistance and subsidies programmes (at Community level and by Member States) notified to the WTO can be grouped in four major categories: the Structural Actions; the Common Agriculture Policy (CAP); Industrial Programmes; and other programmes including assistance to SMEs, to joint-ventures, and to fisheries and aquaculture.

14. EC's legislation on public procurement remains broadly unchanged; it was enacted in 2004, with a view to making the legal framework simpler, more flexible and adapting it to the electronic era. The competition regime in the EC remains also largely unchanged; enforcement focuses on eliminating cartels and abuses of dominant position. The intellectual property regime continues to be governed by both Community-wide legislation and legislation of Member States. On intellectual property protection, a new legal framework for patent protection is expected to simplify the process of seeking protection. Trade mark and plant varieties regulations have been amended, while the legislation related to the terms of protection of copyrights and related rights, and rental and lending rights has been consolidated in one piece of legislation. New regulations to protect geographical indications for wines and spirits were enacted.

(4) SECTORAL POLICIES

15. Services remain the priority as regards the creation of a genuine internal market by the end of 2009, through the removal of remaining regulatory and administrative hurdles between Member States. Since its last Review, the EC adopted the 2007 telecoms reform package, and the postal directive aimed at completing the internal market for postal services by 2010-12. Moreover, the EC is implementing the financial services strategy 2006-10 and the action plan for transport 2002-10. Nevertheless, many other services activities are not subject to a comprehensive internal market policy; these include tourism, distribution, construction, engineering and consultancy, certification and testing services, and employment agencies. Certain services, such as telecoms are regulated at the EC level, while others (e.g. education, health) are mainly the responsibility of individual Member States.

16. As a result of the 2003 reforms of the CAP, centred on the move towards the Single Payment Scheme, the share of support under this Scheme increased from 1% (€1.4 billion) of the total producer support estimate in 2004 to 33% (€32.4 billion) in 2007. At the same time, product-specific support linked to production and/or prices, still exists, albeit at reduced levels. Since the last TPR of the EC, reforms of its CAP have continued to enhance the market-orientation and competitiveness of the sugar, fruit and vegetables, and wine subsectors. The domestic support regimes for bananas and cotton have also been further reformed. In 2006, the total amount spent on

the CAP represented 46% of Community expenditure. Using ISIC, the simple average MFN tariff on agriculture, hunting, forestry and fishing is 9.3% (down from 10.9% in 2006). However, all products with tariff rates above 100% remain agricultural (WTO definition). In addition, agricultural products remain protected by a complex tariff structure, tariff quotas and SPS measures, and still receive export subsidies. On fishery products, some of the tariff quotas are subject to a reference price mechanism whereby the benefit of the in-quota tariff is not granted if the import price is lower than the reference price.

17. The manufacturing sector (ISIC definition) is still a major beneficiary of state aid. As a result of declining productivity growth, a new industrial policy has been implemented since 2005. Together with measures at Member State level, the policy is aimed at fostering the competitiveness of the sector. MFN tariffs on manufactured imports average 6.7% (6.8% in 2006). Overall, in industries requiring agricultural inputs that are also produced by the EC, the tariff shows mixed escalation; because of the lack of competitiveness partly resulting from high tariff protection of the industries processing these inputs, exports of their products require subsidies. In industries requiring inputs (certain agricultural and mineral products in particular) that are not produced by the EC, the tariff shows positive escalation, i.e. high effective rates of protection.

18. The EC is the world's largest energy importer and the second largest consumer. Faced with unprecedented energy challenges, the EC is implementing its action plan on energy efficiency so as to save 20% of its energy consumption by 2020 through changes in consumer behaviour and energy efficient technologies. It has also set a target of 20% increase in the use of renewable energy and 20% cut in greenhouse gas emissions by 2020. Some of the recent energy policy developments include the adoption of a third package of legislative proposals aimed at solving the structural shortcomings in the energy market, notably the lack of competition. Imports of electricity are duty free.

(5) TRADE POLICY AND TRADING PARTNERS

19. Support for the multilateral trading system is at the core of the EC trade policy. The EC is a major driving force behind the DDA negotiations, having made numerous proposals in a wide range of areas. Together with some of its Member States, the EC also contributes to the DDA Global Trust Fund and financed or co-financed specific activities under the DDA. It co-funded the WTO Public Forum 2007. Nonetheless, the EC has continued to build upon its wide network of PTAs with both developed and developing countries. It is important for the EC to consider the discriminatory elements of its existing and new PTAs, and the potentially greater advantages of market opening on an MFN basis.

20. As the EC is the world's leading exporter and the second-largest importer of goods, the EC is expected to continue contributing to making trade play a key role in curbing the current global economic slowdown. To this end, the EC's steps towards the full establishment of its internal market could be enhanced, and its trade regime for agricultural products further liberalized through the simplification of its tariff structure and the reduction of its high tariff rates on and incentives to the products. Such reforms would also contribute to the improvement of the EC's resource allocation.

I. ECONOMIC ENVIRONMENT

(1) MAIN CHARACTERISTICS

1. The 27 Member States of the European Communities (EC-27) cover a land area of 4.24 million km^2 and have a combined population of 495.1 million (Table I.1). Germany, the most populated country, has the highest GDP, followed by the United Kingdom and France. France is the biggest in surface area, followed by Spain and Sweden. In 2006, the EC-27 had a GDP of €11,583 billion, while its per capita income in nominal terms amounted to €23,500. In terms of per capita income, Luxemburg ranks first, followed by Ireland and Denmark. With the accession of Romania and Bulgaria in 2007, the EC population was enlarged by 6.8%, its land area by 9%, and its GDP by 2%; per capita income in nominal terms of Bulgaria and Romania is, respectively, about 14% and 19.1% of the EC-27, while their labour productivity, per person employed, is 36.2% and 42% of the EC-27.

Table I.1
Selected indicators, 2007

	Area ('000 km^2)	Population (million)	GDP per capita (2006)		GDP 2006	Share in gross value added (2006) (per cent)		
			euros	PPS[a]	('000 million euros)	Agriculture hunting, forestry and fishing	Industry[b]	Services
EC-27	**4,243**	**495.1**	**23,500**	**23,500**	**11,583**	**1.8**	**26.4**	**71.7**
Euro-zone	**2,487**	**318.4**	**26,600**	**25,800**	**8,433**	**1.8**	**26.8**	**71.5**
Austria	84	8.3	31,100	30,200	258	1.7	30.7	67.7
Belgium	31	10.6	30,000	28,900	317	1	24.3	74.7
Bulgaria	111	7.7	3,300	8,700	25	8.5	31.5	59.9
Cyprus	9	0.8	18,900	21,900	15	2.1	19.6	77.5
Czech Republic	79	10.3	11,100	18,600	114	2.9[c]	38.3[c]	58.7[c]
Denmark	43	5.4	40,500	29,700	220	1.6	26.1	72.3
Estonia	45	1.3	9,800	15,900	13	3.2	29.1	67.7
Finland	305	5.3	31,700	27,300	167	2.5	32.4	65.1
France	544	63.4	28,400	26,500	1,792	2.0	20.7	77.2
Germany	357	82.3	28,200	26,700	2,322	0.9	29.4	69.7
Greece	132	11.2	19,300	22,700	214	5.2[c]	20.8[c]	74.0[c]
Hungary	93	10.1	8,900	15,300	90	4.3	30.7	64.9
Ireland	70	4.3	41,100	33,500	175	2.1[c]	36.1[c]	61.9[c]
Italy	301	59.1	25,100	24,300	1,475	2.1	26.6	71.4
Latvia	65	2.3	7,100	13,100	16	3.7	21.4	74.9
Lithuania	65	3.4	7,000	13,500	24	5.5	34.9	59.6
Luxembourg	3	0.5	71,600	65,400	34	0.4	14.7	85.0
Malta	0.3	0.4	12,400	17,700	5	2.6	21.5	75.9
Netherlands	34	16.4	32,700	31,000	534	2.2	24.1	73.7
Poland	313	38.1	7,100	12,400	272	4.4	31.7	63.9
Portugal	92	10.6	14,700	17,500	155	2.8	24.6	72.5
Romania	238	21.6	4,500	8,800	97	9.6[c]	34.5[c]	55.9[c]
Slovak Republic	49	5.4	8,300	14,900	45	4.0	35.0	61.1
Slovenia	20	2.0	15,200	20,800	30	2.5[c]	34.1[c]	63.4[c]
Spain	505	44.5	22,300	24,000	981	2.9	30.4	66.8
Sweden	411	9.1	33,700	28,200	306	1.4	29.0	69.6
United Kingdom	244	60.8	31,500	27,900	1,910	0.9	22.9	76.2
Memorandum								
United States	9,373	300.3	35,000	36,300	10,509	1.2	..	..
Japan	378	127.8	27,200	26,700	3,477	..	..	..

.. Not available.

a In euros, measured on the basis of purchasing power standards (PPS).
b Including construction.
c 2005 instead of 2006.

Source: Eurostat (2008), *Yearbook 2008: Europe in figures*, Brussels.

2. Services constitute by far the most important sector in terms of contribution to gross value added (GVA) in all EC Member States (Table I.1). The share of services in GVA averaged 71.7% in the EC-27 in 2006; this share tends to rise with Member States' income level, ranging between 56% in Romania and 85% in Luxemburg. Manufacturing (including construction) contributed 26.4% to GVA on average, with shares ranging from under 15% in Luxemburg to over 38% in the Czech Republic. Agriculture, hunting, forestry, and fishing accounted for 1.8% of GVA in 2006, but employed 5.3% of the labour force.[1] The contribution of mining and quarrying to GVA is marginal.

3. Sixteen EC Member States have the euro (€) as their currency and form the "euro area".[2] Slovenia adopted the euro in January 2007, Cyprus and Malta followed in January 2008, and Slovakia in January 2009. The Maastricht convergence criteria for adopting the euro are: price stability (i.e. the average inflation rate should not exceed by more than 1.5 percentage point that of, at most, the three best inflation performing Member States); sustainable fiscal position (public deficit not exceeding 3% of GDP or close to that limit, and the ratio of general government debt to GDP not over 60% or declining at a "sufficient pace" towards that level); exchange rate stability through participation in the Exchange Rate Mechanism II (ERM II)[3], respecting the normal fluctuation margins without severe tensions for at least two years; and low interest rates (the average nominal long-term interest rate should not exceed by more than two percentage points that of, at most, the three best inflation performing Member States). Moreover, the Treaty requires legal convergence, i.e. compatibility of national legislation, especially the statutes of central banks. On 21 December 2005, the regulations on the introduction of the euro were amended to enable countries to join the euro zone in subsequent phases. Apart from a number of technical adaptations, the amendment allows for different changeover scenarios for individual countries.[4] The common monetary policy is managed by the Eurosystem, which consists of the independent European Central Bank (ECB) and the national central banks of the Member States that have adopted the euro.

4. EC Member States not in the euro area have a derogation and are expected to adopt the euro after fulfilling the Maastricht convergence criteria[5]; the only exceptions are Denmark and the United Kingdom, which retained their national currencies through an "opt-out clause". Romania has set a target euro adoption date of 2014. The other Member States do not have official target dates for euro adoption. Estonia, Latvia, and Lithuania, as well as Denmark, participate in the exchange rate mechanism ERM II.

5. The Economic and Monetary Union (EMU) is a unique policy setting system. It has a centralized monetary policy, but decentralized fiscal policies. The latter are left to the authorities of individual Member States, but governed by the EC's fiscal framework, i.e. the Stability and Growth Pact (SGP). Adopted in 1997, the SGP is aimed at ensuring sound fiscal policies as a means to strengthen the conditions for price stability and for robust and sustainable growth conducive to

[1] International Labour Organization (2008).

[2] The euro is currently legal tender in: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

[3] The ERM provides the framework for coordination of exchange rate policies. It was formed in 1979 in an attempt to create a zone of exchange rate stability, a prerequisite to the introduction of the euro. A new exchange rate mechanism (ERM II) entered into force on 1 January 1999, aimed at ensuring that Member States outside the euro area, but participating in the mechanism, align their policies towards stability and foster convergence, which should help them in their efforts to adopt the euro. At the same time, the mechanism is intended to help protect the Member States adopting the euro from unwarranted pressures in the foreign exchange market.

[4] Council Regulation (EC) No. 2169/2005.

[5] Having a derogation means that a Member State is exempt from some, but not all, of the provisions relating to price stability, sound public finances, and eventual adoption of the euro.

employment creation. It consists of three main elements: (i) a political commitment to the full and timely implementation of the budget surveillance process; (ii) a preventive arm aiming to ensure long-term sustainability and to avoid the occurrence of any excessive deficits; and (iii) a corrective arm specifying the actions to be taken if the general government deficit exceeds the reference value of the Treaty, i.e. of 3% of GDP.[6] The SGP was reformed in 2005, with changes to both its preventive and corrective arms.[7] The emphasis on the fundamentals of fiscal sustainability in setting medium-term budgetary objectives strengthened the preventive arm, while changes to the corrective arm relate to the definition of "excessive deficits" and to the modalities for their correction. The changes allow for a more comprehensive assessment of economic and budgetary developments in the implementation of the excessive deficit procedure (EDP). The reformed SGP also provides for a set of "other relevant factors" that the Commission and Council may take into account when deciding on the existence and correction of excessive deficits. A particular innovation is that the one-year deadline for corrective measures can be extended, and steps in the EDP can be repeated, if effective actions have been taken by the Member State concerned in compliance with the initial recommendations.

6. The EC's Lisbon Strategy, adopted in March 2000 and reformulated in March 2005, is an action and development plan aimed at making the EC "the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010".

(2) RECENT ECONOMIC DEVELOPMENTS

7. Economic performance in the EC was generally good in 2006-07, but weakened substantially in 2008 due to increases in commodity prices during the first half of the year and later because of the global financial crisis.[8] Supported by sound domestic fundamentals that boosted investment and, to a lesser degree, private consumption, GDP growth was 3.1% in 2006 and 2.9% in 2007 in the EC-27, and 2.9% and 2.7%, respectively, in the euro area (Table I.2). While the moderation in growth was broad-based, performance at the national level remained dispersed. GDP growth rates in Bulgaria, the Czech Republic, Estonia, Ireland, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia were at or exceeded 6% in 2007, while GDP growth in Denmark, Hungary, Italy and Portugal was below 2%.[9]

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[6] The SGP aims to enforce fiscal discipline as a permanent feature of the EMU. It further specifies the procedure (i.e. the excessive deficit procedure), set out in the EU Treaty, to be followed if a Member State breaches the 3% of GDP reference value. Under the procedure, the Council may impose a penalty that would initially take the form of a non-interest-bearing deposit with the Communities, but could be converted into a fine if the excessive deficit was not corrected within two years.

[7] Council Regulation (EC) No. 1055/2005 amended Regulation (EC) No. 1466/97, and Council Regulation (EC) No. 1056/2005 amended Regulation (EC) No. 1467/97. The new Code of Conduct on the Content and Format of the Stability and Convergence Programmes, endorsed by the ECOFIN Council on 11 October 2005, also provides guidelines for Member States in drawing up their programmes and facilitating the examinations.

[8] In the wake of the global financial crisis, GDP of the EC-27 contracted by 0.2% in the third quarter of 2008, following zero growth in the second quarter. The euro area countries have fallen into their first recession since the introduction of the euro ten years ago, with a 0.2% contraction in the third quarter after a similar downturn in the previous quarter (*The Economist*, 14 November 2008).

[9] The trend towards income convergence between the EC-15 and the 12 Member States that have joined since May 2004 (NMS-12) has continued over the last few years, as growth rates in the NMS-12 have been higher than in the EC-15. As a result, per capita incomes of the NMS-12 and the EC-15 are now much closer than they were in the late 1990s. DG Economic and Financial Affairs (2008).

Table I.2
Key macroeconomic indicators, 2006-07

Country	Real GDP growth rate (%)		Inflation rate (HICP annual nominal change) (%)		General government gross debt (% of GDP)		General government balance (% of GDP)		External current account (% of GDP)		Unemployment (% of labour force)	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007[b]	2006	2007
EC-27	3.1	2.9	2.3	2.4	61.3	58.7	-1.4	-0.9	-0.8	-0.7	8.2	7.1
Euro area	2.9	2.7	2.2	2.1	68.3	66.1	-1.3	-0.6	-0.1	0.1	8.3	7.5
Austria	3.4	3.1	1.7	2.2	62.0	59.5	-1.5	-0.4	2.5	3.3	4.8	4.4
Belgium	3.0	2.8	2.3	1.8	87.8	83.9	0.3	-0.3	2.5	2.4	8.3	7.5
Bulgaria	6.3	6.2	7.4	7.6	22.7	18.2	3.0	0.1	-18.6	-22.5	9.0	6.9
Cyprus	4.1	4.4	2.2	2.2	64.6	59.5	-1.2	3.5	-5.9	-9.7	4.6	4.0
Czech Republic	6.8	6.0	2.1	3.0	29.6	28.9	-2.7	-1.0	-2.2	-1.5	7.2	5.3
Denmark	3.9	1.7	1.9	1.7	30.5	26.2	5.2	4.5	2.6	1.2	3.9	3.8
Estonia	10.4	6.3	4.4	6.7	4.3	3.5	2.9	2.7	-17.0	-18.5	5.9	4.7
Finland	4.9	4.5	1.3	1.6	39.2	35.1	4.1	5.3	4.9	5.3	7.7	6.9
France	2.2	2.2	1.9	1.6	63.6	63.9	-2.4	-2.7	-1.5	-2.0	9.2	8.3
Germany	3.0	2.5	1.8	2.3	67.6	65.1	-1.5	-0.2	6.3	7.6	9.8	8.4
Greece	4.5	4.0	3.3	3.0	95.9	94.8	-2.8	-3.5	-11.4	-14.0	8.9	8.3
Hungary	4.1	1.1	4.0	7.9	65.6	65.8	-9.3	-5.0	-7.5	-6.4	7.5	7.4
Ireland	5.7	6.0	2.7	2.9	24.7	24.8	3.0	0.2	-3.6	-5.4	4.5	4.6
Italy	1.8	1.5	2.2	2.0	106.9	104.1	-3.4	-1.6	-2.0	-1.7	6.8	6.0
Latvia	12.2	10.3	6.6	10.1	10.7	9.5	-0.2	0.1	-22.5	-22.9	6.8	6.0
Lithuania	7.8	8.9	3.8	5.8	18.0	17.0	-0.4	-1.2	-10.4	-15.1	5.6	4.3
Luxembourg	6.4	5.2	3.0	2.7	6.6	7.0	1.3	3.2	10.5	9.8	4.6	4.1
Malta	3.1	3.7	2.6	0.7	63.9	62.2	-2.3	-1.8	-8.2	-5.5	7.1	6.4
Netherlands	3.4	3.5	1.7	1.6	47.4	45.7	0.6	0.3	9.8	9.8	3.9	3.2
Poland	6.2	6.6	1.3	2.6	47.7	44.9	-3.8	-2.0	-2.9	-4.5	13.9	9.6
Portugal	1.4	1.9	3.0	2.4	64.7	63.6	-3.9	-2.6	-10.4	-10.0	7.8	8.1
Romania	8.2	6.0	6.6	4.9	12.4	12.9	-2.2	-2.6	-10.6	-13.9	7.3	6.4
Slovakia	8.5	10.4	4.3	1.9	30.4	29.4	-3.5	-1.9	-7.4	-5.1	13.4	11.1
Slovenia	5.9	6.8	2.5	3.8	26.7	23.4	-1.2	0.5	-2.8	-4.9	6.0	4.9
Spain	3.9	3.7	3.6	2.8	39.6	36.2	2.0	2.2	-9.0	-10.1	8.5	8.3
Sweden	4.1	2.7	1.5	1.7	45.9	40.4	2.3	3.6	8.5	8.4	7.0	6.1
United Kingdom	2.8	3.0	2.3	2.3	43.4	44.2	-2.7	-2.8	-3.4	-3.8	5.3	5.3

Source: DG Economic and Financial Affairs (2008), *Economic Forecast Autumn 2008*, Luxembourg.

8. The primary objective of the ECB is to maintain price stability in the euro area; price stability is defined as year-on-year increases in the euro area Harmonized Index of Consumer Prices (HICP), below but close to 2%. Influenced by increasing energy and other commodity prices, inflationary pressures remained high in 2006 and 2007 in the EC, including the euro zone. EC-27 inflation, as measured by the HICP, rose from 2.3% in 2005 and 2006 to 2.4% in 2007; in the euro zone, inflation fell from 2.2% in 2006 to 2.1% in 2007. However, national inflation rates showed considerable variations, from 0.7% in Malta to 10.1% in Latvia in 2007.

9. The ECB's key interest rate increased from its historically low level of 2% during 2004 and most of 2005 to over 4% in July 2008. Specifically, the ECB raised its interest rate to 3.75% in March 2007, to 4% in June 2007, and to a peak of 4.25% in July 2008. Nonetheless, on 15 January 2009, it reduced its key interest rate to 2% (down from 3.75% in October, 3.25% in November, and 2.5% in December 2008) in the wake of the financial crisis. The average long-term interest rate in the euro area was 4.6% in August 2008, up from 3.8% in October 2006.[10]

10. The labour markets situation in the EC-27 and the euro area generally improved in 2006 and 2007 following the economic upswing. Employment growth in the EC-27 accelerated to 1.6% in 2006, from 1.0% in 2005, and was at 0.7% in 2007, owing to structural reforms in both the product and labour markets over the last decade, including more employment-friendly wage developments and

[10] ECB online information. Viewed at: http://www.ecb.int/stats/monetary/rates/html/index.en.html.

improved matching. Employment in the euro area increased by 1.4% in 2006 and 1.7% in 2007. Unemployment decreased in the EC-27 from 8.2% in 2006 to 7.1% in 2007, while in the euro area it fell from 8.3% to 7.5%. Yet new, and some old, Member States still have high unemployment. In 2007, the highest unemployment rate was in Slovakia (11.1%), followed by Poland (9.6%), and Germany (8.4%). Denmark and the Netherlands had the lowest unemployment rates in 2007, at 3.8% and 3.2%, respectively.

11. Among domestic demand components, private investment showed the strongest increase in the EC-27, growing by 6.1% in 2006 and 5.4% in 2007 **(**Table I.3). Consumer spending grew less strongly, by 2.2% in both 2006 and 2007, through slightly more than in previous years. Government expenditure has increased more slowly than GDP growth since 2005. The EC's exports benefited from strong global demand; their growth rate peaked at 9.1% in 2006 (the same as for imports), before falling to 5.1% in 2007.

Table I.3
Growth in real GDP and expenditure components, 2003-07
(Percentage changes; base year: 2000)

	2003	**2004**	**2005**	**2006**	**2007**
EC-27:					
GDP	1.3	2.5	2.0	3.1	2.9
Domestic demand	1.9	2.4	2.0	3.1	3.0
Household	1.7	2.1	2.0	2.2	2.2
Government	2.1	1.8	1.6	1.9	2.1
Gross fixed capital formation	1.3	3	3.5	6.1	5.4
Exports	1.9	7.5	5.9	9.1	5.1
Imports	3.4	7.6	6.2	9.1	5.3
EC-25:					
GDP	1.3	2.4	2.0	3.1	2.9
Domestic demand	1.8	2.4	2.0	3.0	2.8
Household	1.7	2.0	1.9	2.1	2.1
Government	2.1	1.8	1.6	2.0	2.1
Gross fixed capital formation	1.3	2.9	3.4	5.9	5.1
Exports	1.8	7.5	5.9	9.1	5.1
Imports	3.3	7.5	6.1	9.0	5.1
EC-15:					
GDP	1.2	2.3	1.8	2.9	2.7
Domestic demand	1.7	2.2	1.9	2.8	2.6
Household	1.6	1.9	1.8	2.0	1.9
Government	2.0	1.8	1.5	1.8	2.1
Gross fixed capital formation	1.2	2.7	3.2	5.8	4.8
Exports	1.3	7.0	5.5	8.6	4.5
Imports	2.9	6.9	6.0	8.5	4.4
Euro area :					
GDP	0.8	2.1	1.7	2.9	2.6
Domestic demand	1.4	1.9	1.9	2.7	2.4
Household	1.2	1.6	1.7	1.9	1.6
Government	1.7	1.6	1.5	1.9	2.3
Gross fixed capital formation	1.3	2.2	3.1	5.4	4.2
Exports	1.2	7.3	4.9	8.2	6.0
Imports	3.1	6.9	5.6	8.1	5.4

Note: Seasonally adjusted data.

Source: Eurostat online information. Viewed at: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1090,30070682,1090_33076576&_dad=portal&_schema=PORTAL.

12. The ratio of government gross debt to GDP in the EC-27 fell to 58.7% in 2007, down from 63.4% in 2005 and 61.3% in 2006. In the euro area, this share remained considerably higher, at 66.1% in 2007. In 2007, the public debt ratio to GDP was lowest in Estonia (3.5%), and remained above 60% in Italy (with the highest ratio, 104.1%), Belgium, France, Germany, Greece, Hungary, Malta, and Portugal. The fiscal deficit, as percentage of GDP, declined from 2.4% in 2005 and 1.4% in 2006 to 0.9% in 2007, with the largest deficit being recorded by Hungary (5%), followed by Greece

(3.5%) (Table I.2). While several Member States have reformed their pension systems in recent years, further efforts to address concerns about long-term fiscal sustainability are still required in the majority of Member States.

13. During 2005-07, the euro continued to appreciate against major currencies, in both nominal and real terms.[11] In nominal terms, the euro appreciated by 4% in 2007 and 0.3% in 2006 (Table I.4). Increases of the real effective exchange rate were similar, by 3.5% in 2007 and 0.4% in 2006. Against the U.S. dollar, the euro appreciated continuously between 2001 and 2007, to US$1.3705. Although there was a reversal towards the end of 2008, to US$1.2732 in November, the euro appreciated to US$1.346 in December 2008.

Table I.4
Euro exchange rates, 2000-08
(Period averages)

	Effective exchange rate (EER) of the euro[a] (1999 Q1=100)				Euro exchange rate
	EER-22		EER-42		(U.S. dollar)
	Nominal	Real	Nominal	Real	
2000	87.0	86.4	87.9	85.8	0.9236
2001	87.7	87.1	90.4	87.1	0.8956
2002	90.1	90.4	94.9	91.0	0.9456
2003	100.6	101.4	106.8	101.9	1.1312
2004	104.4	105.1	111.2	105.6	1.2439
2005	103.3	104.2	109.7	103.7	1.2441
2006	103.6	104.6	110.0	103.4	1.2556
2007	107.7	108.3	114.2	106.6	1.3705
2008[b]	106.8	106.6	114.2	104.9	1.2732

a The nominal and real effective exchange rate indices of the euro are based on weighted averages of bilateral euro exchange rates. The weights capture third-market effects and are based on trade in manufactured goods with the trading partners in the periods 1995-97 and 1999-01, with the indices being linked at the beginning of 1999. The EER-22 group of trading partners comprises the non-euro area EC Member States; plus Australia; Canada; Hong Kong, China; Japan; Norway; Singapore; Republic of Korea; Switzerland; and the United States. The EER-42 includes 19 additional countries and covers about 90% of extra-euro-area trade in manufactured goods. Real rates are obtained by deflating the nominal rate by consumer price indices (HICP for EC countries, CPI elsewhere). See the ECB *Monthly Bulletin*, September 2004 (Box 10), and ECB Occasional Paper No. 2.
b November.

Source: ECB online information. Viewed at: http://www.ecb.int/pub/pdf/stapobo/spb200812en.pdf.

(3) TRADE AND INVESTMENT

14. The growth of EC merchandise trade was strong in 2006, but slowed down in 2007. The EC has remained the world's most important trader in services. As a percentage of GDP, the EC-27 had external current account deficits of 0.8% and 0.7% in 2006 and 2007, respectively: large surpluses were recorded by the Netherlands (9.8%), Sweden (8.4%), and Germany (7.6%); whereas the biggest deficits were in Latvia (22.9%), Bulgaria (22.5%), and Estonia (18.5%) (Table I.2). The services account surplus increased from €50.65 billion in 2005 to €88.4 billion in 2007 (Table I.5). The EC remains the world's largest recipient and supplier of foreign direct investment (FDI), accounting for some 40% of global inward stock and over 50% of global outward stock. It is also a net investor in the rest of the world.[12]

[11] The appreciation of the euro over the last few years has had a moderate negative impact on exports. However, this was more than mitigated by the strong growth of global demand and world trade up to 2007. Recent analysis suggests that euro area exports react eight times as much to world demand than to the real appreciation of the euro. According to calculations by the Commission, euro area exports declined by 0.8 percentage points per year, on average, during 2001-06 due to the appreciation of the euro, while strong world demand contributed, on average, 6 percentage points to annual euro area export growth (European Commission (2007g).

[12] UNCTAD (2008).

Table I.5
Balance-of-payments, 2003-07
(€ million)

	2003	2004	2005	2006	2007
Current account	**37,074.0**	**24,186.0**	**-7,398.0**	**-61,309.0**	**-72,410.0**
Goods and services balance	62,631.0	13,906.0	-28,580.0	-72,669.0	-65,003.0
Trade balance	33,034.0	-30,583.0	-79,230.0	-141,791.0	-153,394.0
Exports	961,828.0	952,674.0	1,049,685.0	1,188,639.0	1,242,499.0
Imports	928,794.0	983,258.0	1,128,915.0	1,330,431.0	1,395,893.0
Services balance	29,597.0	44,489.0	50,650.0	69,122.0	88,391.0
Receipts					
Transportation	76,136.0	93,391.0	104,567.0	109,235.0	118,416.0
Travel	61,164.0	63,460.0	66,530.0	73,029.0	76,612.0
Other services	201,433.0	210,914.0	233,630.0	269,988.0	303,962.0
Communication	..	6,484.0	7,353.0	8,682.0	9,769.0
Construction	..	9,684.0	12,349.0	13,855.0	15,883.0
Finance and insurance	..	62,808.0	25,337.0	-32,556.0	-34,978.0
Computer and information	..	16,354.0	17,350.0	21,911.0	23,535.0
Royalties and licence fees	..	20,583.0	23,809.0	24,564.0	25,630.0
Other business	..	102,816.0	118,599.0	131,284.0	147,748.0
Personal, cultural and recreational services	..	5,370.0	4,909.0	4,760.0	5,007.0
Government	..	9,136.0	7,873.0	7,896.0	7,714.0
Not allocated	3,523.0	2,912.0	2,322.0	4.0	2,437.0
Payments					
Transportation	72,823.0	80,920.0	88,364.0	97,519.0	101,976.0
Travel	82,880.0	81,889.0	88,004.0	89,515.0	94,005.0
Other services	153,449.0	160,316.0	177,665.0	196,132.0	214,864.0
Communication	..	7,202.0	8,586.0	10,052.0	10,703.0
Construction	..	5,923.0	6,215.0	7,119.0	7,934.0
Finance and insurance	..	101,503.0	112,173.0	122,083.0	127,606.0
Computer and information	..	8,101.0	8,725.0	10,048.0	10,369.0
Royalties and licence fees	..	29,306.0	32,014.0	31,998.0	36,192.0
Other business	..	77,764.0	87,064.0	97,739.0	107,647.0
Personal, cultural and recreational services	..	6,168.0	6,303.0	7,373.0	5,883.0
Government	..	5,577.0	6,163.0	6,883.0	7,057.0
Not allocated	3,507.0	3,064.0	2,366.0	-32.0	2,191.0
Income balance	15,689.0	58,144.0	74,769.0	69,277.0	49,948.0
Credit	279,715.0	331,767.0	433,446.0	544,690.0	605,307.0
Compensation of employees (including border, seasonal, and other workers)	11,655.0	12,220.0	12,474.0	13,707.0	14,240.0
Investment income	268,061.0	319,547.0	420,972.0	530,983.0	591,066.0
Debit					
Compensation of employees (including border, seasonal, and other workers)	8,091.0	5,788.0	6,291.0	6,954.0	6,943.0
Investment income	255,936.0	267,835.0	352,386.0	468,458.0	548,416.0
Current transfers	-41,245.0	-47,863.0	-53,587.0	-57,917.0	-57,355.0
Credit	32,130.0	33,308.0	39,638.0	42,353.0	41,652.0
Debit	73,376.0	81,171.0	93,225.0	100,270.0	99,007.0
Capital account	**-9,622.0**	**-5,173.0**	**-10,313.0**	**-10,774.0**	**-5,529.0**
Credit	4,833.0	6,214.0	7,150.0	8,280.0	7,969.0
Debit	14,455.0	11,387.0	17,463.0	19,053.0	13,498.0

.. Not available.

Source: Eurostat online information. Viewed at:http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1090,3082,1090_306576&_dad=portal&_schema=PORTAL.

(i) Trade in goods

15. EC merchandise trade grew strongly in 2006 and at somewhat lower pace in 2007. In euro terms, exports expanded by 13.2% in 2006 and 4.5% in 2007, while imports grew by 17.8% and 4.9%. During the period under review, the EC's trade account remained in persistent deficit, generally considered to be at sustainable level. The deficit amounted to €153.4 billion in 2007 and

€141.8 billion in 2006 (Table I.5). The EC's bilateral deficits were particularly large with Asian countries, while trade surpluses were registered with North America.[13]

16. The EC has remained the world's leading trader, accounting for some 17% of world merchandise trade. In 2007, it was the largest merchandise exporter and second largest importer, with extra-EC exports and imports amounting to €1,240 billion and €1,426 billion, respectively. Individually, Germany ranks first in global merchandise exports, France fifth, the Netherlands sixth, the United Kingdom seventh, and Belgium tenth. Germany is the world's second largest merchandise importer, the United Kingdom fourth, France sixth, Italy seventh, the Netherlands eighth, and Belgium tenth. With regard to the two recently acceded countries, Bulgaria ranks 47th among exporters and 39th among importers, while Romania ranks 39th in terms of exports and 25th in imports.

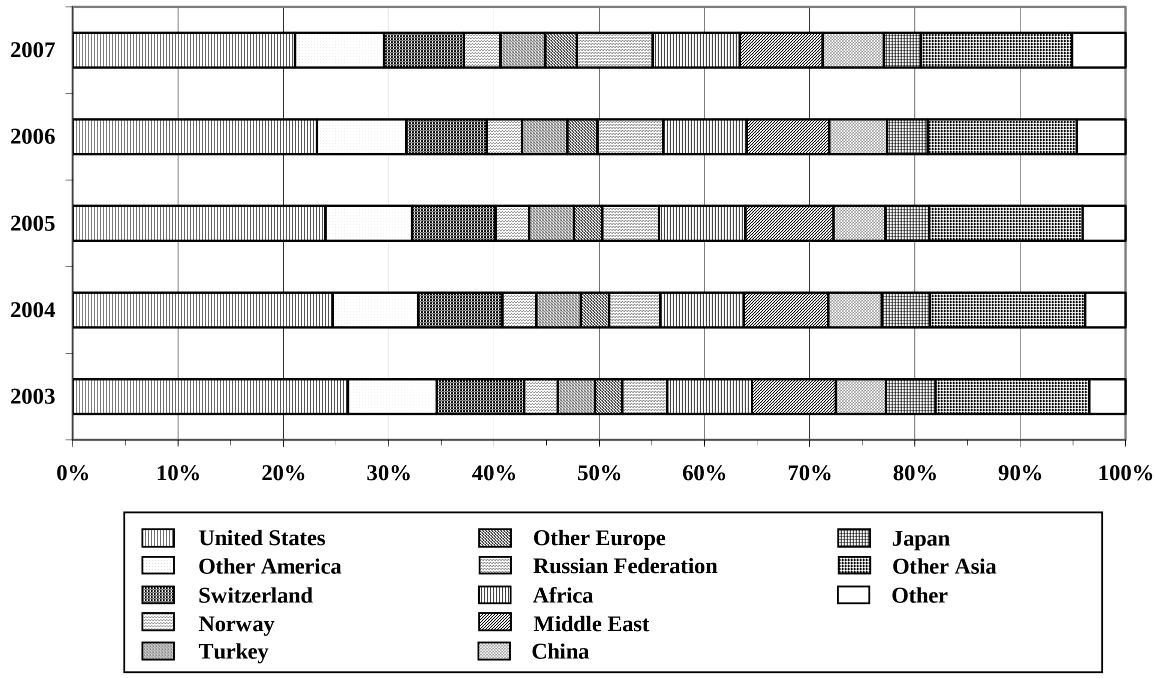
17. Traditionally, the United States has been the EC's most important trading partner, although its significance has declined over the years. In 2007, the United States accounted for 21.1% of EC-27 goods exports, down from 24.0% in 2005 and 26.2% in 2003, the U.S. share of goods imports was 12.7% in 2007, down from 13.9% in 2005 and 16.9% in 2003 (Chart I.1 and Tables AI.1 and AI.3). Between 2005 and 2007, the EC's merchandise trade surplus with the United States fell slightly, from €89 billion to €80.4 billion. Since 2006, China has been the largest supplier of EC imports, with a share of 16.2% in 2007. Exports to China made up 5.8% of EC total merchandise exports in 2007. Switzerland has remained the second most important destination of EC merchandise exports (7.6% in 2007), but accounted for only 5.5% of imports. Imports from the Russian Federation amounted to 10.1% of EC merchandise imports in 2007, while exports to the Russian Federation were 7.2% of total exports. Japan's share in EC trade has continued to fall, to 5.5% of imports and 3.5% of exports. By region, the main destination for EC-27 exports in 2007 was Asia with 23.7%, followed by North America (23.3%), while for imports Asia's share was 36.5%, followed by non-EC European countries (15.3%), and North America (14.3%). The share of the Middle East in EC exports and imports has declined since 2005; Africa's share in EC imports has declined slightly, while its share in EC exports has increased slightly to 8.3%.

18. Machinery and transport equipment have continued to make up the bulk of the EC's exports, although this share fell from 44.1% in 2005 to 37.9% in 2007 (Table AI.2 and Chart I.2). Chemicals have remained the second most important category of export products, with a share of 14.8% in 2007, followed by automotive products (9.8%), and other consumer goods (8.7%). Import patterns show a declining share of manufactured goods, to just over 60% in 2007, while the share of primary products has increased, in particular through the rising share of fuels. In 2007, EC-27 merchandise imports consisted primarily of machinery and transport equipment (28.9% of total merchandise imports, down from 32% in 2005), followed by mining (27.8%, including fuels), and other consumer goods (9.1%) (Table AI.4).

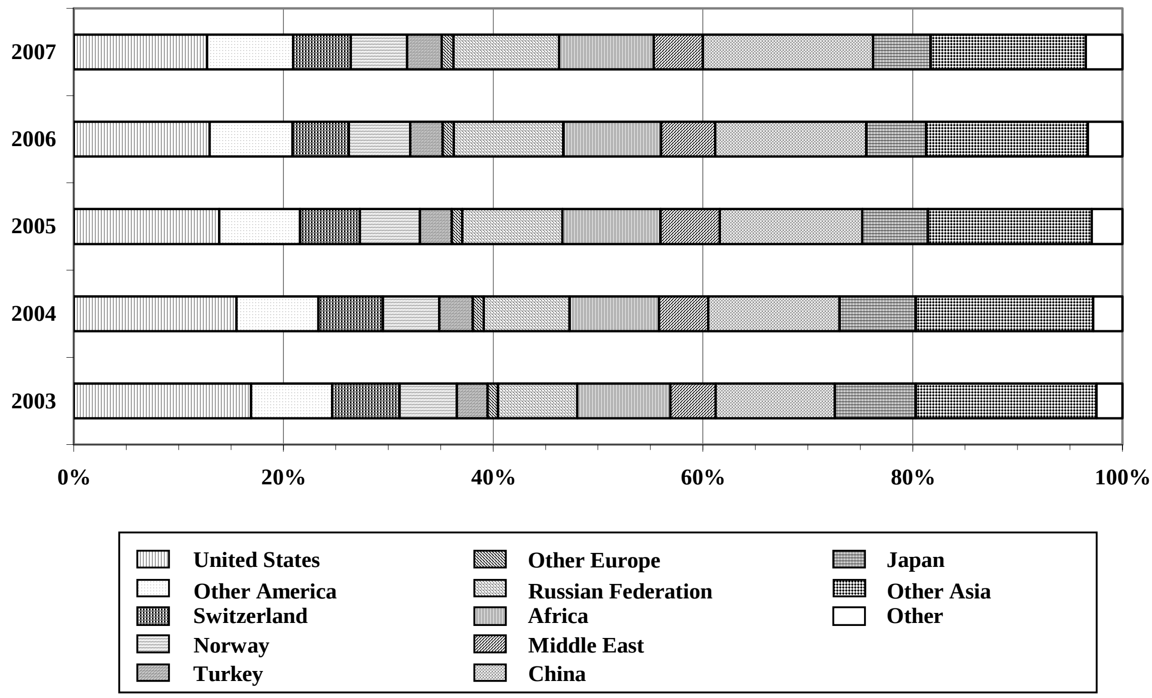
[13] There are major differences among Member States in their bilateral trade balances with third countries, mainly because of their relative dynamism of domestic demand, differences in the sectoral structure of their imports, and their relative export competitiveness.

Chart I.1
Direction of merchandise trade, 2003-07

(a) Exports



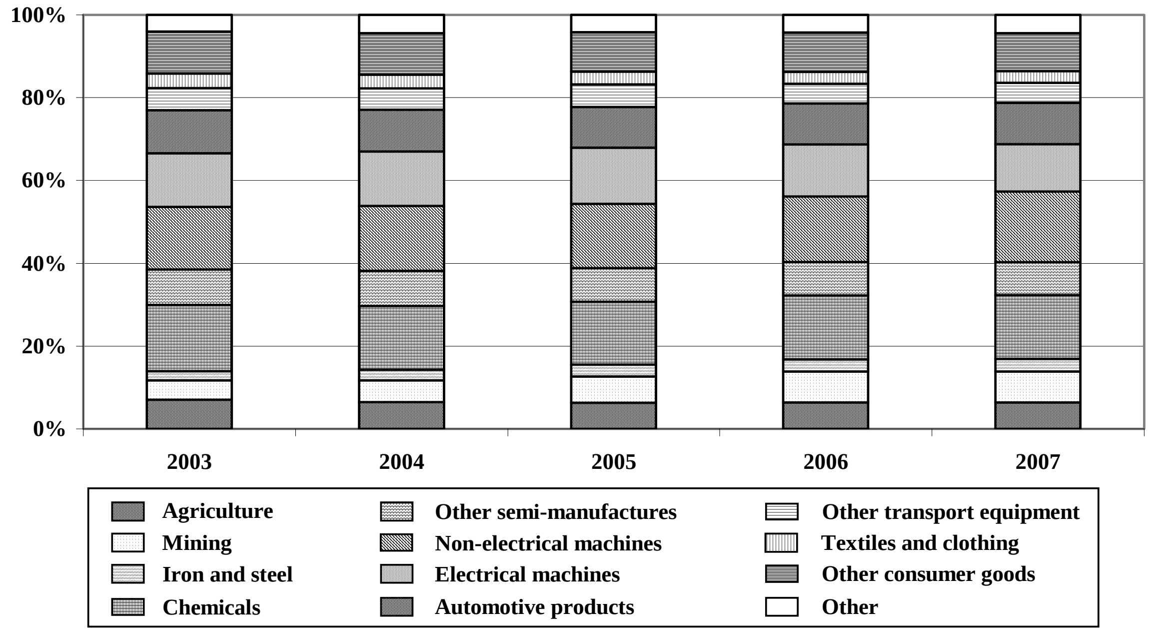
(b) Imports



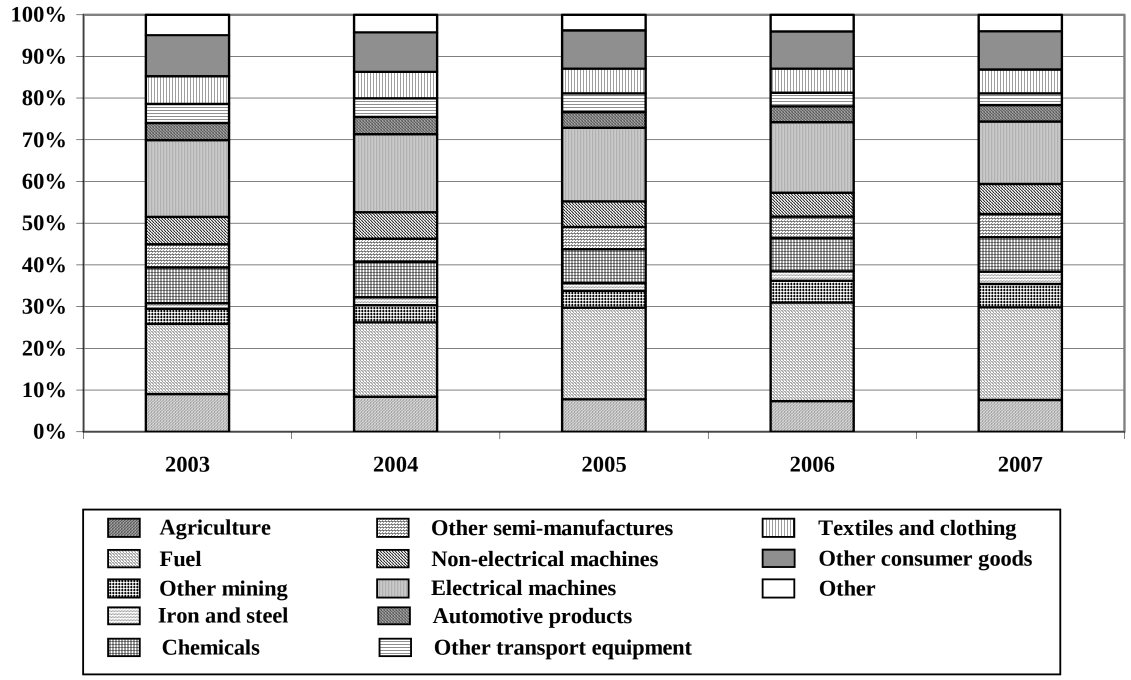
Source: WTO Secretariat calculations, based on Eurostat database.

Chart I.2
Structure of merchandise trade, 2003-07

(a) Exports



(b) Imports



Source: WTO Secretariat calculations, based on Eurostat database.

(ii) Trade in services

19. The EC-27 is the world's largest trader in services. In 2006, it accounted for 27.3% of global services exports and 24.0% of imports.[14] EC-27 services exports amounted to €501.4 billion in 2007 (up from €402.9 billion in 2005), while services imports were €413 billion in 2007 (against €350 billion in 2005) (Table I.6). Individually, the United Kingdom is the world's second most important exporter of services, followed by Germany and France. In terms of services imports, Germany ranks second in the world, the United Kingdom third, and France fifth. The United States and Switzerland are the EC's two most important partners for trade in services.

Table I.6
Trade in services, 2005-07
(€ billion)

	EC-27 Exports			EC-27 Imports		
	2005	**2006**	**2007[a]**	**2005**	**2006**	**2007[a]**
Total (extra-EC)	402.9	441.6	501.4	350.0	373.1	413.0
Transportation	104.4	109.7	118.4	87.7	96.2	102.0
Sea transport	57.5	57.9	..	44.4	49.6	..
Air transport	35.6	38.9	..	30.3	31.6	..
Other transport	11.4	12.9	..	13.0	15.0	..
Travel	65.4	71.1	76.6	83.8	85.1	94.0
Other services	230.8	260.7	304.0	176.2	191.7	214.9
Communications services	7.4	8.7	9.8	8.3	9.8	10.7
Construction services	11.2	12.1	15.9	6.1	6.6	7.9
Insurance services	6.1	14.2	14.3	8.4	7.2	7.8
Financial services	35.2	41.9	54.4	14.4	17.4	21.3
Computer and information services	17.3	21.0	23.5	8.7	9.7	10.4
Royalties and licence fees	23.7	23.4	25.6	32.1	32.6	36.2
Other business services	117.1	126.9	147.7	85.8	95.7	107.6
Personal, cultural and recreational services	4.9	4.6	5.0	6.3	5.8	5.9
Government services, n.i.e.	7.9	7.9	7.7	6.1	6.9	7.1
Services not allocated	2.3	0.0	2.4	2.4	0.0	2.2
Main trading partners						
United States	123.2	134.7	139.0	118.2	122.1	127.9
Switzerland	49.4	52.7	60.6	38.1	37.8	41.8
Japan	19.6	18.9	19.4	12.3	12.9	13.4
Norway	14.7	16.4	..	9.7	10.5	..
Russian Federation	12.3	14.2	18.2	9.1	10.8	11.5
China (excluding Hong Kong)	12.3	12.8	17.7	9.6	11.3	13.1
Canada	9.0	10.2	11.2	7.6	8.2	9.5
Singapore	8.6	10.9	..	5.6	6.3	..
Turkey	4.8	5.7	..	11.4	11.0	..
Australia	8.5	9.0	..	5.8	6.2	..
Hong Kong, China	8.3	6.9	8.4	5.6	6.7	7.8
India	5.4	7.0	9.0	4.8	5.5	6.6
Korea (Republic of)	5.8	6.4	..	3.6	4.0	..
Brazil	4.6	5.2	6.6	4.0	4.6	4.8
South Africa	5.1	5.3	..	4.1	4.4	..
Egypt	2.3	2.3	..	5.2	5.0	..
Croatia	1.9	2.3	..	4.4	4.8	..
Mexico	3.7	4.1	..	2.8	2.7	..
Thailand	1.9	2.0	..	3.7	4.5	..
Nigeria	3.5	4.5	..	1.1	1.2	..
Israel	3.1	3.1	..	2.3	2.4	..

.. Not available.

a Provisional.

Source: Eurostat online information. Viewed at: http://epp.eurostat.ec.europa.eu/portal/page?-pageid=1090, 30070682,1090_33076576&_dad=portal&_schema=PORTAL.

[14] For exports, the EC was followed by the Unites States (19.1%), Japan (6.0%), China (4.5%), and India (3.6%). For imports, it was followed by the Unites States (15.7%), Japan (7.3%), China (5.1%) and Canada (3.7%).

(iii) Foreign direct investment

20. The EC-27 remained the world's largest recipient and supplier of foreign direct investment (FDI) during the period under review. In 2006, it accounted for 40.7% of global inward FDI stock and 51.5% of global outward stock. France, the United Kingdom, and Germany were the main single net investors. Most of the new Member States have remained net FDI recipients, although the FDI outflows of many of these states have grown considerably since 2005 (Table I.7).

21. The EC is a net investor in the rest of the world. Its FDI inflows and outflows increased strongly in 2006 and in 2007 (Table I.7).

Table I.7
FDI inflows and outflows, 2005-07
(€ million)

	2005		2006		2007[a]	
	Outward flows	**Inward flows**	**Outward flows**	**Inward flows**	**Outward flows**	**Inward flows**
EC-27	577,602	480,813	605,593	539,928	913,922	677,240
EC-25	577,322	472,499	605,119	524,907	913,780	663,883
Austria	9,347	8,981	7,935	4,543	23,154	22,605
Belgium	26,261	27,640	44,774	50,944	37,881	28,537
Bulgaria	249	3,103	137	5,961	191	6,101
Cyprus	449	954	682	1,199	777	1,518
Czech Republic	-15	9,374	1,172	4,804	979	6,710
Denmark	13,032	10,373	6,771	2,888	11,863	8,272
Estonia	507	2,254	876	1,341	1,123	1,815
Finland	3,395	3,820	2,520	4,369	6,300	6,193
France	97,263	65,177	91,698	64,632	159,306	109,487
Germany	44,640	28,841	75,491	43,976	122,325	37,205
Greece	1,173	498	3,322	4,276	3,894	1,399
Hungary	1,775	6,203	15,043	15,777	25,800	26,831
Ireland	11,509	-25,482	11,746	-747	12,109	18,917
Italy	33,581	16,020	33,475	31,184	64,153	22,660
Latvia	103	573	138	1,339	166	1,595
Lithuania	278	826	232	1,448	431	1,412
Luxembourg	99,734	93,578	88,175	99,565	132,865	86,798
Malta	-16	534	0	1,481	14	696
Netherlands	109,205	38,354	37,542	6,364	22,768	72,653
Poland	2,729	8284	7,134	15,197	2,392	12831
Portugal	1,671	3,188	5,557	9,011	4,542	4115
Romania	31	5,211	357	9,060	-49	7,266
Slovakia	120	1,952	294	3,325	150	2,157
Slovenia	535	662	718	512	1,154	1,073
Spain	33,636	20,119	79,913	21,434	87,387	39,006
Sweden	21,394	8,210	17,463	18,302	26,831	13,728
United Kingdom	65,016	141,566	72,448	117,743	165,416	135,670

a Provisional.

Source: Eurostat online information. Viewed at: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1090,30070682,1090_33076576&_dad=portal&_schema=PORTAL.

(4) OUTLOOK

22. In the context of the marked slowdown in global activity and the persisting turmoil in the financial markets, the Commission's interim forecasts in January 2009 indicated a significant reduction in the EC-27's GDP growth rate, from 2.8% in 2007 to 1% in 2008 and -1.8% in 2009.[15] Several Member States are expected to experience a recession, reflecting their exposure to the global crisis and country-specific factors, notably competitiveness. For 2010, a GDP growth rate of 0.5% is estimated, with a small recovery foreseen for some, but not all, Member States. Deterioration in the labour market is also anticipated, with only 250,000 new jobs to be created during 2009-10 (compared with 6 million jobs in 2007-08). Consequently, the unemployment rate is expected to rise from 7% in 2008 to 8.7% in 2009 and 9.5% in 2010.[16]

23. Inflationary pressures, which have resulted from strong and rapid increases in food and energy prices over the last few years, are predicted to fall. As a result, consumer price inflation in the EC-27 is estimated to decrease from 3.7% in 2008 to 1.2% in 2009 and 1.9% in 2010. Reflecting the high costs of the measures envisaged to respond to the global economic downturn, the overall public deficit in the EC-27, as a percentage of GDP, is projected to deteriorate appreciably from 2% in 2008 to 4.4% in 2009 and 4.8% in 2010.[17] Given the marked slowdown in external demand, growth in exports of goods and services from the EC-27 is expected to drop by more than two thirds from 2007 to 2009, while the anticipated deterioration of imports is even more pronounced. Therefore, the current account deficit, as a percentage of GDP, is forecast to increase from 1% in 2008 to 1.5% in 2009 and 1.4% in 2010.[18]

24. In response to the current economic and financial crisis, the Commission unveiled its Economic Recovery Plan, on 26 November 2008, based on, *inter alia*, an immediate budgetary impulse amounting to €200 billion (1.5% of EC GDP), made up of €170 billion from Member States and €30 billion from EC funding.[19] In addition, the European Investment Bank (EIB) is to increase its annual level of financing by some €30 billion over 2009-10[20], and the European Bank for Reconstruction and Development (EBRD) is also expected to add €500 million per year to its present level of financing in the new Member States. The Plan falls under the Stability and Growth Pact and was approved by the European Council on 11-12 December 2008.

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[15] This situation has put a brake on domestic demand at a time when external demand has also faded. In addition, while total investment growth, together with exports, was a key driving force behind the upswing in recent years, it is expected to move from 5.4% in 2007 to 0.4% in 2008, -5.9% in 2009, and -0.6% in 2010 (DG Economic and Financial Affairs, 2009).

[16] DG Economic and Financial Affairs (2009).

[17] Member States will be allowed to exceed the public deficit limit of 3% of GDP provided they remain "close" to this figure, for a temporary period (*Financial Times*, 27 November 2008).

[18] DG Economic and Financial Affairs (2009).

[19] The Plan also promotes investment in right skills for future needs, in energy efficiency to create jobs and save energy, in clean technologies to boost activities like construction and automobiles in the low-carbon markets of the future, and in infrastructure and inter-connection for efficiency and innovation (European Commission, 2008a).

[20] EIB's financing will take the form of increased loans, equity, guarantees, and risk-sharing. EIB will offer SMEs loans for €30 billion, an increase by €10 billion over its usual lending. Some €5 billion will also be made available for the automotive industry, and an additional €5 billion offered under the trans-European energy interconnections and broadband infrastructure projects for 2009 and 2010. The Commission also calls on commercial banks to resume their key role to finance investment (European Commission online information. Viewed at: http://ec.europa.eu/economy_finance/thematic_articles/article13502_en.htm, 1December 2008).

II. TRADE AND INVESTMENT REGIMES

(1) INSTITUTIONAL FRAMEWORK

1. Since its last TPR in January 2007, no major changes have taken place in the institutional framework of the European Communities (EC). Its main decision-making bodies remain: the Council of the European Union (commonly called the Council)[1], the European Parliament, and the Commission of the European Communities (commonly called the Commission or European Commission). The Commission is the executive body of the EC. In this capacity, it, *inter alia*, proposes legislation to the European Parliament and the Council; implements EC policies and the budget; enforces EC law (together with the Court of Justice); coordinates economic policies among Member States; and negotiates international agreements, including trade and cooperation agreements. The European Parliament, currently composed of 785 deputies, exercises supervision over all EC institutions, and shares with the Council the power to legislate and approve the EC budget.[2]

2. Under the Treaty on the European Union (also referred to as the Maastricht Treaty), the EC is based essentially on three pillars. The first pillar pursues integration under the Treaties establishing the European Community; it also deals with matters formerly covered by the European Coal and Steel Community (23 July 1952 to 23 July 2002), and the European Atomic Energy Community. It addresses: citizenship of the European Union; freedom of movement; and the Economic and Monetary Union. The second and third pillars of integration, introduced in 1993 by the EU Treaty, address foreign and security policies, and justice and home affairs, respectively. The Treaty of Nice, which entered into force on 1 February 2003, aims to adapt the European institutions to the arrival of new members.

3. The European Court of Justice adjudicates on issues under EC law, and settles legal disputes between Member States, institutions, businesses, and individuals. Most of the cases fall into one of four categories: references for a preliminary ruling; actions for failure to fulfil an obligation; actions for annulment; and actions for failure to act. The Ombudsman receives complaints from EC citizens, or from natural or legal persons residing or having their legal domicile in a Member State, and helps uncover maladministration in EC institutions and bodies. The Ombudsman also carries out investigations following a complaint or on her/his own initiative. The European Court of Auditors ensures the reliability of the revenue and expenditure accounts of the EC, and the legality and regularity of the underlying transactions; it reports annually to Parliament and the Council. In particular, the Court investigates the paperwork of any person or organization handling EC income or expenditure, including through on-the-spot checks, and presents any problems to the Commission and member governments. Other key functions of the Court are annual audit reports, and opinions on proposals for EC financial legislation and for EC action to fight fraud.

4. The European Central Bank (ECB) and the European Investment Bank (EIB) are the EC's financial bodies. For the 16 EC Member States that have introduced the euro, the ECB frames and implements the monetary policy, conducts foreign exchange operations, and manages the payment system. The EIB lends money for projects of European interest, such as rail and road links, airports, and environmental schemes. It also provides credit for investment by small businesses.

[1] The Council of the European Union is also referred to as the Council of Ministers. This differs from the European Council which brings together the Heads of State or Government of the Member States of the European Union and the President of the European Commission, and gives political direction to the EC.

[2] For a detailed presentation of the EC institutions see Europa online information. Viewed at: http://europa.eu.int/inst-en.htm.

5. The Committee of Regions (CoR) and the European Economic and Social Committee (EESC) are the EC's main advisory bodies. The CoR, composed of representatives of Europe's regional and local authorities, must be consulted before decisions are taken on matters concerning regional policy, the environment, education, and transport. The EESC represents the interests of organized civil society vis-à-vis the Commission, the Council, and the European Parliament. It consists of employers, trade unions, farmers, consumers, and other interest groups. The office of the European Data Protection Supervisor is mandated to ensure that people's right to privacy is respected when personal data are processed.[3]

6. A number of specialized and decentralized EC agencies have been established to support Member States and their citizens. They are designed to cope with new tasks of a legal, technical, or scientific nature. As of October 2008, there were 23 ("first pillar") regulatory agencies, three in the field of common foreign and security policy (i.e. within the remit of the Council) and three in the field of police and judicial cooperation against organized international crime.[4] In addition, there were six executive agencies which, unlike regulatory agencies, are set up only for the duration of the Community programme that they are tasked to implement.[5]

7. Various institutional changes are expected to take place with the adoption of the Treaty of Lisbon (also known as the Reform Treaty), signed by EC leaders on 13 December 2007. The Treaty is designed to streamline the workings of the EC with a view to enhancing its efficiency and democratic legitimacy and to improving the coherence of its action. However, its ratification has not been completed.

(2) POLICY FORMULATION AND IMPLEMENTATION

8. The EC's trade policy is formulated and implemented by means of two types of legislation. Under primary legislation, i.e. treaties and other agreements of similar status, the EC concludes and implements the Common Commercial Policy (CCP), including international agreements. The CCP covers trade in goods[6], all aspects of trade in services, and commercial aspects of intellectual property as extended under the Nice Treaty. Other issues, partially covered by the CCP, include indirect taxation, standards and other technical regulations, community patents, and enforcement of intellectual property rights. The non-harmonization of some trade-related measures (including in these areas) and implementation challenges for harmonized legislation somewhat hinder trade amongst Member States. The secondary legislation comprises: regulations (with general application)

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[3] Furthermore, there are three inter-institutional bodies, the Office for Official Publications, which is responsible for producing and distributing all official EC publications; the EC Personnel Selection Office, responsible for recruiting staff to work in EC institutions; and the European Administrative School, which provides training in specific areas for members of EC staff.

[4] These agencies include: the Community Fisheries Control Agency (CFCA); the European Chemicals Agency (ECHA); the European Fundamental Rights Agency (EFRA); the European Global Navigation Satellite System Supervisory Authority (EGSA); the European Police College (CEPOL); the Education, Audiovisual and Culture Executive Agency; and the Executive Agency for the Public Health Programme. The establishment of two additional "first pillar" agencies (the Agency for the Co-operation of Energy Regulators, and the European Electronic Communications Market Authority) is under consideration.

[5] These organizations are established in accordance with Council Regulation (EC) No. 58/2003 (OJ L 11, 16 January 2003).

[6] The exclusive competence of the Community in trade in goods has been made clear in a series of judgements by the European Court of Justice. For instance, in Opinion 1/75, [1975] ECR 1355, on the Understanding of Local Cost Standard, the Court ruled that the Common Commercial Policy was conceived in the Treaty "in the context of the operation of the common market, for the defence of common interests of the Community", and that any claim of concurrent power on the part of Member States would entail the risk of "compromising the effective defence" of those interests.

that are binding and directly applicable in all Member States; directives (requiring transposition into national law and practice); decisions (binding upon their addressees); and recommendations and opinions, which are based on treaties but do not have binding force.

9. Various institutions are involved in decision-making, in particular the European Commission, the European Parliament, and the Council. New legislation is proposed by the Commission and, depending on the type of act and issue, the final decision is taken jointly by the Council and the European Parliament, and may involve the financial and advisory bodies. In addition, the Commission oversees the implementation of Community acts both at the Community level and at Member State level. The Council can amend proposed acts before adopting them, in some cases, with Parliamentary approval. Whereas Parliament makes most decisions by absolute majority of the votes cast, most Council decisions are taken by qualified majority vote (QMV).[7] The exception relates to sensitive areas, for instance taxation, where adoption of a decision requires unanimity. Alternatively, the Council or European Parliament may delegate powers to the Commission to take decisions, assisted by a committee composed of representatives from Member States (comitology).[8] The role of the committee has long been contentious between the European Parliament, the Commission, and the Council. According to critics, the comitology procedure is opaque and fails to provide stakeholders with current information.

10. The Commission used comitology procedures in 2,862 cases in 2006, up from 2,654 in 2005. The comitology agenda for 2007-08 included issues relating to, *inter alia*, the implementation of a new (comitology) procedure (regulatory procedure with scrutiny), which notably gives a veto right to the European Parliament on draft implementing measures proposed by the Commission. Since April 2008, a new online register has been in place to provide the public with, *inter alia*, access to most comitology documents (agendas of meetings, draft measures, summary records, voting results, list of participants) transmitted to the European Parliament. To further increase transparency in other areas, the Commission has also launched a European Transparency Initiative to strengthen ethics rules for EC policy-makers, some 15,000 lobbyists, NGOs, and other pressure groups. As a key component of the Initiative, the Commission has invited all interest representatives to abide by a code of conduct, to declare their lobbying activities and to provide financial information in a public registry as of June 2008.

11. Three decision-making processes are used: co-decision, assent, and consultation. However, matters falling under the CCP are decided by the Council, acting in most cases under QMV without consulting the European Parliament. The co-decision procedure is used for most EC law-making. Under this procedure, the European Parliament shares legislative power with the Council. However, if the two institutions cannot agree on the proposed legislation, it is put before a conciliation committee composed of equal numbers of representatives from the two institutions. After the committee reaches an agreement, the text is sent back to Parliament and the Council for adoption as law. This procedure covers issues affecting the internal market, such as free movement of workers, customs cooperation, services, education, health, trans-European networks, right of establishment, environment, culture, and research. Under the assent procedure, the Council must obtain Parliament's assent before certain decisions are taken. Parliament cannot amend a proposal; it must either accept or reject it. Under the consultation procedure, Council consults Parliament, as well as the EESC and

[7] Areas requiring QMV include: changes in tariff rates; conclusion of agreements on tariffs and trade (on goods and services) and on commercial aspects of intellectual property, with some exceptions for services and intellectual property; achievement of uniformity in liberalization measures; export policy; and trade defence measures such as anti-dumping and countervailing duties.

[8] See EURIM online information. Viewed at: http://www.eurim.org/EURGUIDE.html#Diff_kinds. The committee considers the draft of the measures to be taken and delivers its opinion by majority as laid down in Article 205(2) of the Treaty (see Council Decision 1999/468/EC, 28 June 1999).

the CoR, before an Act is adopted. Parliament may approve the proposal, reject it, or request amendments.[9] However, the Council is not bound by Parliament's position. Acceptance by Parliament requires an absolute majority of the votes cast. The procedure is applicable to decisions concerning accession of new Member States, association agreements, other "fundamental" agreements with third countries, and structural and cohesion funds.

12. Before it commences negotiations on international agreements, the Commission must have prior authorization from the Council.[10] Moreover, Parliament must either be consulted or give its assent for the conclusion of agreements that are beyond the scope of the CCP, including Association and Cooperation Agreements. Other agreements requiring approval, including by the Member States individually, are those that go beyond the Community's powers as conferred by the Treaty of Nice, or what is necessary for the achievement of Community objectives.[11] With an enlarged EC, the approval requirements of both the Community and Member States may be lengthy. There has been a call for most decisions to be taken by qualified majority voting.

13. Since 1999, the Commission has been holding a regular dialogue with civil society with a view to making its trade policy formulation more transparent and participative. Organizations involved include business associations, chambers of commerce, trade unions, and other non-governmental organizations. The Commission uses *ex-ante* trade sustainability impact assessments (SIAs) to analyse the economic, environmental, and social impact of trade agreements, in the EC itself and in its trading partners.[12] They are designed to help inform decision-makers, and contribute to the transparency of trade policy by taking into account the views of stakeholders in the EC and partner countries. As a result of Trade SIAs, which are carried out by independent consultants, measures may be proposed to enhance positive effects and prevent/mitigate negative effects, both trade and non-trade-related. Trade SIAs are also carried out for the Doha Round negotiations.

(3) TRADE POLICY OBJECTIVES

14. The Treaty of Nice establishes the overall objectives of the EC's trade policy. As established by Article 131, the EC common policy aims to "contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers". This objective is in line with the general aims of the Treaty "to promote, throughout the Community, a harmonious, balanced and sustainable development of economic activities, a high level of employment and social protection, equality between men and women, a high degree of competitiveness and convergence of economic performance, a high level of protection and improvement of the quality of the environment, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Members".

[9] If Parliament suggests amendments, the Commission must consider all the changes; if it accepts the suggestions it sends an amended proposal to the Council. The Council examines the amended proposal and either adopts it or amends it further; if it decides to amend the proposal, it must do so unanimously.

[10] The negotiations are conducted under directives from the Council, and in consultation with a special committee appointed by the Council in accordance with Article 133(3) of the EC Treaty. This special committee (sometimes referred to as the 133 committee) consists of experts from Member States and functions as a permanent regulator to the Commission (OJ C 325, 24 December 2002).

[11] Shared competence applies in: the internal market; the areas of freedom, security, and justice; agriculture and fisheries (excluding the conservation of marine biological resources); transport and trans-European networks; energy; social policy; economic, social and territorial cohesion; environment; consumer protection; and public health.

[12] For additional information concerning SIA, including the SIA Handbook for methodology, see European Commission online information. Viewed at: http://ec.europa.eu/trade/issues/global/sia/index_en.htm.

15. In particular, the EC's trade policy seeks to promote European interests in open markets, the progressive abolition or lowering of obstacles to international trade, and clear regulatory frameworks. It also aims to contribute to sustainable development in the context of the WTO negotiations and by integrating more countries in world trade.[13] In addition, the EC seeks to defend values on democracy, rule of law, environment, social rights, public services, cultural diversity, and food security.

16. These objectives are to be achieved at the multilateral, bilateral, and unilateral levels. At the multilateral level, the EC prioritizes the liberalization of its trade regime in the framework of the WTO. The rationale for its bilateral agreements includes: trade expansion and rule-making ("WTO +"); promotion of sustainable development, including at the regional level; and neighbourhood policy. Specific trade policy measures *vis-à-vis* third countries and regional areas, and unilateral measures are taken in the interests of development or political stability in line with the EC's political priorities.[14]

17. Through its Single Market Policy, the EC seeks to improve the free movement of goods, services, capital, and labour within the Community, via a wide range of regulatory measures and actions. The regulatory measures cover: indirect taxation, mutual recognition, standardization, harmonization of national rules governing unfair commercial practices, air traffic control management, railways, procedures for the elimination of double taxation, public procurement, Community patent, enforcement of intellectual property rights, and corporate governance. The Commission's communication on "A Single Market for 21st century Europe" provides an assessment of the single market and sets out a number of initiatives and actions to make use of the untapped potential of the single market.[15] Despite some progress, the single market is not yet a reality in all areas. For example, markets are still fragmented in retail financial services, public procurement, transport, energy, intellectual property, and telecommunications.[16]

18. The Commission is working, in partnership with Member States, to ensure that measures are transposed into national law on time and properly applied. According to the Internal Market Scoreboard of 9 July 2008, on average, only 1.0% of directives for which the implementation deadline had passed had not been transposed into national law, down from 1.6% in February 2006 and against a benchmark of 1.5% agreed by Heads of State.[17] The EC also seeks to give businesses and citizens a quick and effective means of redress through the SOLVIT problem-solving network.[18]

(4) TRADE REGULATIONS AND BUSINESS ENVIRONMENT

19. Article 157 of the EC Treaty is the basis for the Commission's enterprise policy, which is shaped by work in three key areas: SMEs, innovation, and competitiveness, including single market opportunities and benefits. The EC's policy on SMEs, adopted in 2005, is geared towards creating a

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[13] European Commission (2007l).

[14] For example, the EC implements the Generalized System of Preferences (GSP), including the special arrangements on GSP+ and the Everything But Arms Initiative (EBA); and asymmetrical preferences, e.g. for the Balkans and Moldova, with the aim of ensuring peace, stability, freedom and economic prosperity in the region.

[15] European Commission (2007a).

[16] European Commission (2007m). Further liberalization measures are to be adopted in areas such as transport, energy, and telecommunications.

[17] European Commission online information, "Internal Market Scoreboard". Viewed at: http://eu.europa.eu/internal_market/score/index_en.htm.

[18] SOLVIT is an online network in which Member States work together to pragmatically solve, without legal proceedings, problems caused by the misapplication of Internal Market law by public authorities.

more coherent, pragmatic and horizontal framework for enterprises.[19] It proposes action in five key areas: promoting entrepreneurship and skills; improving SMEs' access to markets; cutting red tape by simplifying the regulatory and administrative constraints on SMEs; improving SMEs growth potential; and strengthening dialogue and consultation with SME stakeholders.[20]

20. EC enterprise policy focuses on fostering the competitiveness and innovation capability of all businesses by establishing a dynamic enterprise environment; and aims to ensure that businesses have effective access to markets for their goods and services, as well as access to finance. A key financing instrument is the Entrepreneurship and Innovation Programme (EIP) under the Competitiveness and Innovation Framework Programme (CIP). Other sources of financing are the Structural Funds and the European Investment Bank. In addition, various support networks created by the EC help businesses gain a better understanding of European issues.[21] Numerous initiatives and funds to support the creation of new businesses exist at the national and regional levels.

21. The CIP, running from 2007 to 2013 with a budget of €3.6 billion, aims to encourage the competitiveness of European enterprises through increased use of information technologies, environmental technologies, and renewable energy sources.[22] With SMEs as its main target, the programme supports innovation activities (including eco-innovation), provides easier access to finance, and delivers business support services in the regions. The "i2010" programme, the Commission's strategic framework for the information society, aims to boost the digital economy. It addresses the issues of the appropriate legal framework for electronic communications and audiovisual contents, the priorities for research spending on ICT, and the promotion of these new technologies and services.

22. The EC Treaty prohibits restrictions on the freedom of establishment, including setting-up of agencies, branches or subsidiaries. This freedom includes the right to take up and pursue self-employed activities, and to set up and manage undertakings, in accordance with national laws. However, based on Articles 46 of the Treaty, derogations may be invoked with respect to provisions on special treatment of foreign nationals on grounds of public policy, public security or public health. This freedom also extends to companies or firms established in a Member State and having their registered office, central administration or principal place of business within the Community.[23] The Statute for a European Company, which entered into force in 2004, allows companies operating in more than one Member State to establish themselves as a single company called a Societas Europaea (SE).[24] SEs operate throughout the EC under one set of rules and a unified management and reporting system. By October 2008, around 185 SEs were established in 18 EEA Member states, mostly in

[19] COM(2005) 551. Also see Commission Recommendation No. 2003/361/EC of 6 May 2003, OJ L124, 20 May 2003.

[20] On 25 June 2008, the Commission adopted a Communication on a Small Business Act for Europe, which sets out a strategy to make SMEs more competitive, including a set of principles to make policies at EC and national levels more SME-friendly.

[21] These include the Enterprise Europe Network, which replaces the Business to Europe (B2Europe) initiative; the Euro Info Centre and the Innovation Relay Centres; and the network of Organizations for Promotion of Energy Technologies. The EC cooperates with its partners on industrial policy by establishing different forms of exchange, including industrial round-tables and industrial cooperation.

[22] COM(2005) 121 final.

[23] For additional information on EU companies laws, see Europa online information. Viewed at: http://europa.eu/scadplus/leg/en/s09000.htm.

[24] Council Regulation (EC) No. 2157/2001, 8 October 2001. The regulation is complemented by the Council Directive supplementing the Statute for a European Company with regard to the involvement of employees (OJ L 294, 10 November 2001, pages 22-32.).

Germany and the Czech Republic. Likewise, the Statute for a European Cooperative Society allows the creation of a Societas Cooperativa Europaea (SCE).[25]

23. In July 2007, the Commission published a review of its industrial policy to take stock of progress and set out plans for the period 2007-09.[26] Planned actions include simplifying the regulatory framework and reducing the administrative burden on enterprises, and stimulating innovation.

(5) TRADE AGREEMENTS AND ARRANGEMENTS

(i) Overview

24. The EC continued its process of enlargement during the period under review, with Bulgaria and Romania joining in January 2007. The EC maintained its status as one of the key players in the WTO and a major force behind the Doha Development Agenda (DDA) negotiations. Provided the overall package is acceptable, the EC has stated that it would be prepared to reduce overall trade distorting subsidies in agriculture by up to 80%, to eliminate export subsidies by 2013, and to significantly cut its average tariffs. In NAMA, the EC has accepted the current negotiating texts as a basis for an agreement, with lesser cuts and space to shelter sensitive products for developing countries. The EC has emphasized the importance of achieving a substantive result in both services and geographical indications (register and extension) if the overall package is to be acceptable. In the context of the current economic downturn, the EC has underscored the importance of Doha as the best policy vehicle to prevent trade protectionism.

25. The EC continued to build upon its wide network of preferential trade agreements (PTAs) with both developed and developing countries. It considers its PTAs as part of a broader policy of promoting multilateralism. Thus, a significant number of its negotiations are with, or encourage creation of, regional groupings. These include the MERCOSUR; the Gulf States; the Association of Southeast Asian Nations; Economic Partnership Agreements (EPAs) with the African, Caribbean and Pacific (ACP) countries; and the Euro-Mediterranean free-trade area. As a result of its numerous preferential agreements and its GSP scheme, the EC's entirely MFN regime applies to only nine WTO Members (Australia; Canada; Chinese Taipei; Hong Kong, China; Japan; Republic of Korea; New Zealand; Singapore; and the United States). These nine WTO Members accounted for 27.5% of the EC's total merchandise imports in 2007, down from some 30% in 2005.

26. The EC's preferential trade agreements have so far resulted in free trade in non-agricultural goods, and limited liberalization of trade in agricultural goods; some also cover trade in services. Some of the EC's reciprocal preferential arrangements consist of both bilateral and multilateral aspects, and in almost all cases, liberalization is asymmetrical, with the EC's partners liberalizing at a slower pace than the EC, and over different transition periods to reflect country and regional needs. The arrangements cover, *inter alia*, harmonization of technical requirements and standards; protection of intellectual property rights; liberalization of investment and capital flows; cooperation on competition policies; government procurement; trade defence instruments; and dispute settlement. Furthermore, the EC claims that its PTAs take into account social and environmental considerations through sustainability impact assessments; they usually also contain provisions on political or cultural cooperation. The EC has continued to review its arrangements under the Cotonou Agreement and has replaced the unilateral preferences granted under this Agreement by reciprocal preferences through Economic Partnership Agreements with the ACP countries.

[25] Council Regulation (EC) No.1435/2003, 22 July 2003.
[26] COM(2007)/917.

27. In 2007, the EC started negotiations on new PTAs with India, Korea, and members of ASEAN. Negotiations with the Gulf Cooperation Council are ongoing, while negotiations with MERCOSUR were suspended in September 2004.

(ii) WTO

28. The EC is an original Member of the WTO in its own right; each of its Member States is also a WTO Member. The EC grants at least MFN treatment to all trading partners.

29. The EC is one of the most active participants in the WTO and a key player in the Doha Round negotiations. Together with some of its Member States, the EC also contributes to the DDA Global Trust Fund and financed or co-financed specific activities under the DDA. It co-funded the WTO Public Forum 2007.

30. Since its last TPR in January 2007, the EC has continued to focus on: improved market access for non-agricultural goods and services, based on a non-linear formula that would cut the highest tariffs most, but offer flexibility for developing countries; liberalization of agriculture in accordance with the July 2004 Framework Agreement; a fair, predictable, and transparent rules-based system to govern world trade and investment; incorporation of the development priorities of its trading partners in the negotiations; provision of trade-related assistance to help developing countries to build their trade capacity, implement DDA conclusions, and enable them to participate in the negotiations. The EC has also been encouraging developed countries and those developing countries in a position to do so, to provide duty-free and quota-free access to products originating in LDCs. The EC has always supported a round whereby contributions are calibrated with appropriate S&D treatment for the weakest and most vulnerable Members. Furthermore, the EC supports key elements of sustainable development (environment protection, liberalization of trade in environmental goods and services, social development, and consumer concerns).

31. On agricultural goods, the EC offer has been, since October 2005, to increase market access and decrease domestic support, and to eliminate all trade-distorting export practices by 2013, including export subsidies. More specifically, the EC accepted to reduce (up to 80%) its overall trade distorting support and to cut its final bound tariffs by between 50% and 70% (except on some sensitive products) depending on the level of the tariffs, while developing countries would cut tariffs by two thirds of the rates set for developed countries. It has also called for an enhanced extension of the possibilities to protect agricultural products through a multilateral register for geographical indications, and the extension of additional protection of geographical indications for wines and spirits (under the TRIPS Agreement) to other products, with a view to improving the possibilities for consumers to choose quality products.

32. The objectives of the EC in the negotiations on non-agricultural goods include the achievement of effective market access in conjunction with an improved rules-based system. In the NAMA negotiations, the EC is seeking meaningful liberalization across all non-agricultural products, which represent over 70% of developing country exports, with particular emphasis on sectors where high tariff peaks and non-tariff barriers exist. The EC considers that the main contributions to this initiative should come from developed countries; it also expects major advanced developing countries to make significant contributions in market access for non-agricultural goods (representing over 60% of DCs' exports). While the EC supports flexibility for other developing countries, it also expects them to make a contribution to the trade negotiations.

33. The EC has submitted proposals and initiatives on tariff reductions for all WTO Members on textiles, clothing, and footwear to bring tariffs to a narrow common range, as close to zero as possible.

The EC has also sponsored sectoral initiatives for chemicals, machinery, and gems and jewellery. On non-tariff barriers, it has submitted proposals on the elimination of export taxes, as well as of non-tariff barriers for electrical and electronic products, textiles, clothing, and footwear. It has proposed to create a mediation mechanism to solve disputes and controversies. The EC also advocates substantial changes to multilateral rules on contingency measures, regional trade agreements, geographical indications, trade and environment, and trade facilitation.

34. In the negotiations on services, the EC's objectives include: removing barriers to trade in services; a more transparent and non-discriminatory regulatory environment; preserving public services and cultural diversity; and helping developing countries to benefit from trade in services. The EC submitted its initial offer in June 2003[27], its improved conditional offer in June 2005[28], and its revised request in January 2006.[29]

35. The EC has generally met its notification obligations during the period under review, which has contributed to the transparency of its trade regime. Its notifications during the period cover trade-related legislation and measures, and its applied MFN tariff as of January 2008 (notified to the WTO Integrated Database (IDB)). In 2006, the EC notified the WTO of the accession of Bulgaria and Romania.[30] Other notifications cover reports on developments in the use of various trade policy instruments (Table AII.1).

36. The EC remains one of the most active Members in WTO dispute settlement.[31] During the period under review, the EC initiated six new disputes[32], and was a respondent in six cases.[33] In addition, it was a third party in 13 disputes.[34]

37. The EC's position in the review of the Dispute Settlement Understanding (DSU) under the Doha Ministerial Declaration has not changed since its last TPR in 2007. It has submitted proposals on: the use of permanent panellists; clarification of the DSU provisions on implementation, and the sequencing issue[35]; the arbitration procedure on the level of suspension of concessions; and the establishment of a procedure to lift suspension of concessions once a losing party has implemented changes. Other concerns include the improvement of trade compensation as a remedy; speeding up the process whenever this is feasible and justified; and increasing transparency.[36]

[27] WTO document TN/S/O/EEC, 10 June 2003.

[28] European Commission online information, "Communication from European Communities and their Member States, Conditional Revised Offer". Viewed at: http://trade.ec.europa.eu/doclib/docs/2005/january/tradoc_121197.pdf.

[29] The revised request seeks a reduction in market access restrictions and thus an expansion in trading opportunities for the European services industry.

[30] WTO document WT/REG220/N/1, 2 October 2006.

[31] Since the beginning of WTO/GATT dispute settlement, the EC has been a complainant in 79 cases, a respondent in 62 cases, and a third party in 82 disputes.

[32] WTO documents WT/DS/352, 353, 364, 370, 370, 372, and 380.

[33] WTO documents WT/DS/361, 364, 369; 375; 376; 377

[34] WTO documents WT/DS/331, 334, 335, 336, 343, 344, 345, 355, 360, 362, 363, 366, and 367.

[35] "Sequencing" relates to the steps that need to be taken, and their order, before determining that the losing party has not complied correctly with the DSB recommendations, and reacting accordingly.

[36] WTO document TN/DS/W/38, 23 January 2003.

(iii) Preferential trade agreements and arrangements

(a) Agreements with European countries/groupings

EC accession

38. Having signed the Treaty of Accession in April 2005, Bulgaria and Romania became full members of the EC in January 2007. As for other acceding countries, accession implied meeting the Copenhagen criteria: stable institutions guaranteeing democracy; the rule of law; respect for protection of human rights and minorities; existence of a functioning market economy, and capacity to cope with market forces and competitive pressures within the Union; and ability to take on the obligations of membership. While there are no transitional restrictions on trade in goods with Bulgaria and Romania, a few transitional arrangements apply in other specified areas.[37] In particular, EC-25 countries may apply transitional measures on access to their labour markets by workers from Bulgaria or Romania: currently Austria, Belgium, Denmark, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Spain, and the United Kingdom apply such measures. Moreover, until January 2010, Bulgarian and Romanian transport companies may not provide land cabotage services in the other Member States. For their part, Bulgaria and Romania have the right to restrict the acquisition of agricultural land by non-nationals for a period of seven years.

39. Various countries that acceded in 2005 have been allowed to maintain temporary restrictions on the acquisition of agricultural land by non-nationals (Czech Republic, Estonia, Latvia, Lithuania, Hungary, and Slovakia for seven years; Poland for twelve years). Furthermore, as of October 2008, transitional restrictions were maintained by Austria, Belgium, Denmark, and Germany on access to their labour markets by workers from eight members that acceded to the EC in 2005.[38]

European Economic Area

40. The Agreement establishing the European Economic Area (EEA Agreement), negotiated between the EC and EFTA states, entered into force on 1 January 1994. Among EFTA states, the EEA remains in force for Iceland, Liechtenstein, and Norway (but not Switzerland), and allows them to participate in the internal market without assuming the full responsibilities of EC membership. The Agreement covers all four pillars of the internal market, i.e. freedom of movement of goods (excluding agriculture and fisheries, which are included to a very limited extent), persons, services, and capital. It also covers other horizontal issues on social policy, consumer protection, environment, company law, and statistics.[39] In these horizontal areas, the EEA-EFTA States adopt EC legislation. Moreover, the substantive competition rules of the agreement correspond to the Community *acquis*. The agreement is implemented through a set of special institutional arrangements and updated through continuous incorporation of new Community legislation.[40]

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[37] The transitional measures are specified in Annexes VI (Bulgaria) and VII (Romania) to the Accession Protocol.

[38] For detailed information about transitional restrictions on labour market access by workers from new EC Members, see European Commission online information. Viewed at: http://ec.europa.eu/employment_social/free_movement/enlargement_en.htm

[39] In addition, the Agreement contains provisions to allow cooperation between the EC and the EEA-EFTA states on research and technological development, information services, education, small and medium-sized enterprises, tourism, the audio-visual sector, and civil protection.

[40] An EEA Joint Committee is mandated to adopt decisions extending Community regulations and directives to EEA-EFTA States. It currently has four sub-committees on: free movement of goods; free movement of capital and services; free movement of persons; and horizontal and flanking policies.

41. Article 19 of the EEA Agreement provides for reviews, at two-year intervals, of the conditions of trade in agricultural products between parties. Bilateral negotiations were resumed in early 2008, with a view to furthering bilateral concessions and integrating Norway into regional trade in Europe. A major challenge in 2005/06 was to ensure that the EEA was enlarged at the same time as the EC. To this end, an EEA Enlargement Agreement was negotiated between the EC (its Member States), the EEA-EFTA states, and Bulgaria and Romania. The agreement entered into force on 1 January 2007, allowing for the simultaneous enlargement of the EC and the EEA.

Switzerland

42. Relations between the EC and Switzerland are governed by the EC-Switzerland Agreement of 1972, which established free trade in goods and competition rules, and a total of 16 bilateral agreements, of which the first seven entered into force in June 2002.[41] The agreements cover, *inter alia*, the free movement of persons, trade in agricultural products, public procurement, technical barriers to trade, air transport, transport by road and rail, research, taxation of savings, and fight against fraud. The bilateral agreements with the expanding EC have resulted in market liberalization between the two partners, and considerable convergence of Swiss regulations to those of the EC. Negotiations on trade in services have been suspended since March 2003. Negotiations on trade in agri-food products were to begin in November 2008.

Western Balkans

43. Since 1999, the EC has been pursuing a stabilization and association strategy with the countries in the Western Balkan region. The policy framework for the EC's relationship with these countries was reaffirmed by the 2003 Thessaloniki Agenda, which also provides for multilateral, bilateral, and unilateral trade measures. Stabilization and association agreements (SAAs) are in place with Croatia and the Former Yugoslav Republic of Macedonia (FYROM). Pending the ratification of the SAAs with Albania, Bosnia and Herzegovina, Serbia, and Montenegro, the trade part has entered into force through Interim Agreements, except with Serbia.[42] The EC has granted autonomous trade measures to the Western Balkan countries, including the customs territory of Kosovo[43], allowing for non-reciprocal duty-free access to the EC market for products from the region.[44] In 2005, the autonomous trade measures were renewed until the end of 2010.[45]

44. Accession negotiations with Croatia have been ongoing since 2005, while candidate status was granted to the FYROM in 2005. The EC has also supported regional integration under the Central European Free Trade Agreement (CEFTA) to complement the SAA process.[46] At the multilateral level, the Commission supports the accession of Bosnia and Herzegovina, Montenegro, and Serbia to the WTO.

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[41] For further details, see European Commission online information. Viewed at: http://ec.europa.eu/comm/external_relations/switzerland/intro/index.htm.

[42] The EC has granted non-reciprocal preferences to the Western Balkans. See Council Regulation (EC) No. 2007/2000, OJ L 240, 23 September 2000, as last amended by Commission Regulation (EC) No. 407/2008, OJ L 122, 7 May 2008.

[43] Kosovo as defined by UNSCR 1244.

[44] Council Regulation (EC) No. 2007/2000, OJ L 240, 23 September 2000, as last amended by Commission Regulation (EC) No. 407/2008, OJ L 122, 7 May 2008. Under this scheme, most products are given duty-free and quota-free access with the exception of wine and certain fishery products.

[45] Council Regulation (EC) No. 1946/2005, OJ L 312/2005, 14 November 2005.

[46] CEFTA entered into force for all parties on 22 November 2007. In addition to the Western Balkans countries and UNMIK/Kosovo, the CEFTA also includes Moldova. It is a single FTA for all parties, replacing the previous network of more than 30 bilateral FTAs.

Other European agreements

45. The EC opened accession negotiations with Turkey in October 2005. The analytical examination of the *acquis,* the first phase of accession negotiations, lasted until the end of 2006. Since the beginning of negotiations, eight of 33 chapters have been opened, and one, on science and research, was provisionally closed in June 2006.[47] The current principles, priorities, and conditions for the EC's accession partnership with Turkey are laid down in a Council decision of February 2008.[48] In the meantime, trade relations continue under the EU-Turkey Customs Union established in 1995. Although there is no timetable for the full integration of agriculture into the customs union, a decision taken in 1998 (98/223/EC) allows for asymmetric partial liberalization of trade in agricultural products (in favour of Turkey). In 2006/07, further trade concessions were established for basic and processed agricultural products, to take into account the enlargement of the EC by ten new Member States. In 2000, the two parties began negotiations with the aim of reaching agreements on trade in services and government procurement; these negotiations are now part of Turkey's EC accession process. The customs union agreement makes use of the pan-Euro-Mediterranean system of cumulation of origin, and covers technical barriers to trade, competition policies, and protection of intellectual property rights.[49]

46. The EC also has customs union agreements with Andorra and San Marino, and a free-trade agreement with the Faeroe Islands. In the framework of free-trade agreements between the EC and third countries, products originating in Andorra or San Marino normally benefit from the preferences granted to the EC. The Faeroe Islands now also participate in the pan-Euro-Mediterranean system of cumulation of origin.

(b) Agreements with non-European countries or groupings

Chile

47. Since February 2003, an Association Agreement has governed trade relations between the EC and Chile.[50] The agreement provides for progressive and reciprocal liberalization of trade in goods over a ten-year period.[51] It also covers services, government procurement, liberalization of investment and capital flows, protection of intellectual property rights, cooperation in the field of competition, and dispute settlement. In addition, it contains provisions on customs and related areas, and standards, technical regulations, and conformity assessment procedures.[52]

Mexico

48. Trade relations between the EC and Mexico are governed by a free-trade agreement that entered into force in October 2000.[53] The FTA covers trade in goods and services, public procurement, competition, intellectual property rights, investment, and dispute settlement. In

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[47] European Commission (2007..).

[48] Council Decision 2008/157/EC of 18 February 2008.

[49] European Commission online information. Viewed at: http://ec.europa.eu/comm/enlargement/turkey/index.htm.

[50] The Association Agreement was notified in WTO document WT/REG164/N/1, 18 February 2004.

[51] European Commission online information. Viewed at: http://ec.europa.eu/comm/trade/issues/bilateral/countries/chile/index_en.htm.

[52] See WTO (2004) for further details.

[53] The Economic Partnership, Political Co-ordination and Co-operation Agreement has three pillars: political dialogue, trade liberalization, and cooperation. European Commission online information. Viewed at: http://europa.euEC.int/comm/external_relations/mexico/intro/index.htm; and http://europa.euEC.int/comm/trade/issues/bilateral/countries/mexico/index_en.htm.

accordance with the agreement's asymmetric liberalization schedule, all duties on non-agricultural imports from Mexico were removed by the EC in 2003, whereas Mexico lifted all duties on EC non-agricultural goods in 2007. The phasing out of duties in preferential agricultural and fishery trade will be achieved by 2010. The FTA also provides for preferential treatment in services, through a standstill clause that prevents both parties from introducing new discriminatory measures, and through a schedule for the elimination of remaining discrimination over ten years. In accordance with the review clause of the agreement, adjustments to the FTA are under negotiation in the agriculture, services, and investment sectors, so as to increase integration between the economies.

Mediterranean countries

49. Under the Barcelona process, the EC and the Mediterranean (MED) countries aim to establish a Euro-Mediterranean free-trade area by 2010, i.e. free trade in non-agricultural products, and progressive liberalization of trade in agricultural goods and services.[54] The free-trade area is being established, on the one hand, through the conclusion of Euro-Mediterranean association agreements between the EC and individual Mediterranean countries and, on the other hand, through the conclusion of free-trade agreements between the Mediterranean partners themselves. Under the association agreements, the MED partners will fully liberalize their trade in non-agricultural goods over a 12-year transition period (15 in the case of Egypt), while imports of these products from the MED countries will have duty- and quota-free access to the EC from the date of entry into force of the association agreements.[55] All agreements, except the one with Syria, have entered into force.

50. The EC supports free-trade arrangements amongst the Mediterranean countries, as a means of regional integration (e.g., the Agadir Agreement concluded between Morocco, Tunisia, Egypt, and Jordan).[56] Since launching the Barcelona process, progress has been made through, *inter alia*, reduction of tariffs, elimination of quantitative restrictions, removal of non-tariff barriers, adoption of pan-euro-med rules of origin, and trade facilitation. Presently, the MED countries enjoy duty-free access for non-agricultural goods to the EC market and are reciprocating through progressive tariff dismantling over transitional periods.

51. Negotiations on the liberalization of services and the right of establishment were launched in March 2006, following a two-track approach: negotiations on general provisions of interest to all parties should be conducted collectively, while negotiations on matters, such as schedules of specific commitments, should be conducted on a bilateral basis. In 2008, negotiations on services were launched with Egypt, Israel, Morocco, and Tunisia.

52. Furthermore, negotiations to deepen agricultural trade liberalization and on a dispute settlement mechanism started in 2006. Agricultural negotiations were concluded with Egypt and Israel in 2008. A protocol establishing a dispute settlement mechanism with Tunisia was signed in July 2008. Furthermore, preparations are under way on how to further develop the trade agenda with Mediterranean partners with a view to, *inter alia*, deepening current association agreements on trade-related regulatory areas.

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[54] The Mediterranean partners are Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia, and Turkey. Libya has observer status since 1999.

[55] The agreements also provide for reciprocal liberalization of imports of raw and processed agricultural and fishery products, where mutual concessions are given in various forms, including zero tariff, reduced import duties (both within and out of quota), and increased tariff quotas. In addition, the agreements contain basic provisions on trade in services and the right of establishment, capital movements, public procurement, competition rules, origin rules, and intellectual property rights.

South Africa

53. Trade relations between the EC and South Africa are governed by the Trade, Development and Co-operation Agreement (TDCA).[57] The agreement provides for (asymmetrical) trade liberalization in favour of South African goods and services until 2012. It also contains provisions for cooperation on competition, right of establishment, and supply of services. Separate agreements on wines and spirits, signed in January 2002, are applied provisionally; they provide for reciprocal protection of wine and spirits names, cover oenological practices and processes, as well as product specifications. Both parties are working to solve pending technical issues in agricultural trade, rules of origin, and anti-dumping.

54. In June 2006, the EC proposed a Strategic Partnership to set out a comprehensive long-term framework for its economic and political relations with South Africa. The EC also adopted a negotiating mandate to amend the TDCA with a threefold purpose: to bring the agreement into line with the revised Cotonou Agreement as regards new political provisions on issues such as terrorism or weapons of mass destruction; to achieve further trade liberalization; and cooperation in other areas. In March 2007, following the request by the SADC-EPA group, the EC decided to include South Africa in the negotiations for the conclusion of an EU-SADC Economic Partnership Agreement (see below).

Economic Partnership Agreements

55. The EC's trade relations with the African, Caribbean and Pacific (ACP) countries are governed by the Cotonou Agreement, which was concluded for a 20-year period from March 2000 to February 2020. The agreement is based on five interdependent pillars: an enhanced political dimension; increased participation; a more strategic approach to cooperation focusing on poverty reduction; new economic and trade partnerships; and improved financial cooperation. Under the agreement, ACP countries (except for South Africa), have benefited from non-reciprocal trade preferences during an interim period (2001-07), i.e. duty-free treatment on industrial, certain agricultural, and fishery products, subject to a safeguard clause. Until 31 December 2007, these trade preferences were under the cover of a WTO waiver approved at the Doha Ministerial Meeting.[58] For certain products, the EC provided special market access under "commodity protocols".[59] The Cotonou Agreement provides for a revision clause (Article 95) and for its adaptation every five years (with the exception of the economic and trade provisions for which there is a special review procedure). The amendments resulting from the first revision in 2004-05 covered the political dimension, development strategies, investment facility, and implementation, as well as management procedures.[60] The revised Cotonou Agreement entered into force in July 2008.[61]

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[56] For additional information on EC-Mediterranean arrangements see European Commission online information. Viewed at: http://ec.europa.eu/comm/trade/issues/bilateral/regions/euromed/index_en.htm.

[57] The agreement was signed in October 1999 and, following provisional and partial implementation from 1 January 2000, entered fully into force in May 2004. The agreement was notified in WTO document WT/REG113/1, 7 December 2000.

[58] WTO document WT/MIN(01)/15, 14 November 2001.

[59] The products concerned are bananas, beef and veal, and sugar.

[60] European Commission online information. Viewed at: http://ec.europa.eu/comm/development/body/cotonou/pdf/negotiation_20050407_en.pdf#zoom=100.

[61] For early application, transitional measures allowed the majority of the revised provisions to enter into force upon signature during the ratification process.

56. Since September 2002, the EC has been negotiating economic partnership agreements (EPAs) with the African, Caribbean and Pacific (ACP) countries.[62] The negotiations are to replace the unilateral preferences granted under the Cotonou Agreement by bilateral preferences granted under EPAs. EPAs are based on four main pillars: (i) partnership, entailing rights and obligations for both sides; (ii) regional integration, taking into account existing integration initiatives[63]; (iii) development, taking account of the economic, social, and environmental constraints of ACP countries; and (iv) link to the WTO, with a view to facilitating the gradual integration of ACP countries into the world economy. Specifically, the agreements provide for progressive liberalization of trade in both goods and services, and address other trade-related issues.[64] Development concerns are reflected through flexibility vis-à-vis depth of liberalization, its asymmetry, length of transition periods, trade coverage and exceptions, and through EC support measures.

57. The Cotonou trade preferences expired on 31 December 2007. By that time, negotiations were concluded on an EPA with the Caribbean region, as well as a series of interim agreements with the other ACP regions. While the EPA with the Caribbean region covers trade in goods and services, as well as other trade-related issues, the interim agreements were negotiated with a view to establishing a secure legal framework for trade in goods and preventing trade disruption. Negotiations on full EPAs with the African regions and the Pacific are continuing with a view to concluding them by mid-2009.

58. The EC is the main trading partner for the majority of ACP countries. In 2007, EC merchandise imports from these countries amounted to €47.7 billion, and exports were €47.0 billion. ACP exports to the EC consist mainly of petroleum (42% of total exports), followed by cocoa beans (5%), and diamonds (5%). EC exports to the ACP countries are dominated by machinery (22%), followed by oil (11%), vehicles (7%), ship/boats (7%), and medicines (3%). The share of imports from ACP countries in total EC imports increased from 2.75% in 2004 to 3.3% in 2007.

(c) Agreements under negotiation

Andean Community

59. Negotiations for a bi-regional Association Agreement comprising an FTA with the Andean Community (Bolivia, Colombia, Ecuador, and Peru) were opened in June 2007. The trade part of the agreement is to include provisions on market access for goods, rules of origin, customs and trade facilitation, technical barriers to trade, SPS measures, trade defence measures, services, government procurement, intellectual property rights, competition, trade and sustainable development, and a dispute settlement mechanism. The EC maintains bilateral trade relations with each of the four countries of the Andean Community, with total exports of €5.8 billion in 2007, and imports of €10.3 billion.

Central America

60. Negotiations for a bi-regional Association Agreement, including a free-trade area, with Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua) were opened

[62] The 48 sub-Saharan African states, 15 states in the Caribbean, and 15 states in the Pacific.

[63] Based on existing regional integration institutions, the 77 ACP countries have been grouped into six negotiation regions (West Africa, Central Africa, Eastern and Southern Africa, the Southern African Development Community, the Caribbean, and the Pacific).

[64] These issues include sanitary and phyto-sanitary measures, intellectual property rights, public procurement, competition policy, investment, trade and environment, trade and labour standards, consumer policy regulation and consumer health protection, standardization and certification, and food security.

in October 2007.[65] The trade part of the future agreement is to include provisions on market access for goods, rules of origin, customs and trade facilitation, technical barriers to trade, SPS measures, trade defence measures, services, investment, public procurement, intellectual property rights, competition, trade and sustainable development, and a dispute settlement mechanism. Because of its bi-regional dimension, the agreement is to guarantee free circulation of goods and services exported from one region to the other.

61. The EC maintains bilateral trade relations with each of the Central American countries, with privileged access conditions to the EC market through its GSP+ regime. In 2007, EC exports amounted to €5.3 billion, and imports from Central America reached almost €4.8 billion.

Gulf states

62. Negotiations on an FTA between the EC and the Gulf Cooperation Council[66] (GCC) started in 1990 and resumed in 2002, following a break of more than ten years. The objective of EC trade relations with countries in the Gulf region is to enhance political dialogue and to foster economic integration between the two parties, with a view to diversifying and increasing bilateral trade; and to promote regional integration within the GCC. The proposed FTA is to provide for progressive and reciprocal liberalization of trade in goods and services. During the period under review, several rounds of negotiation and technical meetings took place. The negotiations cover, *inter alia*, market access on goods and services, government procurement, intellectual property rights, competition, dispute settlement, and rules of origin.[67] GCC countries currently benefit from preferential access to the EC market under the EC's GSP Scheme. In 2007, the EC's merchandise exports to the Gulf region amounted to €61.4 billion, while imports were €30.6 billion.

India, Republic of Korea, and ASEAN

63. Negotiations on PTAs between the EC and India, Korea, and ASEAN were launched in May 2007. The negotiations cover trade in goods and services, rules, and legal and institutional issues.

64. In 2007, the EC's merchandise exports to Korea amounted to €24.8 billion, and imports were €39 billion; its merchandise exports to India were €29.5 billion, and imports totalled €26.2 billion.

MERCOSUR

65. Since 2000, the EC and MERCOSUR have been negotiating a bi-regional association agreement. The agreement is to cover, *inter alia*, market access, rules on government procurement, investment, intellectual property rights, competition policies, SPS measures, technical barriers to trade, trade defence instruments, and a dispute-settlement mechanism. However, since October 2004, discussions have continued mainly informally, at technical level, as both parties recognized that greater clarity on the outcome of the Doha talks was necessary before an agreement could be concluded. Notwithstanding the suspension of the negotiations, the EC maintains bilateral relations with each of the four founding MERCOSUR countries (Argentina, Brazil, Paraguay, and Uruguay).

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[65] Panama has been an observer to these negotiations.

[66] The Cooperation Council for the Arab States of the Gulf (GCC) is a regional organization regrouping Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. It has been forming a customs union since January 2003.

[67] European Commission online information. Viewed at: http://europa.eu.int/comm/trade/issues/bilateral/regions/gcc/index_en.htm; and http://europa.eu.int/comm/external_relations/gulf_cooperation/intro/index.htm.

These relations are based on cooperation framework agreements establishing joint committees that enable the two parties to regularly discuss questions of mutual interest. In 2007, the EC's exports to MERCOSUR's four founding members amounted to €32.1 billion, and imports were €47.8 billion.

Ukraine

66. In February 2008, the EC and Ukraine launched negotiations on a comprehensive free-trade agreement, which is also to cover, *inter alia*, SPS measures, intellectual property rights, and services.

Generalized System of Preferences (GSP)

67. The EC's GSP scheme for the period January 2006 to December 2008 is based on Council Regulation (EC) No. 980/2005. The primary objective of the scheme is to contribute to the reduction of poverty and the promotion of sustainable development and good governance. Total imports under the scheme were €57 billion in 2007 compared with €51 billion in 2006, an increase of 12%. The associated benefit to eligible countries – in terms of import duties that would otherwise be applied – was estimated by the Commission at over €2.5 million in 2007. In July 2008, the EC extended its GSP scheme from 1 January 2009 to the end of 2011. While the scheme remains basically unchanged, the graduation mechanism (in the light of most recent trade data) will lead to preferences for specific product groups being re-established for Algeria, India, Indonesia, Russia, South Africa, and Thailand; and certain preferences being suspended for Viet Nam.[68]

68. The EC's GSP scheme contains three distinct arrangements. First, all eligible countries benefit from the "general arrangement". Second, a "special incentive arrangement for sustainable development and good governance" (the GSP+) provides additional benefits to countries implementing international standards in sustainable development and good governance. Third, the Everything But Arms (EBA) initiative grants LDCs duty-free and quota-free access to the EC market. Under the general arrangement, products are classified as either sensitive or non-sensitive to the EC economy. Most agricultural goods are listed as sensitive, whereas non-sensitive products are mainly non-agricultural.[69] Non-agricultural sensitive products include textiles, clothing and apparel, carpets, and footwear. The scheme provides for the exclusion of a beneficiary country on grounds of its degree of development, i.e. if it is classified by the World Bank as a high-income country and has achieved a certain level of diversification of its GSP exports to the EC in accordance with a criterion

[68] GSP preferences will be re-established or suspended for the following beneficiary country and product group combinations: de-graduation (i.e. re-establishment of preferences) for Algeria, Section V (mineral products); India, Section XIV (jewellery, pearls, precious metals and stones); Indonesia, Section IX (wood and articles of wood); Russia, Section VI (products of the chemical or allied industries) and Section XV (base metals); South Africa, Section XVII (transport equipment); Thailand, Section XVII (transport equipment); graduation (ie suspension of preferences) for Viet Nam, Section XII (footwear, headgear, umbrellas, sun umbrellas, artificial flowers, etc). The net value of these adjustments to beneficiary countries has been estimated by the Commission at €160 million (minimum) in terms of import duties that would otherwise be imposed.

[69] Non-sensitive products benefit from the suspension of customs tariffs, whereas sensitive products enjoy tariff reductions by 3.5% of the MFN *ad valorem* rate, and 30% of specific duties, with the exception of undenatured ethyl alcohol and other denatured spirits, where the specific duty reduction is 15%. Where tariffs on sensitive products include both *ad valorem* and specific duties, the latter will not be reduced; and where tariffs specify either minimum or maximum duties, minimum duties are not to be reduced whilst maximum duties do not apply. However, products in Sections XI(a) and XI(b) of the GSP (mainly textiles and clothing) benefit from a 20% reduction in tariffs. Additionally, tariffs are suspended where preferential treatment results in *ad valorem* duties of 1% or less, or in specific duties of a total of €2 or less, because the cost of collection might be higher than the revenue collected. Regional cumulation of origin is possible. Examples of non-sensitive agricultural goods include fresh sweet potatoes; Jerusalem artichokes and similar roots and tubers with high inulin content; and Macadamia nuts.

set out in the regulation. Similarly, beneficiary countries may be removed if they are bound to the Community by a preferential trade agreement that covers at least all the preferences provided under the GSP. The scheme uses the GSP preferential rules of origin, set out in Commission Regulation (EEC) No. 2454/93 of 2 July 1993.

69. The special incentive arrangement for sustainable development and good governance (GSP+) is open to vulnerable countries that have ratified and effectively implemented the international conventions listed in Annex III to the Regulation.[70] A distinction is made between two sets of international conventions: (i) core human and labour rights under UN and ILO conventions (Part A of Annex III) - ratification and effective implementation of these are, in principle, obligatory[71]; and (ii) conventions related to the environment and governance (Part B of Annex III).[72] Ratification and effective implementation of at least seven of these conventions are required, while the remaining conventions must be ratified and implemented by 31 December 2008.[73] Under the new GSP Regulation for 2009-2011, no such distinction is drawn between the Conventions listed in the two Parts of Annex III: GSP+ beneficiaries would need to ratify and effectively implement all 27 Conventions listed in the Annex.[74]

70. The special arrangement for LDCs incorporates the Everything But Arms (EBA) initiative under which the EC extends duty-free access for products, without any quantitative restrictions, with the exception of arms and ammunition. However, for 41 tariff lines concerning rice and sugar, the EC has established expanding duty-free tariff quotas until full liberalization is achieved in September 2009 (rice) and October 2009 (sugar). Furthermore, for the period 1 October 2009 to 30 September 2012, importers of sugar will be required to purchase at a price not lower than 90 % of the EC reference price. The EC applies the list of LDCs drawn up by the UN; as at August 2008, 50 countries were in this category. Removal from the list is progressive, involving a transitional

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[70] In this case, *ad valorem* and specific duties on all products listed in Annex II are suspended. However, where both duties apply, the specific duty is limited to 16% of the customs value for products with certain codes. See Article 8(2) of Council Regulation (EC) No. 980/2005. This applies to products of CN codes 1704.1091 and 1704.1099.

[71] These include the International Covenant on Civil and Political Rights; International Covenant on Economic, Social and Cultural Rights; International Convention on the Elimination of All Forms of Discrimination Against Women; Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment; the Convention on the Rights of the Child; the Convention concerning the Abolition of Forced Labour (No 105); and Convention concerning Forced or Compulsory Labour (No 29). However, if a country is faced with specific constitutional constraints, and has neither ratified nor effectively implemented two of the sixteen conventions on the list, it must make a formal commitment to do so.

[72] These include the Montreal Protocol on Substances that Deplete the Ozone Layer; Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and their Disposal; Stockholm Convention on Persistent Organic Pollutants; Convention on the International Trade in Endangered Species of Wild Fauna and Flora; Convention on Biological Diversity; Cartagena Protocol on Biosafety; Kyoto Protocol to the United Nations Framework Convention on Climate Change; UN Single Convention on Narcotic Drugs (1961); and the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988).

[73] To qualify for GSP+ treatment under the new GSP Regulation for 2009-11, countries must have ratified and effectively implemented all 27 of the relevant Conventions.

[74] For the purposes of this arrangement, a "vulnerable" country is one that is not classified by the World Bank as high-income country during three consecutive years and whose five largest sections of its GSP-covered imports to the Community represent more than 75% in value of its total GSP-covered imports and whose GSP-covered imports into the Community represent less than 1% in value of total GSP imports to the EC. The GSP+ countries are Bolivia, Colombia, Costa Rica, Ecuador, Georgia, Guatemala, Honduras, Sri Lanka, Moldova, Mongolia, Nicaragua, Panama, Peru, El Salvador, and Venezuela.

period of at least three years. Since the EC's last TPR in 2007, Cape Verde has been removed from the list of eligible countries with effect from 1 January 2011.[75]

71. The EC's GSP regulations allow temporary withdrawal from the preferential arrangements mainly as a consequence of serious and systematic violations of principles laid down in the core human and labour rights under the conventions listed in part A of Annex III, on the basis of the conclusions of relevant monitoring bodies; serious and systematic unfair trading practices; trade in drugs, or failure to comply with international conventions on money-laundering; serious and systematic infringements of the rules governing fisheries and fishery resources; and exports of goods made by prison labour. Temporary withdrawal follows an investigation. A withdrawal decision, in principle, enters into force six months after its adoption. As at August 2008, Belarus and Myanmar remain temporarily withdrawn from the scheme since the reasons for their withdrawal (serious and systematic violations of principles laid down in core ILO conventions on labour rights) still apply, according to the Commission.

72. The scheme also includes a safeguard clause allowing the EC to suspend tariff preferences when imports of a product cause serious difficulties or create direct competition with similar EC products. Serious difficulties are assessed using criteria measuring EC producers' market share, production, stocks, production capacity, bankruptcies, profitability, capacity utilization, employment, imports, and prices. Such an action can be taken by the Commission, on its own initiative, or at the request of a Member State. This clause has not been applied during the period under review.

Overseas countries and territories (OCT)

73. The EC has been granting duty-free and quota-free treatment on all products originating in the Community's overseas countries and territories (OCT[76]) on a non-reciprocal basis since 1963, subject to a safeguard provision adopted in 1991.[77] Origin rules provide for cumulation with the EC and the ACP, without limits, except for rice and sugar. The arrangement also has provisions on transhipment. A Council Decision on the OCT Association Arrangements was adopted on 27 November 2001 to continue the regime until the end of 2011.

(iv) Aid for Trade (AfT)

74. The EC's Aid for Trade (AfT) strategy was adopted by Council on 15 October 2007.[78] It is a joint EC (Community and EC-27 Member States) policy initiative to substantially step up efforts in this area. Since AfT is part of overall EC official development assistance (ODA), the Community finances the trade-related assistance (TRA) component under its regular budget and the European Development Fund, while individual EC Member States are relatively more active in other AfT fields.

75. The strategy contains five sections: quantitative ambitions; pro-poor focus and quality; EC capacity; ACP specific angles (EPA context); and monitoring and reporting. It set the EC approach for implementation of its 2005 commitment to increase spending on TRA to €2 billion annually by

[75] The transitional arrangements are set out in Commission Regulation (EC) No. 1547/2007, 20 December 2007.

[76] The 20 overseas countries and territories (OCTs) associated with the Community depend constitutionally on four of the EC Member States: Denmark, France, the Netherlands, and the United Kingdom. OCT nationals are in principle EC citizens.

[77] The 1971 decision was notified under GATT 1947, Article XXIV and examined in a working party (GATT document L/3611, BISD 18S/143, 9 November 1971).

[78] Information provided by the EC authorities.

2010 (€1 billion from the Community, €1 billion from its Member States).[79] The strategy also commits the EC to increase efforts in the wider AfT agenda, in accordance with overall increases in ODA, but without absolute quantitative financial targets. It stresses the need for partner countries to define and articulate priorities in their development policies, and includes specific support actions and priorities from the EC side.

76. The strategy emphasizes the need to achieve results that reduce poverty, and outlines related efforts. It also outlines specific efforts and aims to apply the existing international and EC principles for aid effectiveness. It commits to increased EC support to regional integration, and to a greater application of aid effectiveness principles also at the regional level. Under the section on ACP (EPA context), the EC and its Member States undertook to make available for ACP needs an amount in the range of 50% of the increase in TRA. Aid for Trade by EC, other donors and developing countries is monitored, nationally as well as globally, with a view to avoiding "AfT orphans" (countries where there is no donor interest).

77. According to 2006 figures compiled by the Commission, TRA by the Community and its Member States amounted to €1.58 billion, with €641 million by the EC Member States (up from an average of €358 million between 2001 and 2004), and €941 million by the Community (up from an average of €890 million over 2001-04). Overall AfT (including TRA) by the Community and its Member States increased from €5,102 million (2001-04 average) to €6,560 million in 2005 and €7,279 million (with €2,564 million by the Community and €4,715 million by its Member States) in 2006. There is no specific EC financial pledge on wider or total AfT. According to the Commission, the Community and its Member States increased their ODA from €34.7 billion in 2004 to €47.7 billion in 2006.

78. The largest share of AfT has been on building productive capacity (BPC), followed by trade-related infrastructure (TRI), and trade policy and regulation (TPAR) (Table II.1).[80] In terms of the recipients of AfT, sub-Saharan Africa ranks first, followed by Asia, the Mediterranean countries, Europe and the Americas (Table II.2).

Table II.1
Distribution of EC AfT by category, 2001-06
(€ million)

AfT category	2001	2002	2003	2004	2005	2006	Total
TPAR	68	194	236	146	229	484	1,358
TRI	2,303	2,269	2,551	2,166	3,451	3,255	15,995
BPC	2,785	2,747	2,486	2,458	2,879	3,539	16,894

Table II.2
Distribution of EC AfT by recipient, 2001-06

Recipients	€ million Average 2001-06	In % of Total
Sub-Saharan Africa	1,718.7	39.5
Asia and Pacific	1,216.0	27.9
Mediterranean countries	518.2	11.9
Europe	457.6	10.5
Latin America and Caribbean	442.7	10.2
Total	**4,353.2**	**100.0**

[79] At the Hong Kong WTO Ministerial of December 2005, the EC pledged to increase its collective annual spending on trade-related assistance (TRA) to €2 billion (€1 billion from the EC and €1 billion from the Member States) by 2010.

[80] The table includes only AfT categories 1, 3 and 4. Since the concept was only defined in 2006, the CRS database which records overall development assistance flows was not yet adapted to include or show the other categories.

III. TRADE POLICIES AND PRACTICES BY MEASURE

(1) INTRODUCTION

1. The EC's trade regime has remained largely unchanged since its last TPR in 2007. The EC continues to improve customs administration in the Community through, *inter alia*, the implementation of various communication and information exchange systems to support the creation of a paperless (electronic) customs environment. The Modernized Customs Code aims to, *inter alia*, streamline and simplify customs procedures, it is scheduled to be implemented by mid 2009 once its implementing provisions have been adopted.

2. The EC's common tariff comprises *ad valorem* (89.9%) and non-*ad valorem* (10.1%) rates. The non-*ad valorem* duties are specific (6.5% of all tariff lines), compound (2.8%), and mixed or variable (0.8%). Non-*ad valorem* rates apply on agricultural goods (WTO definition), many of which are also subject to tariff quotas. The average applied MFN tariff rate has decreased slightly, to 6.7% from 6.9%, with rates ranging from 0% to 604.3% (an *ad valorem* equivalent calculated using data as at 15 January 2009) on isoglucose (HS 1702.40.10); agricultural products still attract the highest rates. The EC's wide network of preferential trade arrangements, together with the large number of countries eligible for unilateral preferences, has confined the application of its exclusively MFN tariff to nine WTO Members, which accounted for some 28% of its total merchandise imports in 2007. Imports and locally produced goods (and services) are subject to VAT at the same rates; these rates are not harmonized among EC Member States, although minimum rates are set at the Community level. Excise duties are levied on specific imported and locally produced goods such as alcohol and alcoholic beverages, manufactured tobacco, and fuels; these rates are not harmonized.

3. Import prohibitions and surveillance are maintained on, *inter alia*, security, technical, sanitary, phytosanitary, and environmental grounds. The EC also controls/restricts trade under treaties and international conventions to which it is a signatory. Import licences are required where products are subject to quantitative restrictions, tariff quotas, safeguard measures or for import monitoring and surveillance purposes. During the period under review the only non-agricultural products subject to quantitative restrictions have been certain textile products. No changes were made to the EC legislation on trade remedies. The EC remains a leading user of contingency trade remedies; nonetheless, the number of contingency measures notified by the EC to the WTO has decreased since 2005.

4. Harmonization of technical requirements (including technical regulations, standards, and sanitary and phytosanitary measures) among Member States is still ongoing. There have been no major changes to the EC's regimes on export prohibitions, restriction, or licensing since its previous TPR. An export authorization or licence is required for cultural goods and certain agricultural products, and for the control of exports of dual-use items and technology. The EC continues to provide export subsidies to a number of agricultural products. Assistance and subsidies programmes (both at Community level and by Member States) notified to the WTO can be largely grouped as structural actions; the Common Agriculture Policy (CAP); industrial programmes; and other programmes including assistance to SMEs, to joint-ventures, and to fisheries and aquaculture. The two largest areas of expenditure in 2003-04 were agriculture and structural operations, which accounted for 44% and 33% of the EC's financial commitments respectively.

5. Legislation on public procurement was enacted in 2004 to make the legal framework simpler, and more flexible, and to adpat it to the electronic era. There have been no major changes to the competition regime in the EC. The intellectual property rights regime is governed by both Community-wide legislation and legislation of Member States. The EC has an extensive body of

intellectual property legislation, which is often amended to harmonize protection in the Community and ensure a better functioning of the internal market. A new legal framework for patent protection is expected to simplify the process of seeking protection. Trade mark and plant varieties regulations have been amended, while legislation related to the term of protection for copyrights and related rights, and rental and lending rights has been consolidated into a single law. New regulations have been enacted to protect geographical indications for wines and spirits.

(2) MEASURES DIRECTLY AFFECTING IMPORTS

(i) Customs procedures

6. The Customs Code (CC) and its implementing provisions continue to govern the EC's customs procedures[1], hence the procedures to import (and export) have not undergone major changes since the previous Review of the EC in 2007. The CC applies uniformly throughout the customs territory of the Community to imports and exports of goods. According to the CC, goods brought into the customs territory can be placed under various customs regimes.[2] A customs declaration is required except for goods to be placed into a free zone or free warehouses. The customs declaration must, under normal procedures, be made in writing or through a data processing technique and consist of the Single Administrative Document, accompanied by pertinent/required documents (e.g. invoices, certificates of origin, health certificates, certificates of conformity and authenticity).[3] Automatic import licences, required for statistical purposes for certain, mainly agricultural products, must be submitted with the import declaration (section (vi)(a)).

7. The CC and its implementing provisions (CCIP) have undergone several revisions since their adoption in 1992 and 1993 respectively, mainly to address security concerns[4], and to take into account the accession of new Members.[5] EC Regulation No. 648/2005 introduced a number of measures aimed at tightening security for goods entering or leaving the Community. As a result, in 2007, a common risk management framework was put in place; in 2008, the provisions for the Authorised Economic Operators (AEO) were implemented[6]; as of 1 July 2009, traders will have to provide customs authorities with electronic advance information on imports and exports. Amendments to the CCIP also include the introduction of a computerized export control system (section 3(i)).[7]

8. In 2005, the Commission proposed the replacement of the 1992 CC with a Modernized Customs Code (MCC).[8] The MCC Regulation entered into force on 24 June 2008.[9] However, the MCC will only apply once its implementing provisions have been adopted; these are scheduled to

[1] Council Regulation (EEC) No. 2913/92, 12 October 1992 establishing the Community Customs Code (OJ L 302, 19 October 1992), applied since 1 January 1994, and Commission Regulation (EEC) No. 2454/93, 2 July 1993 laying down provisions for the implementation of the CC, as amended respectively.

[2] The customs regimes include the release of goods for free circulation; transit; customs warehousing; inward processing; processing under customs control; temporary admission; outward processing; exportation; free zone or free warehouse; and re-exportation from the customs territory of the Community. The goods may also be destroyed or abandoned to the Exchequer.

[3] Article 61 of the Community Customs Code, Council Regulation (EEC) No. 2913/92, 12 October 1992.

[4] Regulation (EC) No. 648/2005, OJ L 117, 4 May 2005.

[5] Information document TAXUD/1661/2006 EN, 7 December 2006.

[6] The AEO is aimed at balancing the tighter security requirements and facilitating procedures for compliant traders.

[7] Commission Regulation (EC) No. 1875/2006, OJ L 360, 19 December 2006.

[8] The proposal for replacement of the CC by the MCC is contained in COM(2005) 608 final, 30 November 2005.

[9] Regulation (EC) No. 450/2008, OJ L 145, 4 June 2008.

enter into force on 24 June 2009 at the earliest, for implementation by 24 June 2013 at the latest. The MCC provides for the computerization of all customs formalities[10]; streamlines and simplifies customs procedures; aims to ensure the balance between "supply chain security" and trade facilitation, and the harmonized application of customs controls by Member States based on a common risk management framework and an electronic system for its implementation; promotes the concept of "centralized clearance"[11]; and provides for the introduction of the single-window and one-stop-shop concepts. The MCC is expected to facilitate trade and reduce costs by up to €2.5 billion per year.[12]

9. Under the current CC (and the MCC), all imports need to be covered by an electronic customs declaration under the appropriate customs regime and all accompanying/supporting documents have to be submitted electronically. Goods are released as soon as the customs declaration has been verified or accepted without verification. Any decision taken by the customs authorities may be appealed. Appeals are first taken to the customs authorities or a judicial authority or any other body designated for that purpose by the Member State, and if necessary, subsequently, to a higher independent body, which may be a judicial authority or an equivalent specialized body.

10. Other initiatives to modernize and improve customs procedures include the launching of Customs 2013, a new action programme; a new customs blueprint initiative; and the adoption of a decision on a paperless environment for customs and trade (Box III.1).

11. The EC Customs Code, which is binding on all Member States and takes precedence over any conflicting national law, provides the basis for achieving uniformity in customs matters; the Code and its implementing provisions lay down the rights and obligations of the customs authorities. National customs legislation applies only where there is no EC regulation or in cases where the EC law allows for further specificity at the national level. Nevertheless, the uniform implementation of common customs procedures by EC Member States has been a challenge, with limited interoperability between systems.[13] The administration by Member States of various EC customs laws and regulations, particularly in the area of valuation and classification, has raised concerns[14], and this has been the subject of a WTO dispute.[15] The EC is applying a mechanism that promotes the uniform tariff classification for goods imported into or exported from its customs territory, the Binding Tariff Information (BTI) system. The BTI contains information on the tariff classification of a specific product that an economic operator intends to import or export. It is issued at the request of economic operators[16], by the customs authorities of individual Member States[17], and is valid throughout the

[10] Electronic declarations and processing, already widely in use, become the rule in the MCC. In exceptional circumstances, customs authorities may accept paper-based entry summary declarations provided that the same level of risk management is applied. Supporting documents are allowed to be lodged using an electronic data-processing technique.

[11] The centralized clearance allows traders to lodge their electronic customs declarations at the customs office of the place where they are established and hold their records, irrespective of the entry or exit points of the goods.

[12] Europa Press Release MEMO/08/107, 22 February 2008. Viewed at: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/107&format=HTML&aged=0&language=EN&guiLanguage=en [16 June 2008].

[13] The legal base for the classification is the Combined Nomenclature. Council Regulation (EEC) No. 2658/87, 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff, OJ L 256, 7 September 1987.

[14] "Joint European Business, Trade and Industry Letter on EC Regulation 648/2005 to the Ministers of the Competitiveness Council", Brussels, June 2007. Viewed at: http://www.eucommittee.be/Pops/2007/CUST_JointIndustryLetter_Reg_648_220607.pdf. [16 June 2008].

[15] WTO documents series WT/DS315.

[16] For the specific application form see European Commission online information. Viewed at: http://ec.

EC[18], regardless of the Member State that issued it. Ultimately, the uniform application of the EC customs legislation is ensured.

12. According to recent audit by the European Court of Auditors, the BTI system is well-designed and adequately managed.[19] However, the Auditors' report highlights certain weaknesses: (i) difficulty for the Customs Code Committee, to which classification issues between different Member States are referred for resolution, to adopt measures ensuring the uniform application of the nomenclature within the time limits foreseen by the legislation; (ii) lack of specific legislative time limits to conclude consultations with other Member States concerning divergent BTI; and (iii) delays in updating the database. As a result, various recommendations were made with respect to the resolution of classification disputes in the Committee, and the implementation of the BTI[20]; the Commission has outlined the measures that should be taken to improve the BTI system.[21]

13. During the period under review, cooperation with the EC's largest trading partners on customs matters has continued and emphasis was put on achieving mutual recognition of security standards. A new customs cooperation and mutual assistance agreement on customs matters was signed with Japan on 30 January 2008[22], and entered into force on 1 February 2008; and customs cooperation mainly in supply chain security, has increased with China.[23] Negotiations with the United States are ongoing, with the aim of signing a mutual recognition agreement on customs matters including supply chain security programmes by 2009. Customs cooperation has continued with Canada, India, Korea, and Hong Kong, China. In June 2007, the World Customs Organization (WCO) Council granted the EC rights and obligations akin to membership.

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europa.eu/taxation_customs/resource/documents/bti_application_form-en.pdf.

[17] The latest list of competent authorities was published in OJ C 126, 23 May 2008, p. 11.

[18] A BTI is generally valid for six years from the date of issue unless it ceases to be valid earlier for specific reasons. Towards the end of the validity period, an economic operator may wish to apply for a new BTI if he intends to continue importing or exporting the product concerned. A total of 51,411 BTIs were issued in the EC in 2007, 46,106 in 2006 and 41,590 in 2005. For further background information concerning BTI, see European Commission online information. Viewed at: http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/classification_goods/index_en.htm.

[19] Special Report No. 2/2008 concerning Binding Tariff Information, European Court of Auditors, Luxembourg, March 2008. OJ C 103, 24 April 2008, p. 1. Viewed at: http://eca.europa.eu/portal/pls/portal/docs/1/1279627.PDF [17 November 2008].

[20] Special Report No. 2/2008 concerning Binding Tariff Information, European Court of Auditors, Luxembourg, March 2008. Viewed at: http://eca.europa.eu/portal/pls/portal/docs/1/1279627.PDF [17 November 2008].

[21] For further details on recommendations made and on the measures to be taken, see: Special Report No. 2/2008 concerning Binding Tariff Information, OJ C 103, 24 April 2008.

[22] OJ L 62, 6 March 2008.

[23] EXME07/20.11, 20 November 2007 and IP/08/166, 31 January 2008. Viewed at: http://europa.eu/rapid/pressReleasesAction.do?reference=MEX/07/1120&format=HTML&aged=0&language=en&guiLanguage=en; and http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/166&format=HTML&aged=0&language=en&guiLanguage=en [16 June 2008].

Box III.1: The EC's new customs initiatives, 2007-08

Customs 2013, a new action programme for customs, was adopted in 2007 to succeed the Customs 2007 Programme. Implemented since 1 January 2008, Customs 2013 supports the new security policy initiatives, the implementation of the Modernized Customs Code, the introduction of a pan-European paperless customs environment, and will also contribute to the development and management of the trans-European IT customs systems.

In 2008, the European Commission published a revised set of Customs Blueprints. These provide practical guidelines laying down criteria, based on the EC's best practice in 22 key areas, against which customs administrations can measure their own operational capacity vis-à-vis the blueprint standards and possibly plan reforms if there are gaps.

A decision on a paperless environment for customs and trade was adopted at the beginning of 2008 pursuant to the Lisbon Agenda commitments and the pan-European e-Government action. In particular, the decision aims to increase the competitiveness of companies doing business in Europe. It sets the basic framework and time limits for electronic customs projects. The Commission and Member States are responsible for setting up secure, integrated, inter-operable and accessible electronic customs systems. In addition, a common customs portal and integrated tariff environment are to be established and made operational by 2011 and 2013 respectively. Single access points should enable economic operators to use a single interface to lodge electronic customs declarations.

In 2008, the European Commission launched a debate on the future evolution of the Customs Union. The relevant Communication, which outlines common strategic objectives, enabling customs to evolve in line with international trade, has been adopted by the Council, and has also been the basis for a Resolution of the European Parliament.

The EC has introduced a proposal to amendment the Customs Convention on the International Transport of goods covered by TIR carnets (TIR Convention 1975).

Source: Decision No. 624/2007/EC of the European Parliament and the Council, 23 May 2007, OJ L 154, 14 June 2007; IP/07/531; European Commission online information, "Modernising customs procedures: European Commission welcomes adoption of Customs 2013 Programme by Council" (Customs 2003), 19 April 2007. Viewed at: http://ec.europa.eu/taxation_customs/common/archive/news/2007/index_en.htm. Customs Blueprints: Pathways to modern customs, 18 April 2008. Viewed at: http://ec.europa.eu/taxation_customs/resources/documents/common/publications/infodocs/customs/customsblueprint_en.pdf [16 June 2008]; Decision No. 2004/387/EC, 21 April 2004 (OJ L 144, 30 April 2004, as corrected by OJ L 181, 18 May 2004); Communication from the Commission to the Council, the European Parliament; and Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee – Strategy for the evolution of the Customs Union – COM(2008) 169 final, 1 April 2008.

(ii) Tariffs

(a) Common customs MFN tariff

14. The EC 2008 tariff nomenclature, known as the Combined Nomenclature, is based on the 2007 HS System. The EC's 2008 common tariff contains 9,699 lines at the eight-digit level. The EC continues to apply several types of tariff: *ad valorem* rates, which are the most widely used (89.9%); followed by specific (6.5%); compound (2.9%); alternate duties with a minimum and a maximum (0.8%); and "per range tariffs", which vary according to given c.i.f. "entry price" ranges (0.6%). In addition, seasonal tariffs apply to certain products, mainly agricultural goods. Some agricultural products are also subject to tariff quotas (Chapter IV). *Ad valorem* tariffs are applied on the c.i.f. customs value.

15. The *ad valorem* equivalents (AVEs) of non-*ad valorem* tariffs have been calculated using average unit prices or "entry prices" of imports, where they exist.[24] Entry prices apply to some agricultural products (e.g. tomatoes, cucumbers, courgettes, citrus fruits, grapes, apples, pears, apricots, peaches, cherries, plums, fruit juices, and certain wines) and vary according to the season.[25] Some 9,557 tariff lines were used in the tariff analysis, i.e. 142 tariff lines, with no import or entry price, are excluded. The tariff lines excluded from the analysis are for agricultural products. The results of the tariff analysis may only be taken as an estimate due to: the exclusion of some non-*ad valorem* (including variable) tariff lines mainly for agricultural goods; the other shortcomings of specific duties, including the disparate levels of protection afforded to similar goods; and to the exclusion (by the EC) of the GATT civil aircraft agreement from the tariff. The EC's specific tariffs are generally based on the weight of imported goods, with higher impact on relatively heavy and cheap goods than on expensive and light weight products within the same tariff line.[26] Accordingly, the nominal tariff protection for the products (as measured by the *ad valorem* equivalents) remains unstable, i.e. it varies with import prices, including fluctuations of exchange rates.

16. The simple average applied MFN tariff is estimated at 6.7% for 2008 (6.9% in 2006), with rates ranging from zero, to 604.3% (an *ad valorem* equivalent) on isoglucose (HS 1702 40 10) (Tables III.1 and AIII.1). Some 81.8% of all lines have rates ranging from zero to 10% (included) (Chart III.1). The zero tariff rate applies to 25.3% of all lines (18.1% of WTO agricultural tariff lines and 27.1% of non-agricultural tariff lines), including wood, pulp, paper and furniture (75.4% of total tariff lines from the product group); metals (53.9%); and mineral products, precious stones, and precious metals (41.1%) (Table III.2). Some 9.6% of the lines bear rates of less than 2% (nuisance rates) (Table III.1).

17. The coefficient of variation of 2.1 (2 in 2006) depicts a wide dispersion of the rates, essentially in agriculture, mainly due to the imposition of non-*ad valorem* tariffs and of high tariffs of 17.9%, on average, on agricultural products (WTO definition) and generally lower rates of 4.1% on average on non-agricultural products. However, using the ISIC (Revision 2) definition, the difference between the average tariff for agriculture (9.3%) and for manufacturing (6.7%) is not so pronounced; mining and quarrying bear the lowest protection (0.2%) (Table III.2). All tariff rates above 100% relate to agricultural products (WTO definition), and average protection above 30% continues to apply mostly to agricultural products (meat, dairy products, cereals, sugars) (HS Chapters 02, 04, 10 and 17) (Table AIII.1).[27]

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[24] The AVEs are calculated as the ratio of specific duties to import unit values, estimated by the ratio of import to import quantities/volumes. The import data are from EUROSTAT (EU-27) as of 15 January 2009. In the absence of imports of certain items in 2007, the lines were not used in the analysis. Moreover, for compound or alternate tariffs, only the *ad valorem* components are used for the analysis.

[25] Annex 2 of Commission Regulation (EC) No. 1214/2007, 20 September 2007 amending Annex I to Council regulations (EEC) No. 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff.

[26] For details on the shortcomings of specific duties, see WTO (2000), Box III.1.

[27] The sole non-agricultural product with tariff protection higher than 30% is cinematographic products (HS 3706/10/99) with tariff protection of 40.2%.

Table III.1
Structure of EC MFN tariffs, 2006 and 2008
(Per cent)

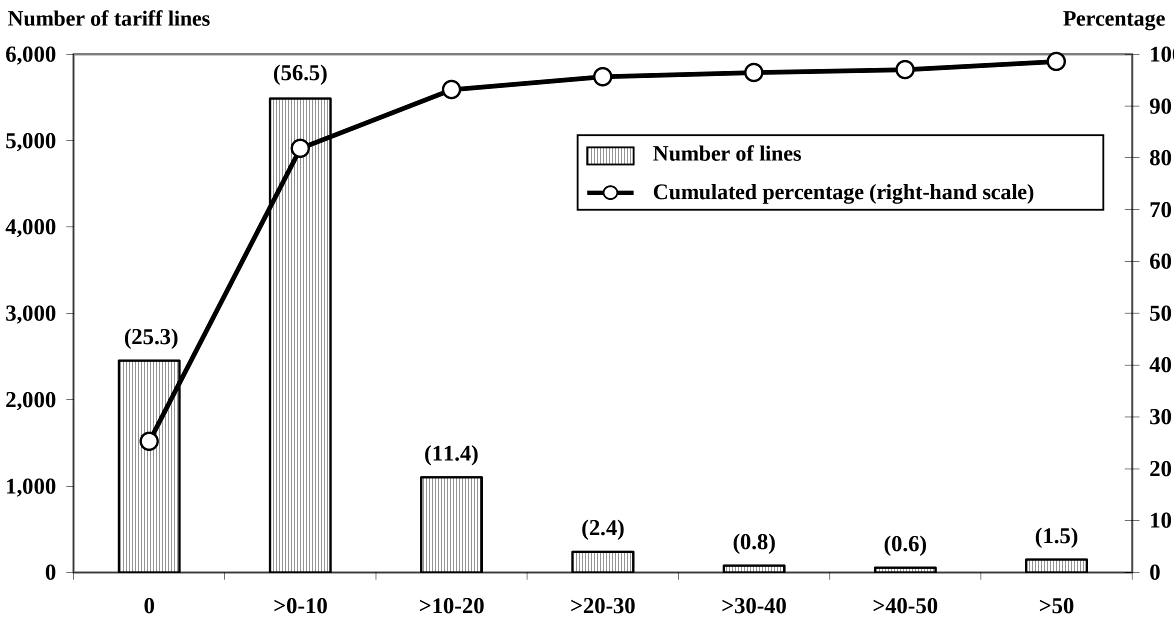
	2006	2008	U.R.
1. Bound tariff lines (% of all tariff lines)	100.0	100.0	100.0
2. Duty-free tariff lines (% of all tariff lines)	26.0	25.3	24.4
3. Non-*ad valorem* tariffs (% of all tariff lines)	10.0	10.1	10.1
4. Tariff quotas (% of all tariff lines)	3.4	4.8	4.8
5. Non-*ad valorem* tariffs with no AVEs (% of all tariff lines)	2.1	2.7	2.7
6. Simple average tariff rate	6.9	6.7	6.8
Agricultural products (WTO definition)	18.6	17.9	17.9
Non-agricultural products (WTO definition)[a]	4.0	4.1	4.2
Agriculture, hunting, forestry and fishing (ISIC 1)	10.9	9.3	9.6
Mining and quarrying (ISIC 2)	0.3	0.2	0.3
Manufacturing (ISIC 3)	6.8	6.7	6.8
7 Domestic tariff "spikes" (% of all tariff lines)[b]	5.6	5.3	5.6
8. International tariff "peaks" (% of all tariff lines)[c]	9.0	8.4	8.7
9. Overall standard deviation of applied rates	14.0	14.1	14.2
10. "Nuisance" applied rates (% of all tariff lines)[d]	9.4	9.6	9.7

a Excluding petroleum.
b Domestic tariff spikes are defined as those exceeding three times the overall simple average applied rate (indicator 6).
c International tariff peaks are defined as those exceeding 15%.
d Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: Calculations include AVEs, as available, based on 2007 data in Eurostat (as of 15 January 2009)

Source: WTO Secretariat estimates, based on OJ L 286, 31 October 2007.

Chart III.1
Breakdown of applied MFN tariff rates, 2008



Note: The figures in brackets correspond to the percentage of total lines. They may not add to 100% due to non-*ad valorem* duties.

***Source*: WTO Secretariat estimates, based on OJ L 286, 31 October 2007.**

Table III.2
Summary analysis of EC MFN tariff, 2008

Analysis	No. of lines[a]	Applied 2008 rates: No. of lines used	Simple avg. tariff (%)	Range tariff (%)	Std-dev (%)	CV	Share of duty free (%)
Total	9,699	9,557	6.7	0-604.3	14.1	2.1	25.3
By WTO definition[b]							
Agriculture	2,000	1,858	17.9	0-604.3	28.4	1.6	18.1
-Live animals and products thereof	323	253	24.3	0-204.2	28.2	1.2	13.6
-Dairy products	151	113	35.2	0-189.7	33.1	0.9	0.0
-Coffee and tea, cocoa, sugar, etc.	293	284	17.5	0-604.3	38.7	2.2	12.3
-Cut flowers and plants	54	54	4.6	0-19.2	4.4	1.0	38.9
-Fruit and vegetables	428	428	15.6	0-280.9	20.4	1.3	7.0
-Grains	55	55	49.4	0-138.2	34.5	0.7	9.1
- Oil seeds, fats, oils and their products	164	163	8.2	0-161.9	19.6	2.4	33.5
-Beverages and spirits	271	255	17.6	0-243.1	29.6	1.7	20.3
-Tobacco	30	30	28.6	10-74.9	17.4	0.6	0.0
-Other agricultural products	231	223	7.2	0-91.6	15.8	2.2	50.2
Non-agriculture (excluding petroleum)	7,658	7,658	4.1	0-40.2	4.1	1.0	27.1
Fish and fishery products	386	386	10.6	0-26	6.5	0.6	13.7
Mineral products, precious stones and precious metals	514	514	2.5	0-12	3.0	1.2	41.4
Metals	1,022	1,022	1.7	0-10	2.2	1.3	53.9
Chemicals and photographic supplies	1,396	1,396	4.4	0-40.2	2.9	0.7	25.1
Leather, rubber, footwear, and travel goods	285	285	4.8	0-17	4.7	1.0	18.9
Wood, pulp, paper and furniture	456	456	1.1	0-10	2.2	2.0	75.4
Textiles and clothing	1,234	1,234	8.0	0-14.5	3.2	0.4	1.6
Transport equipment	269	269	4.8	0-22	5.0	1.0	11.9
Non-electric machinery	932	932	1.7	0-9.7	1.3	0.8	21.0
Electric machinery	501	501	3.0	0-14	3.5	1.1	19.0
Non-agricultural articles n.e.s.	663	663	2.5	0-13.9	2.0	0.8	25.2
By ISIC sector[c]							
Agriculture, hunting, forestry and fishing	565	559	9.3	0-139.7	13.8	1.5	34.5
Mining and quarrying	124	124	0.2	0-8	1.2	4.9	93.5
Manufacturing	9,009	8,873	6.7	0-604.3	14.2	2.1	23.7
By stage of processing							
Raw materials	1,177	1,168	8.1	0-139.7	15.2	1.9	44.6
Semi-processed products	2,903	2,897	5.0	0-604.3	13.2	2.6	31.0
Fully-processed products	5,619	5,492	7.3	0-280.9	14.2	2.0	18.3

a Total number of lines is listed. Tariff rates are based on a lower frequency (number of lines), since lines with no *ad valorem* equivalents may be excluded.
b 41 tariff lines on petroleum products are not taken into account.
c International Standard Industrial Classification (Rev.2). Electricity, gas and water are excluded (1 tariff line).

Note: CV = coefficient of variation.

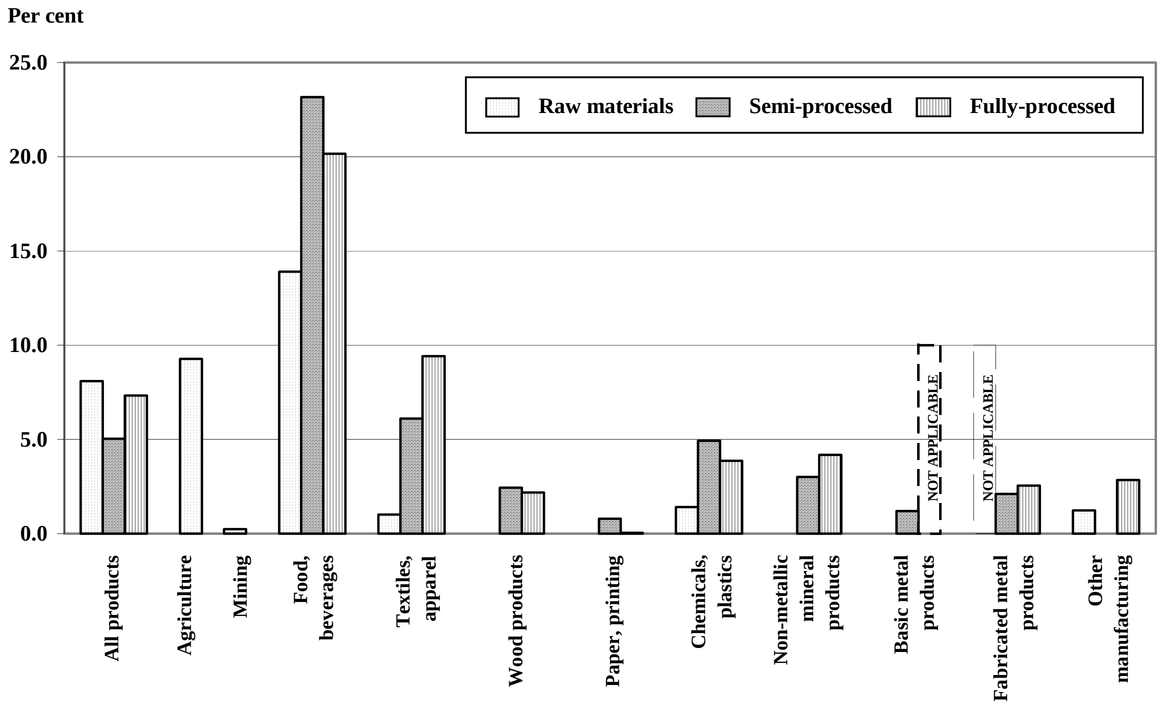
Source: WTO Secretariat estimates, based on OJ L 286, 31 October 2007.

18. The EC tariff continues to show mixed escalation, with average rates of 8.1% for the first stage of processing, 5.0% on semi-processed goods and 7.3% on fully processed goods. At a more disaggregate (ISIC (Revision 2) two-digit) level, the tariff structure has also remained broadly unchanged since the last Review of the EC, with mixed escalation in food, beverages and tobacco; wood products; and chemicals and plastics; and positive escalation in textiles and apparel; non-metallic minerals; and fabricated metal industries (including machinery and equipment) (Table III.2 and Chart III.2).

19. The EC bound all its tariff lines in the WTO (Schedule CXL, which has not yet been certified) (Table III.1); 98.6% of tariff lines have the same applied (autonomous) and bound

(conventional) rates. Where the applied (autonomous) and the bound tariffs differ, the applied (autonomous) duty shall apply if it is lower (currently applies to: cinematographic film HS 3706 10 99 and 3706 90 99).[28]

Chart III.2
Tariff escalation by ISIC 2-digit industry, 2008



***Source*: WTO Secretariat estimates, based on OJ L 286, 31 October 2007.**

(b) Tariff preferences

20. The Common Customs Code provides for the possibility of granting preferential tariffs unilaterally, or on a reciprocal basis, through trade agreements (Chapter II (5)(i)). Under its preferential trade agreements (PTAs), the EC grants, on a reciprocal basis, duty-free access to imports of nearly all non-agricultural goods (with some exceptions, e.g. textiles and aluminium products); and various tariff preferences (including preferential tariff quotas) on selected agricultural products. Tariff preferences are also provided under the EC's non-reciprocal preferential arrangements (Chapter II (5)(i)).

[28] "The customs duties applicable to imported goods...shall be the conventional duties.... When autonomous rates of duty are lower than the conventional rates of duty, the autonomous ... are applicable." General rules concerning duties, Commission Regulation (EC) No. 1214/2007, OJ L 286, 31 October 2007.

(iii) Other charges

(a) Value-added tax (VAT)[29]

21. During the period under review there have been several changes to the main VAT legislation at the EC level. Since 1 January 2007, the main EC legislation on the VAT has been Directive 2006/112/EC, which replaced the Sixth VAT Directive of 1977, as amended over the years, and brought together various provisions into a single piece of legislation.[30] In addition, two other Directives amending Directive 2006/112/EC, one related to the place of supply of services, and the other on VAT refunds, were adopted by the EU Council of Ministers on 12 February 2008.[31] These amendments were to ensure that the VAT on services would accrue to the country where consumption took place, and established new procedures for VAT refunds to persons established in another Member State. Under the new rules on the place of supply of services, as of 1 January 2010 business-to-business supply of services will be taxed where the customer is situated, rather than where the supplier is located; for business-to-consumer supply, the place of taxation will continue to be where the supplier is established. However, exceptions apply to reflect the principle of taxation at the place of consumption.[32] Also as of 1 January 2010, the procedure for reimbursement of VAT, incurred by EC businesses in Member States where they are not established, will be replaced by a new fully electronic procedure, to facilitate quicker refund. Businesses will be paid interest if Member States are late in making refunds. A new regulation on administrative cooperation is aimed at improving the exchange of information between Member States, which would be necessary to operate the legislation.[33]

22. The VAT base is largely harmonized across the EC, but rates, derogations, and procedures differ across Member States. VAT on imports is assessed on the c.i.f value plus duties if any. VAT on domestic products is assessed on the sale price. The new legislation continues to allow for derogations in implementation at the national level, with variations in VAT application within the EC. On the basis of Article 395 of Directive 2006/112/EC, Member States may be authorized to derogate from the common VAT rules in order to simplify the procedure for charging the tax or to prevent certain types of tax evasion or avoidance.[34] The VAT rates applied continue to vary across Member States (Table III.3). There appear to have been a few changes in the VAT rates levied since 2007: the "super-reduced" rate charged in Ireland has increased; and a reduced rate has been introduced in Slovakia. In addition, some Member States are still allowed to apply the zero rate of VAT to certain groups of goods (Table AIII.2). Exports of goods from the Community to third countries are also zero-rated, as are intra-Community supplies of goods dispatched from one Member State to a taxable person (or registered trader) in another.

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[29] European Commission online information. Viewed at: http://ec.europa.eu/taxation_customs/taxation /vat/key_documents/legislation_recently_adopted/index_en.htm [4 August 2008].

[30] *Official Journal*, Volume 49, 11 December 2007. Viewed at: http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2006:347:SOM:en:HTML [4 August 2008].

[31] Council Directive 2008/8/EC, 12 February 2008, *Official Journal*, 20 February 2008; and Council Directive 2008/9/EC, 12 February 2008, *Official Journal*, 20 February 2008.

[32] These exceptions concern services such as restaurant and catering services (as from 2010), the hiring of means of transport (2010/13); cultural, artistic, sporting, scientific, educational, and entertainment services (2011), and telecommunications, broadcasting, and electronic services supplied to consumers (2015).

[33] Council Regulation (EC) No. 143/2008, 12 February 2008.

[34] Derogations are authorized under: Council Decisions tacitly approved under the former Article 27(4) of Directive 77/388/EEC; special measures that were applied by the Member States before 1 January 1977 and notified to the Commission before 1 January 1978 under Article 394, are still in force. In addition, on 24 July 2006, the Council agreed through Council Directive 2006/69/EC to give all Member States the option of applying special rules to simplify the application of VAT or to counter tax avoidance and evasion.

23. The EC legislation allows for reimbursement of VAT incurred by businesses established in another Member State or outside the EC given the differences in the rate amongst the Member States. In addition, in order to preserve Member States' VAT receipts in the country of consumption, rather than of sale, several special schemes continue to apply under the EC VAT system, to sales to consumers in another Member State. These include: intra-EC sales of new means of transport, distance selling, supplies to non-taxable legal persons (e.g., government departments) and exempt taxable persons (e.g. small shopkeepers). However, some of these exceptions apply as long as the transaction remains below a threshold defined by each Member State, subject to certain limits set out in EC legislation (Table III.4).[35] Zero-rated goods and services vary according to Member country (Table AIII.2).

Table III.3
National VAT rates in the EC, 2006 and 2008

	2006				2008			
	Rates				Rates			
Country	**Super Reduced**	**Reduced**	**Standard**	**Parking**	**Super Reduced**	**Reduced**	**Standard**	**Parking**
Austria	n.a.	10.0	20.0	12.0	n.a.	10.0	20.0	12.0
Belgium	n.a.	6.0	21.0	12.0	n.a.	6.0/12.0	21.0	12.0
Bulgaria	n.a.	n.a.	n.a.	n.a.	n.a.	7.0	20.0	n.a.
Cyprus	n.a.	5.0/8.0	15.0	n.a.	n.a.	5.0/8.0	15.0	n.a.
Czech Republic	n.a.	5.0	19.0	n.a.	n.a.	5.0	19.0	n.a.
Denmark	n.a.	n.a.	25.0	n.a.	n.a.	n.a.	25.0	n.a.
Estonia	n.a.	5.0	18.0	n.a.	n.a.	5.0	18.0	n.a.
Finland	n.a.	8.0/17.0	22.0	n.a.	n.a.	8.0/17.0	22.0	n.a.
France	2.1	5.5	19.6	n.a.	2.1	5.5	19.6	n.a.
Germany	n.a.	7.0	16.0	n.a.	n.a.	7.0	19.0	n.a.
Greece	4.5	9.0	19.0	n.a.	4.5	9.0	19.0	n.a.
Hungary	n.a.	5.0	20.0	13.5	n.a.	5.0	20.0	n.a.
Ireland	4.4	13.5	21.0	n.a.	4.8	13.5	21.0	13.5
Italy	4.0	10.0	20.0	n.a.	4.0	10.0	20.0	n.a.
Latvia	n.a.	5.0	18.0	n.a.	n.a.	5.0	18.0	n.a.
Lithuania	n.a.	5.0/9.0	18.0	12.0	n.a.	5.0/9.0	18.0	n.a.
Luxembourg	3.0	6.0/12.0	15.0	12.0	3.0	6.0/12.0	15.0	12.0
Malta	n.a.	5.0	18.0	n.a.	n.a.	5.0	18.0	n.a.
Netherlands	n.a.	6.0	19.0	n.a.	n.a.	6.0	19.0	n.a.
Poland	3.0	7.0	22.0	n.a.	3.0	7.0	22.0	n.a.
Portugal	n.a.	5.0/12.0	21.0	n.a.	n.a.	5.0/12.0	21.0	12.0
Romania	n.a.	n.a.	n.a.	n.a.	n.a.	9.0	19.0	n.a.
Slovenia	n.a.	8.5	20.0	n.a.	n.a.	8.5	20.0	n.a.
Slovakia	n.a.	n.a.	19.0	n.a.	n.a.	10.0	19.0	n.a.
Spain	4.0	7.0	16.0	n.a.	4.0	7.0	16.0	n.a.
Sweden	n.a.	6.0/12.0	25.0	n.a.	n.a.	6.0/12.0	25.0	n.a.
United Kingdom	n.a.	5.0	17.5	n.a.	n.a.	5.0	17.5	n.a.

n.a. Not applicable.

Note: Further reductions are applied in some regions of Austria, Greece, France, Italy, and Portugal.

Source: European Commission (2008), *VAT rates applied in the Member States of the European Community*. Viewed at: http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/how_vat_works/rates/vat_rates_en.pdf.

[35] For full details on exemptions by Members see European Commission online information, *Derogations in force*. Viewed at: http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/key_documents/table_derogations/vat_index_derogations_en.pdf [8 September 2008].

Table III.4
VAT exemption thresholds in the EC, 2008
(Euros and national currency)

Country	Acquisitions by taxable persons[a]		Distance selling		Small enterprises[b]	
	National currency	**Euros**	**National currency**	**Euros**	**National currency**	**Euros**
Austria		11,000		100,000		30,000
Belgium		11,200		35,000		5,580
Bulgaria	20,000 BGN	10,226	70,000 BGN	35,791	50,000 BGN	25,565
Cyprus		10,251		35,000		15,600
	326,000 CZK		1,000,000 CZK	37,622	1,000,000	37,622
Czech Republic		12,265			CZK	
Denmark	80,000 DKK	10,729	280,000 DKK	37,551	50,000 DKK	6,705
Estonia	160,000 EEK	10,226	550,000 EEK	35,151	250,000 EEK	15,978
Finland		10,000		35,000		8,500
						76,300
France		10,000		100,000		27,000
Germany		12,500		100,000		17,500
						10,000
Greece		10,000		35,000		5,000
	2,500,000		8,800,000 HUF	34,671	5,000,000	19,700
Hungary	HUF	9,850			HUF	
						70,000
Ireland		41,000		35,000		35,000
Italy		8,263		27,889		30,000
Latvia	7,000 LVL	10,043	24,000 LVL	34,433	10,000 LVL	14,347
Lithuania	35,000 LTL	10,137	125,000 LTL	36,203	100,000 LTL	28,962
Luxembourg		10,000		100,000		10,000
						35,000
						24,000
Malta		10,000		35,000		14,000
Netherlands		10,000		100,000		n.a.
Poland	50,000 PLN	13,883	160,000 PLN	44,426	50,000 PLN	13,883
						9,976
Portugal		10,000		35,000		12,470
Romania	33,800 RON	9,367	118,000 RON	32,702	118,000 RON	32,702
Slovenia		10,000		35,000		25,000
	420,000 SKK		1,500,000 SKK	44,642	1,500,000	44,642
Slovakia		12,500			SKK	
Spain		10,000		35,000		n.a.
Sweden	90,000 SEK	9,526	320,000 SEK	33,869	n.a.	n.a.
United Kingdom	64,000 GBP	87,098	70,000 GBP	95,264	64,000 GBP	87,098

n.a. Not applicable.

a See Article 3(2)(a) of Directive 2006/112/EC, as amended.
b See Articles 284 to 287 of Directive 2006/112/EC, as amended. This scheme is reserved for persons established within the territory of the country.

Source: Council Directive 2006/112/EC, 28 November 2006.

24. Imports and domestic supplies of certain goods for a specific purpose are exempt from VAT (e.g. goods for fuelling and provisioning of fighting ships; the repair, maintenance, charter and hire of certain vessels; the supply of goods for fuelling and provisioning aircraft used by airlines on international routes). Imports of, *inter alia*, tobacco, alcoholic drinks, perfumes for personal use by travelers entering the EC are exempt from VAT within certain limits.[36] In the case of tobacco products, VAT and duty exemptions are subject to two different limits: the higher limit applies to air travelers; and Member States may choose which limit to apply to all other travelers (Table III.5)

[36] Council Directive 2007/74/EC, 20 December 2007.

Table III.5
VAT and excise duty exemptions on imports (for personal use) from non-EC countries, 2008

Excise product	Amount
Tobacco products[a, b]	Each Member State decides on the limit applicable: - 200 cigarettes or 40 cigarettes[c]; - 100 cigarillos or 20 cigarillos[c]; - 50 cigars or 10 cigars[c]; - 250 grams of tobacco or 50 g smoking tobacco[c]
Alcoholic beverages	- a total of 1 litre of alcohol and alcoholic beverages of an alcoholic strength exceeding 22% vol, or undenatured ethyl alcohol of 80% vol and over[d]; or - a total of 2 litres of alcoholic beverages of an alcoholic strength not exceeding 22% vol[d] - a total of 4 litres of still wine, and - 16 litres of beer (only for VAT and excise duty)
Fuel	- In any means of motor transport, the fuel contained in the standard tank; and - a quantity of fuel not exceeding 10 litres contained in a portable container.
Other goods (including perfume, coffee, tea, electronic devices, etc.)	- Up to a value of €430 for air and sea travellers - Up to value of €300 for other travellers The value on an individual item may not be split up. The value of personal luggage (i.e. suitcases) and medicinal products for the personal needs of the traveller do not count. Member States may reduce the above limits to €150 for travellers under 15 years.

a Allowances concerning tobacco and alcohol do not apply in the case of travellers under 17 years of age.
b Cigarillos are cigars of a maximum weight of 3 grams each.
c Each amount represents 100% of the total allowance for tobacco products and any combination of those products must not exceed 100%. Example: 100 cigarettes + 50 cigarillos = total allowance.
d Each of these amounts represents 100% of the total allowance for alcohol and alcoholic beverages (see Article 9 (2) of Directive 2007/74/EC).

Source: Information provided by the authorities.

(b) Excise duties

25. During the period under review, there has been no major change to the EC excise duty system. Excise duties continue to apply to alcoholic beverages, tobacco products, and energy products (e.g. petrol and gasoline, electricity, natural gas, coal and coke). All EC Members apply excise duties; and the revenue accrues entirely to the Member States.

26. For a given group of products, the taxation principles and base (i.e. the way the excise duty is specific and calculated, for instance per hl; per degree of alcohol; or per 1,000 pieces) and the scope of possible exemptions have been harmonized. For each type of product, the minimum rates above which Member States can freely fix their own rates are established in the legislation.[37] Tobacco products and alcoholic beverages for personal use brought into the EC, are exempt from the duties (up to specific quantity).[38]

[37] For more details on the different duty rates by Member State, see European Commission online information. Viewed at: http://ec.europa.eu/taxation_customs/resource/documents/taxation/excise_duties/alcoholic_beverages/rates/excise_duties-part_I_alcohol-en.pdf; http://ec.europa.eu/taxation_customs/resources/documents/excise_duties-part_III_tobacco-en.pdf; and http://ec.europa.eu/taxation_customs/resources/documents/taxation/excise_duties/energy_products/rates/excise_duties-part_II_energy_products-en.pdf.

[38] For more details, see European Commission online information, "Travel Europe". Viewed at: http://ec.europa.eu/taxation_customs/common/travellers/within_eu/index_en.htm; and http://europa.eu/abc/travel/shop/index_en.htm#tobacco [27 November 2008].

27. The base, rates, and structures of the excise duty on alcohol and alcoholic beverages are set by Council Directive 92/83/EEC. The directive defines the categories of alcohol and alcoholic beverages (i.e. beer, wine, fermented beverages other than beer and wine (for example, cider and perry), intermediate products (for example, port and sherry) and ethyl alcohol (i.e. spirit drinks)). The Directive also includes special provisions on reduced rates for small breweries and distilleries, for products with low levels of alcohol, and products of specific geographical regions. Council Directive 92/84/EEC sets the minimum excise duty rates on alcohol and alcoholic beverages. According to the Directive, the Commission should review these minimum rates periodically. In 2006, the Commission made a proposal regarding the minimum rates, to take into account inflation since the directives were adopted in 1992. No agreement has yet been reached amongst the Member States in this regard.

28. Council Directive 95/59/EC of 27 November 1995 lays down the general principles governing taxation of manufactured tobacco (e.g. cigarettes, fine cut tobacco intended for the rolling of cigarettes, cigars and cigarillos, other smoking tobacco). In addition, Council Directive 92/79/EEC of 19 October 1992 (on cigarettes) and Council Directive 92/80/EEC of 19 October 1992 (on manufactured tobacco other than cigarettes) deal with the harmonization of the basis to apply the excise duties in all Member States, and set minimum excise duties.[39] The Commission made a proposal for amending these three Directives. The proposal for a new Directive suggests a number of amendments to modernize and simplify the existing rules, make them more transparent and better integrate public health concerns. The proposal is currently under negotiation in the Council and EP.

29. The energy tax in the EC is regulated by Directive 2003/96/EC, in force since 1 January 2004. This Directive widened the scope of the EC's minimum rate system for energy products (previously limited to mineral oils), to all energy products including coal, natural gas, and electricity. As in the other instances, this legislation sets minimum excise duty rates, and is aimed at diminishing the differences in taxation at national levels and providing for a harmonized taxation structure. It allows for transitional periods for some Member States to comply with EU minimum rates (Chapter IV).[40]

30. On 14 February 2008, the European Commission adopted a proposal aimed at strengthening the fight against tax fraud and removing certain unnecessary obstacles to the movement of excisable goods within the EC. The proposal replaces the Excise Directive of 1992 (Directive 92/12/EEC), and describes, in particular, the procedures for movements of excise goods between Member States; it will provide a legal framework for the use of a computerized system to monitor the movement of excisable goods under excise duty suspension (i.e. for which no excise duty has been paid yet). This Excise Movement Control System (EMCS), which should be operational as of April 2010, will help to better tackle excise fraud by creating a faster and more efficient means of information exchange between excise authorities.

(iv) Duty and tax exemptions and concessions

31. There have been no major changes to the EC regime on duty and tax concessions during the period under review. The customs code of the EC provides for customs duty relief on account of

[39] These Directives were last amended by Council Directive 2002/10/EC, 12 February 2002 amending Directives 92/79/EEC, 92/80/EEC and 95/59/EC as regards the structure and rates of excise duty applied on manufactured tobacco; and by Council Directive 2003/117/EC, 5 December 2003, authorizing the French Republic to prolong the application of lower rates of excise duty to tobacco products released for consumption in Corsica, from 1 January 2003 to 31 December 2009.

[40] Council Directive 2003/96/EC, 27 October 2003.

special circumstances[41]; on re-imported Community goods; on products taken from the sea by Member State vessels; and on goods re-exported after inward processing under the drawback scheme, or goods re-exported because they are defective, or do not comply with the terms of the contract.[42] Also under the CC, customs duties are suspended under various customs regimes, including: external transit; customs warehousing; inward processing; temporary importation; and free zones and free warehouses. The recently approved customs code (Modernized Customs Code) does not envisage substantial changes to these exemptions and concessions. The main change will be the elimination of the drawback system. VAT and excise duty exemptions and refunds are also possible (section (iii)(a) above).

32. The EC is a signatory to the Convention on Temporary Admission, hence goods imported under temporary admission are exempted from VAT.[43]

(v) Customs valuation and rules of origin

(a) Customs valuation[44]

33. There have been no major changes in regards to customs valuation since the previous TPR of the EC in 2007. The EC had transposed the rules set out in the WTO Customs Valuation Agreement directly into its customs legislation.[45] In 2006, a new simplified procedures for the valuation of certain fresh fruit and vegetables imported in consignment was introduced. The Modernized Customs Code does not provide for any significant changes to EC customs valuation rules, which remain in line with those of the WTO Agreement, but should result in a simplification of procedures as all customs formalities will be computerized.

34. Customs valuation matters at EC level are addressed by the Valuation Section of the Customs Code Committee. Its tasks include examination of valuation issues, and it deals in particular with Member States' interpretations of the EC's customs valuation rules to ensure uniformity of treatment. It seeks to ensure a common approach to amendments of the customs valuation rules; prepared guidelines to the customs valuation rules; and prepares a common EC position in the WTO and the World Customs Organization (WCO).

35. In the EC, customs value is important not only for the calculation of customs duties, but also for the imposition of the VAT on imported goods, for the calculation of some tariff quotas that are contingent upon value where quotas are set in value for certain goods, and where appropriate for determining origin.

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[41] Regulation No. 918/83, amended by Regulation No. 274/2008, lists the goods that qualify for duty relief on account of special circumstances.

[42] CC Articles 124 to 128, and Articles 184 to 188.

[43] Council Decision No. 93/329/EEC, 15 March 1993. Under the temporary admission customs procedure, goods may be imported into the territory of a member State for a specific purpose (with total or partial relief from import duties and taxes) and then re-exported within a specified period without having undergone any change.

[44] European Commission online information, "Value of declared goods". Viewed at: http://ec.europa.eu/taxation_customs/customs/customs_duties/declared_goods/european/index_en.htm [10 June 2008].

[45] The EC rules on customs valuation are established in Community Customs Code (Regulation (EC) No. 2913/92) (Articles 28 to 36) and its Implementing Provisions (Regulation (EC) No. 2454/93) (Articles 141 to 181a and annexes 23 to 29).

(b) Rules of origin

36. The EC applies non-preferential and preferential rules of origin; no changes have been introduced since 2007. Non-preferential rules are used to apply all kinds of commercial policy measures (e.g. anti-dumping and countervailing duties, trade embargoes, safeguard and retaliation measures, and quantitative restrictions, but also for some tariff quotas, for trade statistics, for public tenders, and for origin marking).[46]

37. The EC preferential rules of origin may vary under each arrangement but there are common provisions on, *inter alia*, cumulation (i.e. bilateral, diagonal, regional, and full cumulation are possible), minimal operations, a general tolerance rule, no-drawback rule, the principle of territoriality, and direct transport rule.[47]

38. At present a draft Commission regulation on the reform of GSP rules of origin is under discussion in the Customs Code Committee.[48] If adopted, it will change both the substance (in particular, the rules for determining what is sufficient working or processing and regional cumulation) and the procedures (introduction of a system of statements on origin made directly by registered exporters) with the aim of making the rules simpler and more "development-friendly", allowing beneficiary countries, in particular the least developed countries, to take greater advantage of the preferential. Once agreed and adopted, the new rules on substance would be implemented as of 1 January 2010 and the new procedural rules as of 2013. According to a Commission Communication of March 2005, these new rules should progressively be extended to other preferential trade arrangements, subject to case-by-case negotiations.

(vi) Import prohibitions, restrictions, and licensing

(a) Import prohibitions

39. Imports prohibitions and surveillance are maintained on, *inter alia*, security, technical, sanitary, phytosanitary, and environmental grounds. The EC also controls/restricts trade under treaties and international conventions to which it is a signatory. For instance, it imposes trade and economic sanctions in accordance with United Nations Security Council (UNSC) resolutions. In this regard, during the period under review, the EC maintained import restrictions against Côte-d'Ivoire, Iraq, Iran, and North Korea; import bans against Liberia were repealed in 2006 (timber) and 2007 (diamonds). The EC is a member of the Kimberley Process and applies import prohibitions, according to origin on rough diamonds.

(b) Quantitative restrictions and licensing

40. During the period under review the only non-agricultural products that have been subject to quantitative restrictions by the EC have been certain textiles originating in the People's Republic of

[46] The legal basis for the non-preferential rules of origin is contained in Articles 22 - 26 of Council Regulation No. 2913/92 (CC), Articles 35-65 and Annexes 9 - 11 of Commission Regulation No. 2454/93 (IPC). Viewed at: http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/non-preferential/article_410_en.htm [10 June 2008].

[47] For the preferential rules specific to each arrangement, see European Commission online information, "Preferential Origin – Arrangement List". Viewed at: thttp://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/preferential/article_779_en.htm#efta [10 June 2008].

[48] European Commission online information, "Preferential Origin – New Developments". Viewed at: http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/preferential/article_777_en.htm [10 June 2008].

China, for which specific agreed levels had been set until the end of 2007.[49] On 1 January 2008, a double checking surveillance system (export licence and import licence) was put in place covering eight product categories originating in China[50]; the regime is to be phased out by 1 January 2009. Certain steel products originating in Russia and Kazakhstan are subject to quantitative restrictions.

41. The EC maintains bilateral trade agreements regarding textile products with the following non-WTO Members: Belarus, Russian Federation, Serbia, and Uzbekistan; however, only textiles originating in Belarus are subject to quantitative restrictions. On an autonomous basis, the EC continues to apply quantitative restrictions on imports of textiles from the Democratic People's Republic of Korea. The volume of the textile quotas is determined on a yearly basis and subject to licensing.

42. The EC last notified its import licensing system to the WTO in 2008.[51] Import licences are required for products subject to quantitative restrictions, safeguard measures or for import monitoring and surveillance. Product coverage is defined in the EC legislation. The system cannot be abolished without legislative approval; regulations generally contain provisions relating to the duration and expiry of the licensing regime.

43. The import licences are not subject to fees and are not transferable; they constitute an authorization and have a fixed period of validity. There is no penalty for non-utilization of an import licence or portion of it. However, when a security is required for a licence covering agricultural products, the security is forfeited in whole or in part if imports do not take place, or are only partly carried out.

44. Import licences for textile products subject to import quotas are not limited to domestic producers of like goods. They are issued annually on a "first-come, first-served" basis. An import licence is issued upon presentation of an export licence issued by the exporting country; licence applications must be presented on specific dates. The licences are issued within a maximum of five working days of presentation (by the importer) of the original corresponding export licence. The import licence is valid for six months.

45. Import surveillance applies to certain textiles, steel products, and to agricultural products including cereals, rice, sugar, olive oil and table olives, milk products, beef and veal, fresh fruit and vegetables, processed fruit and vegetables, bananas and ethyl alcohol of agricultural origin. These products are subject to automatic licences for statistical purposes, and to improve control of the origin of the products. There is no direct relationship between the granting of the required automatic licence and EC SPS requirements and regulations

46. A double-checking system is in place for imports of certain textile and steel products: the licence application procedure requires, *inter alia*, an export licence issued by the authorities of the country of origin. The EC applies a dual licensing arrangement to imports of certain steel products from Russia and Kazakhstan. Hence, to obtain an import licence in any of the Member states, the corresponding export document issued by the competent authorities of the exporting country must be provided.

[49] Based on the Memorandum of Understanding with China, 10 June 2005, the EC maintained agreed levels for the imports of ten product categories in 2005, 2006, and 2007.

[50] WTO document G/LIC/N/3/EEC/11, 2 October 2008.

[51] WTO documents G/LIC/N/3/EEC/11, 2 October 2008, and G/LIC/N/3/EEC/11/Add.1, 2 October 2008

47. The EC maintains tariff quotas on 4.8% of tariff lines, mostly agricultural products (Table AIV.[tariff quotas]). The agricultural tariff quotas are managed through two methods: first come-first served (at the border), and import licensing. Licences may be issued on a pro-rata or an historical basis.[52] For agricultural products, the period of validity of import licences depends on the product; general periods of validity are set in the relevant regulations. The validity of licences allocated in the context of tariff quotas also varies. Validity may only be extended in case of "force majeure". Several administrative organs can grant import licences for agricultural products.

(vii) Contingency measures

48. In 2007, some 0.73% of EC imports were subject to contingency trade remedies.[53] During the review period, no changes were made to the EC legislation on trade remedies; their legal basis is provided by the WTO Agreements, which have been transposed into EC legislation by Council Regulation (EC) No. 384/96 (the basic anti-dumping Regulation)[54], Council Regulation (EC) No. 2026/97 (the basic anti-subsidy Regulation)[55], and Council Regulations (EC) No. 517/94, 519/94 and 3285/94 (the basic safeguard Regulations).[56] EC contingency trade remedies are applicable to all imports from third countries except for members of the European Economic Area (EEA).[57] The EC operates a prospective system.[58] If the combination of two measures (e.g. anti-dumping or countervailing measures with safeguard measures on the same imports could lead to effects greater than "desirable", the Council may, upon proposal from the Commission: (i) amend, suspend, or repeal existing anti-dumping and/or countervailing measures; (ii) exempt imports from anti-dumping or countervailing duties; or (iii) adopt any other special measures deemed appropriate.[59]

49. Institutions involved in the application of contingency trade remedies in the EC include: (i) the European Commission, in charge of initiating and conducting investigations, imposing provisional measures, proposing measures for adoption by the Council, implementing and enforcing remedies, and conducting reviews; (ii) the Council of Ministers, responsible for adopting proposals for definitive anti-dumping and countervailing measures made by the Commission; (iii) the Court of First Instance, which has jurisdiction over anti-dumping and countervailing cases; and (iv) the Court of Justice, which is the court of appeal for cases under the jurisdiction of the Court of First Instance, and for hearing safeguard cases to the extent that they can be challenged.[60]

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[52] More details on EC's agricultural tariff quotas are contained in WTO document G/LIC/N/3/EEC//Add.1, 26 September 2007.

[53] COM(2006) 877 final, Brussels, 19 December 2006.

[54] OJ L 56, 6 March 1996, as last amended by Council Regulation (EC) No. 2117/2005, 21 December 2005.

[55] Published in OJ L 288, 21 October 1997, as last amended by Council Regulation (EC) No. 461/2004, 8 March 2004.

[56] Council Regulation (EC) No. 517/94, 7 March 1994, OJ L 67, 10 March 1994, as last amended by Council Regulation (EC) No. 931/2005, 6 June 2005; Council Regulation (EC) No. 519/94, 7 March 1994, OJ L 67, 10 March 1994, as last amended by Council Regulation (EC) No. 427/2003, 3 March 2003; Council Regulation (EC) No. 3285/94, 22 December 1994, OJ L 349, 22 December 1994, as last amended by Council Regulation (EC) No. 2200/2004, 13 December 2004. Proposals for codification of Regulations 3295/94 and 519/94 are contained in COM(2008) 21 final, 25 January 2008, and COM (2008) 214 final, 24 April 2008, respectively.

[57] Non-EC members of the EEA are excluded, except for products that fall outside the scope of the EEA (e.g. fish products).

[58] The duty rates found in the original investigation are applied to future imports and normally remain unchanged unless a party demonstrates that changes have occurred.

[59] Council Regulation (EC) No. 452/2003, OJ L 69, 13 March 2003.

[60] There are limited opportunities to challenge safeguard measures.

50. In December 2006, the Commission launched public consultations on the EC's trade defence instruments.[61] This identified a number of areas in which the EC trade defence practice could be reformed, and these were subsequently discussed among Member States, the European Parliament, and business stakeholders but no agreement has been reached.[62]

51. As a result of the last enlargement, all contingency trade remedies in force in the EC-25 automatically apply to Bulgaria and Romania[63]; and any existing measures in the acceding countries against the EC-25 automatically lapsed. The EC notified the relevant WTO Committees that, as from 1 January 2007, its legislation on anti-dumping, anti-subsidy, and safeguards is applicable to the two new Member States, and that all previous national legislation lapsed on that date.[64]

52. The number of contingency measures notified by the EC to the WTO has decreased since 2005 (Table III.6).

Table III.6
Contingency measures notified by the EC, 2005-08[a]

	2005	2006	2007	2008
Anti-dumping				
Initiation of investigations	24	35	9	18
Definitive measures	19	13	12	16
Countervailing				
Initiation of investigations	2	1	0	1
Definitive measures	0	0	0	0
Safeguards				
Initiation of investigations	2	0	0	0
Definitive measures	1	0	0	0

a The statistics include the ten Member States that acceded in 2004, and Bulgaria and Romania (1 January 2007). None of these have initiated investigations/applied measures individually during the period.

Source: WTO Committees on Anti-Dumping Practices, Subsidies and Countervailing Measures, and Safeguards; and information provided by the authorities.

(a) Anti-dumping (AD) measures

53. AD measures are the EC's most frequently used trade defence instrument. Proceedings may be initiated through a written complaint by any natural or legal person, or any association not having legal personality, acting on behalf of an industry; or upon the initiative of the Commission.[65]

[61] COM(2006) 763 final, "Communication from the Commission, Global Europe, Europe's trade defence instruments in a changing global economy: A Green paper for public consultation"; Brussels, 6 December 2006.

[62] These relate mainly to questions of transparency, accessibility, and effectiveness. Evaluation of the responses to the public consultation on Europe's trade defence instruments in a changing global economy, December 2006 - March 2007, Brussels, 19 November 2007.

[63] In a notice published in OJ C 297, 7 December 2006, the Commission expressed its preparedness to review anti-dumping, anti-subsidy, and safeguard measures where any interested party so requests and submits evidence that the measures would have been significantly different if they were based on information including the new Member States. It is estimated that the measures resulting from an EC-27 analysis would in most cases not be different from that based on EC-25 analysis, due to the very small imports of goods into the new Member States compared with those into the EC-25.

[64] WTO documents G/SG/N/1/EEC/1/Suppl.3, 7 February 2007, G/ADP/N/1/EEC/2/Suppl.8, 7 February 2007, and G/SCM/N/1/EEC/2/Suppl.7, 8 February 2007.

[65] The Commission may initiate the investigation on its own initiative in special circumstances, on the basis of sufficient evidence of dumping, injury, and a causal link. In practice, almost all investigations result from the submission of a complaint.

Complaints are examined by an Advisory Committee[66] and in case of sufficient evidence, the Commission initiates an investigation within 45 days; a notice is published in the *Official Journal*.[67] Investigations cover dumping and its injury simultaneously. Questionnaires are sent to the parties involved, which are given at least 30 days to reply. The investigation concludes with termination of the proceedings or with the adoption of a definitive measure.[68] Anti-dumping measures can only be imposed if they are not against the wider interest of the EC economy, which is determined by the European Commission by weighing the interests of consumers, "suppliers", "users", and the industry.[69]

54. In case of provisional affirmative determination of dumping and its injury, provisional duties may be imposed by the Commission for six months and extended for a further three-month period; their amount must not exceed the dumping margin or be less than the margin if such lesser duty would be adequate to remove the injury; or voluntary undertaking offers may be accepted.[70] Definitive AD duties are imposed by the Council and expire five years after their imposition or five years after the conclusion of a review of the measure. Provisional and definitive duties cannot be applied retrospectively. Duties collected can be refunded if the importer can show that the dumping margin has been eliminated or reduced to a level below the AD duty. Where a temporary change in market conditions makes the continued imposition of such measures temporarily inappropriate, AD measures may be suspended for a maximum of one year and reinstated if necessary.

55. Special rules apply to the determination of normal value in the case of imports from "non-market economy countries".[71] For anti-dumping investigations concerning imports from China, Viet Nam and Kazakhstan, and any other non-market economy that is a member of the WTO at the date of the initiation of the investigation, normal value is based on the prices paid or payable in the ordinary course of trade in that country, if it is shown that market conditions prevail for the respective producer.

56. According to notifications to the WTO by the EC, from July 2006 to June 2008, 36 new AD cases and 60 reviews were initiated, and one partial reopening. On 30 June 2008, 131 definitive AD measures were in force: 45 applied to imports from China, 8 from India and Russia respectively, 7 from Thailand, and 6 from Chinese Taipei and Ukraine, respectively.[72] Most of the applied AD duties were *ad valorem* and up to 77.6%; the products concerned were chemicals, bicycles, leather, footwear, lamps, lighters, lever arch mechanisms, strawberries, fish, steel products, sweet corn,

[66] The Advisory Committee consists of representatives of Member States and a representative of the European Commission as chairman.

[67] The notice indicates the product and countries concerned, gives a summary of the information received and states the period within which interested parties may make themselves known and present their views.

[68] Proceedings are terminated where the dumping is *de minimis* or the injury is negligible.

[69] The public interest test applied by the EC has been deemed a useful factor in weighing the balance of interests in AD cases (COM(2006) 763 final, Brussels, 6 December 2006).

[70] Such offers are to be submitted by exporters and concern revision of prices or cessation of exports at dumped prices; they can be offered at any time but not before the provisional duties or after the definitive duties.

[71] Albania, Armenia, Azerbaijan, Belarus, Georgia, North Korea, Kyrgyzstan, Moldova, Mongolia, Tajikistan, Turkmenistan, Uzbekistan. For imports from these countries, normal value is determined on the basis of the price or constructed value in a market-economy third country, or the prices from such a third country to other countries, or where those are not possible, on any other reasonable basis, including the price actually paid or payable in the EC for the like product, duly adjusted if necessary to include a reasonable profit margin. The non-market economy treatment normally yields significantly higher AD duties. For details, see Swedish National Board of Trade (2006).

[72] WTO documents G/ADP/N/153/EEC, 20 March 2007; G/ADP/N/158/EEC, 29 August 2007; G/ADP/N/166/EEC, 14 April 2008; and G/ADP/N/173/EEC, 22 September 2008.

ironing boards, compressors, alcohols, hand pallet trucks, plywood, plastic sacs and bags, polyester fabrics, electrodes, refrigerators, biodiesel, and bed linen. During the period under review, 17 AD measures expired after the five-year imposition period and 17 were repealed after being reviewed. As at June 2008, 12 undertakings were in force. According to EC data, from 1 January to 10 October 2008, 14 new AD investigations were initiated, provisional duties were imposed in 3 cases and definitive duties in 10 cases, and two investigations were terminated without the imposition of measures.[73]

(b) Countervailing (CV) measures

57. The procedure for countervailing investigations is similar to that for AD investigations, in particular with regard to the determination of injury, the definition of Community industry, the initiation of a proceeding, the provisional and definitive measures, and the termination of the proceedings. Provisional CV duties may be imposed for a maximum period of four months. Voluntary undertakings may be accepted to the extent that the country of origin and/or export agrees to eliminate or limit the subsidy or take other measures concerning its effects; or where an exporter undertakes to revise its prices or to cease exports to the area in question as long as they benefit from countervailable subsidies.

58. From July 2006 to June 2008, 2 new cases and 11 reviews were initiated. At 30 June 2008, eight CV measures were in force, six of which on imports from India.[74] Most of these measures were *ad valorem* duties ranging up to 53.3%, on chemicals, pharmaceuticals, textiles, and some electric systems. Two undertakings were also in force and three CV measures were repealed following a review.[75] According to EC data, from 1 January to 30 October 2008, two new CV investigations were initiated.[76]

(c) Safeguards

59. EC Regulation No. 3285/94 lays down the general common rules for imposing safeguard measures and applies *erga omnes* to all products, except for products originated in certain third countries, some of which are not WTO Members, and for textile products. EC Regulation 519/94 applies to products originating in certain third countries.[77] Regulation 517/94 lays down specific import rules for textile products from non-WTO Members, and countries not covered by bilateral agreements or other specific EC rules[78]; Regulation 3030/93 governs, *inter alia*, the imposition of safeguard measures on textile imports from countries that have bilateral agreements with the EC and

[73] European Commission online information, "Anti-dumping, Anti-subsidy, Safeguard: Statistics covering the first 6 months of 2008. Interim Report 2008/06". Viewed at: http://trade.ec.europa.eu/doclib/docs/2008/april/tradoc_138554.pdf. [27 November 2008].

[74] WTO documents G/SCM/N/153/EEC, 1 March 2007; G/SCM/N/162/EEC, 4 September 2007; G/SCM/N/170/EEC, 16 April 2008; and G/SCM/N/178/EEC, 19 September 2008.

[75] WTO document G/SCM/N/178/EEC, 19 September 2008.

[76] European Commission online information, "Anti-dumping, Anti-subsidy, Safeguard: Statistics covering the first 10 months of 2008. Interim Report 2008/10". Viewed at: http://trade.ec.europa.eu/doclib/docs/2008/april/tradoc_138554.pdf. [27 November 2008]

[77] Currently Armenia, Azerbaijan, Belarus, Kazakhstan, North Korea, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan, and Viet Nam.

[78] The Regulation is used to apply quotas against North Korea.

the safeguard action against China[79]; and Regulation 427/2003 allows the imposition of a transitional product-specific safeguard on imports originating in China.[80]

60. Initiation of a safeguard case in the EC may only be requested by a Member State, or may take place on the EC's own initiative. If, during the consultation procedure, it is apparent that there is sufficient evidence to justify initiation, the Commission initiates an investigation and publishes a notice in the *Official Journal*.[81] Where deemed necessary to prevent injury to EC producers, the imports may be subject to retrospective or prior Community surveillance for a limited period.[82] Under Regulation 3285/94, provisional safeguard measures may only take the form of an increase in customs duty, for a duration not exceeding 200 days; they are imposed by the Commission. Safeguard measures are imposed by the Commission or the Council, and can take any form. Special requirements apply to the establishment of quotas.[83] The maximum duration of a safeguard measure is eight years, including the period of any provisional measure, the original period of application, and any prolongation of the measure. Developing countries are excluded from any safeguard measure where they account for less than 3% of imports, provided the collective share of WTO developing Members is not more than 9% of total Community imports.

61. Products subject to a safeguard measure imposed under Regulations 3285/94 and 519/94 (i.e. imports originating in third countries) may require an import authorization to enter the EC market. However, the Commission has never imposed such a requirement. According to Regulations 3030/93 and 517/94, imports of textile products are subject to surveillance or to annual quantitative limits. Agreed quantitative limits and products subject to surveillance under Regulation 3030/93 are administered through a double-checking system.[84] Regulation 427/203 lays down provisions for a transitional product-specific safeguard mechanism against China, under which safeguard and trade diversion measures which may be imposed until 11 December 2013.[85] Provisional safeguard measures and definitive measures may, *inter alia*, take the form of customs duties and quantitative restrictions. Both safeguard and trade diversion measures may be reviewed.

62. During the period under review, no new safeguard measures have been put in place. The last safeguard measure was imposed in 2004, on an *erga omnes* basis on citrus fruit, and lapsed in 2007.

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[79] OJ L 275, 8 November 1993, as last amended by Commission Regulation (EC) No. 502/2008, 5 June 2008. The Regulation applies to Belarus, China, Russia, Serbia and Uzbekistan.

[80] OJ L 65, 8 March 2003, as amended by Council Regulation (EC) No. 1985/2003, 10 November 2003.

[81] Such notices summarize the information received, and specify the periods for interested parties to make their views known in writing and to apply for an oral hearing by the Commission.

[82] Under Regulations 3285/94 and 519/94, unless otherwise provided, surveillance measures cease to be valid at the end of the second six-month period following the six months in which the measures have been introduced. Surveillance is a system of import licensing.

[83] The level of the quota should be no lower than the average level of imports over a representative period of at least three years. Where the quota is allocated among different countries, each quota may be determined by agreement with each country or by taking the level of imports over a representative period as a reference.

[84] Under the system, import authorizations must be issued against the presentation of export licences in respect of all consignments of the relevant textile products.

[85] According to the Regulation, significant trade diversion exists when an action by China or another WTO Member, taken to prevent or remedy market disruption in that WTO Member's market, causes or threatens to cause an increase in imports of a product from China into the EC. Trade diversion measures must be terminated not later than 30 days after the expiry of the action taken by the WTO Member involved against imports from China.

Two surveillance measures are currently applied to imports of footwear from China, and steel products on an erga omnes basis.[86]

(viii) Technical regulations and other technical requirements

(a) Technical barriers to trade (TBT)

63. The EC technical regulations, standards, and conformity assessment procedures have not been harmonized in all sectors. In sectors where Member States can still legislate, the Mutual Recognition Principle applies. Following this principle, a product that has been legally produced and marketed according to the legislation of one Member State can freely circulate throughout the Single Market without having to comply with any further legislation or undergoing additional conformity assessment. Some restrictions to this principle include the protection of human, animal, and plant health; the protection of the environment; and national security matters.

64. At the Community level, the Commission may propose legislation on technical regulations and assess their impact[87]; it is also responsible for drafting proposals for technical regulations. A legislative act is adopted by Parliament and Council and must be published in the *Official Journal* of the European Union. There are two types of regulations for industrial products: those laying down detailed specific technical requirements ("old-approach" directives); and those limited to the setting-up of essential requirements ("new approach" directives) defined to meet health, safety, and environmental objectives, whilst the technical characteristics of the products, indicating how these essential requirements should be met, are given in the standards (voluntary), which are drafted by the stakeholders within the committees and following the procedures of the european standardisation organisations. [88]

65. Under the new-approach directives, the manufacturer placing a product on the Community market assumes responsibility for compliance with Community legislation. The manufacturer must affix the "CE" mark on the product symbolizing conformity of the product with the applicable EC requirements. Where a third-party certification is required, conformity assessment of industrial products is carried out by bodies designated by Member States. In some sectors, the EC accepts the supplier's declaration of conformity without mandatory third-party intervention.[89]

66. Member States are not permitted to restrict the marketing of "CE" marked products, unless there is evidence of non-compliance by the product. Market surveillance is carried out by national

[86] European Commission online information, "Anti-dumping, Anti-subsidy, Safeguard: Statistics covering the first 10 months of 2008", "full year 2007", and "full year 2006". Interim Reports 2008/10, 2007/12, and 2007/12. Viewed at: http://trade.ec.europa.eu/doclib/docs/2008/april/tradoc_138554.pdf, http://trade.ec.europa.eu/doclib/docs/2007/april/tradoc_134456.pdf, and http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc_128626.pdf.

[87] Article 95 of the EU Treaty.

[88] The "old approach" directives apply to motor vehicles, chemicals, pharmaceuticals, cosmetics, legal metrology and pre-packaging, textiles, footwear labelling, wood classification, and crystal glass. The "new approach" directives cover, *inter alia*, non-automatic weighing instruments and measuring instruments, low voltage equipment, electromagnetic compatibility, toys, machinery, lifts, noise emissions by outdoors equipment, emissions of pollutants from non-road mobile machinery engines, personal protective equipment, equipment and protective systems intended for use in explosive atmospheres, medical devices, gas appliances, pressure vessels, cableway installations, construction products, recreational craft, eco-design requirements for energy-using products, and radio and telecommunications terminal equipment (European Commission online information. Viewed at: http://ec.europa.eu/enterprise/newapproach/standardization/harmstds/reflist.html#na_directives).

[89] For more details on the new-approach directives, see WTO (2004 and 2007).

authorities and involves monitoring products for compliance, and remedial actions when they do not comply, including penalties for false or misleading declarations. Under a safeguard clause procedure, the Commission may verify measures taken by national authorities that restrict the movement of "CE" marked goods. For imports from third countries, checks of compliance with the product safety requirements are carried out by Member State authorities in charge of external border controls.

67. At the Community level, standards (voluntary) can be mandated by the Commission. The EC standardization bodies (CEN, CENELEC, and ETSI) have the option to accept or reject the mandate.[90] These organizations have their own internal procedures. Once adopted, standards must be publicly available. There are presently more than 15,000 European-wide (voluntary) standards. In the services sector, standardization is still limited, mainly because of the heterogeneous nature of services. About 80% of the work of the European standardization bodies is undertaken at the request of industries and other stakeholders; with the remainder follows requests from the European Commission and EFTA. About 30% of the standards developed by CEN are identical to ISO's, whilst the percentage is more than 60% in the case of CENELEC. Following a proactive improvement programme developed by the European standards organizations, the development time of a European standard does not exceed 3 years.

68. Accreditation of conformity assessment bodies is carried out by Member States and is not regulated at Community level; this has resulted in different systems of accreditation among Member States. In July 2008, a new regulation was adopted to establish common rules and structures for accreditation and market surveillance, in order to facilitate the internal movement of products; the regulation will enter into force on 1 July 2010.[91] Each Member State is to appoint a single national accreditation body, which must recognize the equivalence of the services of other national accreditation bodies that have successfully passed a peer review.[92] Member States can then no longer refuse certificates or test reports issued by another EC country designated conformity assessment body (CAB) on competence grounds. The competent authorities of Member States are required to ensure that products that are not in compliance with harmonized legislation are not placed on the market or are withdrawn from the market. The authorities must take necessary measures, including destruction of non-compliant imported products, to prevent products that are not released for free circulation into the EC from being re-exported and then re-imported through other points of entry to the Community.

69. Third-country conformity assessment bodies (CABs) may take part in the EC's conformity assessment activities through mutual recognition agreements (MRAs). The EC has negotiated MRAs with Australia, Canada, Israel, Japan, New Zealand, Switzerland, and the United States. The main areas covered in these MRAs are medical devices, good manufacturing practice for medicines, telecommunication equipment, electrical equipment, and electromagnetic compatibility. The broadest agreement, with Switzerland, covers: machinery, personal protective equipment, pressure vessels, measuring instrument and prepackages, motor vehicles, good laboratory practice, toys, construction plant and equipment, equipment for explosive atmospheres, gas appliances, construction products, and tractors.

70. Products not subject to harmonized technical regulations include various types of foodstuffs (e.g. bread and pasta), furniture, bicycles, ladders, and precious metals. On such products, the EC applies the principle of mutual recognition for purposes of the free movement of goods between

[90] European Committee for Standardization (CEN); European Committee for Electrotechnical Standardization (CENELEC); and European Telecommunications Standards Institute (ETSI).

[91] Regulation (EC) No. 765/2008, 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products, and repealing Regulation (EEC) No. 339/93.

[92] Membership of national accreditation bodies in the European Cooperation for Accrediation (European network of nationally recognized accreditation bodies) will be mandatory.

Member States: goods lawfully marketed in one Member State should be allowed to be marketed in any other Member State, even when the product does not fully comply with technical rules of the Member State of destination, except where the latter can show that departure from this principle is strictly necessary for the protection of, for example, public safety, health or environment.[93] In such cases, the Member State of destination must, *inter alia*, demonstrate that its measure is the least trade-restrictive. The principle also applies to products from non-EC countries, provided that these have been legally imported and marketed in the EC Member State of entry. It appears, however, that the application of the mutual recognition principle in non-harmonized areas is unsatisfactory.[94] Operators, in particular SMEs, are faced with obstacles to the free movement of goods within the EC as a result of technical requirements imposed by Member States[95], such as rules concerning the form, size, weight, labelling or packaging of products. Trade barriers also result where a product originating in one Member State is subject to mandatory prior authorization procedures before it can be placed on the market of another Member State.

71. An enhanced framework for mutual recognition will enter into force on 13 May 2009 with the aim of, *inter alia*, improving the internal movement of goods in non-harmonized areas.[96] Member States are required to establish Product Contact Points to provide information concerning national technical regulations and the application of the principle of mutual recognition. The competent authorities will be obliged to inform operators about the technical or scientific grounds on which a specific product cannot be marketed in the Member States concerned; operators must also be provided with the opportunity to comment on the intended decision restricting access to the market.

72. Under the TBT Agreement, the EC and its Member States notified the WTO of 140 measures in 2007 and 139 in 2008 (to 30 September) (Table III.7). A number of Members have raised concerns in the TBT Committee regarding technical regulations maintained or proposed by the EC or its Member States, which (could) act as unnecessary barriers to trade in chemicals[97], wine products, toys, seal products, organic products, energy-using products, lighters, electrical and electronic equipment, and electrical cables.[98]

73. A new regime for the registration, evaluation, authorization and restriction of chemicals (REACH regulation) entered into force on 1 June 2007; though it is a complex regulation, it considerably streamlines previous EC legislation on chemicals.[99] The European Chemicals Agency

[93] On public order or protection grounds, Member States may impose additional requirements as far as the latter do not impede the free circulation of products, according to the Commission. Moreover, Member States can set technical regulations in areas where there are no harmonized rules or where free internal movement of products has not been reached (e.g. public health). Information on the requirements in non-harmonized areas can be obtained from the TBT enquiry points of the EC Member States.

[94] Regulation (EC) No. 764/2008, 9 July 2008. *Official Journal*.

[95] Regulation (EC) No. 764/2008, 9 July 2008. *Official Journal*.

[96] Regulation (EC) No. 764/2008, 9 July 2008 laying down procedures relating to the application of certain national technical regulations to products lawfully marketed in another Member State and repealing Decision No. 3052/95/EC. Outside the scope of mutual recognition of regulations are, *inter alia*, technical specifications for the public procurement of Member States and national emergency measures taken under the Rapid Alert System for Food and Feed.

[97] The three measures at issue are: (i) a ban on the use of Deca-bromo diphenylether (deca-BDE) in electrical and electronic products placed on the EC market; (ii) Draft Commission Directive amending Council Directive 67/548/EEC on dangerous chemical substances (including borates and nickel carbonates); and (iii) Regulation for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH regulation).

[98] See WTO document G/TBT/GEN/74, 25 September 2008.

[99] Regulation No. 1907/2006, 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No. 793/93 and Commission Regulation (EC) No. 1488/94, as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC,

(ECHA), established pursuant to the regulation, manages the technical, scientific, and administrative aspects of the regulation. Member States must appoint one competent authority (or more) to cooperate with the agency and the European Commission, and carry out responsibilities (such as substance evaluation) under the regulation; enforcement is also under the competence of the Member States.

Table III.7
Notifications of technical regulations by the EC and its Member States, 2000-08

	2000	2001	2002	2003	2004	2005	2006	2007	2008[a]
Austria	0	0	0	0	0	0	0	0	0
Belgium	19	26	11	1	0	0	2	1	0
Bulgaria	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0
Cyprus	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0
Czech Republic	n.a.	n.a.	n.a.	n.a.	8	16	5	7	4
Denmark	25	7	6	16	2	2	5	11	2
Estonia	n.a.	n.a.	n.a.	n.a.	0	0	1	1	0
Finland	5	3	5	0	2	0	5	5	10
France	7	9	7	14	5	15	8	14	17
Germany	0	0	0	0	2	0	0	1	4
Greece	0	0	0	0	0	0	0	0	0
Hungary	n.a.	n.a.	n.a.	n.a.	0	1	2	1	0
Ireland	0	0	0	0	0	0	0	0	0
Italy	0	0	1	2	3	1	1	0	2
Latvia	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0
Lithuania	n.a.	n.a.	n.a.	n.a.	1	1	1	2	2
Luxemburg	0	0	0	0	0	0	0	0	0
Malta	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0
Netherlands	46	40	15	4	7	1	5	7	4
Poland	n.a.	n.a.	n.a.	n.a.	0	0	1	0	0
Portugal	0	0	0	0	0	0	0	0	0
Romania	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10	25	46
Slovenia	n.a.	n.a.	n.a.	n.a.	15	9	13	12	4
Slovakia	n.a.	n.a.	n.a.	n.a.	1	3	0	2	0
Spain	6	9	12	5	1	0	3	1	0
Sweden	15	8	17	9	7	19	15	14	4
United Kingdom	9	1	4	4	0	0	2	1	1
EC	16	7	17	21	29	24	44	35	39
Total	148	110	95	76	83	92	123	140	139

n.a. Not applicable.

a Up to 30 September 2008.

Source: Notifications by the EC and Member States to the WTO.

74. The REACH regulation applies to the manufacture, importation, placing on the EC market, and use of chemicals by legal or natural persons.[100] It requires them to, *inter alia*, register these chemicals (if manufactured or imported in a quantity above 1 tonne per year) and assess the risks arising from their manufacture and use; they are also responsible for the management of any risks related to the substances. The regulation sets out procedures for the evaluation of dossiers (checking that registration dossiers are correct and whether further testing is necessary), authorization, and restrictions of chemical substances.[101] Some of the main trade concerns raised in the TBT Committee include: burdensome procedures, notably for SMEs and developing countries, to ensure compliance with the new regime, and insufficient technical assistance provided by the EC; high registration fees; procedures that might put non-EC manufacturers at a disadvantage vis-à-vis EC manufacturers; and the potential for non-uniform enforcement of the regulation among EC Member States.

93/105/EC and 2000/21/EC. The regulation replaces over 40 existing EC directives and regulations. Directive 2006/121/EC, 18 December 2006.

[100] In principle, the regulation applies to all chemicals, with specified exemptions, such as radioactive chemicals and waste; Member States may also exempt substances used for defence purposes.

[101] ECHA online information. Viewed at: http://reach.jrc.it/about_reach_en.htm.

75. According to the EC, REACH applies equally to locally manufactured and imported products, and throughout the EC. Efforts have been made to inform worldwide operators about the processes and obligations under REACH, and reductions of up to 90% are foreseen for fees payable by SMEs.

76. Under the EEA Agreement, certain EFTA Member States (Iceland, Norway, Liechtenstein) implement the corpus of European technical regulations for trade in non-agricultural products, and in that area they participate in the internal market in the same way as EC Member States. An agreement with Switzerland makes similar provisions in a number of technical areas, though as Switzerland is not a member of the EEA, it is free to regulate as it wishes in other areas of trade in non-agricultural products. The EC is negotiating or preparing to negotiate a number of agreements on conformity assessment and acceptance of industrial products (ACAA) with certain countries in the European neighbourhood. The partner countries would adopt all or part of the European technical system for regulation and conformity assessment of industrial products, and would in turn be able to place their products that are covered by the Agreement on the EC market.

77. At the meetings of the TBT Committee on 5-6 November 2008, the EC raised 16 specific trade concerns in third countries. WTO Members raised 12 concerns on measures in the EC, for example on REACH (see above), classification of dangerous substances (nickel), novel foods, and cosmetics.

(b) Sanitary and phytosanitary (SPS)

78. Regulation (EC) No. 178/2002 harmonizes the concepts, principles, and procedures to be used by EC Member States in the adoption of national food safety standards. Food safety activities cover the entire food chain, ranging from animal and plant health to labelling of food products, and animal welfare. Under the Regulation, the EC's food safety regime is based on five principles: (i) a high level of food safety at all stages of the food chain, from primary production to the consumer (farm-to-fork approach); (ii) risk analysis as a fundamental component of food safety policy; (iii) full responsibility of operators for the safety of products they import, produce, process, place on the market or distribute; (iv) traceability of products at all stages of the food chain; and (v) the right of citizens to clear and accurate information from public authorities. The regulation established the European Food Safety Authority (EFSA), which operates as, *inter alia*, the EC's independent risk assessment body. The EC's alert system has been strengthened and broadened to include feed (Rapid Alert System for Food and Feed). Under this system, Member States are required to notify the Commission immediately about measures (requiring rapid action) they have taken to restrict the sale of products, product withdrawals or recalls of food or feed in order to protect human and animal health.[102] Special powers were given to the Commission to implement emergency measures to contain serious risks to human or animal health, or to the environment in the EC (Article 53 of the regulation).

79. During 1995-2005, the EC spent about €1 billion on emergency measures against outbreaks of animal diseases: about two thirds were spent on measures against Foot-and-Mouth Disease (FMD), followed by measures against Classical Swine Fever and Avian Influenza.[103] All EC Member States are currently listed by the World Organization for Animal Health (OIE) as FMD-free without vaccination; the United Kingdom and Cyprus regained FMD-free status in 2008 (suspended following FMD outbreaks in 2007). The incidence of BSE-cases in the EC has continued to decline further over

[102] The Rapid Alert System for Food and Feed is a Commission system for the rapid exchange of information among Member States (third countries are also allowed to participate) in the event of a serious and immediate risk.

[103] Europa Press Release MEMO/07/365. Viewed at: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/365&format=HTML&aged=1&language=EN&guiLanguage=en.

the past few years, while Bluetongue disease (a virus affecting ruminants) has increased. The EC budget for the control or eradication of animal diseases and for zoonoses amounted to €187 million for 2008, with an increase for measures against Bluetongue disease.[104] Since the last Review of the EC, outbreaks of Avian Influenza in wild and domestic birds have occurred in a number of Member States. About €4.4 million was made available in 2008 from the Community budget to support Avian Influenza surveillance programmes by Member States.

80. In 2007, the European Commission submitted proposals for a common animal health policy for 2007-13.[105] The action plan is aimed at improving precautionary measures, disease surveillance, and controls and research, to reduce the incidence of animal diseases and minimize the impact of outbreaks. For imports, a risk-based approach would target higher risk consignments (products/countries) and assist in the selection of containers to be examined. Closer cooperation between customs and veterinarians is also envisaged, as well as modernization of the EC's traceability system for live animals (from animal passports and national databases, to an EC-wide electronic identification system).

81. The sale of food, whether of domestic or foreign origin, is subject to strict sanitary regulations. Imported food must comply with the food legislation or, where applicable, meet the requirements specified in agreements between the Community and the exporting country. Processed foodstuffs that are not of animal origin can generally be imported without a sanitary certificate. EC veterinary agreements with Canada, New Zealand, and the United States, and trade agreements with Chile, Mexico, and Switzerland also cover SPS issues.

82. Food of animal origin (including fishery products) is allowed entry into the EC only if it comes from approved establishments in countries on a EC list of eligible countries. To be listed requires, *inter alia*, recognition by the European Commission of the competent veterinary authority in the third country, which must submit an application for approval of the new establishments to the European Commission. The European Commission does not carry out inspections of each individual establishment. However, it requires and verifies that this authority is in a position to ensure, through inspection and controls, that relevant EC hygiene and health requirements are met throughout the production chain; it must also issue health certificates required for imports into the EC. A monitoring system must be in place to verify compliance with EC requirements on residues of veterinary medicines, pesticides, and contaminants. For bovine meat, sheep meat, and goat meat, exporting countries must obtain a determination of their BSE-status from the OIE. For exports of poultry and poultry meat to the EC, salmonella and avian influenza control/surveillance programmes must be in place.[106] At approved border inspection posts, imports are subject to documentary check, identity check, and a physical check, depending on the risk profile of the product and the history of previous checks.[107]

83. Imports of meat derived from animals treated with hormonal growth promoters, mechanically recovered meat, and the use of specified risk materials (to reduce the risk of transmissible spongiform

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[104] Europa Press Release IP/07/1828. Viewed at: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1828&format=HTML&aged=1&language=EN&guiLanguage=en.

[105] European Commission online information. Viewed at: http://ec.europa.eu/food/animal/diseases/strategy/index_en.htm.

[106] Approved countries must notify outbreaks of avian influenza and Newcastle disease within 24 hours to the EC Commission.

[107] European Commission online information. Viewed at: http://ec.europa.eu/food/international/trade/index_en.htm. See also WTO documents G/SPS/N/EEC/308, 5 June 2007; G/SPS/N/EEC/320, 30 November 2007; and G/SPS/N/EEC/323, 5 February 2008.

encephalopathy) are prohibited. The use of antimicrobial treatment on food of animal origin is also prohibited.[108]

84. A new system for pesticide maximum residue levels (MRLs) in food, which entered into force on 1 September 2008, consolidates the divergent national lists of MRLs and MRLs harmonized at the EC level, with the aim of, *inter alia*, eliminating inappropriate technical barriers to trade. After finalization of the harmonization process, the overall system is to be simplified; 500,000 national MRLs are to be replaced by 75,000 harmonized EC MRLs. The new MRL regulation covers all agricultural products, including products of animal origin and processed products, intended for human consumption or feed use.[109] MRLs are specified for about 500 pesticides; for non-specified (other) pesticides, a default MRL of 0.01 mg/kg applies.[110] The European Food Safety Authority (EFSA) evaluates each new proposed MRL and based on the EFSA's opinion, the Commission can issue a regulation to establish a new MRL or amend or remove an existing MRL. The regulation is enforced by Member States through national control programmes, with inspections carried out by the Food and Veterinary Office of the Commission. Ecuador has raised a concern in the SPS Committee regarding the proposed MRL for Ethephon in pineapple, and the lack of MRLs for a number of pesticides commonly used in the production of cacao.[111]

85. The EC's phytosanitary regime, established through Council Directive 2000/29/EC[112], covers, *inter alia*, the monitoring and control of pesticide residues, preventative measures against the introduction and spread of pests and plant diseases in the EC, and the control of internal movement of plants (including seeds).

86. Imports of specified plants and plant products (e.g. fresh fruit and vegetables) must be accompanied by a phytosanitary certificate, issued by the national plant protection organization of the exporting country.[113] Shipments are subject to a plant health check, involving a documentary, identity, and physical check, to ensure compliance with the EC's import requirements. Reduced frequency health checks apply to certain products from specific countries of origin, based on risk profiling.[114] A plant passport is required for the internal movement of plants and plant material. In the period under review, the EC notified a number of emergency measures and other import restrictions on certain plants (Tables III.8).

[108] Article 3.1 of Regulation 853/2004.

[109] Regulation (EC) No. 396/2005, 23 February 2005 on maximum residue levels of pesticides in or on food and feed of plant and animal origin and amending Council Directive 91/414/EEC. Under Article 2.3 of the regulation, MRLs for pesticides do not apply to products intended for export to third countries and treated before export, where it has been established by appropriate evidence that the third country of destination requires or agrees with that particular treatment in order to prevent the introduction of harmful organisms into its territory.

[110] The European Commission has established a database on MRLs applicable to each pesticide and agricultural product. Viewed at: http://ec.europa.eu/sanco_pesticides/public/index.cfm.

[111] WTO document G/SPS/R/49, 18 June 2008, paragraphs 21-23.

[112] Council Directive 2000/29/EC, 8 May 2000 on protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community.

[113] European Commission online information. Viewed at: http://europa.eu/eur-lex/en/consleg/pdf/2000/en_2000L0029_do_001.pdf#122, Annex V, Part B.

[114] European Commission online information. Viewed at: http://ec.europa.eu/food/plant/organisms/imports/recommended_products2008.pdf.

Table III.8
(a) Emergency SPS measures

Products	Description of measure	WTO Document
Isoprene [FL-01.049 (2-methyl-1,3-butadiene)] and food products containing this flavouring substance (ICS 67.220.20)	Delete from the register of allowed substances. These substances have been found to be carcinogens.	G/SPS/N/EEC/324, 27 February 2008
Plants of the genus *Pinus L.* and Coast Douglas fir (*Pseudotsuga menziesii*), intended for planting, including seeds and cones for propagation purposes (HS 0602 and 1209.99.10)	Suspension of imports. To prevent the introduction and spread of Gibberella circinata Nirenberg & O'Donnell. This organism is the cause of "pine pitch canker".	G/SPS/N/EEC/315, 1 August 2007
Plants susceptible to red palm weevil (*Rhynchophorus ferrugineus* (Olivier))	Suspension of imports.	G/SPS/N/EEC/314, 1 August 2007
Plants and live parts of plants, including seeds, of angel's trumpets (*Brugmansia Pers. spp.*) and jasmine nightshade (*Solanun jasminoides* (Paxton))	Suspension of imports. To prevent the introduction and spread of Potato spindle tuber viroid (PSTVd).	G/SPS/N/EEC/313, 31 July 2007

Source: WTO documents.

(b) SPS measures restricting imports

Products	Description of measure	WTO Document
Materials and articles in contact with food including catering containers and materials and articles in contact with drinking water (HS Codes: 3919, 3920, 3923, and 3924; ICS number: 67.250)	Suspension of imports as from 7 March 2010, if not complying with Directive 2002/72/EC, as amended.	G/SPS/N/EEC/319/Add.1, 13 March 2008
Fresh or chilled meat for human consumption of the following species: domestic bovine animals, including Bubalus bubalus and Bison bison (HS 0201); swine (HS 0203); sheep and goats (HS 0204); pigs, solipeds (HS 0205); farmed and wild ruminants, suidea, and solipeds (HS 0208)	Suspension of imports. To prevent the introduction and spread of foot-and-mouth disease, and achieve a high level of protection of health.	G/SPS/N/EEC/308/Add.1, 2 January 2008
Food colour E 128 Red 2G and any food containing this colouring	Suspension of imports. This substance has been found to be a carcinogen.	G/SPS/N/EEC/311//Add.1, 2 August 2007
Plants of the genus *Pinus* L. and Coast Douglas fir (*Pseudotsuga menziesii*), intended for planting, including seeds and cones for propagation purposes, HS 0602 and 1209.99.10	Suspension of imports. To prevent the introduction and spread of Gibberella circinata Nirenberg & O'Donnell. This organism is the cause of "pine pitch canker".	G/SPS/N/EEC/315, 1 August 2007
Plants susceptible to red palm weevil (*Rhynchophorus ferrugineus* (Olivier))	Suspension of imports.	G/SPS/N/EEC/314, 1 August 2007
Plants and live parts of plants, including seeds, of angel's trumpets (*Brugmansia Pers. spp.*) and jasmine nightshade (*Solanun jasminoides* (Paxton))	Suspension of imports. To prevent the introduction and spread of Potato spindle tuber viroid (PSTVd).	G/SPS/N/EEC/313, 31 July 2007

Source: WTO documents.

87. The legal framework with respect to genetically modified organisms (GMOs) covers, *inter alia,* laboratory research with GMOs (Directive 1990/219); the experimental release of GMOs into the environment (e.g. field testing) (Directive 2001/18); marketing of genetically modified seeds; marketing of food or feed containing, consisting or produced from GMOs (Regulation 1829/2003); and traceability and labelling (Regulation 1830/2003).[115]

88. Genetically odified seed varieties (and other plant-propagating material) must be authorized for cultivation under Directive 2001/18 on the deliberate release of GMOs into the environment or under Regulation 1829/2003 on genetically modified food and feed. Authorization is only granted after a positive assessment by the EFSA, including the environmental risk assessment carried out by a competent national authority that no unacceptable risks to the environment or human health is likely to appear. So far only one "GM event" (MON 810 maize) is authorized in the EC for cultivation,

[115] Regulation (EC) No. 1829/2003, 22 September 2003.

import, and processing. MON 810 (and various varieties of this "event") are currently inscribed in the common catalogue for seed. [116]

89. Under EC Regulation 1829/2003, applications for authorization to market GM food and feed products in the EC are to be lodged with the EFSA through a competent national authority. The EFSA is expected to give its opinion to the Commission within six months, provided the application is complete and no further information is necessary.[117] On the basis of the EFSA's opinion and any other "legitimate factors", the Commission should submit a proposal granting or rejecting the authorization to the Standing Committee on Food Chain and Animal Health within three months. Products derived from various genetically modified "events", including cotton, maize, oilseed, rape, soybean, sugar beet, and yeast and bacterial biomass have been authorized to be used in foodstuff or feed.[118] Approval of other GMOs and their use for food or feed processing is pending; there appear to be considerable delays in reaching final decisions on GMO approvals.[119] However, according to the Commission, the EC is looking for technical solutions that would limit trade disruption due to such time-lag without compromising its high level of protection.

90. The EC has established traceability requirements for GM food and feed to facilitate the withdrawal of products in case of unforeseen adverse effects on human and animal health, or the environment, and to facilitate labelling of GMOs. Traceability applies to all stages of production and distribution of the product concerned.[120] Operators are required to inform those receiving the product that it contains GMOs, and must keep information on the supplier and buyer of the product for five years. Operators are also required to ensure that products containing, consisting of or produced from GMOs are labelled accordingly. An exemption to the labelling and traceability requirements is foreseen for the adventitious presence and technically unavoidable presence (up to 0.9%) of products containing, consisting of or produced from authorized GMOs. The placing on the EC market of food, feed, and seeds that contain non-authorized GMOs is prohibited. It is intended that conventional seeds must be labelled if they contain genetically modified seeds; establishment of threshold levels is pending.

91. In April 2008, the Commission introduced compulsory certification on imports of rice from China, to prevent imports of rice products contaminated with the unauthorized genetically modified "BT 63" rice. The imports must be certified by China's competent authority to ensure that the shipments contain no BT 63 rice.[121]

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[116] This common catalogue is established on the basis of information received from the Member States and published in the *Official Journal*. It lists varieties whose seeds are subject to no marketing restrictions within the Community. Each variety must meet standards, notably pertaining to distinctness, uniformity, stability and, in the case of agriculture, value for cultivation and its use, in order to be listed. In the case of varieties of agricultural plant species, their satisfactory value for cultivation and use is based on yields, resistance to harmful organisms, behaviour with respect to factors in the physical environment, and quality characteristics.

[117] This can be extended if further information is required. The EFSA consults with the relevant national competent authorities in giving its opinion.

[118] European Commission online information, "EC register of genetically modified food and feed". Viewed at: http://ec.europa.eu/food/dyna/gm_register/index_en.cfm.

[119] DG for Agriculture and Rural Development (undated).

[120] Regulation (EC) No. 1830/2003, 22 September 2003.

[121] Europa Press Release IP/08/219. Viewed at: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/219&format=HTML&aged=0&language=EN.

92. Authorization and use of novel foods and food ingredients in the EC were harmonized by Regulation (EC) No. 258/97 adopted in 1997.[122] The EC is revising its novel food legislation with the aim of, *inter alia*, establishing a centralized procedure for assessment (by the EFSA) and authorization (by the Commission).[123] For "traditional food" from third countries, which is considered as novel food under the current Regulation, safety assessment and management are to be introduced based on the history of safe food use in the country of origin. A number of Members have raised concerns in the SPS Committee regarding the definition and recognition of "traditional food" from third countries in the proposed regulation.[124] Developing countries in particular have complained that the proposed regulation would unreasonably hinder trade because it would impose on the suppliers the burden of proof that traditional or ethnic products or extracts are safe, and require historical evidence of safe consumption over a large area, although the products could be consumed in small localities.

93. The EC notified a total of 25 new or modified measures in 2007, and 13 in 2008 (to 10 October). Three of the notifications in 2007 concerned emergency actions, whereas only one emergency action was notified in 2008 (Table III.8). In addition, the EC submitted a large number of addenda each year, providing additional information on previously notified SPS measures.[125]

94. The EC and its Member States are members of the Codex Alimentarius Commission, the International Plant Protection Convention and the OIE (Member States only).

(ix) Government procurement

95. In 2006, public procurement in the EC corresponded to 16% of EC GDP, the same as in 2004.[126] The EC public procurement regime aims to increase competition and transparency, and to create opportunities to purchase better quality and valued services. The bodies that carry out the various public procurement functions are centralized, semi-centralized or decentralized depending upon the Member State.[127] In general, the core procurement functions (e.g. policy making, drafting of legislation, and international coordination) are centralized, while other functions (e.g. capacity building, publication, and dissemination of information) are undertaken by a broad spectrum of bodies, at both central and decentralized levels of public administration.[128]

96. Public procurement in the EC continues to be regulated by: Directive 2004/18/EC on the coordination of procedures for the award of public work contracts, public supply contracts, and public services contracts; and Directive 2004/17/EC coordinating the procurement procedures of entities operating in the water, energy, transport, and postal services sectors (the Utilities Directive).[129]

[122] Novel food is defined as "food that has not been used for human consumption to a significant degree within the Community before 15 May 1997"; genetically modified food is no longer within the scope of novel foods.

[123] European Commission online information. Viewed at: http://ec.europa.eu/food/food/biotechnology/novelfood/COM872_novel_food_proposal_en.pdf.

[124] WTO document G/SPS/R/49, 18 June 2008.

[125] Some Latin American countries have complained about the EC decision to notify proposed changes to the novel foods regulation as a TBT measure, rather than as an SPS measure, stressing the underlying food safety objective of the novel foods regulation.

[126] Commission Staff Working Document SEC(2008) 2193, 25 June 2008.

[127] Centralized in Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, and the Slovak Republic; semi-centralized in Austria, France, Germany, Ireland, Italy, Luxembourg, Slovenia, Sweden, and the United Kingdom; and decentralized in Finland and Portugal .

[128] OECD (2007).

[129] The relevant procedures, award criteria and procurement methods under these two directives are described in detail in WTO (2007).

During the period under review, the public procurement remedies directives were revised[130], and a directive on public procurement relating to defence and security was proposed. Commission Decision 2005/15/EC sets the rules on the applicability of procedures to establish whether certain utilities activities (e.g. transport services, postal services, and exploration or extraction of coal, gas, oil or other solid fuels, and ports and airports) are exposed to competition.[131]

97. The directives apply to all public procurement above specified threshold values, expressed in euros and if necessary, are revised every two years (Table III.9).[132] These thresholds are similar to those submitted by the EC under its GPA commitments.[133] Procurement below these thresholds is regulated by national legislation (see below), however it must follow the basic principles of the EC Treaty (transparency, non-discrimination, and equal treatment). Both Directives stipulate detailed rules/methods for estimating value of contracts[134]; an artificial split-up into smaller lots represents an infringement of EC law.

98. The procedures to award contracts have not changed since the previous TPR of the EC in 2007. Under Directive 2004/18 (public work contracts, public supply contracts, and public services contracts), open, restricted, negotiated (with/without prior notice), and competitive dialogue procedures may be used. The authorities choose when to use the open and restricted methods; there are no specific criteria to choose when the different methods are to be used. However, the Directive provides for an exhaustive list of cases justifying use of the negotiated procedure with a prior public notice (e.g., in exceptional cases, when the nature of the purchase does not allow prior overall pricing), and without prior public notice (e.g. when, for technical or artistic reasons, the contract may be awarded only to a particular operator).[135] Competitive dialogue is to be used when the contract is particularly complex and cannot be awarded under the open or restricted procedures under specific circumstances.[136] Contracts for utilities (Directive 2004/17) may be awarded under the open[137], restricted[138], or negotiated procedure with prior notice. The utilities Directive allows procuring

[130] Directive 2007/66/EC amending Council Directives 89/665/EEC and 92/13/EEC with regard to improving the effectiveness of review procedures concerning the award of public contracts, OJ L 335, 20 December 2007.

[131] During the period under review, a number of decisions were adopted, establishing the applicability of Article 30 of Directive 2004/17/EC to the supply of electricity and gas or to certain services, or exempting services and other activities in different Member States from the application of that Directive. For further details, see Decisions 2007/422/EC, 2007/169/EC, 2007/564/EC, 2007/706/EC, and 2008/383/EC.

[132] Corresponding values of the EC thresholds in national currencies (other than euros) are contained in a Communication from the Commission published in OJ C 301, 13 December 2007; and WTO document GPA/W/299/Add.4, 21 January 2008.

[133] WTO document GPA/MOD/EEC/2, 17 November 2006.

[134] Article 9 of Directive 2004/18/EC, and Article 17 of Directive 2004/17/EC.

[135] Article 40 (3) of Directive 2004/17.

[136] A contract is deemed to be "particularly complex" where the procuring entities cannot objectively define the technical means capable of satisfying their needs or are not objectively able to specify the legal and financial make-up of the project (Article 29 of the Directive 2004/18/EC).

[137] Under the open procedure, all interested bidders may submit tenders.

[138] The restricted procedure is a two-stage method where the contractors express their interest following publication of the contract notice, but only those invited by the local authority may submit tenders after a "screening" process. This procedure consists of two stages: the selection of suitable bidders and evaluation of tenders. At the first stage, the only criteria that may be used are to select prospective bidders with economic and financial standing or technical knowledge or capability. The number of providers invited to tender must be sufficient to ensure genuine competition.

entities discretion to choose amongst these procedures. The Utilities Directive provides for list of cases justifying use of the negotiated procedure without prior notice. [139]

Table III.9
Minimum public procurement thresholds, mid-2008[a]
(Euros)[b]

	Supplies	Services	Works
Public contracts, other than for utilities			
EC GPA contracting authorities	133,000[c]	133,000[c]	5,150,000
Other public sector contracting authorities	206,000[c]	206,000[c]	5,150,000
Contracts subsidized at more than 50% by the contracting authority[d]	n.a.	206,000	5,150,000
Service designs contests			
Central government authorities	n.a.	133,000	n.a.
Other authorities	n.a.	206,000	n.a.
Specific sectors[e]	n.a.	206,000	n.a.
Utilities[f]			
All sectors, except service design contests	412,000	412,000	5,150,000
Service designs contests	n.a.	412,000	n.a.

n.a. Not applicable.

a Threshold amounts do not include VAT.
b Corresponding values of the EC thresholds in national currencies other than euro are contained in a Communication from the Commission published in OJ C 301, 13 December 2007; and WTO document GPA/W/299/Add.4, 1 January 2008.
c Where the estimated total value of the contract or the framework agreements intended for award over the following 12 months is equal to or higher than €750,000, contracting authorities or the European Commission must publish a prior information notice on the buyer profile.
d Contracts that are subsidized at more than 50% by the contracting authorities involve either civil engineering to build hospitals, facilities intended for sports, recreation and leisure, school and university buildings, and buildings used for administrative purposes or the services connected to the aforementioned types of projects.
e Specific sectors refer to fields of research and development, telecommunications (CPC Reference No. 752), hotel and restaurant services, transport by rail and waterway, provision of personnel, vocational training, investigation and security, legal, health and social, recreational, cultural and sporting services.
f Utilities include water, energy, transport, postal and telecommunications services.

Source: Commission Regulation (EC) No. 1422/2007, 4 December 2007, amending Directives 2004/17/EC and 2004/18/EC.

99. Procurement above the stipulated thresholds must be advertised in the Supplement of the *Official Journal* (S series), which is published throughout the EC and is available in electronic format, freely accessible on the TED (Tenders Electronic Daily) website.[140] During 2004-06, procurement published in the Official Journal represented between 2.7% and 3.3% of GDP. In 2005, the value of procurement published, as a percentage of total procurement, ranged from 6.7% to 49.6% in different Member States (Table III.10).

100. The number of contract award notices published on the TED rises annually. However, not all of the results of the tenders have been posted in the TED database. The Commission has made efforts to increase the publication rate of contract award notices; from 1 January 2008 to 21 October 2008, 83% of the award notices were published.[141]

101. In 2006, public procurement in the EC was estimated at €377 billion, €83 billion were spent on supplies, €95 billion spent on services and, approximately, €200 billion on construction works. The Commission estimated that, €264 billion were awarded under open procedures (70%), €68 billion under restricted procedure (18%) and €45 billion under negotiated procedures (12%). In 2007, calls for tender were mainly under the open procedure (73%), followed by the negotiated (16%), and restricted (11%) procedures. The Commission is currently establishing a methodology to monitor

[139] A call for competition has to be made in accordance with Article 42 of Directive 2004/17.
[140] The Supplement to the *Official Journal* advertises over 1,000 tenders each day; supply and public works contracts worth €377 billion are published by public authorities in the EC each year. TED online information. Viewed at: http://ted.europa.eu/ [5 July 2008].
[141] Information provided by the authorities.

cross-border procurement, including from non-EC origins, however, it is extremely difficult to identify the exact nationality of successful suppliers/service providers, thus no data are available on the amount of procurement from non-EC origin.

Table III.10
Selected procurement indicators, 2004-06[a]

	Value of procurement published in the OJ as a percentage of GDP			Value of procurement published in the OJ as a percentage of total public procurement [b]		Defence procurement expenditure in percentage of GDP [b]		Security procurement expenditure in percentage of GDP [b]	
	2004	**2005**	**2006**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**
Austria	3.28	1.98	1.67	19.58	10.75	0.3	0.4	0.4	0.4
Belgium	2.53	2.30	2.42	16.02	14.17	..	..	..	..
Czech Republic	0.36	2.67	5.14	..	13.10	0.8	1.2	0.6	0.6
Cyprus	1.26	3.51	4.40	..	31.32	0.9	0.9	0.5	0.4
Denmark	2.73	2.21	2.95	16.66	15.53	0.8	0.8	0.4	0.4
Estonia	2.71	7.05	7.33	..	37.53	1.0	1.0	0.9	1.0
Finland	2.89	3.29	3.06	17.28	20.18	1.0	1.0	0.6	0.6
France	2.76	2.98	3.44	16.25	16.93	0.8	0.8	0.3	0.4
Germany	1.17	1.61	1.65	7.46	9.95	0.5	0.5	0.5	0.5
Greece	3.73	4.78	5.52	35.22	49.59	1.6	1.4	0.1	0.1
Hungary	1.28	6.77	6.82	..	36.87	..	0.6	0.4	..
Ireland	3.34	2.59	3.31	27.72	19.61	0.1	..	0.5	..
Italy	2.35	2.67	3.03	15.61	18.71	0.5	0.6	0.4	0.4
Latvia	1.79	9.76	13.82	..	58.97	0.5	0.5	0.6	0.6
Lithuania	2.43	3.58	4.25	..	27.38	0.6	0.6	0.5	0.5
Luxembourg	3.10	2.46	1.39	18.45	17.61	0.0	0.0	0.3	0.4
Malta	0.22	1.05	1.80	..	6.50	0.4	0.3	0.3	0.3
Netherlands	1.75	1.62	2.33	7.42	6.73	0.6	0.6	0.7	0.6
Poland	2.57	7.62	5.23	..	47.81	0.4	0.4	0.6	0.6
Portugal	2.49	2.14	1.91	15.85	14.12	0.4	0.4	0.3	0.2
Slovenia	1.61	3.22	5.12	..	22.33	0.0	0.0	0.5	0.5
Slovakia	2.70	6.31	3.05	..	27.75	0.6	0.9	0.7	0.7
Spain	2.98	4.30	4.20	21.57	31.10	0.5	0.5	0.4	0.4
Sweden	3.33	3.19	3.07	18.95	17.80	1.2	..	0.5	..
United Kingdom	4.63	3.56	4.68	..	20.51	1.7	1.7	1.0	1.0
Total	**2.65**	**2.93**	**3.27**	**..**	**17.74**	**..**	**..**	**..**	**..**

.. Not available.

a Data on public procurement are available 12 months after the end of the reference period.
b Data are not available for 2006.

Source: Eurostat (undated), *Public procurement advertised in the Official Journal*. Viewed at: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,45323734&_dad=portal&_schema=PORTAL&screen=welcomeref&open=/economy/gov/gov_oth&language=en&product=EU_MAIN_TREE&root=EU_MAIN_TREE&scrollto=576; Commission Staff Working Document (undated), "Annex to the Proposal for a Directive of the European Parliament and of the Council on the coordination of procedures for the award of certain public works contracts, public supply contracts and public service contracts in the field of defence and securityViewed at http://ec.europa.eu/internal_market/publicprocurement/docs/defence/impact_assessment_en.pdf; and information provided by the authorities.

102. Public procurement below the thresholds of the procurement directives, which constitutes the majority of the contracts (around 84% of total EC-27 public procurement in 2004[142], and over 90% in some Member States) [143], falls under the competence of Member States. Below the thresholds there is no obligation for procuring authorities to follow the rules stipulated in the EC directives. However, awards must comply with the basic principles of transparency and non-discrimination and equal treatment, which are inscribed in the EC Treaty. An interpretative communication from the

[142] GHK and Technopolis (2007).
[143] Europa Press Release IP/06/1053, 24 July 2006.

Commission sets out guidelines on how to comply with these principles in the areas of advertising, contract award procedures, and review procedures.[144]

103. Review and remedies systems for public procurement (regulated at the Community level) are established as minimum requirements, on the basis of the EC remedies directives[145], the EC Treaty, and the case law of the European Court of Justice. The remedies directives lay down a common framework, which guarantees uniform application of the review procedures. This framework is then adapted according to the judicial and/or administrative systems of each Member State.[146] In addition, a national remedies and review system may cover contracts outside the scope of the directives, such as contracts below their thresholds of application, and service concessions.

104. The new Directive 2007/66/EC on remedies supplements and amends pre-existing directives on procurement remedies. It requires public authorities to observe a minimum "standstill period" of ten calendar days before concluding a public contract, thus providing the opportunity for rejected bidders to start an effective review procedure. If that period is not respected, the directive requires national review bodies to render the contract ineffective. The directive also seeks to combat illegal direct awards of public contracts, which are the most serious infringement of EC procurement law. A specific review mechanism is provided for contracts, based on framework agreements and the dynamic purchasing system[147], where speed is crucial; for such contracts, Member States may choose to replace the standstill obligation by a post-contractual review procedure. Member States have until 20 December 2009 to bring their laws, regulations, and administrative procedures into compliance with the directive. Its implementation may lead to a greater number of challenges to tendering procedures and award decisions.

105. Defence procurement accounts for a large share of EC public procurement, with combined defence budgets of Member States worth about €170 billion (Table III.10).[148] Currently, procurement in the domain of defence is covered by the EC public procurement rules, except for contracts subject to Article 296 of the EC Treaty on the right to not disclose information related to "essential security interests". Article 296 has been frequently widely interpreted by the contracting authorities, hence EC rules have not always been correctly applied[149], and the application of procurement rules on defence lacks uniformity.[150] Given that Directive 2004/18/EC, applicable to these defence contracts does not

[144] "Commission Interpretative Communication on the Community law applicable to contract awards not or not fully subject to the provisions of the Public Procurement Directives", OJ C 179/02, 1 August 2006.

[145] These directives (Directives 89/665/EEC, 92/13/EEC, 2007/66/EC) regulate the substance of the procurement review and remedies systems of Member States. However, there are no requirements as to whether the review is to be conducted through ordinary, special, or administrative courts or the type of law in which the review and remedies system is to be enshrined.

[146] Commonalities and differences relate to institutional frameworks, legal frameworks regulating scope and procedures, and review culture. For further details, see OECD (2007d).

[147] A "framework agreement" is an agreement between one or more contracting entities and one or more economic operators establishing the terms of the contracts to be awarded during a specific period, in particular with regard to price and quantities. A "dynamic purchasing system" is an electronic process for making regular purchases. Both concepts were introduced in 2004 by EC Directives 2004/17/EC and 2004/EC/18.

[148] COM (2006) 1555, Brussels, 7 December 2006

[149] The case law of the Court of Justice has developed a restrictive interpretation of the possibility of using this derogation; however, many Member States tend to use Article 296 to exempt almost all defence and sensitive procurement from internal market rules.

[150] Differences relate to the publication of contract notices, the potential for non-publication, the criteria for selecting suppliers, tendering procedures, and the basis on which contracts are awarded. For further details, see Green Paper, Defence Procurement, COM(2004) 608 final, Brussels, 23 September 2004. In some Member

take into account some special features of defence contracts, and in order to reduce the misuse of Article 296[151], the EC adopted: (i) an Interpretative communication in 2006, to clarify the conditions for the use of Article 296 and to provide guidance to national awarding authorities as to whether procurement contracts can be exempted from EC rules[152]; and (ii) a proposal in 2007 for a new procurement directive adapted to the specificities of defence.[153]

106. Member States must comply with the provisions of the EC procurement directives, which should be transposed into national legislation. The Commission may open infringement proceedings for non-compliance with the Community law. In the domain of public procurement, the Commission referred (in March 2007) seven Member States to the European Court of Justice over their continued non-communication of national measures implementing Directives 2004/17/EC and 2004/18/EC.[154] The Commission has also started infringement proceedings concerning the implementation of remedies directives in three Member States.[155] Misapplication and/or incorrect transposition of public procurement rules account for 7% of total infringements in the EC. As at 30 April 2008, there were 92 infringement cases, down from 96 in July 2007 and 113 in 31 October 2006. Public procurement directives were transposed in all but one Member State as at 13 May 2008.[156]

107. The EC is a signatory to the plurilateral Government Procurement Agreement (GPA) concluded under the WTO; all the EC Members States provide national treatment for goods or suppliers from the GPA signatory countries. Pursuant to the accession of Bulgaria and Romania to the EC, modifications were introduced into the EC's Appendices to the GPA, effective 1 January 2007[157], and amendments were made to the respective EC directives.[158] During the period under review, the EC submitted one notification to the Committee on Government Procurement concerning its new thresholds.[159] The EC plays an active role in the work on the GPA; in February 2008, the EC tabled its revised offer. Through bilateral negotiations, the EC seeks access to non-EC procurement markets, in particular those of fast-growing economies.

States (like the United Kingdom), defence procurement is not regulated at all and is handled on a case-by-case basis.

[151] The case law of the Court of Justice has developed a restrictive interpretation of the possibility of using this derogation; however, many Member States use Article 296 to exempt almost all defence and sensitive procurement from internal market rules.

[152] COM (2006) 779 final, Brussels, 7 December 2006, "Interpretative Communication on the application of Article 296 of the Treaty in the field of defence procurement". The communication is a non-legislative measure and does not modify the existing legal framework; it only concerns defence procurement by national authorities in the EC and does not deal with defence contracts with third countries (which continue to be governed by the WTO Government Procurement Agreement).

[153] COM (2007) 766 final, Brussels, 5 December 2007, "Proposal for a Directive of the European Parliament and of the Council on the coordination of procedures for the award of certain public works contracts, public supply contracts and public service contracts in the fields of defence and security". Viewed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0766:FIN:EN:PDF.

[154] The deadline for complying with the provisions of both directives expired on 31 January 2006. Europa Press Release IP/07/361, 21 March 2007.

[155] Infringement proceedings may be opened against a Member State where the European Commission considers that internal market rules are not properly applied; such procedures provide for a dialogue between the Commission and the Member State concerned. Only the Court of Justice can rule definitively that a breach of Community law has occurred (Europa Press Release IP/08/1038, 26 June 2008).

[156] European Commission online information, "Internal Market Scoreboards", No. 1 bis (December 2006), No. 16 (July 2007), and No. 17 (July 2008). Viewed at: http://ec.europa.eu/internal_market/score/docs/score15bis/score15bis_en.pdf; http://ec.europa.eu/internal_market/score/docs/score16_en.pdf; and http://ec.europa.eu/internal_market/score/docs/score17/score17_en.pdf.

[157] WTO document GPA/90, 11 December 2006.

[158] Council Directive 2006/97/EC, 20 December 2006.

[159] WTO document GPA/W/299/Add.4, 29 January 2008.

(3) MEASURES DIRECTLY AFFECTING EXPORTS

(i) Registration and documentation

108. There have been no major changes to the export procedures stipulated in the EC Community Customs Code.[160] All Community goods intended for export are to be placed under the export procedures. Community goods declared for export are subject to customs supervision from the time of the acceptance of the customs declaration until they leave the customs territory of the Community. The electronic export declaration requires the use of the data included in the Single Administrative Document (SAD), as well as other documents, including the certificate of origin necessary for preferential treatment in importing countries (when applicable), and licences for products covered by the Common Agriculture Policy (CAP). Amendments have been introduced mainly to improve security. Traders must provide Customs with advance information on goods taken out of the EC territory. However, as of 1 July 2009, the Authorized Economic Operator (AEO) programme, which entered into force on 1 January 2008, should allow AEOs to benefit from less customs controls.

(ii) Export taxes, charges, and levies

109. In general, the EC does not apply taxes, charges or levies on exports. Export levies may be imposed if the EC price falls below world-market level to ensure that a regular supply of goods remains within the EC; in practice, these are rare.

(iii) Export prohibitions, restrictions, and licensing

110. There have been no major changes to the EC's regimes on export prohibitions, restrictions, or licensing since its previous TPR. Export restrictions are allowed on grounds of public morality, the protection of health and life of humans, animals and plants, and national cultural treasures. The restrictions are under the competence of both the Commission and Member States. The regimes also provide for measures to prevent a critical situation arising from a shortage of essential products.

111. Export prohibitions are adopted by the Community and its Member States as part of the Common Foreign and Security Policy (CFSP) and to implement UN Security Council Resolutions. The export of arms may also be subject to prohibition as part of EC sanctions against certain countries. In particular, arms embargoes are in place against Burma (Myanmar), Côte-d'Ivoire, China, Congo (D.R.), Iraq, Iran, Lebanon, Liberia, North Korea, Sierra Leone, Somalia, Sudan, Uzbekistan, and Zimbabwe [161] The export of dangerous chemicals is subject to controls established in Council Regulation 304/2003.

112. An export authorization or licence is required for the export of cultural goods and certain products under the CAP, and for the control of exports of dual-use items and technology according to provisions set out in Regulation 1334/2000.[162] The list of products subject to the special control under

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[160] Regulation (EC) No. 648/2005, 13 April 2005, and Regulation (EC) No. 1875/2006, 18 December 2006.

[161] For an updated list of countries subject to embargo, see Europa online information. Viewed at: http://europa.eu.int/comm/external_relations/cfsp/sanctions/measures.htm.

[162] Dual-use products are items, including software and technology, that can be used for both civil and military purposes. They can also be items for use in connection with the development, production, handling, operation, maintenance, storage, detection, identification or dissemination of chemical, biological or nuclear weapons; or the development, production, maintenance or storage of missiles capable of delivering such weapons.

the dual-use regime is set out in Regulation 1334/2000 (last amended by Regulation 1183/2007).[163] The export of software or technology by electronic media, fax or telephone (intangible transfers) is also subject to authorization under the dual-use regime. Member States can also adopt national legislation to extend controls or implement controls according to limited possibilities defined by the Regulation.[164] Applications for export licences are submitted to the competent authorities; they (i.e. applications) are regularly published in the *Official Journal*, of the Member State where the exporter is established.[165] Member States can also individually decide to facilitate exports procedures of any of the items listed in the Annex I of the Regulation 1334/2000 as last amended.

113. A licence is compulsory for the exportation of cultural goods outside the customs territory of the Community to ensure uniform checks on exports of certain cultural objects.[166]

114. Export licences are required to export goods covered by the CAP from the EC (Chapter IV(2)).[167] If an export licence is required, it must be presented at the time of exportation. The procedure to applying for a CAP export licence is similar to that used for import licences. The export licence is required in order to claim a refund on agricultural goods eligible for export subsidies (section (iv) and Chapter IV(2)) and for exporting sugar, cereals, and rice.

(iv) Export subsidies

115. The last notification from the EC on its export subsidy commitments and budgetary outlays covered the marketing years 2005/06 and 2006/07.[168] The products eligible for export subsidies include: wheat and wheat flour, coarse grains, rice, rapeseed, olive oil, sugar, butter and butter oil, skim milk powder, cheese, other dairy products, beef meat, pig meat, poultry meat, eggs, raw tobacco, alcohol, and "incorporated products" (Chapter IV(2)).

116. The EC provides export subsidies through various programmes: export refunds, sales of stocks, and producer financing.[169] The Common Agricultural Policy provides for the possibility of granting export refunds. The purpose of export refunds is to cover the difference between Community prices and international trade prices in order to enable exports to be effected at international trade prices.[170] The refund is the same for the whole EC; a differential may be applied according to destination or time (months of delivery). The amount of the refund is fixed periodically by the Commission; it is paid to the exporter.[171] During the period under review, export refunds have been paid for: sugar, cereals (the export refunds were discontinued in December 2007), beef and veal, fruit and vegetables (under the reformed CMO in the sector, effective from 2008, export refunds have been abolished), eggs, pork, rice, wine (export refunds abolished as of 2008), and poultry meat. Export refunds for dairy products were set at zero in 2006 and 2007.

[163] Council Regulation (EC) No. 1183/2007, 18 September 2007.
[164] Examples of such measures were published in the OJ C 188, 25 July 2008.
[165] The latest publication was in OJ C 188, 25 July 2008.
[166] Council Regulation (EEC) No. 3911/92, 9 December 1992 on the export of cultural goods.
[167] For full details on goods subject to export licensing under the CAP, see HMRC online information, "CAP Exports". Viewed at: http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageImport_ShowContent&id=HMCE_CL_000175&propertyType=document#P130_12158 [26 August 2008].
[168] WTO document G/AG/N/EEC/57, 25 November 2008.
[169] WTO document G/AG/N/EEC/57, 25 November 2008.
[170] WTO document G/SCM/N/155/EEC, 21 November 2007.
[171] WTO document G/SCM/N/155/EEC, 21 November 2007.

(v) Export finance, insurance and guarantees

117. During the period under review, there were no changes to EC rules on export credits, insurance and guarantees. Export credits, insurance, and guarantees are granted at the State level and are based on OECD guidelines. The EC has been a party to the OECD arrangements on guidelines for officially supported export credit since 1978.

(vi) Export promotion and marketing assistance

118. The EC provides assistance to promote agricultural products and food on the internal market and in third countries. This includes public relations, promotional or publicity campaigns, participation in events and fairs, in particular, those that highlight the advantages of consuming EC products, especially in terms of quality, hygiene, food safety, nutrition, labelling, animal welfare or environmental friendliness of their production. The EC finances this assistance with an annual budget of approximately €50 million, to an amount not exceeding 50% of the total cost of the approved programme; the remainder is financed by the professional/inter-branch organizations that proposed the programme and by the Member States where the products originate.[172]

(4) MEASURES AFFECTING PRODUCTION AND TRADE

(i) Assistance and other incentives

119. The EC last notified its assistance and subsidies programmes to the WTO in 2007.[173] Subsidies are granted both at Community level and by Member States.[174] The notification covers the subsidies granted during 2003 (€102 billion) and 2004 (€111 billion). The EC assistance and subsidies programmes be largely grouped in four major categories: the structural actions; the Common Agriculture Policy (CAP); industrial programmes; and other programmes including assistance to SMEs, to joint-ventures, and to fisheries and aquaculture. The two largest areas of expenditure in 2003-04 were agriculture and structural operations, which accounted for 44% and 33% of EC's financial commitments, respectively. Research took 4% of total expenditure.

(a) Structural actions

120. The EC's structural actions (including through the Structural Funds and the Cohesion Fund) are intended to strengthen the economic and social cohesion of the Community, in particular by reducing disparities in the levels of development of the various regions and the backwardness of the least favoured regions. The main structural funds are: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD), and the Financial Instrument for Fisheries Guidance (FIFG), which assists in the restructuring of the fisheries subsector. The Cohesion Fund is intended to contribute to projects in the fields of environment and transport infrastructure, with an annual budget of around €10 billion (€69.5 billion for 2007-13).[175]

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[172] Regulation (EC) No. 1071/2005 lists the themes and products that can be covered by the promotion measures in the EC, and Regulation (EC) No. 1346/2005 refers specifically to third countries, describing the procedures for presenting proposals and for managing the programmes (WTO document G/SCM/N/155/EEC, 21 November 2007).

[173] WTO document G/SCM/N/155/EEC, 21 November 2007.

[174] For subsidies granted by individual Member States, see WTO document series G/SCM/N/155/ECC/Add.1 – Add.27.

[175] Eligibility is reserved for Member States whose per capita GDP is less than 90% of the EC average.

121. The objectives of the structural funds (ERDF, ESF, EAFRD, and FIFG) are: (i) development and structural adjustment of the regions whose development is lagging behind (GDP of less than 75% of the EC average); (ii) the economic and social conversion of areas facing structural difficulties, and (iii) the adaptation and modernization of Member States' education, training, and employment policies and systems.[176]

122. The revised Regulations concerning the ERDF structural funds were adopted on 5 July 2006, and cover the period 2007-13.[177] The commitments in 2007 amounted to €27.2 billion. ERDF aid is normally in the form of grants or loans used to co-finance: investment leading to the creation or maintenance of jobs; infrastructure; and the development of local business initiatives and the activities of small and medium-sized enterprises.

123. The European Social Fund (ESF) was set up to improve the employment opportunities for workers and to help raise their living standards. Over the period 2007-13, some €75 billion will be distributed to the EC Member States and regions in the form of grants for vocational training, employment aids and aids for self-employment, and development of new employment opportunities.[178]

124. The EC also supports rural development for countries applying for accession. During 2000-06, SAPARD was the rural development pre-accession instrument used to assist the ten countries that became new Members of the European Community. The programme has elapsed in seven of the new Member States, and assistance is currently being finalized in Bulgaria, Croatia, Latvia, and Romania. Under a new pre-accession instrument implemented by the Commission, the rural development component, IPARD, is used to finance rural development programmes in the three new official candidate countries Turkey, Croatia, and FYROM. The aim of the SAPARD and IPARD programmes is to support acceding countries in their preparations for implementation and management of the CAP, and to contribute to the sustainable development of the agriculture sector and rural areas in these countries.

125. The objective of the Accompanying Measures of the Rural Development Programmes of the European Agricultural Fund for Rural Development (EAFRD) are to provide grants: for early retirement from agricultural activity; to compensate for income foregone and additional costs resulting from implementing agri-environment commitments; for afforestation of agricultural land; and to compensate for loss in productivity due to climatic or geographic limitations.

(b) Support to agriculture and fisheries

126. The Common Agricultural Policy was reformed in 2003-05 by the introduction of a new system of Single Farm Payments (income support) in which the link between support and production was cut (decoupling).[179] Since then, the Single Payment Scheme (SPS) has replaced most of the

[176] These structural actions must conform strictly to the Community's rules on the provision of state aid (Article 87 of the EU Treaty).

[177] Regulation (EC) No. 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No. 1783/1999, OJ L 210, 31 July 2006. Europa online information. Viewed at: http://europa.eu/scadplus/leg/en/lvb/g24234.htm, [1 August 2008].

[178] European Commission online information, "What is the ESF?". Viewed at: http://ec.europa.eu/employment_social/esf/discover/esf_en.htm [31 August 2007].

[179] All farmers, whether or not they produce from their land, must abide by the condition of cross-compliance, i.e. the respect of standards to be established by the Member States for keeping land in good agricultural and environmental condition.

previous direct aid payments to farmers; however, some of the animal premiums and arable aid payments were - at the choice of Member States - maintained. Thus, agricultural support under the CAP still includes export refunds, direct aiding, and interventions in agricultural markets through price supports and assistance for storing and processing products (Chapter IV(2)).

127. In order to "stabilize" agricultural markets, the CAP still provides product specific intervention and aid. Overall, support measures have been modified in the context of the CAP reform with a switch towards using income support measures as opposed to other types.

128. Decoupled direct payments include: the Single Payment Scheme (SPS) (2003), an income support scheme for farmers; and the Single Area Payment Scheme (SAPS), a simplified support scheme for farmers in the new Member States.[180] Other aid schemes [181], still coupled, are available for farmers producing arable crops, protein crops, rice, milk, sheep meat and goat meat, and beef and veal, for durum wheat, nuts, energy crops, starch potatoes, olive oils, seeds, grain legumes, cotton, sugar, tobacco, and hops, as well as for farmers maintaining olive groves.

129. Market interventions for agricultural products in the EC take various forms, including price interventions (i.e. setting basic prices, minimum prices, and reference prices) for most cereals, dairy products, certain meats, paddy rice, potatoes, sugar, and unginned cotton; production refunds (for potato starch, paid to manufacturers); a system of production quotas (for potato starch, sugar, and milk); aid for private storage (dairy products, some meats, table wines, and grape must); aid for processing agricultural products (dairy products and certain fruits and vegetables); assistance for withdrawing produce from the market (certain fruits and vegetables); compensatory aid and supplementary aid granted to regions that have experienced severe market circumstances (bananas); production aid (fibre flax and hemp); and assistance to encourage the formation of producers' organizations (fruits and vegetables).

130. The EC also provides aid for the promotion of agricultural products and food in the internal market and in third countries.

131. The sustainable development and structural adjustment of the fisheries and aquaculture subsector are supported through the Financial Instrument of Fisheries Guidance (FIFG) (structural measures in the fisheries and aquaculture subsector). The aid is specifically granted for the restructuring of fishing fleets, aquaculture, processing and marketing circuits, port facilities, and to contribute to the revitalization of areas that depend upon fisheries. There is also a CMO in Fishery and Aquaculture Products that provides financial compensation, carry-over aid, autonomous withdrawal and carry-over, and private storage aid to members of the CMO, and compensatory payment for the tuna industry.

(c) Support to industry

132. The EC grants assistance for research through the Seventh Framework Programme (FP7) of research and technologic development, aimed at strengthening the scientific and technological bases of Community industry, and encouraging the development of its competitiveness. The activities under the framework programme relate to fundamental research, industrial research or pre-competitive development. Financing of product development is excluded. The FP7 targets small and medium-sized enterprises (SMEs) through other specific programmes (e.g. capacities programme). The aim is to strengthen the innovation capacity of SMEs and their contribution to the development of new technology-based products.

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[180] SAPS is a decoupled support scheme; there are payments per ha of agricultural land.
[181] Title IV of Regulation 1782/2003.

133. A common Research Fund for Coal and Steel (RFCS) was created in 2002, dedicated to research in the coal and steel industries.[182] The Community finances accompanying measures designed to complement and/or coordinate research activities related to this programme, and supports preparatory actions such as the dissemination of research results, promotion of the use of knowledge gained, and the support of training and mobility of researchers.

134. In addition, Member State assistance to the hard coal industry has been provided in the EC since 2002, following the establishment of a dedicated legal base which includes: aid for the reduction of activity, aid to access coal reserves, and aid to cover exceptional costs. Overall aid to the coal industry granted is to follow a downward trend resulting in a significant reduction. In addition, aid must not result in lower coal prices in the EC than those prevailing in third countries, and aid must not distort competition in the internal market.

(d) Other support programmes

135. EC enterprise policy focuses on fostering the competitiveness and innovation capacity of European businesses by establishing a dynamic enterprise environment; and ensuring that businesses have access to markets and to finance. The EC uses various instruments to foster competitiveness and promote innovation. A key instrument to support enterprises is the Entrepreneurship and Innovation Programme (EIP) under the Competitiveness and Innovation Framework Programme (CIP). Other sources of financing include the structural funds and the European Investment Bank.[183] In addition, numerous initiatives and funds to support the creation of new businesses are available at the national and regional levels.

136. The CIP (2007–13) has an overall budget of €3.6 billion[184]; its objective is to foster the competitiveness of European enterprises, in particular small and medium-sized enterprises (SMEs). The three specific programmes under the CIP are the Entrepreneurship and Innovation Programme (EIP), the ICT Policy Support Programme (ICTPSP), and the Intelligent Energy-Europe Programme (IEE). An interim evaluation of the specific programmes is currently taking place and will be completed by end December 2009.

137. Through the Multiannual Programme for Enterprise and Entrepreneurship, the EC provides assistance to enterprises, in particular SMEs. The programme focuses on enhancing the growth and competitiveness of business; promoting entrepreneurship; simplifying and improving the administrative and regulatory framework for business; improving the financial environment for business, especially SMEs; and giving business easier access to Community support services.

138. The programme provides for financial instruments, as well as the Euro Info Centres Network, and the exchange of best practices in regard to SMEs. The financial instruments, managed by the European Investment Fund, are schemes targeted specifically at improving the financial environment for businesses, especially SMEs. They bridge the gaps normally left in the financial markets by:

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[182] Council Decisions 2003/76/EC, 2003/77/EC and 2003/78/EC, 1 February 2003, published in the *Official Journal*, 5 February 2003 (OJ L 29/22, OJ L 29/25, OJ L 29/28). For programme-related documents and the information package, see CORDIS online information. Viewed at: http://www.cordis.lu/coal-steel-rtd/home.html.

[183] These include the Business to Europe (B2Europe) initiative, and the Enterprise Europe Network, which replaces the Euro Info Centre and Innovation Relay Centres; and the network of Organizations for Promotion of Energy Technologies. The EC cooperates with its partners on industrial policy by establishing different forms of exchange, including industrial roundtables and industrial cooperation.

[184] The CIP decision (1639/2006/EC) was adopted by the European Parliament and the Council on 24 October 2006 and entered into force on 29 November 2006.

investing in funds providing risk capital to smaller businesses, providing debt finance for small companies, and providing seed capital. Though some of the assistance is aimed at promoting access to new markets, the number of SMEs capable of participating in international activities is small.

139. Assistance is also offered to SMEs through the Joint European Venture (JEV) Programme, set up to provide grants to SMEs for setting-up new transnational joint ventures within the EC. The impact of this programme on trade has been negligible, since the export capacity of the SMEs is not taken into account when providing the grants.

(ii) State-trading and state-owned enterprises

140. During the period under review, the EC has made no notifications to the WTO with regard to state-trading enterprises within the meaning of GATT Article XVII. However, state-owned enterprises with monopolies or exclusive rights still exist in certain Member States in trading and in distribution of alcoholic beverages (Finland and Sweden), gas (Greece), and electricity (Luxemburg) (Table III.11).[185]

Table III.11
Public monopolies in EC Member States, 2007

Country	Sector
Austria	Postal service for pieces up to 100g
	Radio and television broadcasting
Belgium	Telephone, telegraph, and postal services
	National railways
	Construction and operation of airports
Bulgaria	..
Cyprus	..
Czech Republic	Railway transport
Denmark	Postal service for letters up to 50g
	Radio and television broadcasting at national level
Estonia	Estonian Post (exclusive right to deliver letters up to 50g until 31 December 2008, and to issue postage stamps)
	Eesti Energia (owner of transmission network)
	Provision of pilotage services reserved to a company founded by the state AS Esti Loots
	Eesti Loto (exclusive right to arrange lotteries)
	Railway infrastructure
Finland	Rail transport services
	Football pools, state lotteries with money prizes and totaliser
	Trade and distribution of liquor
France [a]	Atomic energy
	Railway passenger transport
	Coal mines
	Retail sale of tobacco is state controlled through commercial intermediaries
	Gunpowder and explosives
	Collection, transport and distribution of letters and parcels up to 50g and with a postage not exceeding 2.5 times the base tariff
Germany [b]	Telecommunication (licence required for mobile communication sector, due to limited resources)
	Inland waterways
	Employment services (labour exchange)
	Lotto
Greece	Rail transport
	Import and distribution of gas
	Lotteries
Hungary	Public utility wholesale of electricity; supply of electricity in the public utility system; operation of the transmission system of the electricity grid
	Public utility wholesale of natural gas; supply of natural gas in the public utility system; distribution of natural gas through distribution pipeline networks
	Scheduled passenger road transportation by bus
	Rail transportation of passengers
Ireland	Postal services

Table III.11 (cont'd)

[185] Finland and Sweden have been allowed to maintain this structure on health grounds.

Country	Sector
	Telecommunication services
	Water, electricity, gas, distribution
	Railways
Italy	Postal services and telecommunications
	Distribution of electricity, gas, water, and nuclear energy
	Railways
Latvia[c]	Energy (the energy company Latvenergo not allowed for privatization)
	Postal services (collecting, sorting, transportation, and delivery of domestic and international postcards, letters, printed matter and small parcels up to 50 within the territory of the country; and circulation of postage stamps and other printed prepayment orders
Lithuania	Minting of coins (only Lithuanian mint is authorized)
	Exclusive rights of the State Post Office to install letter collection boxes, issue postage stamps, deliver pensions, allowances, and other state or Social security foundation benefits
Luxembourg	Postal services
	Telecommunications (infrastructure, basic services)
	Import of electricity and natural gas
	Railways (infrastructure)
Malta	..
Netherlands	Postal services for letters up to 50g
	Transmission system operation and distribution system operation of electricity and gas grids, gas and water
	Railway passenger services provided by Dutch Railways
Poland	..
Portugal	Postal communications
	Production and distribution of water for public use
	Basic sanitation
	Rail transport (exploited as a public service)
	Operation of sea and air ports
Romania	..
Slovenia	Postal services for pieces up to 50g
	Telecommunications in respect to the fixed line segment of the market
	Rail transport
	Obligatory pensions
	National lottery
Slovak Republic	..
Spain	Certain postal services
	Distribution of electricity (high tension) and gas in rural areas
	Railways
	Nuclear-waste disposal industries
Sweden	Television and radio broadcasting
	Mail distribution
	Football pools, state lotteries with money prizes and horse betting
	Import and sale of alcoholic beverages
	Retail sale of pharmaceutical products
United Kingdom	..

.. Not available.

a Production (mining) of solid fuels/imports of coal abandoned from 31 December 2007

b Postal policy in Germany is characterized by a step-by-step opening up to competition on letter mail services: maximum weight for reserved services has been 50g per letter since 2006; the exclusive licence under the Postal Act for conveying letters up to 100g expired on 31 December 2007.

c The electricity market is being opened gradually: competition is possible in the markets for production and sale, but limited in transmission and distribution.

Source: OECD (2007), *National Treatment for Foreign-Controlled Enterprises, List of Measures Reported for Transparency*, Investment Division, Directorate for Financial and Enterprise Affairs, 11 July. Viewed at: http://www.oecd.org/ataoecd/57/46/38273182.pdf.

141. In addition to these monopolies, enterprises with different degrees of state ownership (20%-100%) operate in all Member States in various sectors, mainly services and utilities (Table AIII.3). The size and scope of the public sector remain quite heterogeneous among EC Member States. State-owned companies are subject to the same legislation as privately owned companies and face competition from private companies; however, in certain instances, they are not subject to bankruptcy law and may obtain state subsidies.

142. There is no specific EC legislation to regulate state-owned enterprises but the EC competition rules apply.

(iii) Competition policy and regulatory issues

143. During the period under review, there were no major changes to the EC's competition regime, including on anti-trust issues, mergers, monopolies, and state aide. Articles 4, 16, 36, 73, and 81-89 of the EC Treaty provide the fundamental competition principles. Pursuant to Article 4, EC Member States are required to adopt economic policies "in accordance with the principle of an open market economy with free competition". In general, competition policy in the EC seeks to enforce regulations on anti-competitive practices, enhance competitiveness throughout the EC, and address anti-competitive problems in liberalized sectors. In particular, enforcement is focused on eliminating cartels and abuses of dominant position. Efforts are being made to enforce regulations on mergers that have cross-border implications, and to rectify decisions that lead to incompatible state-aid.

(a) Anti-trust

144. EC basic anti-trust legislation remains unchanged.[186] The Treaty prohibits anti-competitive agreements between undertakings that may affect trade between Member States[187], except for those exempted as being beneficial, on balance, to economic efficiency and consumers.[188] The exemption applies automatically to any agreement satisfying the relevant criteria. Therefore, the Commission no longer grants individual exemption; it can grant block exemptions (Article 81(3) of the Treaty).

145. Enforcement of EC anti-trust regulations is carried out by the Competition DG in coordination with national competition authorities, in the framework of the European Competition Network (ECN). Article 15 of Council Regulation No. 1/2003 lays down the procedural rules for such coordination, requiring Member States to transmit to the Commission copies of judgements by national courts applying Articles 81 and 82; this information must be available online. In addition, Article 11 requires national authorities to inform the Commission at least 30 days before adopting a decision under Articles 81 and 82. The ECN holds regular meetings on competition policy issues.

146. In 2006, the Commission adopted new guidelines on the method used to set fines on undertakings that have infringed Articles 81 or 82 of the Treaty. Under these guidelines, fines are based on a percentage of up to 30% of the yearly sales of the product concerned in the relevant market.[189] The Commission may increase the fine up to 100% for repeat offenders.[190] A revised leniency notice on immunity from fines and reduction of fines in cartel cases was also introduced at

[186] Anti-trust legislation is governed by the EC Treaty and Council Regulation No. 1/2003, 16 December 2002, as amended by Council Regulation No. 411/2004, 26 February 2004.

[187] No definition of these undertakings is provided in the Treaty; however, the term is understood to encompass a wide range of legal forms, including companies, partnerships, cooperatives, nationalized industries, and other kinds of public corporations, and individuals engaged in the production and distribution of goods and services.

[188] Article 81(1) of the Treaty prohibits agreements that: (i) directly or indirectly fix purchase or selling prices or any other trading conditions; (ii) limit or control production, markets, technical developments, or investment; (iii) share markets or sources of supply; (iv) apply dissimilar conditions to equivalent transactions with other trading partners; and (v) make the conclusion of contracts subject to the acceptance by other parties of further obligations unrelated to the subject of the contract. Article 82 prohibits, as incompatible with the common market, the abuse of a dominant position, without exception.

[189] Under the 1998 Guidelines, the starting point of the fine was based on a lump sum, depending on the degree of gravity of the infringement, to which a 10% increase was added per year of infringement.

[190] Europa Press Release IP/06/857, 28 June 2006.

the end of 2006.[191] In 2008, the Commission introduced a simplified settlement procedure to settle cartel cases, under which parties may choose to acknowledge their involvement in a cartel and their liability; in return the Commission could reduce the fine imposed on the liable parties. The Commission also published a 2008 White Paper on antitrust damages actions to ensure more effective antitrust damage claims.[192]

147. On 10 January 2007, the final report on the electricity and gas markets enquiry was adopted. It concluded that many energy markets: (i) remain too highly concentrated; (ii) are characterized by a high degree of vertical integration, notably there is insufficient unbundling of network and supply activities; (iii) lack cross-border integration and cross-border competition; and (iv) lack transparency. As a result of theses findings, the Commission put forward, in September 2007, a proposal for a third electricity and gas liberalization package (Chapter IV(4)). The Commission has also focused, in cooperation with NCA, on foreclosure and collusion (market sharing) cases in the electricity and gas markets.[193]

148. On 10 January 2007, the Commission published the final report of its inquiry into European retail banking markets covering payment cards and (non-card) payment systems, and current account and related services. It confirmed that markets remain fragmented along national lines, limiting consumer choice and leading to higher costs. High degrees of variation in prices, profit margins, and selling patterns between Member States indicate persisting regulatory or behavioural barriers to competition.

149. During the last few years, the Commission has taken further steps to sanction abuses of dominance and significant hard-core cartels, focusing on network industries that are considered as key for EC competitiveness. In this regard, for example, the Spanish incumbent telecoms operator Telefónica was fined €151.9 million for abuse of its dominant position during 2001-06.[194]

150. The total number of new anti-trust cases rose from 109 in 2005 to 131 in 2006, and fall to 93 in 2007. The Commission initiated 22 cases in 2005, 50 in 2006, and 33 in 2007; while 244 cases were closed in 2005, 121 in 2006, and 216 in 2007. In 2007, the Commission issued eight decisions, fining 41 undertakings €3,334 million (€683 million in 2005 and €1,846 million in 2006).

(b) Mergers

151. The EC's regulation on merger control seeks to avoid a situation in which competition is significantly impeded, in particular by the creation or strengthening of a dominant position, as a result of mergers and acquisitions.[195] Under the Merger Regulation, the Commission assesses proposed concentrations on the basis of whether a dominant position is created or strengthened, or more generally whether they significantly impede competition. In general, the Commission only examines mergers where the parties have a combined worldwide turnover of €5 billion and each party has a Community-wide turnover of €250 million. However, it will also examine mergers where the

[191] The Commission's leniency policy offers incentives to cartelists to report their illegal activities. The 2006 Notice follows 1996 and 2003 versions. The Commission received 20 applications for immunity and 11 applications for a reduction of fines under the 2006 Notice from the date of its introduction to the end of 2007 (DG Competition, 2008).

[192] COM(2008) 165, 3 April 2008, "White Paper on Damages Actions for Breach of the EC Antitrust Rules".

[193] DG Competition (2008).

[194] DG Competition (2008).

[195] The main regulation governing merger control in the EC is Council Regulation No. 4064/89, 21 December 1989. It was revised by Council Regulation No. 139/2004, 20 January 2004, implemented by Commission Regulation No. 802/2004, 7 April 2004. For further details, see WTO (2004).

combined worldwide turnover is €2.5 billion and where the following three conditions are fulfilled: (i) the parties' combined turnover exceeds €100 million in at least three EC Member States; (ii) each party has a turnover of €25 million in the same three EC Member States; and (iii) the individual Community-wide turnover of each party exceeds €100 million. Transactions that fulfil either of these two tests are exempt from review by the Commission if each party to the transaction realises more than two thirds of its turnover in a single EC Member State. Mergers must be approved by the Commission before they are put into effect. Most cases are approved within the initial scrutiny period of 25 days.

152. On 10 July 2007, the Commission adopted its consolidated jurisdictional notice under the Merger Regulation. It covers, in one document, all issues of jurisdiction relevant for establishing the Commission's competence under the Merger Regulation, and replaces the four previous notices dating back to 1998.[196] On 28 November 2007, the Commission also adopted Guidelines on the assessment of non-horizontal mergers under the Merger Regulation.[197] The guidelines established by the EC for horizontal mergers have not changed[198]; and the specifications for the determination of the relevant market for purposes of merger regulations remained unchanged. The Commission adopted on a Revised Remedies Notice on 22 October 2008, to clarify its position with regard to remedies in merger cases.[199]

153. The number of mergers notified to the Commission reached an all-time high of 402 in 2007 (356 in 2006 and 313 in 2005).[200] The Commission took 396 final decisions in 2007 (308 in 2005 and 352 in 2006), of which 368 were cleared in the first phase without conditions, and ten were adopted after second-phase investigations. One transaction, a horizontal merger involving a proposed takeover by Ryanair of Aer Lingus, was prohibited.[201]

(c) State aid

154. The State Aid Action Plan (SAAP), launched in 2005, is implemented on the basis of four principles: less and better targeted state aid; greater emphasis on economic analysis; more effective procedures, including better enforcement, higher predictability, and enhanced transparency; and a shared responsibility between the Commission and Member States.[202] In this regard, in 2007, the Commission adopted a new method for setting reference and discount rates more aligned with market principles, as the specific situation of the company or project is taken into account.

155. In 2006, the EC adopted new guidelines on regional aid provided by its Member States (national regional aid) during 2007-13; they cover regional aid for investment, operations (in exceptional circumstances), and creation of new small enterprises. The Commission aims to assist Member States in better targeting state aid so that it is used in accordance with the objectives set out in the Lisbon Agenda. Member States do not have to notify regional aid schemes to the Commission

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[196] European Commission online information. Viewed at: http://ec.europa.eu/comm/competition/mergers/legislation/draft_jn.html.

[197] Non-horizontal mergers include vertical mergers, such as the acquisition of a supplier by a customer, and conglomerate mergers, which concern companies whose activities are complementary or related.

[198] For a description of the horizontal guidelines, see WTO (2004).

[199] Commission Notice on remedies acceptable under Council Regulation (EC) No. 139/2004 and under Commission Regulation (EC) No. 802/2004, not yet published in the *Official Journal*.

[200] Europa online information. Viewed at: http://europa.eu.int/comm/competition/mergers/cases/.

[201] DG Competition (2008).

[202] DG Competition (2007).

if the schemes comply with the General Block Exemption Regulation. In 2007, the Commission approved the regional aid maps covering 2007-13.[203]

156. At the end of 2006, the Commission also adopted the new State aid framework for research, development and innovation (R&D&I).[204] New risk capital guidelines were also adopted in 2006, allowing Member States to improve access to finance for SMEs; they cover risk capital measures for investment in SMEs in their early and expansion stages. In August 2008, the European Commission adopted a General Block Exemption Regulation (GBER), which allows Member States to grant certain aid without first notifying the Commission.[205] The Regulation authorizes aid in favour of SMEs, research, innovation, regional development, training, employment, and risk capital. It also authorizes environmental protection aid, aid measures promoting entrepreneurship, aid for newly created small businesses in assisted regions, and measures tackling problems such as difficulties in access to finance faced by female entrepreneurs. The GBER reduces the administrative burden for public authorities, the beneficiaries, and the Commission, and consolidates into one text and harmonizes the rules previously in five separate Regulations.[206]

157. In addition, a new *de minimis* regulation exempts small subsidies from the obligation to be cleared by the Commission in advance: aid up to €200,000 granted over three fiscal years will not be regarded as state aid. This Regulation constitutes one of the cornerstones of the State Aid Action Plan designed to simplify the state aid rules, to refine the economic analysis, and to allow the Commission to concentrate its enforcement on the most distortive cases.

158. *De minimis* regulations adopted for the agriculture sector in 2007 raise the ceiling for small amounts of aid in the sector to € 7,500 per beneficiary over any period of three years and the maximum total per Member State to 0.75% of the value of agricultural output.

159. In 2007, *de minimis* regulations for fisheries were updated, and in July 2008, the Commission adopted a new Block Exemption Regulation for the fisheries subsector, which is not covered by the GBER.[207] It includes all categories of aid covered by the European Fisheries Fund, with the exception of aid for investments in the fleet and aid for sustainable development of fisheries. The Regulation declares certain types of aid compatible with the common market without prior notification, on condition that they comply with the relevant conditions established under the European Fisheries Fund (EFF) and that they do not exceed the threshold of a total amount of aid of €1 million or a total amount of eligible costs per project of €2 million. Also in July 2008, the Council adopted a regulation instituting a temporary specific action aiming to promote the restructuring of the European

[203] The new guidelines are described in WTO (2007).

[204] OJ C 323, 30 December 2006, "Community Framework for State aid for Research and Development and Innovation".

[205] Commission Regulation (EC) No. 800/2008, 6 August 2008 declaring certain categories of aid compatible with the common market in application of Article 87 and 88 of the Treaty (General block exemption Regulation). Europa Press release IP/08/1110, 7 July 2008.

[206] Commission Regulation (EC) No. 800/2008, 6 August 2008 declaring certain categories of aid compatible with the common market in application of Article 87 and 88 of the Treaty (General block exemption Regulation). Europa Press Release IP/08/1110, 7 July 2008.

[207] Commission Regulation (EC) No. 736/2008, 22 July 2008 on the application of Articles 87 and 88 of the Treaty to State aid to small and medium-sized enterprises active in the production, processing and marketing of fisheries products, OJ L 201, 30 July 2008, p. 16; see also Europa Press Release IP/08/1088, 2 July 2008.

Community fishing fleets affected by the economic crisis.[208] This specific action provides for additional measures within the framework of the EFF until the end of 2010.

160. In October 2007, the European Commission adopted a notice on the implementation of decisions ordering Member States to recover unlawful and incompatible state aid. The notice provides guidance to Member States as to how to achieve a more immediate and effective execution of recovery decisions. In order to clarify and simplify the state aid rules, in 2008 the European Commission also adopted a new notice on state aid in the form of guarantees. The text sets methodologies for calculating the aid element in a guarantee, and provides simplified rules for SMEs, including predefined safe-harbour premiums and single premium rates for low-amount guarantees.

161. On 13 October 2008, the Commission published guidance on how Member States can best support financial institutions in the current financial crisis, while respecting EC state aid rules (Article 87(3)(b) of the Treaty). EC state aid rules require that measures taken do not result in disproportionate distortions of competition, for example by discriminating against financial institutions based in other Member States. In other requirements, measures must be limited in time and foresee adequate contributions from the private sector.[209]

162. There were 778 state aid notifications in 2007 (922 in 2006); and the Commission took 629 final state aid decisions (710 in 2006). In most cases, the Commission approved the measures without a formal investigation, concluding that 87% of the cases were found compatible with state aid rules. In 2006, €66.7 billion (up from €63.8 billion in 2005) were granted throughout the EC-25 in state aid (excluding aid to railways), representing about 0.6% of GDP. Germany granted the highest amount of aid (€20.2 billion), followed by France (€10.4 billion), and Italy (€5.5 billion). Sector-wise, 58% of state aid was channelled to manufacturing activities, 24% to agriculture and fisheries, and 7% to services. There are wide differences in sectoral allocation of state aid across Member States (Table III.12).

Table III.12
(a) State aid in the EC, 2006

Country	Total aid as % of national GDP		% of total aid by sector[a]							Total aid
	Excluding railways	Excluding agriculture, fisheries and transport	M	S	A	F	C	T	OM	(€ million)
Austria	0.90	0.60	19	37	32	0	0	1	11	2,309.8
Belgium	0.39	0.28	70	2	25	0	0	3	0	1,225.1
Cyprus	0.76	0.48	27	36	35	0	0	2	0	110.6
Czech Rep.	0.66	0.51	73	4	22	0	0	1	0	754.8
Denmark	0.59	0.46	77	3	10	4	0	7	0	1,288.8
Estonia	0.41	0.08	14	6	79	1	0	0	0	54.1
Finland	1.53	0.35	22	1	74	0	0	3	0	2,552.3
France	0.58	0.41	65	6	23	0	0	5	0	10,388.7
Germany	0.87	0.69	66	3	20	0	11	1	0	20,219.3
Greece	0.26	0.15	49	8	37	1	0	5	1	556.1
Hungary	1.57	0.93	55	1	34	0	3	7	0	1,407.4
Ireland	0.57	0.28	38	12	48	2	0	0	0	988.2
Italy	0.37	0.26	60	9	21	1	0	8	0	5,511.1
Latvia	1.80	0.15	8	0	67	0	0	25	0	291.3
Lithuania	0.54	0.23	35	7	58	1	0	0	0	128.3
Luxembourg	0.32	0.13	29	12	59	0	0	0	0	109.5

Table III.12 (cont'd)

[208] OJ L 202, 31 July 2008; see also Europa Press Releases IP/08/1120, 8 July 2008, and MEMO/08/493, 8 July 2008.

[209] OJ C 270, 25 October 2008, "Communication from the Commission — The application of State aid rules to measures taken in relation to financial institutions in the context of the current global financial crisis". Europa Press Release IP/08/1495, 13 October 2008.

Country	Total aid as % of national GDP		% of total aid by sector[a]							Total aid
	Excluding railways	Excluding agriculture, fisheries and transport	M	S	A	F	C	T	OM	(€ million)
Malta	2.29	1.77	74	3	19	0	0	4	0	115.0
Netherlands	0.35	0.24	65	3	23	1	0	8	0	1,864.9
Poland	0.85	0.45	46	0	46	0	7	0	0	2,310.4
Portugal	0.93	0.91	13	85	1	1	0	0	0	1,450.1
Slovenia	0.83	0.48	47	4	42	0	6	0	0	253.9
Slovakia	0.51	0.45	86	2	11	0	2	0	0	223.2
Spain	0.50	0.39	49	8	18	1	22	2	0	4,879.0
Sweden	1.15	0.94	79	3	12	0	0	5	0	3,515.3
United Kingdom	0.22	0.16	60	5	21	0	0	5	7	4,215.4
EC-25	0.58	0.42	58	7	24	0	5	3	1	66,722.6
EC-15	0.56	0.41								61,073.5
10 new M.S.	0.91	0.52								5,649.1

(b) State aid in the EC, 2007

Country	Total aid as % of national GDP		% of total aid by sector[a]							Total aid
	Excluding railways	Excluding agriculture, fisheries and transport	M	S	A	F	C	T	OM	(€ million)
Austria	0.37	0.30	44	12	18	0	0	1	25	1,006
Belgium	0.33	0.27	77	4	12	0	0	6	0	1,077
Bulgaria	1.35	0.09	6	0	93	0	0	0	1	391
Cyprus	0.40	0.24	22	36	23	0	0	18	0	107
Czech Rep.	0.73	0.60	79	3	17	0	0	0	0	938
Denmark	0.62	0.51	77	6	8	2	0	6	0	1,405
Estonia	0.24	0.07	19	9	65	7	0	0	0	37
Finland	1.16	0.35	28	2	66	0	0	4	0	2,079
France	0.52	0.37	59	11	25	0	0	5	0	9,798
Germany	0.67	0.58	67	2	12	0	14	1	0	16,229
Greece	0.32	0.24	73	1	20	4	0	0	0	729
Hungary	1.42	0.87	58	0	20	0	3	18	0	1,434
Ireland	0.59	0.32	35	20	41	3	0	0	0	1,093
Italy	0.33	0.25	64	5	15	2	0	7	5	5,096
Latvia	1.02	0.21	21	0	30	1	0	48	0	204
Lithuania	0.63	0.18	24	4	69	0	0	2	1	177
Luxembourg	0.20	0.13	48	16	36	0	0	0	0	72
Malta	0.79	0.59	73	2	18	0	0	7	0	99
Netherlands	0.41	0.24	54	4	34	0	0	7	0	2,316
Poland	0.60	0.41	62	0	31	0	6	0	0	1,849
Portugal	1.31	1.30	9	1	1	0	0	0	0	2,138
Romania	1.17	0.24	12	0	77	0	8	2	1	1,426
Slovenia	0.56	0.34	36	6	39	0	9	0	11	188
Slovakia	0.50	0.41	79	2	11	0	1	8	0	273
Spain	0.51	0.41	58	8	13	3	15	3	0	5,371
Sweden	0.93	0.88	88	5	5	0	0	0	1	3,100
United Kingdom	0.31	0.25	42	3	11	0	0	7	5	6,185
EC-27	0.53	0.40	57	5	20	1	5	4	1	64,816
EC-15	0.51	0.40	58	5	17	1	5	3	2	57,694
EC-12	0.81	0.43	48	1	40	0	4	6	1	7,123

a M: manufacturing; S: services (including tourism, finance, media and cultural services); A: agriculture; F: fisheries; C: coal; T: transport, excluding railways; and OM: other non-manufacturing.

Note: Due to rounding of figures, the percentages of total aid by sector do not generally add up to 100.

Source: European Commission – Competition – Sate Aid Control – Studies and reports. Viewed at: http://ec.europa.eu/comm/competition/state_aid/studies_reports/stat_tables.html [17 June 2008]; and information provided by the authorities.

(iv) Intellectual property rights (IPR)

163. There was no major change to EC intellectual property legislation during the period under review.[210] The IPR regime in the EC is governed by both Community-wide legislation and legislation in the Member States. Member States' legislation takes into account Community legislation and commitments under international agreements, including the European Patent Convention. The EC or the Member States are parties to the World Intellectual Property Organization, conventions and treaties (e.g. Trademark Law Treaty, the Hague Agreement, Madrid Protocol, and the Berne Convention, and the WTO TRIPS Agreement (Table AIII.4). The EC has an extensive body of intellectual property legislation, which is often amended to harmonize protection in the Community to ensure a better functioning of the internal market. Differences between the national laws governing the terms of protection are bound to hinder the free movement of goods and provision of services.

(a) Industrial property

164. On 16 July 2008, the Commission adopted a Communication on an industrial property rights strategy for Europe.[211] The Communication provides a horizontal and integrated strategy across the spectrum of different industrial property rights, and includes initiatives on enforcement (calls for robust enforcement against counterfeiting and piracy), innovation support for small and medium-sized enterprises. It complements the 2007 Communication on the patent system, which calls for the adoption of a Community patent and an integrated EC-wide jurisdiction for patents.[212]

165. The EC aims to create a single system for the protection of industrial property rights (Community trade marks, designs, and patents) with Community-wide effect through the filing of a single application.

Trade marks

166. Trade mark protection is regulated under Council Regulation No. 40/94, as amended; the last amendment was in 2006.[213] Any signs represented graphically, particular words, including personal names, designs, letters, numerals, or the shape of goods or their packaging may be protected as Community trade marks, provided that these signs distinguish the particular goods or services (Article 3). Trade marks are obtained through registration and can be registered by any natural person (Articles 5 and 6). The registration fee is €230.[214]

167. The Community trade mark has effect throughout the EC; it is registered and administered centrally by the Office for Harmonization of the Internal Market (OHIM). Applicants may file an application either directly at the OHIM or at a national office, which must then forward the application to OHIM. National trade mark systems exist alongside and in parallel to the Community trade mark system. The Community law relating to trade marks does not replace the laws of the Member States; the Community trade mark regulation does not govern all questions and expressly refers at times to national law. For example, competence for infringement actions is given to national courts, which Member States must designate.

[210] See WTO (2004), for further details on EC legislation on IPRs.

[211] COM (2008) 465 final, 16 July 2008, "An Industrial Property Rights Strategy for Europe". Viewed at: http://ec.europa.eu/internal_market/indprop/docs/rights/2008_0465_en.pdf.

[212] COM (2007) 165 final, 3 April 2007, "Enhancing the patent system in Europe". Viewed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0165:FIN:EN:PDF.

[213] Council Regulation No. 40/94, 20 December 1993 on the Community trade mark, amended by Council Regulations Nos. 3288/94, 807/2003, 1653/2003, 1992/2003, 422/2004, and 1891/2006.

[214] For other fees, see Commission Regulation (EC) No. 2246/2002, 16 December 2002, as amended by Commission Regulation (EC) No. 877/2007, 24 July 2007.

168. For a trade mark to be registered, the conditions of filing need to be examined: if the trade mark application is satisfactory and a date of filing has been granted, a Community search is established; if the conditions for application have been fulfilled and the search is satisfactory, the EC trade mark application must be published (Article 40). This is to allow any natural or legal person and any group or body representing manufacturers, producers, suppliers of services, traders or consumers to submit to the Office written observations (Article 41). Registration may be refused mainly because the sign does not conform to the definition of a protectable trade mark but also because, *inter alia,* the sign is against public policy, contrary to principles of morality, deceives the public, and/or contains a geographical indication.

169. The proprietor of the trade mark has exclusive rights to its use, and is entitled to prevent all third parties from using it without his consent. Community trade marks can be transferred. The rights conferred start on the date of publication of registration of the trade mark (Article 9), and are valid for ten years (renewable for an indefinite number of ten-year periods) from the date of filing of the application (Article 46). Trade marks may be revoked if within a continuous period of five years, they have not been put to "genuine use" (i.e. normal commercialization) in the EC (Articles 50 and 56). Trade mark infringement is dealt with under national laws.

170. The EC is evaluating the overall functioning of the Community and national trade mark systems, analysing the impact of the systems on stakeholders in order to review the system and enhance cooperation between the OHIM and national offices.[215] It is preparing for accession to the Singapore Treaty on the Law of Trademarks of 2006.

171. The OHIM registered 88,273 trade mark applications in 2007 (Table III.13), 14% more than in 2006. Applications are up 50%, compared with 2004 and the average registration time is down by almost one third. Around 14% of the Community trade mark applications come under the Madrid Protocol, via WIPO; more than 50% of applications in 2007 originated from Germany (17%), the United States (16%), the United Kingdom (10%) and Spain (8%).[216]

Table III.13
Statistics on trade marks and designs, 2000-08

	2000	2001	2002	2003	2004	2005	2006	2007	2008[a]
Trade marks									
Applications	57,390	48,918	45,243	57,714	58,996	64,822	77,506	88,273	66,050
Registered trade marks	34,766	38,539	35,897	34,313	34,445	59,752	61,495	68,077	60,622
Opposition to trade marks	11,500	12,879	9,802	9,939	10,721	17,375	14,108	16,468	13,681
Cancelled and surrendered	53	93	104	144	141	147	295	259	259
Designs									
Single applications	..	..	..	5,004	6,864	8,388	8,626	9,269	7,013
Multiple applications	..	..	..	5,471	7,187	8,429	9,002	9,944	7,555

.. Not available.

a Up to 30 September 2008.

Source: Office for Harmonization of the Internal Market online information. Viewed at: http://oami.europa.eu/ows/rw/resource/documents/OHIM/statistics/ssc009-statistics_of_community_trade_marks_2008.pdf; and http://oami.europa.eu/ows/ows/rw/resource/documents/OHIM/statistics/ssc007-statistics_of_community_designs_2008.pdf [30 September 2008].

[215] COM (2008) 465 final, 16 July 2008, "An Industrial Property Rights Strategy for Europe". Viewed at: http://ec.europa.eu/internal_market/indprop/docs/rights/2008_0465_en.pdf.

[216] Office of Harmonization of the Internal Market (2007).

Industrial Designs

172. Protection of industrial designs is regulated in the EC by the Design Directive 98/71/EC and Council Regulation No. 6/2002.[217] A Community design confers a unitary right that applies throughout the EC. Designs can be protected through registration (available from April 2003) and without it (in effect from March 2002). The Design Directive only refers to registered designs and operates in parallel to national systems of registered designs in force in each Member State. National laws related to industrial designs have to a large extent been harmonized with the Designs Directive; the eligibility criteria and duration of protection are the same as for the registered Community designs.[218] Many Member States also protect unregistered design rights under their national law, even if these are not covered by the Directive. Given the widely varying practices among Member States, the protection of "component parts of complex products", in particular spare parts for cars, is left to Member States' discretion in the Directive.

173. Community design rights are directly enforceable in each Member State and are obtained upon application to the OHIM for registration (registered Community design) or automatically by way of publication of the design (unregistered Community design). Registered designs have a longer duration of protection (one or more periods of five years, up to a maximum of 25 years), than unregistered designs (three years after they are published) and a different type of protection. Registered (or unregistered) designs are exhausted once the product has been put on the Community market by the holder of the Community right or with the consent of the rightholder.

174. The right to the Community design is vested in the designer or his successor in title. Designs may be protected if they are novel and have individual character. The Community design confers protection to any design that produces a different overall impression on an informed user. A Community design confers on its right holder the exclusive right to use it and to prevent any third party not having her/his consent from using it. For an unregistered Community design, the contested use must result from copying the protected design: infringement only occurs if the protected design has been copied. The unregistered Community design provides useful, short-term protection for items of short market duration.

175. Registration of eligible designs is made within one year of the design first being made available to the public. Applications may be made in national intellectual property offices, in the Benelux design office, or directly at the OHIM. Detailed rules for application and procedures for registration are contained in Commission Regulation No. 2245/2002[219], while fees are specified in Commission Regulation No. 2246/2002.

176. Protection of a registered design right does not affect any other intellectual property rights over the product (i.e. unregistered design rights, trade marks, patents and utility models, civil liability or unfair competition). National courts are competent for infringement actions; appeals are examined by the Board of Appeal. Appeals against Board decisions may be brought before the Court of Justice, which has the jurisdiction to annul or to alter a contested decision.

177. As in previous enlargements, Community trade marks and designs registered and applied before the accession of Bulgaria and Romania to the EC were automatically extended to the territories

[217] OJ L 3, 5 January 2002, as amended.

[218] Directive 98/71/EC, 13 October 1998 on the legal protection of designs, OJ L 289, 28 October 1998. The directive aims to approximate the national provisions of laws (in Member States) that most directly affect the functioning of the internal market, while provisions on sanctions, remedies, and enforcement are left to national law.

[219] OJ L 341, 17 December 2002, as amended.

of these new Member States as from the date of accession, in order to have equal effect throughout the Community.[220]

Patents

178. Patent protection is granted under the 2007 revision of the European Patent Convention (EPC) of 1973. The revised European Patent Convention, in effect since 13 December 2007, provides a new legal framework that is expected to simplify the process of patent protection. The revision appears to have marginally changed substantive patent law, while introducing a number of refinements in procedural practices.

179. There continue to be three methods for filing patents in EC Member States: through the national procedure, with the competent national authority; through the unitary procedure, available at the European Patent Office (EPO), in order to obtain a European patent; and through the international procedure, available under the Patent Cooperation Treaty (PCT).

180. European patents (different from Community patents) are granted by the European Patent Organisation. European patents are granted for any inventions, in all fields of technology, provided that they are new, involve an inventive step and are susceptible of industrial application. Exceptions to patentability are inventions whose commercial exploitation would be contrary to the public order or morality, plant or animal varieties, and methods for treatment of the human or animal body by surgery and therapy. Patent applications can be filed by any natural or legal person, or by multiple applicants, in any language (which eliminates the need for translations during the application stage) as long as they are then subsequently translated into one of the three working languages of the EPC (English, French, or German). The right to a European patent belongs to the inventor or his successor in title. In line with the Patent Law Treaty, the requirements for obtaining an official filing date for a European patent application have been simplified significantly. Protection is only granted in the EPC contracting states designated in the patent aplication. The term of the European patent is 20 years from the date of filing of the application, and can be extended through the supplementary protection certificate for pharmaceutical or plant protection products for a period not exceeding five years, under the same conditions as those applying for national patents. Infringements of the European patent are dealt with by national law.

181. The Commission continues to seek to harmonize areas where differences in national legislation impede the functioning of the internal market. The creation of a single Community patent continues to be a key objective since it would make the fight against counterfeiting more effective.[221]

182. Requests for a European patent filed with the EPO or with Member States' patent offices rose from 135,400 in 2006 to 140,700 in 2007.[222] First-time applicants to the EPO originating in European Patent Convention Member States (as opposed to first-time applicants for patent protection at national level) represented around 14% of all direct patent applications to EPO.[223] Around 28% of the applications filed related to medical science, electrical communication techniques, and computing.[224]

183. On 27 May 2006, the EC adopted Regulation No. 816/2006 on compulsory licensing of patents relating to the manufacture of pharmaceutical products for export to countries with public

[220] OJ L 157, 21 June 2005.
[221] COM (2007) 165 final, 3 April 2007, "Enhancing the patent system in Europe". Viewed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0165:FIN:EN:PDF.
[222] European Patent Office (2007), p.17.
[223] European Patent Office (2007), p. 18.
[224] European Patent Office (2007), p. 24.

health problems. With this Regulation, the EC has created a legal basis for the granting of compulsory licences for export purposes, as foreseen by the WTO General Council Decisions of 30 August 2003 and 6 December 2005.[225] On 19 November 2007, the EC accepted, on behalf of the European Community, the Protocol amending the TRIPS Agreement[226], and on 30 November 2007, the EC deposited its instrument of acceptance with the WTO Director-General.

Plant varieties

184. Plant varieties are granted protection under Regulation No. 2100/94, which was last amended in 2008. The amendments related mainly to the entitlement to file an application.[227] Implementing Regulation No. 1239/95 was amended to introduce electronic communication in proceedings before the Community Plant Variety Office (CPVO) to facilitate the payment of fees and charges to the CPVO.

185. Plant varieties that are distinct, uniform, stable, and new may be protected. With respect to the protection of plant varieties, applicants in Member States may use either the national system or the unitary procedure available at the CPVO. The holder of a Community plant variety right, is entitled to the multiplication, propagation, sale, marketing, import and export of this variety. Any of these acts in respect of the variety constituents and the harvested material of a protected variety require the authorization of the holder. However, farmers may use some protected varieties for propagating purposes on their own holding: with the exception of those growing less than an equivalent of 92 tonnes of cereals or 185 tonnes of potatoes per harvest [228], then must pay an equitable remuneration to the right holder[229] (i.e. in general about 50% of the amounts charged for the licensed production of propagating material, but this may vary according to the production method and to the agreements between breeders and farmers associations).

186. Protection is granted after the CPVO undertakes and deems its formal, substantive, and technical examination of the application satisfactory. Plant varieties are protected for 25 years, vine and tree species, for 30 years. Protection may be extended for five years. Plant variety rights are transferable and compulsory licensing may be granted on grounds of public interest. However, a compulsory licence may not be granted by Member States on a Community plant variety right. Compulsory licences may only be granted by the Administrative Council.[230] Office and Council decisions may be appealed.

187. Varieties that are protected by a Community plant variety right cannot at the same time be protected by a national plant variety right. Actions for infringement may be brought by the holder and the right holder must be reasonably compensated in case of infringement. Members should ensure that penalties for infringement of a Community plant variety right are equivalent for infringements of the corresponding national right.

[225] Europa Press Release IP/06/550, 28 April 2006.

[226] Council Decision 2007/768/EC, 19 November 2007, OJ L 311, 29.11.2007, p.35

[227] Council Regulation (EC) No. 15/2008, OJ L 8, 11 January 2008. Viewed at: http://www.cpvo.eu.int/documents/lex/2008R15/EN2008R15.pdf.

[228] According to Council Regulation (EC) No. 2100/94, 27 July 1994 on Community plant variety rights, small farmers are defined as farmers who do not grow plants on an area bigger than that needed to produce 92 tonnes of cereals; and in the case of other plant species, farmers must meet comparable criteria. Viewed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31994R2100:EN:HTML.

[229] According to Council Regulation (EC) No. 2100/94, 27 July 1994 on Community plant variety rights, "equitable" is defined as "sensibly lower than the amount charged for the licensed production of propagating material of the same variety in the same area; the actual level of this equitable remuneration may be subject to variation over time."

[230] The Administrative Council is attached to the Community Plant Variety Office.

188. Community plant variety protection is granted through the CPVO. The CPVO received 2,162 applications from January to September 2008, 2,977 applications in 2007 and 2,735 in 2006, and granted 2,616 in 2007 and 2,289 in 2006.[231] Most of the applications and titles corresponded to ornamental varieties (around 61% of all applications and 60% of all titles).[232] Fees relating to technical examinations of plant varieties payable to the CPVO were increased substantially on 1 January 2009 by 14-93% for the agricultural group, 5-43% for the ornamental group, around 15-18% for the vegetable group (for some species in this group, fees have been lowered by up to 8.5%), and 5-51% for the fruit group; examination fees range from €1,160 to €2,500. The annual fee has been set at a flat rate of €300 per variety and per year of protection.[233] Fees were increased to ensure the financial stability of the CPVO.

(b) Copyright and related rights

189. During the period under review, the EC consolidated and codified the legislation related to the terms of protection of copyrights and related rights (including performers' rights) and rental and lending rights.[234] Protection varies according to the type of work and, in some instances, is left to the national legislation, as in the case of certain photographs (Table III.14). In July 2008, the Commission proposed an amendment to Directive 2006/116/EC on the term of protection of copyright and related rights, aiming to extend protection for producers and performers of phonograms to 95 years after lawful publication or lawful communication to the public, and to introduce a uniform method of calculating the term of protection applying to co-written musical works.[235]

190. Copyright holders have the exclusive right to authorize or prohibit the reproduction of their work, with some exceptions. For instance, reproductions are allowed if they are transient and are an integral and essential part of a technological process; or if their sole purpose is to enable: (a) transmission in a network between third parties by an intermediary, or (b) a lawful use of a work or other subject matter to be made, and have no independent economic significance. Exceptions and limitations to the rights may be provided by the Member States, *inter alia*, when teaching, for the benefit of people with a disability, for the use by the press and in political speeches, and on grounds of public security. Members must provide legal protection against the circumvention of any effective technological measure used to prevent infringement of the rights of a copyright holder. The manufacture, importation, distribution, sale, rental, or advertisement of any device used to facilitate circumvention of an effective technological measure is prohibited.

191. The EC also protects authors who are not Community nationals. When the country of origin of a work (in the sense of the Berne Convention) created by such an author is not an EC Member State, the work is protected until the expiry of the term of protection in the country of origin of the work. However, the term of protection may not exceed the term of protection set out in the EC Directive. EC Member States may also protect the related rights of rightholders who are not Community nationals, in which case the harmonized term of protection applies; however, the term may not exceed the term of protection in the country of which the rightholder is a national, nor may it exceed the harmonized term of protection. Limitations to the term of protection are subject to

[231] CPVO (2006) and (2007).

[232] CPVO online information. Viewed at: http://www.cpvo.eu.int/default.php?res=1&w=1024&h=602&lang=en&page=ocvv/statistiques.htm.

[233] Commission Regulation (EC) No. 572/2008, OJ L 161, 20 June 2008. Viewed at: http://www.cpvo.eu.int/documents/lex/2008R572/EN2008R572.pdf.

[234] Directives 2006/115, 12 December 2006; and 2006/116/EC, 12 December 2006.

[235] COM (2008) 464 final, Brussels, 16 July 2008. Viewed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0464:FIN:EN:PDF.

Member States' international obligations, which may require that they protect rightholders that are not Community nationals for a longer period.

Table III.14
Term of protection of copyrights and related rights, 2008

Type of work	Terms of protection
Authors' right	Life of the author plus 70 year irrespective of the date the work was lawfully made available to the public. In the case of joint authorship the term should be calculated after the death of the last surviving author. In the case of anonymous or pseudonymous works, 70 years after the work is lawfully made available to the public. If the pseudonym does not leave any doubt as to the identity of the author, then protection is for the life of the author plus 70 year irrespective of the date the work was lawfully made available to the public.
Work published in volumes	Protection runs from the time the work was lawfully made available to the public.
Works that have not been lawfully made available to the public within 70 years from their creation	Protection should be terminated.
Cinematographic or audiovisual works	Protection expires 70 years after the death of the author.[a.]
Performers	Protection expires 50 years after the date of the performance. However, if a fixation of the performance is lawfully published or lawfully communicated to the public within this period, the rights expire 50 years from the date of the first such publication or the first such communication to the public, whichever is the earlier.
Producers of phonograms	Protection expires 50 years after the fixation is made. However, if the phonogram has been lawfully published within this period, the rights expire 50 years from the date of the first lawful publication. If no lawful publication has taken place, and the phonogram has been lawfully communicated to the public within this period, the said rights shall expire 50 years from the date of the first lawful communication to the public.
Producers of a film[b]	Protection expires 50 years after the fixation is made. However, if the film is lawfully published or lawfully communicated to the public during this period, the rights shall expire 50 years from the date of the first such publication or the first such communication to the public, whichever is the earlier.
Broadcasting organizations	Protection expires 50 years after the first transmission of a broadcast whether transmitted by wire or over the air, including by cable or satellite.
Photographs[c]	Life of the author plus 70 years no matter when it was lawfully made available to the public. In the case of joint authorship, the term should be calculate after the death of the last author. In the case of anonymous or pseudonymous works, 70 years after the work is lawfully made available to the public. If the pseudonym does not leave any doubt as to the identity of the author then protection is for the life of the author plus 70 years no matter when the work was lawfully made available to the public.

a The principal director of a cinematographic or audiovisual work is considered the author. The author of the screenplay and/or the author of a dialogue are designated as co-authors.
b The term "film" designates a cinematographic or audiovisual work or moving images, whether or not accompanied by sound.
c Photographs are protected under Community law only if they are the author’s own intellectual creation. Member States may provide protection for other photographs.

Source: Directive 2006/116/EC, 12 December 2006.

192. Appropriate sanctions and remedies for copyright infringements are provided by Member States. Each Member State must take measures to ensure that rightholders whose interests are affected by an infringing activity can bring an action for damages and/or apply for an injunction and, where appropriate, for the seizure of infringing material as well as of devices, products or components relating to effective technological measures.

193. The EC and Member States are actively involved in the ongoing negotiations on the proposed WIPO Treaty on the protection of broadcasting organizations (WIPO Broadcasters' Treaty) against signal theft on an international level.

(c) Geographical indications

194. Community-wide rules exist for the protection of geographical indications. Geographical indication (GI) protection is provided in the EC under regulations covering: wines (Regulation No. 479/2008)[236], spirits (Regulation No. 110/2008)[237], and agricultural and foodstuff products (Regulation No. 510/2006).[238] The EC has a registration system for wines, spirits, and agricultural products and foodstuffs protected by designation of origin (PDO), and for protected geographical indications (PGIs). Regulation No. 110/2008 applies to all spirits placed on the EC market, produced in the EC for export, and to the use of ethyl alcohol and/or distillates of agricultural origin in the production of alcoholic beverages; it provides for a non-discriminatory procedure for the registration, compliance, alteration, and possible cancellation of third-country and EC GIs. The registration system for wine, as provided for by Regulation (EC) No. 479/2008, will apply from 1 August 2009.

195. In 2006, the EC's system for protecting names of agricultural products – protected designation of origin (PDO), protected geographical indication (PGI) and traditional speciality guaranteed (TSG)[239] – was modified by, *inter alia*, clarifying that it was open to names from third countries. The system was also opened to direct applications or objections to the European Commission, by producer groups in third countries (i.e. producers are no longer required to pass through their national authorities).[240] The Commission is the final arbiter in case of failure of a conciliation procedure between parties. Registration of PDOs and PGIs conveys exclusive marketing rights, which are enforced by Member States. Non-complying products must be withdrawn from the market.[241] The EC's register for agricultural products and foodstuffs contains over 818 PDOs and PGIs, including one third-country name (Café de Colombia).[242] The wine and spirits GIs register contains 2,127 names (1,800 for wines and 327 for spirits). There are two third-country names in the wines and spirits register: Vale dos Vinhedos (Brazil) and Napa Valley (the United States).

196. For agricultural products and foodstuffs, there is a Community-wide system of examination and registration. Associations of producers and/or processors working with the same agricultural product or foodstuff, or other natural or legal persons, are entitled to apply for registration for GIs. Applications for GIs of products of EC origin are sent to the relevant Member State. If the EC Member State (or the relevant authority in the third country) considers that the application meets the requirements for registration, it transmits it to the European Commission, which verifies whether the conditions are met. For GIs of products of non-EC origin the application is sent either directly to the European Commission or to the authorities of the country in which the geographical area is located, which transmits it to the European Commission. The application requires an accompanying document

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[236] OJ L 148, 6 June 2008, in force as of 1 August 2009.

[237] OJ L 39, 13 February 2008.

[238] This regulation was amended to take account of the accession of Bulgaria and Romania. The two countries had one year (after accession) to introduce the legislation necessary for the registration of geographical indications and designations of origin; existing national protection could continue during that period (Council Regulation No. 1791/2006, 20 November 2006, OJ L 363, 20 December 2006. Detailed rules of implementation of Regulation No. 510/2006 were laid down in Regulation No. 1898/2006, 14 December 2006). Regulation No. 1898/2006 was amended in July 2008 with regard to the symbols used on the label or packaging of products with names registered as protected geographical indications or protected designations of origin.

[239] Used for products linked to a particular method of production, e.g. Mozzarella cheese (Italian tradition).

[240] Objections to applications can be submitted to the European Commission by Member States, third countries or individuals with a legitimate interest. Council Regulation (EC) No. 510/2006, 20 March 2006, and Council Regulation (EC) No. 509/2006, 20 March 2006.

[241] European Commission (2007e).

[242] European Commission online information. Viewed at: http://ec.europa.eu/agriculture/quality [24 November 2008].

containing the name and description of the product; the definition of the geographical area; factors relating to the geographical area; details of labelling; name and address of the inspection body; the link to the specifications; and the name of the applicant group. Third-country applications must also include the specification, including methods of preparation, and proof that the name is protected as GI in the country of origin. If the Commission is satisfied with the application, it publishes its positive conclusions in the *Official Journal* and, if no objections are raised (by interested parties from the EC or third countries) within six months of publication, the product is entered in the Community's register. If any objection has been raised, the Commission invites the objector(s) to find an amicable agreement before it takes a decision whether to grant the GI. The recently adopted regulations for wines and spirits have established a similar system of registration and protection.

(d) Enforcement

197. Commission Regulation No. 1891/2004 of 21 October 2004 lays down provisions to implement Council Regulation No. 1383/2003, which concerns IPR enforcement at the EC's external borders. It established, *inter alia*, definitions of who may represent the holders of a right, as well as proof of ownership of an IPR; it also set time limits and procedures for the exchange of information between Member States and the Commission.[243] During the period under review, there were no changes in EC's IPR enforcement legislation, apart from the amendment to Commission Regulation No. 1891/2004 to take into account the recent enlargement.[244] The 2004 Directive on the civil enforcement of IPR has been implemented in almost all Member States (Sweden and Luxembourg are still in the process of adoption). In 2009, the Commission will draw up a report on the application of this Directive, including an assessment of the effectiveness of the measures taken. The proposal for a Directive to combat intellectual property offences adopted by the Commission in April 2006, is pending in the Council.[245]

198. In 2007, 79 million counterfeit and pirated articles were seized (38% less than in 2006 (128.6 million articles), as lesser quantities of counterfeit cigarettes and CDs/DVDs were seized). Infringement cases in 2007 were up 17% over 2006 and 64% over 2005.[246] In 2006, German customs alone confiscated about €1.2 million worth of counterfeit goods.[247] However, differences in the implementation of criminal procedures and penalties appear to create discrepancies in the level of protection available to right holders. The Commission is also considering procedures to strengthen-border enforcement of IPRs.[248]

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[243] Council Regulation No. 1383/2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights (OJ L 328 , 30/10/2004, pp. 0016 – 0049).

[244] Commission Regulation (EC) No. 1172/2007, OJ L 261, 5 October 2007. Viewed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:261:0012:0023:EN:PDF.

[245] More information on the proposals is contained in WTO (2007), and Europa Press Release IP/06/532, 26 April 2006. Europa online information. Viewed at: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/532&format=HTML&aged=1&language=EN&guiLanguage=en.

[246] European Commission online information, "Taxation and Customs Union". Viewed at: http://ec.europa.eu/taxation_customs/customs/customs_controls/counterfeit_piracy/combating/index_en.htm and http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics/counterf_comm_2005_en.pdf.

[247] Europa Press Release MEMO/08/299, Brussels, 13 May 2008. Europa online information. Viewed at http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/299&format=HTML&aged=0&language=EN&guiLanguage=en.

[248] COM (2008) 465 final, 16 July 2008, "An Industrial Property Rights Strategy for Europe". Viewed at: http://ec.europa.eu/internal_market/indprop/docs/rights/2008_0465_en.pdf.

199. Improved cooperation between customs and industry has enabled Customs to better target suspected shipments and to recognize counterfeit goods. In 2007, 80% of the interventions by Customs were at the request of industry (10,000 applications filed by industry in 2007, compared with 7,000 in 2006). Customs mainly intercepted counterfeit cigarettes (35% of all seizures) and clothing (22% of seizures); seizures increased in medicines (a 51% increase compared with 2006), electrical equipment, cosmetics and personal care products (a 264% increase from 2006), toys (a 98% increase), foodstuff and computer equipment (a 62% increase each).[249] IPR infringements in 2007 concerned trade marks (91.7% of all cases), patents (5%), copyrights and related rights (1.9%), and design and model rights (1.2%).[250]

200. Enforcement in the 12 Member States that acceded to the EC in 2004 and 2007 produced significant results: procedures in these countries accounted for 18% of the total number of procedures, and the number of articles intercepted more than doubled from 2005 to 2007 to some 24.2 million articles (31% of EC total). In 2007, most of the counterfeited and pirated articles were seized in Bulgaria, Poland, Romania, Latvia, Malta, the Czech Republic, Slovakia, and Hungary.[251] In order to strengthen the enforcement of IPRs, the Commission continues to work with Member States to improve intelligence networks, and to include the private sector.

201. The EC is determined to continue its fight against counterfeiting and piracy, unilaterally, and through also bilateral, regional, and multilateral agreements, including the establishment of efficient dispute settlement systems.[252] The EC is a major participant in the negotiations for a plurilateral Anti-Counterfeiting Trade Agreement (ACTA), with three key components: (i) international cooperation, principally between customs and enforcement agencies; (ii) enforcement practices; and (iii) legal framework.[253]

202. The EC and the United States cooperate to combat counterfeit; for instance, a joint customs operation called "Infrastructure", which took place at the end of 2007, resulted in the seizure of over 360,000 counterfeit integrated circuits bearing over 40 different trade marks.[254] Discussions on the development of an Action Plan on IPR Customs Enforcement between the EC and China are ongoing.[255] Enforcement activities and cooperation are being reinforced with a number of priority

[249] Europa Press Release IP/08/757, 19 May 2008. Viewed at: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/757&format=HTML&aged=0&language=en&guiLanguage=en.

[250] European Commission online information, "Report on the Community Customs Activities on counterfeit and piracy, Results at the European border – 2007". Viewed at: http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics2007.pdf.

[251] European Commission online information, "Report on the Community Customs Activities on counterfeit and piracy, Results at the European border – 2007". Viewed at: http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics2007.pdf.

[252] European Parliament (2008).

[253] For more information, see Europa Press Release IP/07/1573, 23 October 2007. Viewed at:http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1573&format=HTML&aged=0&language=en&guiLanguage=en); European Commission online information, "Fact Sheet: Anti-Counterfeiting Trade Agreement", Brussels, 23 October 2007. Viewed at: http://ec.europa.eu/trade/issues/sectoral/intell_property/fs23007_en.htm) and http://ec.europa.eu/trade/issues/sectoral/intell_property/acta_en.en.htm.

[254] For more information, see Europoean Commission online information, Taxation and Customs Union DG Press Release, 22 February 2008. Viewed at: http://ec.europa.eu/taxation_customs/resources/documents/common/whats_new/EC_US_joint_operation_en.pdf.

[255] Europa Press Release MEMO/08/310, 19 May 2008. Viewed at: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/310&format=HTML&aged=0&language=en&guiLanguage=en.

countries, such as, China, Russia, Turkey, Israel, and Thailand.[256] Moreover, detailed IPR clauses, in particular on enforcement, are included in several trade agreements concluded by the EC.

203. In September 2008, the Competitiveness Council adopted a Resolution on a comprehensive European anti-counterfeiting and anti-piracy plan, to step up the fight against counterfeiting and piracy. The Commission's ambition is to build a robust legal framework by demonstrating a more practical and "zero-tolerance" approach to counterfeiting. The plan envisages: (i) the setting up of a European counterfeiting and piracy observatory with a view to enabling a regular assessment and analysis of counterfeiting and piracy phenomena; (ii) dissemination of information to those involved in combating these phenomena; (iii) development of actions to raise awareness and drawing up operational guides; (iv) design of anti-counterfeiting customs plan for the years 2009 to 2012, making a survey of customs law and an evaluation of the improvements needed to the legal framework; (v) setting up of a network for the rapid exchange of information on counterfeit products and services; (vi) promoting coordination between institutions involved; (vii) encouraging public/private-sector partnership to combat counterfeiting and piracy; and (viii) setting up the protection of IPR internationally and promoting the inclusion of measures on IPR in bilateral and multilateral agreements concluded by the EC.[257]

204. A recent study on the effects of counterfeiting on the EC's small and medium-sized enterprises recommended a fundamental change in public and corporate attitudes towards IPR protection and enforcement within the EC (including a public "zero tolerance" approach towards IPR infringement, resistance to IPR infringements, and putting in place support measures targeted at SMEs), reduction of Community trade mark registration fees for SMEs, lobbying for the introduction of a Community patent, creation of a databank of original products, development of IPR training programmes, establishment of a "help-desk", and introduction of court-cost insurance schemes.[258]

[256] For more information, see European Commission online information.. Viewed at: http://ec.europa.eu/trade/issues/sectoral/intell_property/index_en.htm.

[257] Council Resolution on a comprehensive European anti-counterfeiting and anti-piracy plan, Brussels, 25 September 2008. Viewed at: http://ec.europa.eu/taxation_customs/resources/documents/common/whats_new/20080926_en.pdf.

[258] Technopolis (2007).

IV. TRADE POLICIES BY SECTOR

(1) INTRODUCTION

1. Services is the dominant sector in the EC, due to its contribution to both gross value-added and employment. Accounting for only 20% of intra-EC trade, services remain the priority as regards the creation of a genuine internal market by the end of 2009, through the removal of remaining regulatory and administrative hurdles between Member States. Since its last Review, the EC has adopted the 2007 telecoms reform package and the postal directive aimed at completing the internal market for postal services by 2010-12. Moreover, the EC is implementing the financial services strategy 2006-10 and the action plan for transport 2002-10. Nevertheless, many other services activities are not subject to a comprehensive internal market policy; these include tourism, distribution, construction, engineering and consultancy, certification and testing services, and employment agencies. Certain services, such as telecoms, are regulated at the EC level, while others (e.g. education, health) are mainly the responsibility of individual Member States.

2. As a result of the 2003 reforms of the Common Agricultural Policy (CAP), centred on the move towards the Single Payment Scheme, the share of support under this Scheme increased from 1% of the total producer support estimate (€1.4 billion) in 2004 to 33% (€32.4 billion) in 2007. At the same time, product-specific support linked to production and/or prices, still exists, albeit at reduced levels. Since the last TPR of the EC, reforms of its CAP have continued to enhance the market-orientation and competitiveness of the sugar, fruit and vegetables, and wine subsectors. Export subsidies have been abolished for fruits, vegetables, and wine, and suspended for sugar. However, the EC continues to subsidize exports of a range of agriculture products, including processed agricultural products. Export subsidizes for dairy products were reinstated in January 2009. The domestic support regimes for bananas and cotton have also been further reformed. In 2006, the total amount spent on the CAP represented 46% of Community expenditure. Using ISIC, the simple average MFN tariff on agriculture, hunting, forestry and fishing is 9.3% (down from 10.9% in 2006). However, all products with tariff rates above 100% remain agricultural (WTO definition).

3. The manufacturing sector (ISIC definition) provides around one fifth of the EC's output, accounts for some three quarters of merchandise exports, and is still a major beneficiary of state aid. As a result of declining productivity growth, a new industrial policy has been implemented since 2005. Together with measures at Member State level, the policy is aimed at fostering the competitiveness of the sector. MFN tariffs on manufactured imports average 6.7% (6.8% in 2006). Overall, in industries requiring inputs (agricultural commodities in particular) that are also produced by the EC, the tariff shows mixed escalation; because of the lack of competitiveness, partly resulting from high tariff protection of the industries processing these inputs, exports of their products require subsidies. In industries requiring inputs (certain agricultural and mineral products in particular) that are not produced by the EC, the tariff shows positive escalation, i.e. high effective rates of protection.

4. The EC is the world's largest energy importer and the second largest consumer. Faced with unprecedented energy challenges, the EC is implementing its action plan on energy efficiency so as to save 20% of its energy consumption by 2020 through changes in consumer behaviour and energy efficient technologies. It has also set a target of 20% increase in the use of renewable energy and 20% cut in greenhouse gas emissions by 2020. Some of the recent energy policy developments include the adoption of a third package of legislative proposals aimed at solving the structural shortcomings in the energy market, notably lack of competition. Imports of electricity are duty free.

(2) AGRICULTURE AND RELATED ACTIVITIES

(i) Main features

5. The contribution of agriculture (including livestock, hunting, forestry, and fishing) to GDP is relatively low in the EC as a whole, but remains significant for new Members States such as Bulgaria and Romania (Table I.1). About 17.9 million people were employed in EC-27 agriculture in 2005, almost 10% less than in 2003.[1] France has the largest agricultural area, followed by Spain and Germany (Table IV.1). The average utilized agricultural area per holding was about 21 hectares in 2005; the Slovak and Czech Republics have significantly higher average farm sizes than the rest of the EC (143 and 131.7 hectares, respectively, in 2005).

Table IV.1
Selected agricultural statistics, 2005 and 2007

	Agricultural area ('000 hectares, 2005)	Final production of the "agricultural industry" at basic prices (€ billion, 2007)[a]	External trade balance in food and agricultural products (€ million, 2007)[b]
Austria	2,690.2	6.0	485.8
Belgium	1,374.4	7.3	-1,947.7
Bulgaria	2,487.6	3.0	158.4
Cyprus	142.1	0.6	-102.3
Czech Republic	3,518.0	4.2	-5.8
Denmark	2,662.6	9.1	2,332.6
Estonia	906.8	0.6	155.4
Finland	2,292.3	4.1	293.9
France	27,490.4	64.7	8,300.6
Germany	16,931.9	45.2	-3,550.9
Greece	3,905.8	10.3	-147.0
Hungary	4,045.3	6.5	571.8
Ireland	4,139.2	6.0	3,477.6
Italy	12,405.9	43.1	-427.6
Latvia	1,773.8	0.9	98.9
Lithuania	2,648.9	2.0	449.6
Luxembourg	130.9	0.3	-45.0
Malta	10.3	0.1	-15.1
Netherlands	1,914.3	22.9	-3,362.8
Poland	15,477.2	19.8	419.7
Portugal	3,502.9	6.6	-584.0
Romania	10,337.1	13.2	-529.8
Slovak Republic	1,840.4	1.9	-13.9
Slovenia	488.8	1.1	-227.1
Spain	23,741.0	39.0	-2,574.5
Sweden	3,118.0	4.7	32.4
United Kingdom	14,961.6	21.6	-5,680.3
EC-27	161,617.9	343.8	-2,437.1

a Output is valued at basic prices, defined as the price received by producers, after deduction of taxes on products but including subsidies on products. Output of the agricultural industry is made up of the sum of the output of agricultural products, agricultural services, and of the goods and services produced in inseparable non-agricultural secondary activities.

b Extra EC-27 trade based on Harmonized System definition: Chapters 01 to 24.

Source: Eurostat NewCronos database (agricultural area and final production); and Eurostat COMEXT database (external trade balance).

6. The value of total agricultural production of the EC-27 was €343.8 billion in 2007: the leading products in value terms were milk (14%), followed by pigs (8.6%), cattle (8.4%), and fresh vegetables (8.4%). Among the main arable crops (cereals, rapeseed, sugar beet), there have been significant – partly policy-induced – shifts in the crop areas in recent years (Table IV.2). The area

[1] Eurostat (2008a), p. 30. This figure takes into account all farm labour force on holdings larger than 1 ESU (European Size Unit).

planted with rapeseed increased by 31.5% in 2007 compared with the average area in 2002-06, while the sugar beet area decreased by almost 13%.

Table IV.2
EC crop area
(0'000 hectares)

	Average 2002-06	2006	2007[a]	% change 2007/2006	% change 2007/2002-06
Cereals (excluding rice)	59,368	57,010	57,870	1.5	-2.5
Common wheat	22,302	21,953	22,102	0.7	-0.9
Durum wheat	3,739	3,021	3,033	0.4	-18.9
Rye and maslin	2,720	2,422	2,572	6.2	-5.4
Barley	13,908	13,780	13,691	-0.6	-1.6
Oat and mixed grain	4,616	4,606	4,524	-1.8	-2.0
Grain maize	9,368	8,542	8,812	3.2	-5.9
Triticale	2,424	2,442	2,352	-3.7	-3.0
Rice	420	412	408	-0.9	-2.8
Sugar beet	2,254	2,030	1,970	-2.9	-12.6
Rapeseed	4,605	5,333	6,057	13.6	31.5

a Estimate.

Source: Eurostat online information. Viewed at: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1073,46587259&_dad=portal&_schema=PORTAL&p_product_code=KS-SF-07-086.

7. During the period under review, EC food prices increased sharply reflecting a number of factors, including strong growth in global demand for agricultural commodities and food: the annual inflation rate for food was 7.3% at end-August 2008, ranging from 4.5% in Greece to 19.6% in Latia. The average share of food in total household expenditure in the EC-27 was 14% in 2007, ranging from 9% in the United Kingdom to 34% in Romania.

8. Forests covered around 177 million ha in 2005 (around 42% of the EC-27 landmass); coverage varies greatly across the EC (ranging from 1% in Malta to 77% in Finland), reflecting bio-geographic and climatic diversity, as well as differing traditions of land use.[2] Forestry and related industries employ around 3.4 million people with sales of around €350 billion; only about 60% of annual forest (re-) growth is exploited.

(ii) Common Agricultural Policy

(a) Overview

9. Since the last TPR of the EC, reforms of its Common Agricultural Policy (CAP) have continued to enhance the market-orientation of the sugar, fruit and vegetable, and wine subsectors. Implementation of these reforms is ongoing. The domestic support regimes for bananas and cotton have also been further reformed. Furthermore, the regulatory framework of the CAP has been simplified, and Bulgaria and Romania have been integrated into the CAP.

10. Reflecting the 2003 CAP reforms, centered on the move towards the Single Payment Scheme, the share of support that is less trade-distorting (production not required) increased from 1% of the total producer support estimate (PSE) in 2004 to 33% in 2007, i.e. from €1.4 billion to €32.4 billion, according to the OECD.[3] The "decoupled" payments to producers under the Single Payment Scheme and the Single Area Payment Scheme[4], classified as Green Box support by the EC, represented over

[2] Eurostat (2008a).

[3] The PSE is an indicator of the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm-gate level, arising from all policy measures that support agriculture.

[4] A simplified scheme applied in 10 of the 12 new Member States.

80% of the direct aids under the European Agricultural Guarantee Fund (EAGF) in 2007 (Table IV.5). For a number of products, coupled support was maintained, albeit at reduced levels. For a limited number of products, new production-limiting direct payments replaced coupled support.[5] These payments represent the remaining share of the EC's direct aids.

11. Support tied to the production of specific commodities, as measured by the OECD's Single Commodity Transfers (SCTs), was close to zero for common wheat, barley, oats, oilseeds, and eggs in 2007, but as high as 40-50% of the respective producer revenues for sugar and meat, except pigmeat.[6] Price support has declined significantly in the EC, from 86% of the total PSE in 1986-88 to 36% in 2007. Nevertheless, for maize, sugar, and meat, price support makes up most of the SCTs (80-100%).[7]

12. Overall, the PSE of the EC declined further during the review period to 26% of the total production value in 2007, as a result of the rise of the world market prices for agricultural products and policy reforms. The level of support in the EC is still above the OECD average (Table IV.3). The implicit tax on consumers, as measured by the consumer support estimate (CSE), declined from - 37% in 1986-88 to -10% in 2007, reflecting the CAP reforms, away from transfers paid by consumers (price support) to budgetary payments.[8]

Table IV.3
Transfers associated with agricultural policies in the EC, 1986-88 and 2005-07[a]

	1986-88	2005-07	2005	2006	2007 [b]
Total Producer Support Estimate (PSE)					
(€ million)	89,534	102,482	105,264	104,066	98,114
(%)[c]	40	29	32	31	26
Total Consumer Support Estimate (CSE)					
(€ million)	-67,886	-46,871	-43,936	-43,497	-33,445
(%)[d]	-37	-14	-16	-14	-10
Total Support Estimate (TSE)[e]					
(€ milllion)	104,804	117,515	121,142	119,372	112,030
(% of GDP)	2.69	1.02	1.11	1.04	0.91
Memo item:					
TSE (average of OECD countries)					
(%) of GDP	2.49	0.97	1.05	0.97	0.89

a EC-12 for 1986-88; EC-25 from 2005; EC-27 in 2007.
b Provisional.
c PSE as a percentage of total value of production (valued at domestic producer prices), adjusted to include direct payments and to exclude levies on production.
d CSE as a percentage of total value of consumption (valued at domestic producer prices).
e TSE is the annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture, net of the associated budgetary receipts, regardless of their objectives and impacts on farm production and income, or consumption of farm products.

Source: OECD (2008), *Agricultural Policies in OECD Countries at a Glance,* Paris.

[5] Payments based on output or on current areas/animal numbers are provided to, *inter alia*, durum wheat, rice, sugar, cotton, protein crops (peas, field beans, lupins, starch), potatoes, livestock (bovine animals, sheep and goats), milk, olives, nuts, wine, raisins, seeds, tobacco, hops, and bio-fuel crops (OECD online information. Viewed at: http://www.oecd.org/dataoecd/59/26/40958473.xls).

[6] The OECD has adopted a new PSE classification: the total PSE is no longer broken down into commodity PSEs but disaggregated into four categories reflecting the flexibility given to farmers' production decisions within the various policy measures. One of the four categories, the SCT, is defined as the annual monetary value of gross transfers from policies linked to the production of a single commodity such that the farmer must produce the designated commodity in order to receive the transfer. This includes broader policies where payments are specified on a per-commodity basis. See OECD (2008a).

[7] OECD online information. Viewed at: http://www.oecd.org/dataoecd/59/26/40958473.xls.

[8] The CSE is an indicator of the annual monetary value of gross transfers from (to) consumers of agricultural commodities, measured at the farm-gate, arising from all policy measures that support agriculture.

13. CAP expenditures on agriculture and rural development amounted to €52 billion in 2007 and are estimated at €54 billion for the EC-27 in 2008.[9] Expenditure is channelled mainly through the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), which are administered by the European Commission and Member States, and are monitored by the European Court of Auditors. France, the largest agricultural producer, also receives the largest share of the combined EAGF and EAFRD assistance, followed by Germany, Spain and Italy (Table IV.4 and Table III.12).[10] Direct payments under the Single Payment Scheme and the Single Area Payment Scheme accounted for 58% of the agricultural expenditures (EAGF and EAFRD combined) (Table IV.5). Other large expenditure items were direct aids for arable crops, beef and veal, and rural development.[11]

Table IV.4
EAGF and EAFRD expenditures by EC Member State, 2007

	EAGF (€ million)	**EAFRD (€ million)**	**EAGF + EAFRD (€ million)**	**Share in total EAGF + EAFRD (%)**
Austria	746.8	628.2	1,375.3	2.7
Belgium	769.2	64.0	833.2	1.6
Bulgaria	0.2	...	0.2	0.0
Cyprus	27.5	26.7	54.2	0.1
Czech Republic	351.6	396.6	748.2	1.4
Denmark	1,083.5	...	1,083.5	2.1
Estonia	38.4	95.6	134.0	0.3
Finland	585.8	332.3	918.1	1.8
France	9,172.4	914.0	10,086.4	19.5
Germany	5,646.2	1,185.0	6,831.2	13.2
Greece	2,681.0	461.4	3,142.4	6.1
Hungary	473.2	570.8	1,044.0	2.0
Ireland	1,319.8	373.7	1,693.5	3.3
Italy	4,804.1	660.8	5,465.0	10.6
Latvia	54.8	...	54.8	0.1
Lithuania	168.2	261.0	429.1	0.8
Luxembourg	36.8	14.4	51.2	0.1
Malta	2.0	...	2.0	0.0
Netherlands	1,110.2	70.5	1,180.8	2.3
Poland	1,209.5	1,989.7	3,199.2	6.2
Portugal	705.1	535.5	1,240.6	2.4
Romania	6.9	...	6.9	0.0
Slovak Republic	157.6	303.2	460.8	0.9
Slovenia	49.0	149.5	198.6	0.4
Spain	5,874.9	15.8	5,890.7	11.4
Sweden	758.9	292.1	1,051.0	2.0
United Kingdom	3,950.8	172.5	4,123.3	8.0
EC-27	**41,784.1**	**9,513.4**	**51,297.5**	**99.3**
Community[a]	336.7	9.2	345.9	0.7
Total expenditure[b]	**42,120.9**	**9,522.5**	**51,643.4**	**100**

a Direct expenditure made by the Commission (EAGF) and Technical Assistance EAFRD.
b EAGF. An amount of €551.4 million, paid on the basis of the assigned revenue foreseen in Article 11 of Regulation 320/2006 (Temporary restructuring amounts in the sugar sector) is not included in the total.

Source: European Commission, DG Agriculture and Rural Development,

[9] European Commission online information. Viewed at: http://ec.europa.eu/agriculture/agrista/2007/table_en/en34.htm.

[10] The last notification regarding domestic support measures submitted by the EC concerns the marketing years 2002/03 and 2003/04 (WTO document G/AG/N/EEC/53, 8 December 2006).

[11] Regulation 259/2008, 18 March 2008 sets out the rules regarding the publication of information on the beneficiaries of the EAGF and the EAFRD.

Table IV.5
Expenditures by the EAGF, 2007
(€ million)

Sector	Total expenditure	Export refunds	Storage	Direct aids	Other intervention
Decoupled direct aids, of which:	30,369.1	..	..	30,639.1	..
SPS	28,119.3	..	..	28,119.3	..
SAPS	2,083.0	..	..	2,083.0	..
Separate sugar payment	166.7	..	..	166.7	..
Other direct aids	6,260.8	..	..	6,260.8	..
Additional amounts of aid	434.0	..	..	434.0	..
Ancillary direct aids[a]	-18.1	..	..	-18.1	..
Cereals	-133.3	41.8	-225.8	..	50.7
Sugar	455.5	509.3	-87.1	..	33.2
Olive oil	64.4	0.2	..	..	64.2
Dried fodder	154.1	..	..	..	154.1
Textile plants	20.0	..	0.6	..	19.5
Fruit and vegetables	1,249.9	21.7	0.4	..	1,227.7
Products of the wine-growing sector	1,453.1	14.0	242.2	..	1,196.9
Tobacco	7.6	..	..	..	7.6
Rice	-0.7	0.1	-0.8	..	..
Milk and milk products	638.2	513.4	-36.2	..	161.0
Beef and veal	98.3	46.2	0.0	..	52.0
Sheep meat and goat meat	0.0	..	..	..	0.0
Pig meat, eggs and poultry meat	173.8	111.2	..	..	62.7
Fishery products	25.1	..	..	..	25.1
Non-Annex I products	185.2	185.2	..	..	..
Food programmes	249.2	1.6	..	..	247.6
POSEI	201.2	..	..	..	201.2
Rural development	-26.8	..	..	..	-26.8
Policy strategy and coordination	36.2	..	..	..	36.2
Audit of agricultural expenditure	-93.8	..	..	..	-93.8
Settlement of disputes	0.0	..	..	..	0.0
Promotion and information measures	50.6	..	..	..	50.6
Veterinary and plant-health measures	260.3	..	..	..	260.3
Other measures/other products	6.9	..	..	..	6.9
Total EAGF expenditure	**42,120.9**	**1,444.7**	**-106.7**	**37,045.8**	**3,737.1**
Sugar Restructuring Fund[b]	551.4	..	..	..	..
Total 2007 expenditure	**42,672.3**	**..**	**..**	**..**	**..**

a Outstanding balances, small producers, agrimonetary aids, etc.
b Payments made on the basis of the assigned revenue foreseen in Article 11 of Regulation 320/2006 (Temporary restructuring amounts in the sugar sector).

Note: SPS: Single Payment Scheme; SAPS: Single Area Payment Scheme; and POSEI: *Programme d'options spécifiques à l'èloignement et l'insularité* (Specific Options for Remoteness and Insularity Programme).

Source: European Commission, DG Agriculture.

14. The EC's commitments with respect to agricultural market access, domestic support and export subsidies to reflect the enlargement from 12 to 27 Member States have not yet been formally agreed in the WTO and consolidated in the EC's Schedule. According to the EC's latest export subsidy notification for the marketing years 2005/06 and 2006/07, export subsidies granted to each of the 20 product groups remained below their respective volume and outlay commitment levels.[12] Notified export subsidies amounted to €1.92 billion in 2005/06[13] and €1.46 in 2006/07 (down from €2.63 billion in 2004/05). About one third of the total export outlays in 2006/07 were granted to sugar; and another third to dairy products.

[12] Subsidized exports as notified by the EC are for the EC-25 before 1 January 2007 and EC-27 after January 2007. The export subsidy commitment levels in 2005/06 reflect the commitments in the (non-certified) EC-15 schedule; for 2006/07 the EC has notified new commitment levels for the EC-25 (not yet certified by the WTO). See WTO document G/AG/N/EEC/57, 25 November 2008.

[13] Subsidized exports of sugar of ACP or Indian origin are included as from 22 May 2006. See WTO document G/AG/N/EEC/57, 25 November 2008.

15. Member States enjoy a considerable degree of flexibility, within the framework of EC guidelines, to adopt rural development measures best suited to their needs: there is a "menu" to choose from approximately 40 support measures, such as agri-environmental measures, early retirement schemes, afforestation or payments to assist farmers in least-favoured areas.[14] National strategies and rural development programmes established by Member States are subject to approval by the European Commission. Expenditures for rural development under the EAGGF increased from €6.8 billion in 2005 to €7.7 billion in 2006, partly because direct payments were reduced and redirected to rural development ("modulation"). In 2007, a single instrument was established to finance rural development, the European Agricultural Fund for Rural Development (EAFRD), with a budget of €90.8 billion for the period 2007-13. Funding shares are allocated to the three thematic "axes" (priorities) of the new rural development policy; this is complemented by assistance under the "LEADER approach".[15]

16. Forestry policy falls within the competence of Member States. The Standing Forestry Committee represents forestry administrations of the Member States which act as, *inter alia*, consultation forum for the development of forestry-related measures in the framework of Community policies on rural development and the environment. The EC's rural development strategy provides for the main Community support for the forestry subsector. Under the EC guidelines for state aid in the forestry subsector, support may be approved for ecological, protective (phytosanitary measures), and recreational functions; national aid for afforestation campaigns and establishment of agri-forestry systems may also be authorized.[16]

17. The EC maintains tariffs quotas under the CAP and in accordance with its commitments under the WTO Agreement on Agriculture (Chapter III(2)(ii)).[17] Using ISIC (Revision 2), the simple average MFN tariff on agriculture, hunting, forestry, and fishing is 9.3%, with rates ranging up to 139.6% (Table AIV.1). In general, tariffs are low on agricultural products without competing production in the EC (e.g., coffee, tea, spices), but are considerably higher on some primary and processed agricultural products (Table AIII.1). Procedures for out-of-quota and non-preferential imports (as well as exports) have been simplified, through the reduction of the number of product categories requiring import licences (from around 500 at HS 8-digit tariff line level to 65, since the marketing year 2008/09); export licences are now required for 43 product categories.[18] As a result, administrative and transaction costs are reduced. SPS measures have been strengthened (Chapter III (2)(viii)(b)).

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[14] The general framework and eligible measures are set out in Council Regulation (EC) No. 1698/2005, 20 September 2005.

[15] The three axes of the EC's rural development strategy are (i) improving the competitiveness of agriculture and forestry by supporting restructuring, development, and innovation; (ii) improving the environment and countryside by supporting land management; and (iii) improving the quality of life in rural areas and encouraging diversification of economic activity. This is complemented by the LEADER initiative for assisting small-scale projects in rural communities through a bottom-up approach. See Council Decision of 20 February 2006 on Community strategic guidelines for rural development, OJ L 55/20, 25 February 2006.

[16] "Community Guidelines for State Aid in the Agriculture and Forestry Sector 2007-2013" OJ C 319/1, 27 December 2006. Ireland's Afforestation Grant and Premium Scheme, which complements its Rural Development Programme 2007-13, was approved in 2007; Ireland has the second lowest rate of forest cover in the EC. See Europa Press Release 1P/07/1316, 12 September 2007. Viewed at: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1316&format=HTML&aged=1&language=EN&guiLanguage=en.

[17] The latest EC notification concerning tariff quota utilization, provided to the WTO Committee on Agriculture, refers to marketing year 2002/03 (WTO document G/AG/N/EEC/48, 27 February 2004).

[18] Commission Regulation (EC) No. 514/2008, OJ L 150, 10 June 2008. For a number of products, the import licensing requirement is waived for small consignments up to specified ceilings; the waiver does not apply to imports under tariff quota and preferential imports.

18. With the objective of streamlining the legal framework of the CAP, the EC has adopted a comprehensive Common Market Organisation regulation (Single CMO Regulation) that amalgamates in 204 articles the hitherto separate 21 CMOs.[19] While it is not a substantive reform, as such, the Single CMO Regulation contains chapters on market intervention, marketing and production, trade with third countries, and competition; it includes market measures for agricultural products that have not been subject to full-fledged CMOs (silkworms, ethyl alcohol of agricultural origin, and apiculture products).[20] The new regulation entered into force on 1 January 2008, and the CMO management committees have been replaced by a single management committee.

19. In November 2008, the Council of Ministers agreed on proposals regarding further agricultural reforms (the Health Check of the CAP).[21] The new measures under the Health Check are aimed at, *inter alia*, increasing the market orientation of the agriculture sector and responding to new challenges, such as climate change. The measures concern three main areas: CAP market instruments (mandatory set-aside of land; the intervention system for cereals, pig meat, and dairy products; and milk quotas), rural development policy, and the Single Payment Scheme. The remaining coupled payments maintained by some Members will be decoupled and moved into the Single Payment Scheme, with the exception of the suckler cow, goat, and sheep premiums, where Member States may maintain current levels of coupled support. According to the Commission, this will increase the level of decoupled support as a percentage of all direct payments to over 91.4%.

20. Under the current "cross-compliance" rules, aid to farmers is linked to the respect of environmental, animal welfare, and food quality standards; in case of non-compliance, farmers face reductions in their support. As a result of the Health Check, these rules will be simplified, by withdrawing standards that are not relevant or linked to farmer responsibility; new requirements that are related to, *inter alia*, water management will also be introduced.

21. Currently, Member States applying the Single Payment Scheme may retain up to 10% of their national budget ceilings for direct payments and use them for environmental measures or for improving the quality and marketing of agricultural products in the same subsector. As a result of the Health Check, this possibility will become more flexible. The funds no longer have to be spent in the same subsector (for example, cereals); they may be used to help farmers specializing in the dairy, beef, sheep, goat meat, and rice subsectors in disadvantaged or environmentally sensitive areas; they may also be used to support risk management measures, such as insurance schemes for natural disasters and mutual funds for animal diseases.

22. Currently, all farmers receiving more than €5,000 per year in direct aid have their payments reduced by 5% and these released funds are transferred to the rural development budget (modulation). Under the Health Check, this rate will be increased to 10% by 2012. An additional cut of 4% will be made on payments above €300,000 per year. The funding released this way may be used by Member States to reinforce, *inter alia*, programmes for climate change, renewable energy, water management, biodiversity, and the measure to mitigate the impact of phasing out the supply management system for milk.[22]

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[19] Council Regulation (EC) No. 1234/2007, 22 October 2007, as last amended by Council Regulation (EC) No. 361/2008, OJ L 121, 7 May 2008.

[20] The competition rules, *inter alia*, prohibit national price equalization schemes, as well as price- and volume-related state aids (Article 181 of the Single CMO Regulation).

[21] Europa Press Release IP/08/1749, 20 November 2008. Viewed at: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1749&format=HTML&aged=0&language=EN&guiLanguage=en.

[22] Investment aid for young farmers under rural development programmes will be increased from €55,000 to €70,000.

(b) Policies on selected product groups

Cereals

23. Over half of the arable land in the EC-27 is cultivated with cereals (some 55.3 million hectares in 2007/08), which contribute about €45.7 billion or 13% to total agricultural output in value. France is the leading cereal producer with over 20% of the EC harvest, followed by Germany, Poland, and Spain. Despite a surge in prices, EC-27 production is expected to be modest in 2007/08 (258.4 million tonnes). Traditionally a net-exporter of cereals, the EC became a net-importer in 2007/08.[23] About 60% of EC-27 supplies are used as feed for livestock; cereals also provide major inputs for an expanding EC food-and-drink industry. Ethanol production based on cereals is still marginal (less than 2% of cereal production and consumption).[24]

24. The EC-27's share in global rice production (around 2.7 million tonnes) and consumption is less than 1%. Italy and Spain are the most important among the few rice-producing Member States. Consumption of rice is increasing; the EC is a net-importer of rice with a self-sufficiency ratio of about 66% (EC-25 in 2005/06).

25. Key policy instruments (obligatory set-aside of land and, for some cereals, export subsidies) have been suspended because of the relatively high international market prices. The market intervention system (to remove excess production from the market when prices decline below the intervention price), covers wheat, durum wheat, barley, sorghum, maize, and paddy rice (Table IV.6). Public intervention stocks declined from 14 million tonnes (including 5.6 million of maize) at the end of the 2005/06 marketing year to 2.4 million tonnes (mainly maize) one year later. From the 2009/10 marketing year, intervention purchases of maize will be suspended, which is expected to result in savings of €617.8 million over 2008-14. Meanwhile, almost all remaining intervention stocks of cereals have been sold. Under the Health Check, intervention purchases will be suspended for barley and sorghum. For wheat, intervention purchases will be possible during the intervention period at a price of €101.31/tonne for up to 3 million tonnes.

26. The suspension of obligatory set-aside of land, which affects some 3.8 million hectares of arable land, is expected to lead to an increase of the cereal area by 1.6-2.9 million hectares and of production by at least 10 million tonnes in 2007/08, as some producers are expected to switch from the production of oilseeds on set-aside land, to other crops, particularly cereals.[25] The set-aside requirement, which was already suspended, has been abolished under the Health Check.

27. MFN tariffs on all cereals average 49.4%, with rates ranging up to 138.2% (Table AIII.1). Tariffs on common wheat, durum wheat, rye, maize, sorghum, millet, buckwheat were suspended until 30 June 2009. About two thirds of total EC rice imports take place under preferential conditions. Imports of Basmati rice are subject to special rules and controls for determining their origin.[26]

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[23] The main export destinations for cereals and cereal preparations in 2007 were Saudi Arabia and Algeria; the main import origin was Brazil. Eurostat online information. Viewed at http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-AR-08-006/EN/KS-AR-08-006-EN.PDF

[24] The use of cereals of EC origin for ethanol increased from 0.7 million tonnes in 2004 to 3.5 million tonnes in 2006, but is expected to decline to 2.0 million tonnes in 2007/08 (about 0.6 million tonnes of ethanol) due to higher cereal prices and ethanol imports. European Commission online information. Viewed at: http://ec.europa.eu/agriculture/bioenergy/index_en.htm.

[25] Prior to its suspension, the obligatory set-aside rate was 10%. In the new Member States (Poland, Czech Republic, Slovak Republic, Hungary, Lithuania, Latvia, Estonia, Cyprus, Bulgaria and Romania), farmers have been exempted from the obligation of set-aside.

[26] Commission Regulation (EC) No. 972/2006, 29 June 2006.

Table IV.6
Reference prices for products subject to intervention measures, 2008

Product		Reference price	Intervention price
Cereals [a]	€101.31 per tonne:	increased by: €0.46 per tonne in November, €0.92 in December, €1.38 in January, €1.84 in February, €2.30 in March, €2.76 in April, €3.22 in May, €3.22 in June maize: intervention volumes limited to 1.5 million tonnes in 2007/08 and 700,000 tonnes in 2008/09; zero as from 2009/10	Equal to the reference price
Paddy rice [a]	€150 per tonne:	intervention limited to 75,000 tonnes per year	Equal to the reference price
Sugar [b]			
White sugar	€541.5 per tonne: €404.4 per tonne:	for marketing year 2008/2009 as from marketing year 2009/2010	80% of the reference price fixed for the marketing year following the marketing year during which the offer is lodged
Raw sugar	€448.8 per tonne: €335.2 per tonne:	for marketing year 2008/2009 as from marketing year 2009/2010	
Beef and veal	€1,560 per tonne:	for carcasses of male bovine animals	Safety-net intervention price
Dairy products	€246.39 per 100 kg: €169.80 per 100 kg:	for butter for skimmed milk powder	90% of the reference price Equal to the reference price
Pig meat	€1,509.36 per tonne:	for pig carcasses of standard quality	Fixed by the Commission for pig carcasses of standard quality; may not be more than 92% or less than 78% of the reference price

a The reference prices for cereals and rice relate to the wholesale stage for goods delivered to the warehouse, before unloading.
b The prices apply to unpacked sugar, ex-factory of standard quality.

Source: Council Regulation (EC) No. 1234/2007, as amended by Council Regulation (EC) No. 361/2008; and Council Regulation (EC) 1784/2003.

28. Cereal producers benefit from decoupled income support under the Single Payment Scheme, although some Member States (France and Spain) will retain 25% of their historical arable crops payments until 2010. Farmers producing durum wheat in Italy, Greece, Spain, France, Portugal, and Austria also receive crop-specific aid of €40/ha. Coupled payments for rice producers have been partly decoupled and integrated into the Single Payment Scheme; in Italy, Spain, France, Greece, and Portugal, rice producers are also supported through crop-specific aid.[27]

Oilseeds and oils

29. Oilseeds account for a relatively small share (2.2%) in the EC's aggregate agricultural production; this share reaches 8% in Bulgaria and the Czech Republic. The EC is a large net importer of oilseeds and related oils: production and consumption of oilseeds are estimated at 24 million and 48.7 million tonnes respectively in 2007/08. The main oilseeds grown in the EC are rape, followed by sunflowers, and soybeans. Germany and France together accounted for around 60% of EC-27 rapeseed production in 2006. MFN tariffs on oilseeds[28] average 1.6%, with rates ranging up to 9.1% (an AVE) (Table AIII.1). Imports of soybeans, the main imported oilseed, are duty-free.

30. The main use of oilseeds by the EC is as feed for livestock (primarily soybean and rapeseed meal), food (sunflower oil), and bio-fuel (mainly rapeseed oil). Rape is the leading bio-fuel crop in the EC: about 3.6 million hectares or 3-4% of arable land is cultivated with rape for bio-fuel production. Total oilseed use for fuel is estimated at 9.2 million tonnes in 2007/08, twice the amount in 2004/05. Since 1992, producers have been permitted to grow crops for non-food use, such as rape, on set-aside land. Bio-fuel crops grown outside set-aside land are supported with an "energy crop

[27] The aid ranges from €126.075 to €563.25 per hectare, subject to national base areas (ceilings).
[28] Oilseeds and oleaginous fruit; miscellaneous grains, seeds and fruit, industrial or medicinal plants; straw and fodder.

premium" of €45/ha (up to a maximum of 2 million hectares for the EC as whole). This premium will be abolished under the Health Check as from 2010.

Sugar and ethyl alcohol

31. The EC is a major player on the world sugar markets. It has been the largest producer after Brazil and India with a 12% share of world sugar production, and since 2006/07 has turned into a net-importer of sugar (raw sugar equivalents), following the reform of the sugar CMO.[29] France, Germany, and Poland account for around 60% of the EC's sugar production (Table IV.7).

Table IV.7
Selected sugar indicators, 2005-08

	Production ('000 tonnes)			Yield (tonnes/hectare)	Share in production 2007/08
	2005/06	**2006/07**	**2007/08**	**2007/08**	**(%)**
Austria	406	414	463	10.91	2.7
Belgium	854	863	880	10.26	5.1
Bulgaria	..	..	7	3.50	0.04
Czech Republic	477	509	468	8.42	2.7
Denmark	466	352	382	12.2	2.2
Finland	146	127	84	5.23	0.5
France	4,007	4,708	4,680	12.46	27.2
Germany	3.898	3,220	4,110	10.12	23.9
Greece	306	185	102	7.27	0.6
Hungary	387	327	297	7.77	1.7
Italy	1,562	627	660	7.34	3.8
Ireland	200	0	0	..	0
Latvia	67	61	0	..	0
Lithuania	108	98	91	5.53	0.5
Netherlands	911	865	860	10.49	5.0
Poland	1,800	1,628	1,612	7.06	9.4
Portugal	68	38	13	9.47	0.1
Romania	..	..	108	4.27	0.6
Slovakia	211	184	148	7.39	0.9
Slovenia	47	46	0	..	0
Spain	1,054	1,007	772	10.02	4.5
Sweden	379	340	312	7.71	1.8
United Kingdom	1,300	1,100	1,150	10.75	6.7
EC[a]	**18,677**	**16,701**	**17,198**	**9.76**	**100.0**
Memo item: EC-27 sugar quota[a]	**17,441**	**16,908**	**16,599**	..	..

.. Not available.

a EC-25 for 2005/06 and 2006/07; EC-27 for 2007/08.

Source: European Commission online information. Viewed at: http://ec.europa/eu/agriculture/agrista/2007/table_en/4311.pdf.

32. The principal trade policy instruments of the CMO for sugar are tariffs, tariff quotas, and preferential arrangements; the special safeguard (SSG); supply management (production quotas); institutional prices, and the intervention system; as well as export subsidies for sugar and processed products. On 1 July 2006, a new sugar regime came into force to address an unsustainable structural surplus of sugar, exported with subsidies. The new sugar regime (subsequently integrated into the single CMO) runs until 2014/15.[30] The reform of the CMO for sugar is implemented over a period of four years (marketing years 2006/07 to 2009/10), during which institutional prices and production

[29] European Commission online information. Viewed at: http://ec.europa.eu/agriculture/agrista/2007/table_en/en43.htm.

[30] Council Regulation (EC) No. 318/2006, subsequently embedded into Council Regulation (EC) No. 1234/2007.

quotas are reduced; the price cuts are partially compensated through direct (decoupled) payments.[31] According to the Commission, since October 2008, no export refunds have been granted for sugar and sugar incorporated in processed products.

33. Institutional prices are fixed as reference prices for raw and white sugar (Table IV.6), and a minimum price for sugar beet. The minimum price is the price to be paid by manufacturers for sugar beet within production quotas; it is being reduced in four stages to €26,29/tonne in 2009/10. The intervention price for (white and raw) sugar has been replaced by a reference price because the public intervention system will be abolished after a four-year phase-out period. During the transition period, public intervention purchases of (white and raw) sugar are triggered at 80% of the reference price of the subsequent marketing year[32]; the reference prices for sugar are reduced by 36% over the four-year period 2006/07-2009/10.

34. The "A quota" and the "B quota" have been merged into one sugar production quota, and the supply management system has been extended until the end of the 2014/15 marketing year. A voluntary restructuring (incentive) scheme until 2010/11 has been established to encourage less competitive manufacturers to leave the subsector and producers to return their production quotas for sugar, as well as for isoglucose and inulin syrup.[33] The outermost regions of the EC (e.g. French overseas departments) are not covered by the scheme. The restructuring fund is financed through a levy charged on all sugar, isoglucose, and inulin syrup production within quota.[34] Additional restructuring incentives were introduced in September 2007.[35]

35. At the end of the four-year restructuring process, the EC sugar quota is to be reduced to about 12.5 million tonnes (a total cut of about 6 million tonnes). Before the reforms, sugar was produced throughout the EC, with the exception of Cyprus, Estonia, Luxembourg, and Malta: Bulgaria, Ireland, Latvia, and Slovenia have since abandoned sugar production and returned their sugar quotas. The restructuring process has also led to the closing of 75 sugar factories (over one third of the total number) and the loss of 10,000 jobs directly and about 50,000 indirectly.[36] Moreover, the production of inulin syrup has stopped in the EC since France, Belgium, and the Netherlands have returned their production quotas (a total of 321,000 tonnes). The EC isoglucose production quota shows a net increase compared with 2005/06. Overall, the reforms have contributed to the adjustment of the EC's sugar industry on the basis of its Members' comparative advantages. Nonetheless, sugar production continues in Member States with comparatively low average yields, such as Finland and Lithuania (Table IV.7). Trading of production quotas between Member States is not permitted.

36. The sugar sector continues to be highly supported. Sugar prices in the EC have been about three times higher than the world market price.[37] Imports of sugar and sugar products are subject to

[31] The direct payments for sugar beet growers are compensating for 64.2% of the revenue loss from the price cuts; they have become part of the Single Payment Scheme.

[32] Intervention purchases are limited to 600,000 tonnes of sugar per marketing year; no sugar was offered for intervention in 2007.

[33] The incentives amount to €730/tonne in 2006/07 and 2007/08; €625/tonne in 2008/09, and €520/tonne in 2010/11.

[34] The restructuring levies on sugar are €126.40 per tonne in 2006/07, €173.80 per tonne in 2007/08, €113.30 per tonne in 2008/09 (and zero in 2009/10). The reference price for white sugar net of restructuring levies, is thus €428.20 per tonne in 2008/09 (see Table IV.6).

[35] The incentives include an additional payment of €237.5/t for quota retirement in the 2008/09 or 2009/10 marketing year.

[36] European Federation of Food, Agriculture and Tourism Trade Unions online information. Viewed at: http://www.effat.org/files/1209980076_doc_FBT-08-048ED%20Resolution%20on%20Sugar/20sector%20situation-EN.pdf.

[37] IMF online information. Viewed at: http://www.imf.org/external/np/res/commod/table3.pdf.

tariff quotas. MFN tariffs on sugar and sugar products average 35.7%, with rates ranging up to 604.3% (Table AIII.1). Additional import duties are frequently applied on out-of-quota imports (price-based SSG).

37. Imports from the least developed countries, ACP countries, and India benefit from a guaranteed price, which is fixed by the EC each year[38]; and preferential access is granted to certain countries.[39] To mitigate the effect of EC price cuts on ACP countries with preferential access, €1.244 billion have been set aside for 2007-13. The Sugar Protocol to the ACP-EC Cotonou Agreement (and a similar agreement concerning sugar imports from India) is to be terminated with effect from 1 October 2009, coinciding with further liberalization of sugar imports by the EC from LDCs under the EBA initiative and under new trade arrangements for sugar, i.e. the Economic Partnership Agreements (EPA). Access for ACP sugar to EC market will be fully liberalized as from 1 October 2015. From 1 October 2009 to 30 September 2015, sugar imports from non-LDC ACP countries will be subject to a transitional safeguard clause mechanism. Duty-free access may be suspended for non-LDC ACP countries when two conditions are met simultaneously: (i) imports originating in all ACPs exceed 3.5 million tonnes, and (ii) imports originating in non-LDC ACP countries exceed the following quantities: 1.38 million tonnes in the marketing year 2009/10; 1.45 million tonnes in the marketing year 2010/11; and 1.60 million tonnes in the marketing years 2011/12 to 2014/15.

38. Sugar beet use for ethanol production is still marginal (estimated at about 0.8 million tonnes of sugar equivalents); sugar beet production for ethanol is no longer subject to quota. Ethanol is mainly imported under two tariff lines for ethyl alcohol of a strength of more than 80%: for undenatured alcohol (CN 2207 10 00), the applied import tariff is €19.2 per hl; for denatured ethanol (CN 2207 20 00), the applied tariff is €10.2 per hl. Germany is authorized to grant aid to producers of ethyl alcohol of agricultural origin in the framework of the German Alcohol Monopoly (up to €110 million per year until the end of 2010).

Livestock and meat

39. The enlargement to 27 Member States has had a significant effect on EC sheep and goat meat production, increasing it by 7-9% in 2007. The markets for livestock, including beef and veal, sheep meat, and poultry meat, remain amongst the most heavily protected subsectors in agriculture; pig meat is less protected.[40] Since 2003, the EC has been a net importer of beef; in 2007, it also became a net importer of poultry meat. Trade policy measures on livestock and meat include tariffs, market intervention, private storage, as well as export subsidies. MFN tariffs on meat products average 25.4%, with rates ranging up to 204.2% (Table AIV.1). Although the support for livestock has been decoupled and integrated into the Single Payment Scheme, payments linked to production continue to play an important role in some Member States, in particular the direct aids for suckler cows, ewes,

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[38] From 1 July to 30 September 2009, the guaranteed prices are €448.8/tonne for raw sugar and €541.5/tonne for refined sugar. From 1 October 2009, the guaranteed price for sugar imports from ACP and least developed countries will be 90% of the EC reference price for raw/refined sugar.

[39] Under its pre-EPA arrangements with ACP countries and India, the EC allocates 1.3 million tonnes annually to ACP countries and 10,000 tonnes to India. Under the EBA initiative, duty- and quota-free access will be granted from 2009 onwards. In the meantime, preferential tariff quotas apply on raw cane sugar for refining: 149,213 tonnes in 2006/07, 171,594 tonnes in 2007/08, and 204,735 tonnes in 2008/09; the related preferential tariffs will be reduced to zero by 1 July 2009. Moreover, imports from Albania, Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Serbia, Montenegro, and Kosovo are subject to duty-free quotas totalling 380,000 tonnes per marketing year; for Moldova, the duty-free quota is 15,000 tonnes in 2008, increasing to 34,000 in 2012.

[40] OECD (2008a).

and goats, as well as the slaughter premium for bovine animals. Under the Health Check, intervention has been abolished for pig meat. Export subsidies are provided for livestock and meat (including beef and veal, pig meat and poultry meat).

40. Strict SPS measures apply to animals and animal products from both domestic and foreign origins (Chapter III (2)(viii)).

Dairy products

41. Milk is produced throughout the EC and is the leading product in EC agriculture in production value terms (€48.1 billion or 14% of the aggregate value of agricultural production in 2007). Dairy farming has even greater importance in Scandinavia, the Baltic states, the Czech Republic, and Luxemburg (20-34% of the total value of agricultural production). Nonetheless, France, Germany, Italy, the Netherlands, Poland, and the United Kingdom account for more than 70% of the EC's milk production (147.2 million tonnes in 2007).

42. The EC is a leading exporter of many dairy products, in particular cheese, with a 27% world market share for butter and 33% for cheese; the EC is also a large importer of butter and cheese.[41] Demand for cheese, which accounts for close to 40% of EC consumption, and fresh dairy products, are the main factors driving milk production in the EC, which is constrained by production quotas. The new EC regulation on nutrition and health claims is likely to affect the marketing of functional dairy products. In 2007, the market for drinking milk was liberalized to allow the retail sale of milk with different fat contents, in addition to skimmed, semi-skimmed, and whole milk.[42]

43. In the light of high world market prices, export subsidies for dairy products were suspended for skimmed milk powder (SMP) in June 2006, for whole milk powder (WMP) in February 2007, and for cheese and butter in June 2007. However, in January 2009, export subsidies were reintroduced for SMP, WMP, butter and cheese. In April 2008, the EC milk production quota was increased by 2% to 142 million tonnes for the EC-27 (including 4 million tonnes for Bulgaria and Romania). National production quotas may not be transferred between Member States, although several have not filled their quotas in recent years and others have exceeded their quotas. Overshooting of individual farm quotas is subject to a penalty (surplus levy) of €27.83 per 100 kg of milk. The modalities for the transfer of production quotas vary between Member States. While the price of milk quotas is market-determined in most Member States, a few Member States use administered prices. The supply management system for milk is due to expire. Under the Health Check, the milk quotas will be increased by 1% each year between 2009/10 and 2013/14, to soften the impact of the termination of the quota system by 31 March 2015.[43] In 2009/10 and 2010/11, EC Member States who exceed their milk quotas by more than 6% compared with the 2008/09 quota will have to pay a surplus levy 50% higher than the normal penalty.

44. The EC maintains a number of schemes for the subsidized disposal of dairy products on the internal market.[44] The subsidies for the industrial use of butter were suspended in April 2007, and the Commission has proposed that the scheme be abolished. The subsidies for the industrial use of skimmed milk and the feed use of SMP were reduced to zero in October 2006. Intervention was not

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[41] European Commission (2008e).

[42] Europa Press Release IP/07/195, 15 February 2007. Viewed at: http://europa.eu/rapid/pressReleases Action.do?reference=IP/07/195&format=HTML&aged=1&language=EN&guiLanguage=en.

[43] For Italy, a 5% increase will be introduced in 2009/10.

[44] These subsidies are for: (i) the feed use of skimmed milk and skimmed milk powder; (ii) the use of skimmed milk for casein and caseinates; (iii) the industrial use of cream, butter, and concentrated butter; and (iv) a school milk scheme.

used in 2006-08 for SMP, nor for butter in 2007-08. Private storage for SMP was abolished in 2007, while compulsory private storage for butter continued, with the aim of avoiding intervention during the peak production season.[45] Under the Health Check, intervention purchases for butter have been limited to 30,000 tonnes per year, and to 109,000 tonnes per year for SMP. Direct payments to milk producers have been fully integrated into the Single Payment Scheme since 2007.

45. MFN tariffs on dairy products average 32.4%, with rates ranging up to 189.7% (Table AIV.1). The tariffs are generally at a level that discourages out-of-quota imports.[46]

Fruit and vegetables

46. The fruit and vegetable subsector (excluding bananas) is an important activity in the EC. Tomatoes, apples, oranges, carrots, onions and pears are the leading products; Spain and Italy are by far the largest producers of fruit and vegetables (more than 50% of the total volume).[47] The EC is the leading importer and second largest exporter of fruit and vegetables; its trade deficit, on average over the last three years, was more than €8 billion for fruit and €300 million for vegetables.[48]

47. The CMO for fruit and vegetables was reformed on 1 January 2008 with the aim of, *inter alia*, integrating the subsector into the reformed 2003 CAP.[49] Land cultivated with fruit and vegetables is eligible for direct payments under the Single Payment Scheme.[50] For a transition period of five years, in some Member States, coupled payments (no longer linked to production but to the cultivated area) are granted for strawberries and raspberries for processing and, on an optional basis, for fresh figs, citrus fruit, table grapes, pears, peaches, nectarines, and certain types of plums.[51]

48. Market intervention mechanisms to support producer prices include "market withdrawals" and green harvesting/non-harvesting of crops (crisis prevention and management); implementation of these instruments has been delegated to producer organizations, with 50% co-financing by the Community and a budget limited to 0.5% of the value of the marketed production by each producer organization. Fruit and vegetables not offered for sale on the market are made available for, *inter alia*, free distribution to schools, hospitals, and charitable bodies; they may also be destroyed, distilled or used for non-food purposes. Additional financial support will be provided to producer organizations, to strengthen the competitive position of producers in the market-place. Export subsidies for fruit and vegetables have been abolished.

49. Imports of fruit and vegetables are subject to tariff quotas (Chapter III (2)(ii)), with variable tariffs based on entry prices.[52] The entry price system is applied seasonally (i.e. some of the variable tariffs are seasonal), except for tomatoes, apples, lemons, cucumbers, and courgettes, on which it is

[45] The difference between the EC price for butter and the world market prices was about 30% at the end of 2007 (European Commission, 2007h, p. 8).

[46] European Commission (2007h), p. 5.

[47] Eurostat (2008a).

[48] Europa Press Release MEMO/07/28, 24 January 2007. Viewed at: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/28&format=HTML&aged=1&language=EN&guiLanguage=en.

[49] The Single CMO Regulation was amended by Council Regulation (EC) No. 361/2008, OJ L 121, 7 May 2008, in effect from 1 July 2008, to incorporate the reforms for fruit and vegetables.

[50] The total amount transferred to the Single Payment Scheme is around €800 million.

[51] Council Regulation (EC) No. 1182/2007, 26 September 2007.

[52] The entry price system applies to imports of tomatoes, cucumbers (including for processing), artichokes, courgettes, sweet oranges, clementines, mandarins, lemons, table grapes, apples, pears, apricots, (sour) cherries, peaches, and plums (GEIE Agrosynergy online information. Viewed at: http://ec.europa.eu/agriculture/eval/reports/fruitveg/index_en.htm).

applied year-round. MFN tariffs average 10.0% on fruit[53], with rates ranging up to 30.5%; and 13.5% on vegetables[54], with rates ranging up to 168.4% (Table AIII.1). Imports of fruit and vegetables are subject to the special safeguard (SSG) under Article 5 of the WTO Agreement on Agriculture; the SSG covers imports under the entry price system.[55]

50. Imports of fruit and vegetables are subject to strict SPS measures. Special conditions for imports of almonds from the United States were established in 2007 due to high levels of aflatoxin.[56]

51. In the banana subsector, the EC moved to a "tariff-only" regime on 1 January 2008 by eliminating the preferential tariff quota of 775,000 tonnes at zero duty for ACP countries.[57] The MFN tariff of €176 per tonne (applied since 1 January 2006) corresponds to an *ad valorem* tariff equivalent estimated at 30.5%, based on total EC banana imports in 2006-07; this is high considering that the EC relies mainly on imports of bananas for consumption (around 89% of banana consumption in 2007). In spite of the high import tariff, EC banana consumption increased by 9.7% in 2006 (to 4.37 million tonnes) and by 4% in 2007. During the period under review, the EC's banana regime was subject to WTO dispute settlement procedures.[58]

52. EC bananas are mainly grown in the outermost regions (Canary Islands, the French overseas departments of Guadeloupe and Martinique, the Azores, and Madeira); small quantities are also produced on the mainland of Portugal, Cyprus, and Greece. The domestic support regime for bananas was reformed with effect from 1 January 2007.[59] As a result, the aid provided to producers in the outermost regions is provided by Members States through the POSEI scheme.[60] Aid in the other banana-producing regions of the EC (compensatory aid scheme) has been decoupled and integrated into the Single Payment Scheme.

Wine and alcohol

53. The EC contributes about 60% to world wine production. France, Italy, and Spain accounted for 80% of EC total production in 2007; Germany, Portugal, and Romania are also important wine producers. Moreover, the EC is the largest consumer, exporter, and importer of wine: over the last ten years, imports have increased by 10% per year to 12 million hectolitres; export growth was much

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[53] Edible fruit and nuts, peel of citrus fruit or melons.

[54] Edible vegetables and certain roots and tubers.

[55] According to EC notifications for 2002/03 to 2005/06, the volume-based SSG was made operational for a number of fruit and vegetables but was not used (WTO document G/AG/N/EEC/54, 14 February 2008).

[56] Almonds and derived products are subject to 100% mandatory testing upon importation into the EC, unless the product was tested for aflatoxin in the United States, in which case testing is limited to approximately 5% at the EC border (Commission Decision 2007/563/EC, OJ L 215, 18 August 2007).

[57] The tariff quota was abolished when the EC had concluded economic partnership agreements with a number of ACP countries (Council Regulation No. 1528/2007, 20 December 2007). See also WTO documents WT/DS27/AB/RW2/ECU and WT/DS27/AB/RW/USA, 26 November 2008.

[58] On 26 November 2008, the WTO Appellate Body issued its report regarding the cases: "European Communities - Regime for the Importation, Sale and Distribution of Bananas - Second Recourse to Article 21.5 of the DSU by Ecuador", and "European Communities - Regime for the Importation, Sale and Distribution of Bananas - Recourse to Article 21.5 of the DSU by the United States".

[59] Council Regulation (EC) No. 2013/2006, 19 December 2006.

[60] Programme d'options spécifiques à l'èloignement et l'insularité (Specific Options for Remoteness and Insularity Programme). The programme has become the main regulatory instrument for bananas in the outermost regions, and gives the Member States concerned the flexibility to support banana producers with additional funds of €278.8 million.

lower. Wine consumption shows diverging trends in the EC: it is decreasing in some regions of Southern Europe and increasing in some regions of Middle, Northern, and Eastern Europe.[61]

54. The EC wine market has been suffering from chronic overproduction. The distillation of wine into spirits and liqueur wines has traditionally been the main instrument of surplus disposal, whereby distillers are partly compensated for the high local raw material price they are obliged to pay in the form of a guaranteed producer price for wine. In 2000-04, some 21 million hectolitres of wine per year (around 13% of production) were subsidized to make them competitive for the production of alcoholic beverages, notably Brandy (8-12 million hl), Cognac (4.4 million hl), and Vermouth (2.2 million hl).[62] A new CMO for wine entered into force in August 2008, with the objective of, *inter alia*, restoring market balance and increasing the competitiveness of EC wines vis-à-vis "new world" wines.[63] Two large distillation support programmes (potable alcohol distillation and "crisis" distillation) will be phased out by 2012.[64] The distillation of by-products of winemaking remains obligatory, to avoid over-pressing and a deterioration of wine quality; the distillation is subsidized. The distillation subsidies for "dual-purpose" grape varieties to produce, *inter alia*, Cognac, and to remove a wine surplus in the Charentes region of France, were abolished by the 2008 reform.

55. In some wine areas, the natural alcoholic strength may be increased by the addition of dry sugaring (chaptalization); in other areas, chaptalization is prohibited and the natural alcoholic strength may be supplemented only by addition of concentrated grape must (Italy, Greece, Spain, Portugal, and Cyprus). In order to compensate for the higher price of the latter, Community support is being granted until 2012.

56. As a result of the reforms, the wine subsector has been integrated into the Single Payment Scheme. Payments are allocated by the Community and Member States to wine producers participating in incentive schemes for permanent abandonment of production (grubbing-up schemes). Moreover, in the 2007/08 marketing year, the EC provided about € 510 million for the restructuring and conversion of vineyards (varietal conversion, relocation of vineyards, and improvements to vineyard management techniques). The liberalization of the restrictive system of planting rights in the EC, which includes a ban on new vine plantings, is to take effect by the end of 2015 at the Community level; Member States have the option of deferring the liberalization until the end of 2018.

57. Applied MFN tariffs on imports of wine average 16.2%, with rates ranging up to 218.3% , and 2.5% on alcoholic beverages[65], with rates ranging up to 39.8% on concentrated must (Table AIV.1). Imports of grape must, grape juice, as well as table grapes, are subject to variable tariffs based on the entry price system (see fruit and vegetable section above). The preferential trade agreements with Australia, Switzerland-Liechtenstein, South Africa, Chile, Canada, and the United States cover specific matters of the wine subsector, such as oenological practices, labelling, geographical indications, and concessions. Imports from Chile (2.9 million hl, representing one third of EC wine imports) are currently duty free. The labelling scheme for wine has been modified to, *inter alia*, allow, for both domestic and imported wines, the indication of the wine grape variety and vintage without a designation of origin or geographical indication. The EC is also taking steps to

[61] Hoffmann (2008), p. 82.
[62] European Commission (2006d), p. 45.
[63] Council Regulation (EC) No. 479/2008, 29 April 2008.
[64] Both "potable alcohol distillation" (distillation into spirits and liqueur wines) and "crisis distillation" are voluntary programmes. Crisis distillation is applied at the request of Member States to address a demonstrable deterioration of the market prices for table or quality wines.
[65] Distillation of spirits and alcohol production.

enhance the marketing and promotion of its wines in third countries, through national support programmes with EC co-financing of expenditures.[66]

58. As the result of the 2008 reform of the wine CMO, export subsidies for wine have been abolished. However, in certain areas, the reform has failed to liberalize trade. The EC continues to apply a prohibition on the blending of its wines with imported wines, and on the use of imported grape must/juice and fresh grapes for wine-making in the EC.[67]

(iii) Fisheries

(a) Main features

59. Fishery production in the EC-27 amounted to 6.9 million tonnes live weight in 2005, representing about 4% of world production. Despite a 25% decline compared with 1995, EC production remains beyond sustainable levels (82% are from catches and the rest from aquaculture). Spain (14%), Denmark (14%), France (12%), and the United Kingdom (12%) account for over half of total EC production.[68]

60. The EC's fishing fleet consisted of about 88,000 vessels in 2007; Greece, Italy, and Spain had the largest fleets. The capacity of the EC fishing fleets has declined at an annual rate of 2-3% over the last 15 years in terms of numbers and tonnage, largely due to the EC policy to reduce overcapacity.[69] Nonetheless, the EC fleet capacity exceeds maximum sustainable catches by a factor of two to three, according to the European Commission.[70] Over 80% of the EC fleet comprises small-scale coastal fishing boats.

61. In 2007, the EC recorded a €14 billion trade deficit in fishery products, with imports of €16 billion and exports of €2.7 billion.[71] Norway is the primary supplier (20% of the EC fishery imports), while Japan, Russia, and China are the main destinations of EC fishery exports.

(b) Common Fisheries Policy (CFP)

62. Fishing rights in the EC are regulated through, *inter alia*, catch limits (Total Allowable Catches[72]), national catch quotas, the limitation of vessels' "days at sea" for certain fisheries, and various measures to limit fleet capacity. The management of these rights is within the competence of Member States and varies between them: they may be granted to individual fishermen or producer organizations. In a number of Member States, fishing rights are transferable among fishermen; in some cases, fishing rights are exchanged between Member States on a temporary basis.

[66] Article 10 of Council Regulation (EC) No. 479/2008, 29 April 2008. Eligible activities include participation in fairs and exhibitions, market studies, and advertisement.

[67] Council Regulation (EC) No. 479/2008, 29 April 2008, Annex VI, paragraphs B.5 and C.

[68] Eurostat (2007a).

[69] European Commission (2007c).

[70] European Commission online information. Viewed at: http://ec.europa.eu/fisheries/press_corner/press_releases/2008/com08_60_en.htm.

[71] Exports are likely to be underestimated because of incomplete data on transhipments of catches at sea to vessels of a different nationality, and landing by fishing vessels in foreign ports.

[72] TACs, as well as national quotas, are fixed annually by the Council of Fisheries Ministers for the Baltic Sea, the Black Sea, and the North-East Atlantic, including the North Sea; for fisheries of deep sea species, TACs are fixed every two years; while fisheries in the Mediterranean are not managed through catch limits, except for bluefin tuna.

63. The EC's fishery management regime was reformed in 2002 to ensure sustainable exploitation of resources; recovery plans for a number of over-fished species (e.g. cod) were launched.[73] However, the European Commission estimates that 88% of the EC fish stocks remain at risk because of over-fishing: Total Allowable Catches (TACs) have consistently been set above scientists' recommendations, and the "days-at-sea" system to control fishing opportunities has proved to be ineffective because of derogations. Proposals made by the European Commission to modify the fisheries conservation policy, including a more flexible approach for fixing TACs and replacing the "days-at-sea" system through a "kilowatt- days" system, are pending.[74] In September 2008, the European Commission initiated a full review of the CFP with the aim of overhauling the institutional framework of EC fisheries management.[75]

64. According to the European Court of Auditors, the EC's control and enforcement system of the Common Fisheries Policy is ineffective: catch data are unreliable and incomplete, as a result of which they are an inadequate basis for determining TACs and quotas; national inspection systems are insufficient to prevent and detect infringements of fishing rights; and penalties for infringements do not have a deterrent effect.[76] The Community Fisheries Control Agency, established in 2005, has the mandate of organizing coordination and cooperation between national control and inspection activities with the aim of: assisting recovery of depleted stocks; fighting illegal, unregulated, and unreported (IUU) fishing activities; and reducing discards.[77]

65. On 1 January 2010, a new regulation is to enter into force to prevent, deter, and eliminate all trade in fishery products in the EC deriving from IUU fishing in all waters, and the involvement of Community nationals in IUU activities conducted under any flag.[78] In order to achieve this goal, an EC catch certification scheme will be introduced to improve traceability of all marine fishery products traded with the Community (imports and exports), irrespective of means of transport, and at all stages of the production chain, from the fishing net to the plate.

66. Under the EC fleet management policy, Member States are required to comply with a fleet entry/exit scheme applying to the capacity of their fleets, measured in terms of tonnage and engine

[73] Council Regulation (EC) No. 2371/2002, 20 December 2002 on the conservation and sustainable exploitation of fisheries.

[74] Europa Press Release, MEMO/08/353, 30 May 2008. Viewed at: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/353&format=HTML&aged=0&language=EN&guiLanguage=en.

[75] European Commission online information. Viewed at: http://ec.europa.eu/fisheries/press_corner/press_releases/2008/com08_60_en.htm.

[76] European Court of Auditors, Special Report No. 7/2007 on the control, inspection and sanction systems regarding to the rules on conservation of Community fisheries resources together with the Commission's replies, OJ C 317/1, 28 December 2007. Viewed at: http://eca.europa.eu/portal/pls/portal/docs/1/673627.PDF. In a ruling of 12 July 2005, the European Court of Justice ordered France to pay €20 million plus a periodic six-month penalty of €57.8 million running from that day, for failing to comply with a 1991 Court ruling on serious failings in its enforcement of fisheries rules. The European Commission’s task was to assess whether, at the end of the six-month period (i.e. on 12 January 2006), France had fully complied with its Court obligations. The Commission decided, on 1 March 2006, that despite progress, this was not yet the case. France, therefore, had to pay the €57.8 million penalty. After another evaluation of the situation in France at the end of the second six-month period, in July 2006, the Commission concluded that France had fully implemented the Court requirements. As a result, France did not incur a second penalty payment. This decision also brought to an end this infringement procedure against France. See European Commission online information. Viewed at: http://ec.europa.eu/fisheries/press_corner/press_releases/archives/com06/com06_86_en.htm.

[77] Community Fisheries Control Agency. Viewed at: http://ec.europa.eu/cfca/activities_en.htm.

[78] Council Regulation (EC) No. 1005/2008, 29 September 2008.

power.[79] Before a new vessel enters the national fleet, at least the same amount of fleet capacity must be withdrawn without public aid (entry-to-exit ratio of 1:1).[80] Another rule is that capacity reductions financed with public aid are permanent; they are deducted from the maximum fleet capacity of each Member State. Member States may exceptionally authorize the rebuilding of 4% of the tonnage decommissioned with public funds, in order to improve safety, hygiene, working conditions and product quality on board, provided this does not result in increased ability of the vessels to catch fish and gives priority to small-scale coastal fisheries.[81] Effectively, the small annual reductions of the EC fishing fleet are partly neutralized by technological improvements in fishing methods.[82]

67. In July 2008, the EC adopted a package of measures to address the economic difficulties in the fisheries subsector resulting from the recent surge in fuel prices. "Emergency aid" totalling €400 million for the Community may be provided by Member States to finance the temporary cessation of vessels for three months, starting before the end of November 2008. Beneficiaries must commit to participating in national restructuring measures within six months (Fleet Adaptation Schemes) to achieve a permanent reduction of fleet capacity by at least 30% (20% for Member States with less than 100 fishing boats).[83]

68. Officially recognized producer organizations (POs) play an important role in the organization of the fisheries subsector. They are involved in the implementation of the EC's five market intervention mechanisms and related subsidy schemes, when prices for fish and shellfish fall below the Community withdrawal price, which is fixed annually by the Commission for each marketed product.[84] In 2006 and 2007, €12.6 million and €10.6 million, respectively were spent for market intervention. The support instruments include payments to members of POs for the withdrawal of fishery products from markets, private storage aid to POs, and subsidies for tuna fishermen. Tuna fishermen are eligible to receive aid, subject to a trigger price mechanism, to make local tuna for processing competitive vis-à-vis imports which are subject to a zero tariff rate.[85]

69. Financial support for the fisheries subsector comes from several sources, the most important being the European Fisheries Fund (EFF) with a budget of €3.8 billion (in 2004 prices) for 2007-13. The EFF finances, *inter alia*, fleet adjustment, aquaculture, inland fishing, processing and marketing, and fishery port infrastructure. Funding also comes from the European Agricultural Guarantee Fund (EAGF), the European Agricultural Fund for Rural Development (EAFRD), the Economic and Social Fund (ESF), the European Regional Development Fund, as well as Member States. According to the OECD, government financial transfers in the EC to marine capture fisheries totalled €1.53 billion in 2003 (24% of total OECD transfers). The largest share of support was provided for management, research and enforcement, followed by decommissioning schemes, access to the fishing grounds of

[79] The scheme does not apply to the fishing fleets registered in the outermost regions of the EC (French overseas departments, Spanish Canary Islands, and Portuguese Azores and Madeira), which are subject to fixed fleet capacity.

[80] The only exceptions are capacity increases resulting from modernization to improve safety, hygiene or living and working conditions on board. The entry-to-exit ratio rises to 1:1.35 for new vessels of 100-400 gross tonnage.

[81] Council Regulation (EC) No. 865/2007, 10 July 2007.

[82] European Commission (2007c).

[83] Europa Press Release MEMO/08/493, 8 July 2008. Viewed at: http://europa.eu/rapid/pressReleases Action.do?reference=MEMO/08/493&format=HTML&aged=0&language=EN&guiLanguage=en.

[84] The Community withdrawal prices are derived by the Commission from guide prices set each year by the Council of Ministers.

[85] European Commission (2002).

other countries, investment and modernization of fishing vessels, income support, and fisheries infrastructure.[86]

70. MFN tariffs on fishery products average 10.9%, with rates ranging up to 26% (Table AIV.1). The EC's trade policy instruments on fishery products include WTO tariff quotas and autonomous (non-WTO) tariff quotas for the processing industry to assist its competitiveness (Table IV.8). The main changes compared with the 2004-06 regime for autonomous tariff quotas include increases of some quotas, including for cod, shrimps and anchovies; the introduction of new quotas for fillets of cod, sole and hake; and the removal of quotas on products, such as cod liver and whole Alaska Pollack, due to underutilization.[87] Some of the tariff quotas are subject to a reference price mechanism, whereby the benefit of the in-quota tariff is not granted if the import price is lower than the reference price fixed by the European Commission: when this is the case, the out-of quota tariff is applied. All tariff quotas are administered on a first-come-first-served basis.

71. The EC has concluded bilateral fisheries agreements, involving an exchange of fishing quotas, with the Faeroe Islands, Iceland, and Norway. In addition, the EC has entered into fisheries partnership agreements with Greenland and a number of developing countries, mainly in Africa and the Pacific; these involve financial compensation by the EC for the fishing rights of about €160 million per year.[88]

Table IV.8
Tariff quotas on fishery products, 2007

Species	Quota volume (tonnes)	In-quota tariff (%)	Out-of-quota tariff (%)
WTO tariff quotas			
Tunas (of the genus *Thunnus*) and fish of the genus *Euthunnus*	17,250	0	20 22
Herrings	34,000	0	15
Silver hake (*Merluccius bilinearis*)	2,000	8	15
Fish of the genus *Coregonus*	1,000	5.5	9
Fish of the genus *Allocyttus* and of the species *Pseudocyttus maculatus*	200	0	15
Cod of the species *Gadus morhua* and *Gadus ogac*	25,000	0	13
Fish of the species *Boreogadus saida*			
Prepared or preserved fish (excluding whole or in pieces): of sardines, bonito, mackerel of the species *Scomber scombrus* and *Scomber japonicus*, fish of the species *Orcynopsis unicolor*	865	0	25
Prepared of preserved fish (excluding whole or in pieces): of sardines, bonito, mackerel of the species *Scomber scombrus* and *Scomber japonicus*, fish of the species *Orcynopsis unicolor*	1,410	0	25
Prepared of preserved fish (excluding whole or in pieces): of tunas, skipjack or other fish of the genus *Euthynnus*	742	0	24
Prepared or preserved fish (excluding whole or in pieces): of tunas, skipjack or other fish of the genus *Euthynnus*	1,816	0	24
Shrimps of the species Pandalus borealis, shelled, boiled, frozen, but not further prepared	500	0	20
Freshwater crayfish, cooked in dill, frozen	3,000	0	20
Autonomous tariff quotas[a]			
Cod excluding livers and roes, fresh, chilled or frozen, for processing	80,000	0	12
Cod and fish of the species *Boreogadus saida,* salted or in brine, but not dried or smoked, for processing	10,000	0	13
Blue grenadier frozen fillets and other meat, for processing	20,000	0	7.5-15
Hake and Pink cusk-eel, frozen, for processing	15,000	0	15

Table IV.8 (cont'd)

[86] OECD (2006).
[87] See WTO (2007), p. 97.
[88] European Commission online information. Viewed at: http://ec.europa.eu/fisheries/cfp/external_relations/bilateral_agreements_en.htm.

Species	Quota volume (tonnes)	In-quota tariff (%)	Out-of-quota tariff (%)
Southern blue whiting frozen fillets and other meat, for processing	2,000	0	7.5-15
Anchovies, salted or in brine, but not dried or smoked, for processing	10,000	0	10
Herrings of a weight exceeding 100g per piece or flaps or a weight exceeding 50g per piece, excluding livers and roes, for processing	20,000	0	15
Herrings, spiced and/or vinegar, cured, in brine, preserved in barrels of at least 70 kg net drained weight, for processing	10,000	6	20
Filets known as "loins" of tunas and skipjack, for processing	10,000	6	24
Rock lobster and other sea crawfish frozen, for processing	1,500	6	12.5
Shrimps and prawns of the species *Pandalus borealis;* cooked and peeled, for processing	20,000	6	20
Tubes of squid and Illex spp., frozen, with skin and fins, for processing	45,000	0	8
Squid and Illex spp., frozen whole or tentacles and fins, for processing	1,500	0	8
Surimi, frozen, for processing	55,000	0	15
Hake frozen fillets, for processing	15,000	4	6.1
Cod, frozen fillets and meat, for processing	20,000	0	7.5
Sole, frozen fillets and other fish meat, for processing	5,000	0	7.5

a The quota period for the autonomous tariff quotas is 1 January 2007-31 December 2009

Source: Schedule CXL – European Communities and EC Commission.

(3) ENERGY

72. The EC is the world's largest energy importer and the second largest consumer. The EC-27's production of primary energy fell from 933 million tonnes of oil equivalent (toe) in 2002 to 871 million toe in 2006, mainly due to the depletion of some North Sea fields (Table IV.9).[89] Production was dominated by the United Kingdom with a 21.1% share in 2006, followed by France and Germany. EC-27 energy consumption in 2006 totalled 1,176 million toe (1,126 in 2002), with Germany as the leading consumer (19% of the total). Industrial demand for energy has been relatively stable, but demand from some services subsectors (e.g. transport) has risen as a result of increased economic activity during the period.

73. The EC's own energy supply covers barely half of its needs.[90] In 2006, the EC's final energy demand reached 1,176 million toe, and the energy trade deficit amounted to €281 billion[91]; oil is the most important source accounting for 37% of gross inland energy consumption[92], followed by natural gas (24%), solid fuels (18%), and nuclear (14%).[93] Renewable energy sources contribute only 7%, though the aim is to increase this share to 12% by 2010 and to 20% by 2020. The EC has also set a target of 21% renewable electricity by 2010 (up from 14% in 2005).[94] Electricity production in the EC-27 has shown a steady increase over the last few years and was at around 3.36 million GWh in 2006 (Table IV.10). Between 1995 and 2006, gas prices for household consumers rose by more than 4% per year, while electricity prices have been rising in recent years due, *inter alia*, to the increase in

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[89] Primary energy production takes place when natural resources are exploited (e.g. coal mines, crude oil fields, hydro power plants). Transformation of energy from one form to another, such as electricity or heat generation in thermal power plants is not considered as primary production.

[90] In 2004, energy dependency ratios varied from lows in the United Kingdom and Poland to upwards of 80% in Portugal, Italy, Ireland, Cyprus, Luxembourg, and Malta. Denmark is the only net exporter of energy (Eurostat, 2007b).

[91] SPEECH/08/96, 21 February 2008.

[92] EC oil consumption amounts to over 13 million barrels per day (mbpd), while production is 2.7 mbpd. The United Kingdom is the leading EC producer (70% of the total), followed by Denmark (15%). Oil imports mainly come from the Russian Federation and Middle East countries (Eurostat, 2007).

[93] European Commission (2006a).

[94] Eurostat (2007b).

gas prices, as gas has become one of the major fuel sources for electricity generation, and to the introduction of the CO_2 emission certificates in 2005.[95] The differences in energy prices are relatively small between old and new Member States. Imports of electricity are duty free (Table AIV.1).

Table IV.9
Production and consumption of energy, 2002-06
('000 tonnes of oil equivalent (toe))

	Total production of primary energy					Final energy consumption				
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
EC-27	**933,220**	**927,211**	**923,067**	**891,431**	**871,247**	**1,126,277**	**1,158,167**	**1,171,395**	**1,172,293**	**1,176,120**
EC-25	**894,665**	**888,820**	**884,479**	**853,427**	**832,924**	**1,094,532**	**1,124,559**	**1,136,754**	**1,138,114**	**1,141,386**
EC-15	**754,115**	**744,738**	**743,107**	**713,349**	**693,947**	**971,814**	**997,594**	**1,007,212**	**1,007,816**	**1,007,412**
Austria	9,682	9,485	9,682	9,337	9,587	24,995	26,300	26,241	27,107	26,753
Belgium	12,883	13,118	13,159	13,453	13,367	37,551	39,947	39,342	38,443	38,165
Bulgaria	10,530	10,098	10,169	10,553	10,911	8,719	9,432	9,211	9,565	10,028
Cyprus	45	48	48	48	50	1,708	1,813	1,818	1,809	1,840
Czech Republic	30,396	34,073	32,781	32,434	33,074	23,571	25,234	26,078	25,776	26,251
Denmark	28,505	28,403	31,018	31,273	29,511	14,743	15,076	15,309	15,457	15,627
Estonia	3,653	4,205	4,029	4,210	3,858	2,544	2,625	2,743	2,783	2,775
Finland	15,579	15,508	15,415	16,210	17,787	25,092	25,630	26,093	25,252	26,679
France	133,388	134,802	135,667	135,474	135,567	153,709	157,457	159,619	159,262	157,779
Germany	133,888	135,246	136,987	135,663	136,850	219,240	221,938	220,381	218,369	223,062
Greece	10,539	9,887	10,264	10,291	10,050	19,546	20,530	20,297	20,800	21,454
Hungary	11,132	10,684	10,166	10,400	10,344	17,014	17,624	17,462	18,080	17,920
Ireland	1,511	1,834	1,847	1,616	1,597	11,208	11,463	11,685	12,340	13,037
Italy	26,329	27,274	28,073	27,665	27,053	124,743	130,280	131,116	132,600	130,654
Latvia	1,609	1,730	1,840	1,856	1,842	3,612	3,813	3,921	4,030	4,201
Lithuania	4,812	5,105	4,963	3,683	3,244	4,014	4,123	4,286	4,465	4,722
Luxembourg	56	60	73	74	79	3,745	3,967	4,350	4,439	4,398
Malta	..	..	..	..	..	454	468	469	526	478
Netherlands	60,415	58,443	67,664	61,899	60,763	50,735	51,598	52,518	51,639	50,835
Poland	79,062	78,709	77,959	77,717	76,848	54,085	55,867	57,116	57,324	60,163
Portugal	3,643	4,336	3,894	3,578	4,320	18,389	18,393	20,177	18,723	18,544
Romania	28,024	28,294	28,419	27,450	27,413	23,026	24,176	25,431	24,614	24,706
Slovakia	6,485	6,281	6,152	6,251	6,302	11,124	10,710	10,855	10,614	10,680
Slovenia	3,356	3,245	3,435	3,479	3,415	4,594	4,688	4,794	4,892	4,945
Spain	31,567	32,782	32,399	30,127	31,195	85,623	90,661	94,523	97,455	96,642
Sweden	31,225	30,390	33,799	34,166	32,275	33,540	33,576	33,624	33,740	33,218
U.K.	254,905	243,171	223,166	202,524	183,946	148,956	150,779	151,937	152,188	150,565

.. Not available.

Source: Eurostat (2008), *Europe in figures: Eurostat Yearbook 2008*, Luxembourg.

74. Faced with unprecedented energy challenges, the EC presented its Action Plan on Energy Efficiency in October 2006. It seeks to save 20% of its primary energy consumption by 2020 through

[95] In the context of reducing greenhouse gas emissions to prevent global warming. Due to the progressive increase in energy consumption, CO_2 emissions are expected to rise by some 60% by 2030. European Commission (2006a).

a wide range of cost-effective measures, such as changes in consumer behaviour, and energy-efficient technologies. In March 2007, the European Council agreed some common energy and climate policy targets, including: a 20% reduction in greenhouse emissions by 2020 (compared with 1990); a 20% binding share for renewable energy in the EC's energy mix by 2020; and a 10% share of biofuels in road transport in each Member State.

Table IV.10
Electricity generation, 2002-06
(GWh and % of gross electricity consumption)

	Total gross electricity generation					**Electricity generated from renewable sources**				
	2002	**2003**	**2004**	**2005**	**2006**	**2002**	**2003**	**2004**	**2005**	**2006**
EC-27	**3,117,112**	**3,216,032**	**3,287,571**	**3,309,106**	**3,357,958**	**12.9**	**12.9**	**13.9**	**14.0**	**14.5**
EC-25	**3,019,498**	**3,116,787**	**3,189,468**	**3,205,328**	**3,249,417**	**12.7**	**12.7**	**13.7**	**13.6**	**14.3**
EC-15	**2,679,777**	**2,762,875**	**2,830,746**	**2,846,976**	**2,886,919**	**13.5**	**13.7**	**14.7**	**14.5**	**15.0**
Austria	62,417	60,095	64,125	65,697	63,503	66.1	53.1	58.7	57.4	56.6
Belgium	82,060	84,616	85,441	87,025	85,535	1.8	1.8	2.1	2.8	3.9
Bulgaria	42,679	42,600	41,621	44,365	45,843	6.0	7.8	8.9	11.8	11.2
Cyprus	3,785	4,053	4,201	4,377	4,652	0.0	0.0	0.0	0.0	0.0
Czech Republic	76,348	83.227	84,333	82,578	84,361	4.6	2.8	4.0	4.5	4.9
Denmark	39,284	46,181	40,433	36,355	45,716	19.9	23.2	27.1	28.2	25.9
Estonia	8,527	10,159	10,304	10,205	9,731	0.5	0.6	0.7	1.1	1.4
Finland	74,899	84,230	85,817	70,550	82,304	23.7	21.8	28.3	26.9	24.0
France	559,441	566,959	574,279	576,169	574,473	13.7	13.0	12.9	11.3	12.4
Germany	571,645	599,470	616,785	620,300	636,600	8.1	8.2	9.5	10.5	12.0
Greece	54,608	58,471	59,346	60,020	60,789	6.2	9.7	9.5	10.0	12.1
Hungary	36,161	34,145	33,708	35,755	35,859	0.7	0.9	2.3	4.6	3.7
Ireland	25,217	25,225	25,575	25,357	27,479	5.4	4.3	5.1	6.8	8.5
Italy	284,397	293,884	303,322	303,699	314,122	14.3	13.7	15.9	14.1	14.5
Latvia	3,975	3,975	4,689	4,905	4,891	39.3	35.4	47.1	48.4	37.7
Lithuania	17,721	19,488	19,274	14,784	12,482	3.2	2.8	3.5	3.9	3.6
Luxembourg	3,676	3,612	4,145	4,129	4,333	2.8	2.3	3.2	3.2	3.5
Malta	2,052	2,236	2,216	2,240	2,296	0.0	0.0	0.0	0.0	0.0
Netherlands	95,965	96,775	100,769	100,219	98,392	3.6	4.7	5.7	7.5	7.9
Poland	144,126	151,631	154,159	156,936	161,743	2.0	1.6	2.1	2.9	2.9
Portugal	46,109	46,855	45,108	46,578	49,041	20.8	36.4	24.4	16.0	29.4
Romania	54,935	56,645	56,482	59,413	62,698	30.8	24.3	29.9	35.8	31.4
Slovakia	32,427	31,178	30,567	31,455	31,368	18.6	12.0	14.3	16.7	16.6
Slovenia	14,599	13,820	15,271	15,117	15,115	25.4	22.0	29.1	24.2	24.4
Spain	246,079	262,860	280,007	294,040	303,007	13.8	21.7	18.5	15.0	17.3
Sweden	146,733	135,435	151,727	158,435	143,298	46.9	39.9	46.1	54.3	48.2
United Kingdom	387,247	398,207	393,867	398,403	398,327	2.9	2.8	3.7	4.3	4.6

Source: Eurostat (2008), *Europe in figures: Eurostat Yearbook 2008*, Luxembourg.

75. On the basis of the Green Paper adopted by the Commission in March 2006, the main EC objectives in energy are: completion of a fully competitive internal market[96]; assuring the security of

[96] Market integration is still insufficient, with important price differences within the internal market, and a low level of cross-border trade in electricity and gas. The European Council has agreed that all Member

energy supply; and achieving environmentally sustainable, clean, and efficient energy supply and use. As from 1 July 2004, EC industrial consumers have free choice of their gas and electricity supplier; this was extended to all EC households on 1 July 2007.[97] Overall policy measures also comprise further interconnection of European energy grids; extension of the energy market to neighbouring countries and regions; further diversification of energy forms, sources, and supply routes; increases in clean indigenous energy production, including renewable energies and other low carbon energy sources; increased and more effective energy technology development; and greater coordination of external energy policy and promotion of such policy approaches on a global basis.

76. Since the last TPR of the EC, some of its key energy-policy developments include the adoption, on 19 September 2007, of a third package of legislative proposals aimed at solving the structural shortcomings in the energy market, notably lack of competition (Chapter III(4)(iii)).[98] The industry is characterized by concentration and lack of real competition and, with few exceptions, the largest three national companies have over 75% share of the market. Vertically integrated companies (i.e. those that deal with supply, production, and the operation of the electricity and gas networks) have an interest in remaining dominant in their national supply markets, while their networks help them retain this position. As a result, new companies entering the gas and electricity markets, who have no choice but to use the existing networks face, *inter alia*, discriminatory access conditions, and a limited network capacity.[99] Lack of transparency also undermines the position of new entrants and aggravates mistrust by industry and consumers in the pricing of energy.

77. The third energy package proposes measures on five main areas: unbundling (separation of the operation of electricity and gas transmission networks from supply and generation activities)[100]; facilitating cross-border energy trade, and strengthening national regulators through the setting up of a European agency for the cooperation of energy regulators[101]; promoting cross-border collaboration and investment through the establishment of a new European network for transmission system operators[102]; greater transparency and improved record keeping; and access to storage and liquefied

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States must have interconnection capacity equivalent to at least 10% of their national consumption; this objective has not yet been achieved. Therefore, electricity and gas markets, except in Nordic countries, remain national in scope (Europa Press Release MEMO/05/427, 14 November 2005).

[97] These changes required the establishment of legally distinct companies with operational separation between generation and distribution (Eurostat, 2007b).

[98] The first package basically consisted of the Electricity and Gas Directives of 2003, which established the right to be supplied with electricity and gas at reasonable and transparent prices. The second package provided for the protection by Member States of customers in general, and of vulnerable customers, in particular (e.g. the right to receive clear, transparent, comparable bills). See WTO (2007).

[99] Europa Press Release MEMO/07/361, 19 September 2007.

[100] Dominant positions and insufficient unbundling, especially in gas transmission and in gas and electricity distribution, seem to discourage consumers from switching supplier. The third energy package recognizes that effective separation of supply and production activities is required, but it did not go as far as requiring ownership unbundling.

[101] All Member States now have electricity and gas regulators, but they have different powers and cannot deal with cross-border issues, making it difficult for new electricity and gas companies to supply customers in other countries. In addition, some Member States have set up several regulators, at national and regional levels, and in some cases power is split between the sector-specific regulator, the competition authority, and the ministry; this undermined effective regulation. The European Agency for the cooperation of energy regulators would complement, at the European level, the regulatory tasks performed at the national level. It implies a transition from the current structure for international cooperation of regulators in the so-called European Regulators Group for Electricity and Gas (ERGEG). Europa Press Release MEMO/07/361, 19 September 2007.

[102] EC grid operators would cooperate and develop common commercial and technical codes and security standards, as well as plans, and coordinate the investments needed at EC level. This is also aimed at

natural gas (LNG) facilities. A new Energy Customers' Charter is to be launched in 2008. It will include measures to address fuel poverty, information for customers to choose a supplier and supply options, and actions to lower red tape when changing energy suppliers and to protect citizens from unfair selling practices.

78. During 2007-13, planned direct expenditure for energy efficiency and renewable energy measures under the Cohesion Policy programmes amounts to about €9 billion (around 2.6% of the total funds available under the programmes, up from 1% over 2000-06). About €155 million per year was budgeted to support the development of the trans-European energy network (TEN-E) during 2007-13 (up from €25 million over 2000-06).[103] An additional €675 million is foreseen to support TEN-E projects under the Cohesion Policy programmes. Moreover, around €30 million per year has been budgeted to finance several other energy-related programmes: Altener (promotion of renewable energy sources); Save (promotion of energy efficiency); Sure (safe transport of radioactive materials); Synergy (promotion of international cooperation in energy); and Etap (studies, analyses, and forecasts on energy).[104] Moreover, some €20 million has been allocated annually to support activities related to nuclear energy.[105]

(4) MANUFACTURING

(i) Overview

79. The manufacturing sector is of great importance to the EC economy (Chapter I(1)). In 2005, it comprised 2.3 million enterprises, generated a turnover of €6,323 billion, and produced a value added of €1,629.9 billion (Table IV.11). Germany is the leading contributor to the EC-27's total value added with a 26.3% share, followed by France (13.1%), the United Kingdom (12.9%), and Italy (12.8%). Manufacturing also accounts for some three quarters of the EC's merchandise exports.[106] Over 80% of private-sector R&D expenditure is spent in manufacturing, and the sector is closely inter-linked with services to which it supplies key inputs.

80. Production in EC manufacturing grew by 26% between 1996 and 2006 on average, rising in all industries with the exception of textiles (-32%) and leather (-42%). Electrical and optical equipment led the sector, with 53% growth during the period (Chart IV.1), followed by transport equipment (50%), and chemicals (44%). Employment in manufacturing fell by 11% during 1996-06, on average, decreasing in all activities except for rubber and plastics. There is a big difference in the manufacturing structure among Member States. The weight of the seven largest industries in the EC's manufacturing value added ranged from 92% in Ireland (mainly because of the importance of chemicals, chemical products, and man-made fibres) to 50% in Lithuania.[107]

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easing cross-border trade and creating a more level playing field for national operators (Europa Press Release IP/07/1361, 19 September 2007).

[103] Europa Press Release MEMO/07/6, 10 January 2007.

[104] In 2002, the Carnot (clean and efficient use of solid fuels) programme was terminated, while Altener and Save were transferred to the Intelligent Energy Programme.

[105] WTO (2007).

[106] In 2006, EC-27 exports and imports of manufactured goods reached €1,061 billion and €952 billion, respectively. Between 2001 and 2006, exports of manufactured goods increased by 7.3% yearly on average, while imports grew by 7.1% (Eurostat, 2007b).

[107] When the cumulative share is lower than the EC average, the country is relatively specialized in other activities that are of less importance at EC level. For example, in the six countries with the lowest cumulative shares (i.e. Lithuania, Estonia, Latvia, Portugal, Bulgaria, and Romania), the shares of textiles and textile products in manufacturing were among the highest, ranging from 9.2% to 13.4%; while this subsector accounted for 3.3% of manufacturing value-added at EC-27 level (Eurostat, 2008i).

Table IV.11
Main indicators of EC-27 manufacturing, 2005

Country	Value added at factor cost	Persons employed	Number of enterprises	Turnover	Average personnel costs	Apparent labour productivity	Wage adjusted labour productivity	Gross operating rate
	(€ billion)	'000	'000	(€ billion)	(€'000)	(€'000)	%	%
Austria	41.6	619.8	28.4	132.0	42.8	67.1	156.9	12.1
Belgium	48.1	614.8	36.6	212.0	49.4	78.3	158.6	9.2
Bulgaria	3.2	645.2	28.7	16.9	2.4	5.0	205.0	10.1
Cyprus	1.1	36.8	5.6	3.4	19.4	29.6	152.2	12.5
Czech Republic[a]	21.2	1,363.2	151.3	87.3	8.8	15.5	175.7	12.1
Denmark	25.7	409.9	18.6	80.1	44.5	62.7	140.9	9.8
Estonia	1.6	130.9	5.1	6.4	7.6	12.2	160.8	9.6
Finland	30.1	406.7	25.2	120.9	43.0	74.0	172.1	11.7
France	214.0	3,737.2	256.0	945.7	42.8	57.3	133.7	6.0
Germany	429.5	7,171.5	203.9	1,636.3	55.0	59.9	108.9	6.6
Greece	14.3	389.7	91.2	48.4	24.3	36.6	150.7	14.7
Hungary	16.8	794.3	65.0	77.2	10.4	21.1	204.0	11.6
Ireland	34.1	217.1	4.3	113.0	41.9	157.2	375.3	22.2
Italy	208.9	4,610.3	519.3	863.4	33.1	45.3	137.0	9.5
Latvia	1.5	166.8	7.6	5.3	4.2	8.9	213.7	15.1
Lithuania	2.5	266.3	15.6	11.3	5.0	9.5	189.6	11.1
Luxembourg	2.7	37.1	1.0	20.0	47.6	71.8	150.8	4.6
Malta[b]	0.8	31.7	3.8	2.6	14.2	25.5	178.9	15.3
Netherlands	57.6	767.6	45.6	257.0	46.1	75.1	163.0	9.4
Poland	48.3	2,473.5	191.6	167.5	7.6	19.5	256.8	18.6
Portugal	18.5	868.9	104.3	73.1	13.6	21.3	157.0	9.5
Romania	9.1	1,621.0	57.9	41.3	3.4	5.6	166.8	9.0
Slovenia	5.8	232.9	17.0	20.8	17.2	24.9	145.0	9.5
Slovakia	5.9	404.8	6.8	30.7	7.7	14.5	188.0	9.0
Spain	125.0	2,599.3	219.9	486.6	29.7	48.1	161.9	10.6
Sweden	49.9	797.0	60.4	175.3	46.2	62.7	135.6	9.1
United Kingdom	210.7	3,245.6	153.4	682.6	39.5	64.9	164.2	12.7
EC-27	**1,629.9**	**34,643.8**	**2,322.3**	**6,322.6**	**33.9**	**47.0**	**138.7**	**8.3**

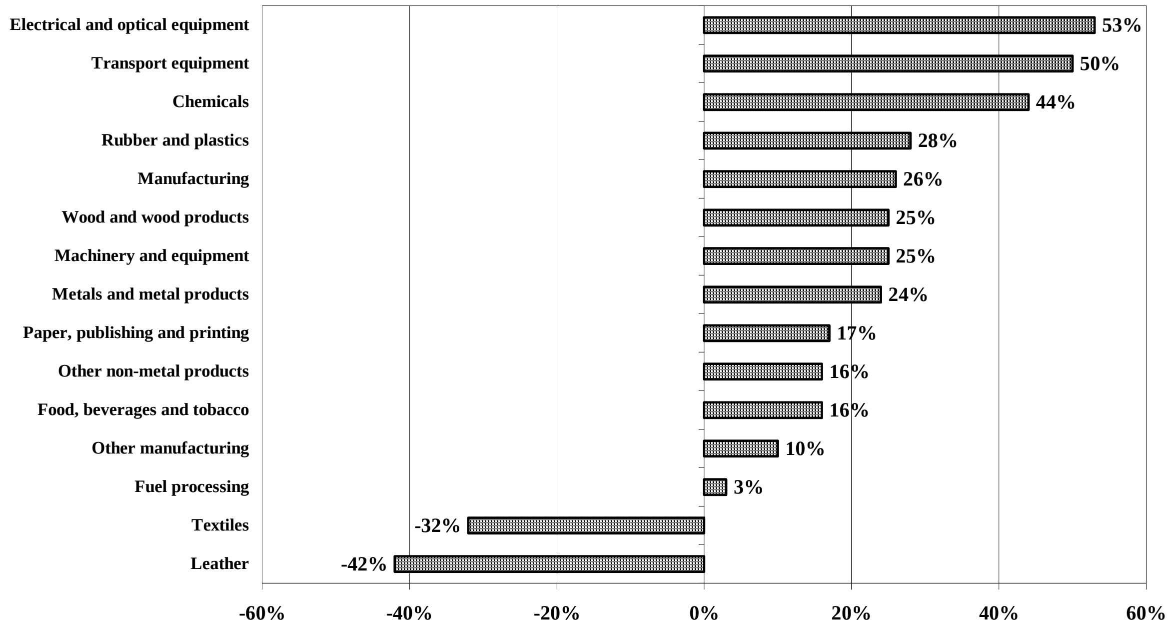
a Data for 2004.
b Data for 2002.

Source: Eurostat (2008), *The main features of the EU manufacturing industry*, Luxembourg.

81. The single-largest manufacturing activity in value-added terms is basic metals and fabricated metal products with 13.6% share in 2005, followed by food products, beverages and tobacco (12.2%), and electrical and optical equipment (11.6%). For employment the order of activities is the same (Table IV.12). Coke, refined petroleum products and nuclear fuel ranked first in terms of apparent labour productivity (€227,200), almost five times the manufacturing average (€47,200), while the leather and leather products industry was last (€20,300).[108] The most profitable of the manufacturing activities was other non-metallic mineral products, with a 12.5% gross operating rate, while the least profitable was transport equipment (3.1%).[109]

[108] Apparent labour productivity is the value-added per person employed in each activity.
[109] The gross operating rate (share of operating surplus in turnover) is an indicator of profitability.

Chart IV.1
EC-27 production growth by manufacturing activity, 1996-2006



Source: **Eurostat (2008), *The main features of the EU manufacturing industry*, Luxembourg.**

82. In October 2005, the Commission set the current EC industrial policy, in the light of concerns about de-industrialization[110], and in accordance with the objectives set by the Lisbon European Council of 23 and 24 March 2000. The policy complements work at Member State level, and includes seven major horizontal policy initiatives and seven sector-specific initiatives, as well as the screening of opportunities and challenges for 27 individual industries grouped into four broad categories (food and life sciences, machine and systems, fashion and design, and basic and intermediate). The sector remains dominated by small and medium-sized enterprises (SMEs). In November 2005, the Commission tabled a new comprehensive policy for SMEs to help make them more competitive.[111]

[110] Eurostat (2007b).

[111] Some 2.3 million SMEs participate in the EC economy, notably in the manufacturing sector, i.e. 99% of total SMEs, about 60% of manufacturing employment, and 45% of manufacturing value-added. A new definition of SMEs has been in use since 1 January 2005: micro companies have less than ten employees, and a turnover/balance sheet of up to €2 million; small enterprises have less than 50 workers, and a turnover/balance sheet of up to €10 million; and medium-sized companies employ less than 250 workers, have a turnover of up to €50 million, or balance sheet of up to €43 million. See WTO (2007).

Table IV.12
Main indicators of EC-27 manufacturing by subsector, 2005

Subsector	Value added (€ billion)	Value added (%)	Employment ('000)	Employment (%)	Apparent labour productivity (€ '000)	Gross operating rate (%)
Food products, beverages and tobacco	199.1	12.2	4,700	13.6	42.0	9.2
Textiles and textile products	53.3	3.3	2,614	7.5	20.4	8.1
Leather and leather products	11.4	0.7	564	1.6	20.3	8.1
Wood and wood products	35.1	2.2	1,280	3.7	27.5	9.9
Pulp, paper and paper products, publishing and printing	134.7	8.3	2,562	7.4	52.6	11.5
Coke, refined petroleum products and nuclear fuel	38.5	2.4	170	0.5	227.2	6.3
Chemicals, chemical products and man-made fibres	178.5	10.9	1,888	5.5	94.5	12.0
Rubber and plastic products	76.1	4.7	1,700	4.9	43.9	8.8
Other non-metallic mineral products	73.5	4.5	1,596	4.6	46.0	12.5
Basic metals and fabricated metal products	221.9	13.6	5,045	14.6	44.0	9.2
Machinery and equipment	178.4	10.9	3,636	10.5	49.1	6.9
Electrical and optical equipment	189.8	11.6	3,664	10.6	51.8	7.9
Transport equipment	181.9	11.2	3,152	9.1	57.7	3.1
Other manufacturing	57.7	3.5	1,988	5.7	29.0	8.7
Total manufacturing	**1,629.9**	**100.0**	**34,644**	**100.0**	**47.0**	**8.3**

Source: Eurostat (2008), *The main features of the EU manufacturing industry*, Brussels.

83. The manufacturing sector is a major beneficiary of state aid (Chapter III(4)(iii)(c)). In addition, various EC support programmes are available to SMEs: (i) the 7th Research Framework Programme (FP7) has allocated some 15% of its budget (€8 billion) to projects involving SMEs over 2007-13[112]; (ii) the Competitiveness and Innovation Programme (CIP), with a budget of around €3.6 billion for 2007-13, is aimed at, *inter alia*, increasing SMEs' innovative capacity through easier access to capital in the form of loans, equity, venture capital and guarantees, as well as technical assistance and grants[113]; (iii) the Joint European Resources for Micro to Medium Enterprises (JEREMIE) is aimed at involving SMEs fully in regional policy through improved access to finance[114]; and (iv) the cohesion policy programmes, notably the European Regional Development Fund and the European Social Fund, have allocated some €55 billion over 2007-13 for business support, of which a large share is expected to benefit SMEs. Moreover, the Commission is reviewing state aid rules to allow greater flexibility and provide better targeted support to SMEs, including on innovation.

84. On the basis of ISIC (Revision 2), MFN customs tariffs on manufactured imports average 6.7%, with rates ranging up to 604.3% on certain food products (Chart IV.2 and Table AIV.1). Specific tariffs are levied on products such as alcoholic beverages, and products of the milling industry; compound duties are applied on, *inter alia*, preparations of cereals and vegetables; alternate duties on, *inter alia*, sugar confectionary, ice cream, clocks and watches; and variable tariffs on, *inter alia*, edible vegetables, edible fruit, and preparations of cereals. Overall, in industries requiring inputs that are also produced by the EC (agricultural commodities in particular), the tariff shows mixed escalation; because of the lack of competitiveness partly resulting from high tariff protection of these inputs, exports of these manufactured goods require subsidies. In industries requiring inputs that are

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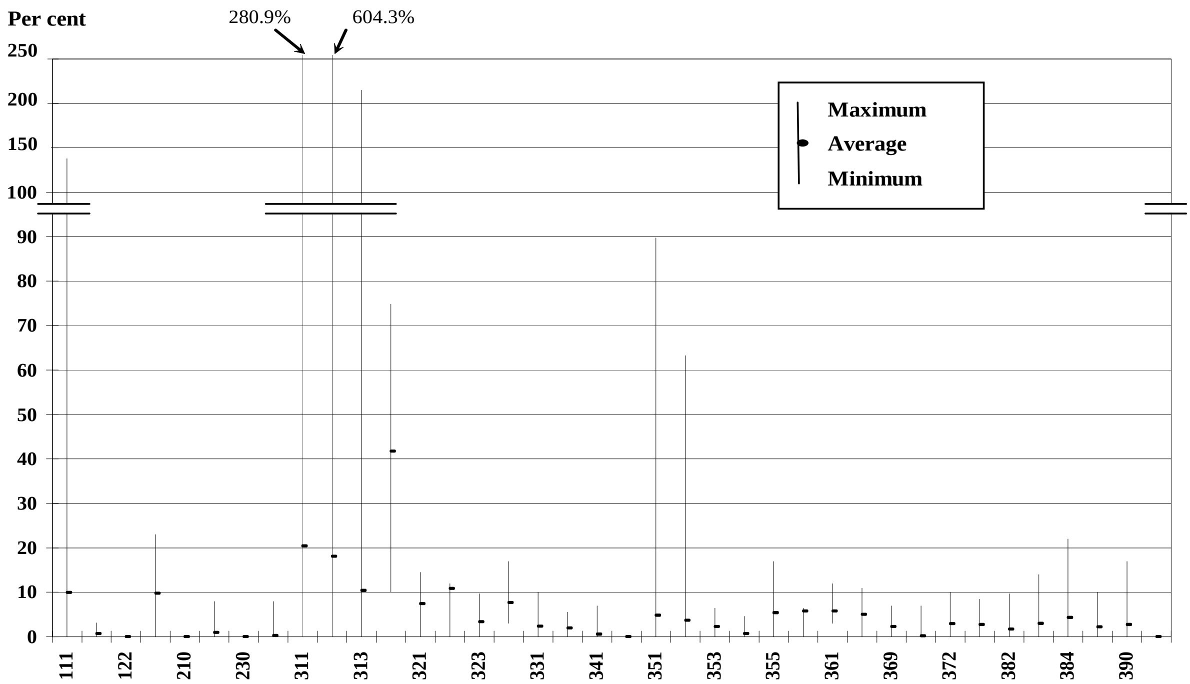
[112] The 7th Research Framework Programme is the main EC instrument for funding research. It has a budget of €53.2 billion over 2007-13. European Commission online information. Viewed at: http://www.ec.europa.eu/research/fp7 [11 June 2008].

[113] Europa Press Release IP/06/1349, 11 October 2006.

[114] JEREMIE's resources are derived from the EC's structural funds. SMEs can now be assisted irrespective of their location. JEREMIE is particularly important for new Member States. European Commission online information. Viewed at: http://www.eif.org/jeremie [11/June/2008].

not produced by the EC (certain agricultural and mineral products in particular), the tariff shows positive escalation, i.e. a high effective rate of protection (Chapter III(2)(ii)).

Chart IV.2
EC tariff by ISIC classsification, 2008



International Standard Industrial Classification, Revision 2

	Description		Description
111	Agricultural and livestock production	351	Industrial chemicals
121	Forestry	352	Other chemicals, including pharmaceutical
122	Logging	353	Petroleum refineries
130	Fishing	354	Manufacture of miscellaneous petroleum and coal products
210	Coal mining	355	Manufacture of rubber products n.e.s.
220	Crude petroleum and natural gas production	356	Manufacture of plastic products n.e.s.
230	Metal ore mining	361	Pottery, china and earthenware
390	Other mining	362	Manufacture of glass and glass products
311	Food production	369	Other non-metallic mineral products
312	Other food products and animal feeds	371	Iron and steel basic industries
313	Beverages	372	Non-ferrous metal basic industries
314	Tobacco manufacturing	381	Fabricated metal products, except machinery and equipment
321	Textiles	382	Non-electrical machinery including computers
322	Manufacture of wearing apparel, except footwear	383	Electrical machinery apparatus, appliances and supplies
323	Leather products, except footwear and wearing apparel	384	Transport equipment
324	Footwear, except vulcanized rubber or plastic footwear	385	Professional and scientific equipment
331	Wood and wood products, except furniture	390	Other manufacturing industries
332	Manufacture of furniture and fixtures, except primarily of metal	410	Electrical energy
341	Paper and paper products		
342	Printing, publishing and allied industries		

Source : **WTO Secretariat calculations, based on EC OJ L286, 31 October 2007.**

(ii) Selected industries

(a) Automotive

85. The automotive industry is a key subsector for the EC economy, contributing 3% to GDP, 7.5% to total manufacturing value added (more than €100 billion), and 7% to total manufacturing employment.[115] The industry has many vehicle manufacturing firms and a substantial number of independent suppliers to which about two thirds of the production is outsourced.[116] It accounts for over 20% of manufacturing R&D (e.g. hybrid cars and hydrogen technologies) in the EC (over €20 billion). Traditionally, the industry has enjoyed a trade surplus (€40 billion in 2007, with €78.5 billion in exports).

86. With a motor vehicle production of some 18.1 million units in 2006 (16.8 million units in 2003), the EC is the largest automotive production region in the world.[117] Nonetheless, its share in world production declined from 34% in 2003 to 27% in 2006, largely due to increased production in other countries.[118] The challenges currently faced by the EC automotive industry include strong price competition, and high raw material and energy prices. Therefore, the policy emphasis is on cost management and restructuring production processes.[119]

87. On 7 February 2007, the EC launched a new strategy for its automotive industry.[120] It is aimed at keeping the industry viable on a long-term basis through changes in five main areas: (i) reducing administrative barriers by replacing 38 EC directives with the corresponding UN Economic Commission for Europe (UNECE) regulations (e.g. on tyres, safety glass, and seatbelts); (ii) cutting CO_2 emissions by 20% by 2020, through technological improvements and use of bio-fuels; (iii) increasing road safety via a combination of improvement in vehicle technology, road infrastructure, driver behaviour, and enforcement; (iv) assessing the potential benefits of negotiating bilateral trade agreements, particularly in South-East Asia, to improve market access, and ensuring that intellectual property rights are promoted and enforced globally; and (v) investing in R&D, mainly

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115 The automotive industry provides direct employment for about 2 million workers, while total employment (direct and indirect) is estimated at 10-11 million. A number of EC car manufacturers have announced job cutting programmes over the last few years. European Commission online information. Viewed at: http://ec.europa.eu/enterprise/automotive/pagesbackground/sectoralanalysis/index.htm [12 June 2008]

116 The automotive industry has for a long time undergone mergers and acquisitions. Currently, the main EC manufacturers are: DaimlerChrysler, Volkswagen, BMW, Ford Europe, General Motors Europe, Renault, Peugeot-Citroen, Fiat, Toyota Europe, and Porsche. In addition, there are a number of small firms, while Korean manufacturers also have significant facilities in the EC. European Commission online information. Viewed at: http://ec.europa.eu/enterprise/automotive/pagesbackground/sectoralanalysis/index.htm [12 June 2008].

117 In 2006, the number-one EC manufactured product sold was motor vehicles with a petrol engine larger than 1,500 cm^3 (€119.4 billion in sales), followed by motor vehicles with a diesel or semi-diesel engine larger than 1,500 cm^3 but less than 2,500 cm^3 (€96.6 billion). See Eurostat (2008i).

118 While world automotive production grew by 4% in 2006, production in China (P. R.) increased by nearly 30% (more than 7 million vehicles), surpassing Germany (5.8 million), and ranking it third behind the United States and Japan. According to some analysts, Germany could lose its fourth spot to the Russian Federation by 2015 and be knocked out of fifth place by India before 2020 (*EurActiv News*, 27 July 2007).

119 Europa Press Release IP/07/157, 7 February 2007. The existence of a large home market is a major competitive advantage for EC auto manufacturers. However, during the last few years, EC car-makers have been struggling to cope with compliance costs linked to stricter EC safety and environmental rules, and with the rise in the euro. This has forced EC manufacturers to restructure or delocalize to cheaper production destinations.

120 This strategy followed the recommendations of the CARS 21 High Level Group established in 2004. It brought together the main stakeholders to advise the Commission on future policy options for the car industry.

in clean renewable fuels and intelligent vehicles and roads. The Commission, together with the relevant stakeholders, conducted a mid-term review in 2008 to monitor the progress made.

88. On 26 November 2008, as part of the EC's economic recovery plan (Chapter I(4)), a €5 billion "European green cars initiative" was adopted. It aims to achieve a breakthrough in the use of renewable and non-polluting energy sources, safety, and traffic fluidity. In addition, several specific measures to assist auto-makers are envisaged, including: (i) temporary authorization to Member States to subsidize part of the cost of guarantees for loans to car producers; (ii) support to the European Investment Bank (EIB) to provide loans to car companies and their suppliers to finance innovation in clean technologies and better environmental performance; and (iii) temporary authorization to Member States (to provide subsidized loans for investment in new cars) that either anticipate or go beyond new Community environmental standards before they enter into force.[121]

89. Tariff protection for motor vehicles is relatively low, with an average of 6.3%, but ranging up to 22% (Table AIV.1).

(b) Chemicals

90. The EC is the world's leading chemicals producer; it has a turnover of almost €500 billion (7.9% of total turnover in manufacturing), and accounts for over 25% of world production. In 2005, chemicals was the EC's fifth manufacturing subsector in terms of value added (10.9% of manufacturing value added), and contributed about 2% to total GDP. The chemical industry is capital intensive, but still employs 1.2 million people (5% of manufacturing workers). It comprises some 27,000 enterprises, 96% of which are SMEs, and is a key supplier to virtually all sectors of the economy. About 30% of chemicals are further processed within the sector.[122]

91. Chemicals represents about one quarter of the EC's entire manufacturing trade surplus: in 2007, exports amounted to €110 billion, while imports were €75 billion. Germany, the largest chemicals producer in Europe, France, Italy, and the United Kingdom, produce about 60% of the EC's chemicals output. Environmental expenditure in the chemicals, rubber, and plastics industries amounts to 3.5% of their value added, and accounts for 23% of EC environmental protection expenditure for all industries.[123]

92. The new regulatory framework for chemicals called REACH (registration, evaluation, authorization, and restriction of chemicals) entered into force on 1 June 2007. Its aim is to secure a high level of protection for human health and the environment, while ensuring the efficient functioning of the internal market, and stimulating innovation and competitiveness.[124] It gives greater responsibility to the industry to manage the risks from chemicals and to provide safety information on the substances, and calls for the progressive substitution of the most dangerous chemicals when suitable alternatives exist. The new European Chemical Agency (ECHA), established under REACH, has been fully operational since June 2008. The agency's tasks are to, *inter alia*, ensure the consistent

[121] Green Car Congress online information. Viewed at: http://www.greencarcongress.com/2008/11/european-commis.html#more [27 November 2008].

[122] WTO (2007).

[123] WTO (2007).

[124] Key elements of REACH include increasing the threshold for registering new substances from 10 kg to 1 tonne, and the maximum time-limit for exemption from registration for R&D from 6 to 15 years.

application of the system, and to manage the database of all registered chemicals.[125] The direct costs of REACH to the chemicals industry are estimated at €2.3 billion over an 11-year period.[126]

93. MFN tariffs on industrial chemicals and basic industrial chemicals average 4.8% and 4.7%[127], respectively, with rates ranging up to 89.8% (Table AIV.1). Some of the EC's applied anti-dumping duties and countervailing measures are on chemical products (Chapter III(2)(vii)(b) and (c)).

(c) High-technology products

94. In 2005, the EC was the world's main exporter of high-tech products[128], with 17.2% of the world share (down from 18% in 1995), and half of EC merchandise exports worth €197.8 billion; it was also the world's leading importer of such products, with €229.5 billion or almost one-fifth of world imports[129], i.e. an overall trade deficit of €31.7 billion. Germany is by far the leading EC trader and a net exporter of high-tech products, followed by France, the United Kingdom, the Netherlands, Denmark, Ireland, Luxembourg, Malta, Finland, and Sweden. High-tech products, as a percentage of total merchandise exports, ranged from 2.9% in the case of Belgium to 50.8% for Malta (Table IV.13).

95. Electronics and telecommunications accounts for the largest share of high-tech exports (over 20%) from most Member States; the exceptions are Belgium (whose highest share comes from pharmaceuticals), Czech Republic (computer and office machinery), Denmark (pharmaceutical products), France (aerospace), Ireland (computer and office machinery), Lithuania (aerospace), Luxemburg (computer and office machinery), the Netherlands (computer and office machinery), the Slovak Republic (computer and office machinery), and Slovenia (pharmaceuticals). In terms of high-tech imports, the largest share is also in electronics and telecommunications, followed by computers and office machinery, and aerospace.[130]

96. Given the EC's strong global profile, and that it is losing ground in the world market, open and fair trade is a key element of the EC's policy in high-tech products. Creating an open and competitive global market and removing distortions to trade (including TBTs) in high-tech products are at the centre of the EC's policy objectives. Continued innovation and investment, creating the right

[125] EC manufacturers and importers are required to gather information on the properties of their chemical substances, and to register the information in a central database run by ECHA in Helsinki. European Commission online information. Viewed at: http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm [18 June 2008].

[126] REACH provisions will be phased-in over 11 years. The Commission will carry out reviews of some REACH provisions within 18 months after its entry into force. European Commission online information. Viewed at: http://ec.europa.eu/environment/chemicals/reach/index_en [18 June 2008].

[127] The EC participates in the Chemical Tariff Harmonization Agreement.

[128] High-tech products are (UN Standard International Trade Classification, Rev.3): aerospace (7921-25, 79293, (714-71489-71499), 87411); computers-office machines (75113, 75131, 75132, 75134, (752-7529), 75997); electronics-telecommunications (76381, 76383, (764-76493-76499), 7722, 77261, 77318, 77625, 7763, 7764, 7768, 89879); pharmaceuticals (5413, 5415-16, 5421, 5422); scientific instruments (774, 8711, 8713-14, 8719, 87211, (874-87411-8742), 88111, 88121, 88411, 88419, 89961, 89963, 89967); electrical machinery (77862-65, 7787, 77884); chemicals (52222-23, 55229, 52269, 525, 57433, 591); non-electrical machinery (71489, 71499, 71871, 71877, 72847, 7311, 7313,5, 73144, 73151, 73153, 73161, 73165, 73312, 73314, 73316, 73733, 73735); and armaments (891). See Eurostat (2008h).

[129] The total reported here refers only to extra-EC trade (excludes intra-EC trade), but figures for individual Member States include intra-EC trade.

[130] Eurostat (2008h).

conditions for SMEs, and better observance and enforcement of intellectual property rights at the international level, are also elements of the EC's policy for the industry.[131]

Table IV.13
Trade in high-tech products, 2005

	Exports			Balance	Imports		
	€ million	Percentage of total exports	Annual average growth rate 2002-05	€ million	€ million	Percentage of total exports	Annual average growth rate 2002-05
EC-27	**197,837**	**18.8**	**1.7**	**-31,669**	**229,505**	**19.5**	**-1.3**
Austria	12,876	12.8	4.6	-307	13,184	12.9	1.6
Belgium	18,943	7.1	1.4	-1,433	20,376	8.0	0.6
Bulgaria	268	2.9	25.6	-828	1,096	8.8	17.0
Cyprus	372	31.6	94.8	-315	687	13.5	14.5
Czech Republic	7,324	11.7	24.5	-1,226	8,550	13.9	12.1
Denmark	10,166	14.9	4.9	1,322	8,844	14.6	3.3
Estonia	638	10.3	-5.9	-574	1,212	14.8	9.6
Finland	11,701	22.1	0.0	3,832	7,870	16.6	1.9
France	71,042	19.1	-4.7	4,259	66,783	16.5	-4.8
Germany	115,405	14.8	3.7	10,304	105,101	16.8	0.8
Greece	826	6.0	-2.7	-3,364	4,189	9.6	0.9
Hungary	9,941	19.7	7.1	-309	10,249	19.2	8.1
Ireland	26,036	29.5	-5.2	11,175	14,860	27.0	-6.2
Italy	20,822	6.9	-1.3	-11,608	32,430	10.5	-0.6
Latvia	133	3.2	24.0	-369	502	7.2	11.0
Lithuania	304	3.2	25.3	-709	1,013	8.1	21.6
Luxembourg	5,739	38.0	25.2	662	5,078	28.9	17.5
Malta	930	50.8	-11.5	75	855	29.6	-12.7
Netherlands	66,133	20.3	2.8	4,970	61,163	20.9	1.2
Poland	2,299	3.2	18.7	-6,155	8,454	10.4	4.6
Portugal	2,089	6.8	7.3	-3,240	5,329	10.8	2.8
Romania	691	3.1	5.8	-2,317	3,009	9.2	10.3
Slovakia	1,641	6.4	34.8	-1,583	3,224	11.6	23.3
Slovenia	660	4.3	9.2	-502	1,162	7.1	3.6
Spain	8,747	5.7	1.9	-15,148	23,895	10.3	3.3
Sweden	14,264	13.6	-4.2	2,023	12,242	13.7	-3.5
United Kingdom	68,406	22.1	-5.2	3,888	64,518	15.6	-6.9

Source: Eurostat (2007), *High-tech statistics*, Luxembourg.

97. The EC is currently involved, as defendant, in one dispute settlement case with Japan, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, and the United States on the tariff treatment of certain information technology products.[132]

98. The Commission presented a proposal at the WTO, on 15 September 2008, to start negotiations to update and expand the Information Technology Agreement (ITA).[133]

99. MFN tariffs on high-tech products are relatively low, averaging 0.8% in the case of office machinery; 1.1% on pharmaceuticals; 1.9% on electrical motors and apparatus; 2.7% on electrical appliances; and 3.6% on radio, TV, and communication equipment (Table AIV.1). Some of the EC's countervailing measures are on pharmaceutical products and electric systems (Chapter III(2)(vii)(c)).

(d) Basic metals

100. The basic metals (iron and steel, aluminium, and other non-ferrous metals) subsector in the EC-27 registered value added of €69.1 billion in 2005 (4% of total manufacturing value added),

[131] Eurostat (2008i).
[132] WTO documents series WT/DS375, WT/DS376, and WT/DS377.
[133] Europa Press Release IP/08/1321, 15 September 2008.

generated a turnover of about €316 billion (5% of total manufacturing turnover), and employed almost 1.1 million persons (3.3% of manufacturing employment) (Table IV.14). The basic metals industry is highly capital- and energy- intensive, and dependent on imports of ores and concentrates.[134] Due to large capital requirements, large companies tend to dominate the subsector, especially in the case of primary aluminium and flat steel products.

Table IV.14
Selected basic metals statistics, 2005

Subsector	Value added			Employment		Turnover
	(€ billion)	Share of total EC27 manufacturing (%)	Per employee (€ '000)	Numbers	Share of total EC27 manufacturing (%)	(€ billion)
Iron and steel	48.84	2.99	62.05	748,200	2.29	220.32
Aluminium	11.90	0.73	55.36	211,700	0.64	51.62
Other non-ferrous metals	8.33	0.51	62.32	132,200	0.41	44.01
Total	69.07	4.23	179.73	1,092,100	3.34	315.95

Source: European Commission (2008), *Communication from the Commission to the Council and the European Parliament on the Competitiveness of the Metal Industries*, Brussels.

101. The EC's basic metals subsector has recently benefited from a significant rise in world demand.[135] Nonetheless, the EC is losing its share of world metals production, notably in aluminium (from 21% in 1982 to 9% in 2005), and steel (from 25% in 1982 to 16% in 2007), mainly due to rapidly increasing production in emerging economies. The new Member States have been particularly affected by the steel restructuring.[136] Germany is the leading EC producer of steel (22.8% of the total in 2006), followed by Italy (15.3%), and France (9.6%) (Table IV.15). Traditionally, the EC has enjoyed a trade surplus in steel (€4.2 billion in 2007, with €36.9 billion in exports), whereas it has registered trade deficits in other metals, notably unwrought aluminium (€11.3 billion in 2007, with €11.7 billion in imports), and unwrought copper, and copper alloys (€9.3 billion in 2007, with €10 billion in imports).

102. The EC is in the process of elaborating a new basic metals policy on the basis of: (i) ensuring energy supply at competitive prices through well functioning EC energy markets (section (4) above); (ii) creating conditions to allow the subsector to meet the EC's environmental objectives and to adapt to the requirements of its climate change goals[137]; (iii) encouraging R&D and innovation and high

[134] Metals production is the first important upstream step in the value-added chain of many industries producing investment goods (e.g. mechanical engineering, automotive, shipbuilding, aerospace, construction), and consumer goods. Large investments are required in technology and equipment, while energy costs represent up to 37% (e.g. aluminium and ferrous-alloys) in the cost structure of the metal produced. Many metallic minerals are being extracted in the EC in small volumes compared with global production, such as nickel (1.7%), iron ore (2%), and copper (5%). See European Commission (2008b).

[135] This has pushed prices up and improved the general financial situation of many companies, but has also posed challenges to other manufacturing industries using metal.

[136] The restructuring of the EC steel industry during the 1980s and the beginning of the 1990s was aimed at improving labour productivity, restoring the viability of the EC steel sector, and fostering competitiveness. It involved employment reductions from 750,000 to less than 250,000 and permanent closures of production capacities of more than 60 million tonnes in the EC-15. In the case of new Member States, obsolete installations were closed or modernized. See European Commission (2008b).

[137] As large emitters of CO_2, the metals industries will be required to make a major contribution to climate change mitigation. While metals fall within the scope of REACH, there are specific characteristics of such substances that require attention, including the assessment of metals incorporated into alloys.

skills[138]; and (iv) creating open and competitive global markets and removing distortions in trade in metals and raw materials.[139]

Table IV.15
Production of basic metals, 2006
('000 tonnes)

Country	Steel	Refined aluminium	Refined cooper	Refined nickel	Slab zinc
Austria	7,129	0	73	0	0
Belgium	11,631	0	383	0	220
Bulgaria	2,124	0	65	0	70
Cyprus	0	0	0	0	0
Czech Republic	6,862	0	0	0	0
Denmark	0	0	0	0	0
Estonia	0	0	0	0	0
Finland	5,054	0	137	47	282
France	19,852	440	0	14	210
Germany	47,224	516	658	0	335
Greece	2,416	165	0	18	0
Hungary	2,089	0	0	0	0
Ireland	0	0	0	0	0
Italy	31,624	194	36	0	109
Latvia	550	0	0	0	0
Lithuania	0	0	0	0	0
Luxembourg	2,802	0	0	0	0
Malta	0	0	0	0	0
Netherlands	6,372	326	0	0	221
Poland	10,008	50	557	0	155
Portugal	1,400	0	0	0	4
Romania	6,263	258	20	0	40
Slovenia	628	140	0	0	0
Slovakia	5,093	157	0	0	0
Spain	18,391	349	255	0	503
Sweden	5,466	101	229	0	0
United Kingdom	13,871	360	0	37	0
EC-27	**206,849**	**3,056**	**2,413**	**116**	**2,149**

Source: European Commission (2008), *Commission Staff Working Document, Accompanying the Communication from the Commission to the Council and the European Parliament on the Competitiveness of the Metals Industries,* Brussels.

103. MFN tariffs on metals products are zero (tin and articles thereof) or relatively low, averaging 0.2% and ranging up to 7% in the case of iron and steel, and averaging 2.9% and ranging up to 10% on non-ferrous metals (Table AIV.1). Some of the EC's applied anti-dumping duties are on steel products (Chapter III(2)(vii)(b)).

(e) Textiles and clothing

104. The EC is the world's largest importer of textiles and clothing products, and exporter of textile goods; and ranks second in terms of exports of clothing products.[140] In 2007, the subsector had over 175,000 firms, employed about 2.5 million workers (8% of manufacturing's work force), and had a combined turnover of €211.3 billion (€208 billion in 2004). The EC's trade deficit in textiles and

[138] The industry is seeking breakthrough technological solutions. For example, the project "Energy saving and ultra low CO_2 emissions on steel" gathers together 48 partners to tackle the challenge of cutting emissions by a target level of 50%. The first step is to run until 2009 and the second until 2014/15.

[139] The Commission will continue to use all existing instruments to address trade practices in violation of international trade agreements, including opposing the use of export taxes on metals and raw materials (European Commission, 2008b).

[140] The competitive advantages of the EC in the subsector lie in high quality production in technical, aesthetic, and fashion-related terms; the development of highly demanded brands with a strong image; and the speedy, flexible, and reliable delivery of products.

clothing increased from €30.8 million in 2004 to €42.9 million in 2007: imports amounted to €78.9 million (€62.6 million in 2004), and exports to €36 million (€31.9 million in 2004). In 2007, China was the origin of 34.6% of textile and clothing imports (23.6% in 2004), while the United States was the market of 12.8% for EC's textiles and clothing exports (15.4% in 2004).[141]

105. Production in the EC's textiles and clothing subsector declined by 32% between 1996 and 2006 (Chart IV.1). In 2005, value-added in the subsector amounted to €53.3 billion, i.e. 3.3% of manufacturing's value-added (Table IV.11). Since 1995, there have been steady declines in both value added and employment, but accompanied by productivity gains. Because of its labour-intensive character, the subsector has around half the productivity of manufacturing, with textiles displaying much higher labour productivity than clothing, due to respective capital intensity. Within the EC, productivity varies widely (it is lower than average in all new Member States), and there is strong regional concentration within Member States.[142]

106. The textile and clothing subsector does not enjoy any specific incentives. However, like any manufacturing industry, it may benefit from incentives listed in the guide of "Grants and Loans from the EC". In addition, it may take advantage of actions that specifically target sub-contracting activities (10-60% of total activities in the subsector).[143] MFN tariffs on textiles, wearing apparel, and leather industries average 7.6%, with rates ranging up to 17% (Table AIV.1).

107. The EC does not apply quotas on imports of textile and clothing products from WTO Members. Certain textile products originating in China were subject to a double-checking surveillance system (export licence and import licence) until the end of 2008.[144] The EC maintains bilateral trade agreements regarding textile products with the following non-Members of the WTO: Belarus, Russian Federation, Serbia, and Uzbekistan. On an autonomous basis, the EC continues to apply quantitative restrictions on imports of textiles to the Democratic People's Republic of Korea (Chapter III(2)(vi)(b)).

(5) SERVICES

(i) Overview

108. Services are the dominant economic sector in the EC, accounting for 69.5% of gross value-added, 68.9% of employment, and 96% of the new jobs created in 2007.[145] The size of the sector varies considerably across Member States, and there is substantial dispersion of service price levels within the EC.[146] Moreover, the sector is the priority as regards the completion of the single market, accounting for only 20% of intra-EC trade, of which more than half is tourism and transport.[147] The low level of intra-trade in services can be partly explained by the remaining barriers, such as

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[141] European Commission online information. Viewed at: http://ec.europa.eu/enterprise/textile/statistics .htm [12 November 2008].

[142] For example, northern Portugal and the Flanders textile district in Belgium account for close to 80% of their respective national textile and clothing employment (WTO, 2007).

[143] Subcontracting is present in all areas of the textiles and clothing subsector, but it is of particular importance in the finishing, knitting, and clothing industries (WTO, 2007).

[144] In 2005, the EC and China agreed to limit Chinese export growth of textile and clothing products until 2007 (WTO, 2007).

[145] Eurostat (2008d).

[146] The price dispersion shows that Member States, which had different starting points regarding service prices, are still in the process of converging towards the best performers in the single market.

[147] OECD (2007b).

monopolies that prevent the establishment of service providers from other Member States (e.g. postal services or energy utilities), and differences in regulation across Member States.[148]

109. The EC is the world's leading exporter and importer of commercial services, accounting for about one quarter of global exports and imports (excluding intra-EC transactions) in 2007. Transportation services, travel, and other business (e.g. operational leasing services and miscellaneous business, professional, and technical services) made up 68% and 74% of total EC exports and imports, respectively. In 2007, the EC had a services surplus of €88.4 billion (up from €46.4 billion in 2004), with the United Kingdom recording the largest surplus.[149]

110. The Directive on Services in the Internal Market (the "Services Directive" No. 2006/123/EC), adopted in December 2006, aims to set out a framework for the creation of a genuine internal market for services by removing of many of the remaining regulatory and administrative hurdles between Member States by the end of 2009, on the basis of two key elements: freedom to establish a business in another Member State, and freedom to provide cross-border services in other Member States.[150] It builds on two of the four "fundamental freedoms" of the EC Treaty, i.e. the freedom of establishment and the free-movement of services.[151] The Commission's original proposal contained the country of origin rule for the provision of cross-border services, which was designed to allow service providers to observe the laws of their own country when operating in a different EC Member State. However, this clause was rejected by the European Parliament due to, *inter alia*, concerns about possible abuses, and monitoring problems. The clause was replaced in the final text of the Services Directive by a provision on the freedom to provide services.[152]

111. The Services Directive covers a large part of all economic activity in the EC, but does not include some subsectors subject to other EC initiatives (i.e. non-economic services of general interest; financial services, such as banking, credit, insurance and re-insurance, occupational or personal pensions, securities, investment funds and payments; telecommunications; transport, including port services; services of temporary work agencies; healthcare; audiovisual; gambling; activities connected with the exercise of official authority; certain social services relating to social housing, childcare, and support of families and persons in need; private security services; and services provided by notaries and bailiffs appointed by an official act of government). The directive proposes, *inter alia*, mutual recognition between Member States for documents that allow companies to provide services; and the introduction of a "point of single contact" in each Member State, where service providers must be able to obtain information and to complete all the procedures and formalities necessary to conduct business in that Member State by the end of 2009.[153] The Commission regards the directive as the most

[148] The situation is made more difficult because nearly 90% of all SMEs in the EC are in services industries and SMEs normally cannot afford the extra costs of engaging in cross-border activities.

[149] Eurostat (2008d).

[150] The deadline was set by the Lisbon Strategy.

[151] The free movement of services has been one of the founding principles of the EC since 1957. The relevant provisions of the EC Treaty remove restrictions to the provision of services between Member States, whenever a cross-border element is present.

[152] Under the Directive adopted, any barriers that remain after the screening process and the application of the freedom to provide services principle, will still need to be challenged country by country, rule by rule. As the legal process can be costly and slow, it will seldom be worthwhile for service providers to do this. Therefore, according to the OECD, the Directive needs to be bolstered by quicker and cheaper remedies (OECD, 2007b).

[153] According to the authorities, services activities can only be subject to a non-discriminatory authorization scheme when this is justified by an overriding reason relating to public interest, and as long as that objective cannot be attained by less restrictive means.

important framework for reforms, since it is expected to boost GDP growth and employment.[154] Despite this, the Services Directive met heavy opposition from various parties during its negotiation, in particular labour unions fearing "social dumping".[155]

112. The major developments in services since the last TPR of the EC include progress on the implementation of: (i) the financial services strategy 2006-10; (ii) the 2002 telecoms regulatory framework, and the adoption of the telecoms reform package in November 2007; (iii) the Postal Directive aimed at completing the internal market for postal services by 2010/2012; and (iv) the Action Plan for transport 2002-10. However, many other services activities are not subject to a comprehensive internal market policy; these include tourism, distribution, construction, engineering and consultancy, certification and testing services, and employment agencies.[156]

113. Under the GATS, the EC scheduled commitments across virtually all major service categories, and ratified the GATS Fourth and Fifth Protocols on basic telecommunications and financial services, respectively.[157] The EC maintains MFN exemptions under Article II of the GATS. The existing GATS schedules and lists of MFN exemptions of EC-12, EC-15, EC-25, and, where relevant, the individual schedules of the Member States, are being replaced with consolidated documents covering the EC-27. The negotiations on the EC-25 consolidated schedule of commitments, pursuant to Article XXI (Modification of Schedules) of the GATS, were concluded in September 2006. Certification of the EC-25 schedule was completed in December 2006, and the schedule will enter into force following the completion of the internal decision-making procedure of the EC and its Member States, where applicable.[158] In the meantime, following the accession of Bulgaria and Romania, the EC has launched negotiations aimed at consolidating the EC-27 services commitments, pursuant to Article XXI of the GATS. The EC tabled its revised conditional offer in the ongoing services negotiations in June 2005.[159]

114. The EC regime on trade in services with third (non-EC) countries is based on existing GATS commitments, as well as on regional and bilateral agreements. Autonomous liberalization in trade in services may vary among Member States. In areas regulated at the EC level (e.g. telecoms), EC laws apply to the entire EC territory, whereas the legislation of individual Member States may co-exist in non-EC regulated services subsectors (e.g. education, health). Individual Member States do not have competence in the negotiation of trade agreements in services; this is the sole responsibility of the Community. The Commission can negotiate trade agreements to the extent that it has a mandate from the European Council.

[154] When the original services directive was being debated, conservative estimates were that full liberalization of services could boost GDP by 0.7% (OECD, 2007b).

[155] Even though the free movement of workers is covered by other EC legislation and not by the Services Directive, fears have been expressed that the directive would prompt movement of workers from the new to the old Member States, not least since the implementation of the Services Directive would coincide with the ending of transitional arrangements restricting migration flows from the new Member States (WTO, 2007).

[156] These services activities are subject to the relevant provisions of the EC Treaty on the freedom to provide services and, where applicable, also to the provisions of the Services Directive (WTO, 2007).

[157] See WTO (2004).

[158] Prior to its enlargement, the EC-15 had individual schedules. As a result of enlargement, the schedules of the EC-15 as well as the ten new Member States were withdrawn and replaced by a consolidated EC-25 schedule, which was renegotiated and certified. The Schedules of commitments are contained in WTO document series S/C/W/273, and the notification of certification is in WTO document S/L/286, 18 December 2006. The consolidated and certified schedule includes modifications made by the ten new Member States, as well as compensation provided by the EC.

[159] WTO document TN/S/O/EEC/Rev.1, 29 June 2005.

(ii) Financial services

115. The EC is a key actor in world financial services. In 2006, it accounted for 60% of global foreign exchange markets (in terms of average daily turnover); 52% of global banking assets; 38% of global insurance premiums; 34% of world debt securities; and 26% of global stock market capitalization.[160] About 4 million persons are employed in financial services in the EC; financial intermediation generated €663 billion in 2006, i.e. 5.8% of GDP. The contribution of financial services to gross value-added is particularly high in Luxembourg (over 35%), while in the other Member States it ranges from 2% to 15%. The average annual growth of intra-EC trade in financial services was 14% during 2000-05. The EC's financial services are dominated by banks (accessing a bank account is the entry point for most consumers), followed by insurance and securities. Nonetheless, one of the new features of the EC's financial services landscape is the emergence of major pan-European financial institutions and groups, combining banking, insurance, and securities.[161]

116. While wholesale markets are well integrated across the EC, retail financial markets (notably retail banking and mortgage markets) remain nationally fragmented[162], with a number of competition concerns being identified.[163] Furthermore, only some 5% of bank credit is granted across borders, and the variety of mortgage products is still limited in many Member States. A better functioning risk capital market is also required to promote new and innovative firms and to raise economic growth, while the EC's major structural economic challenge, its pensions deficit, needs to be financed.

117. The adoption and implementation of the Financial Services Action Plan (FSAP) 1999-05 was the main catalyst for accelerating the integration of wholesale financial markets, ensuring state-of-the-art prudential rules and supervision, and opening and securing retail markets.[164] A new five-year financial services strategy was launched on 5 December 2005. Its motto is "dynamic consolidation", and its key objectives are to consolidate the progress made under the FSAP 1999-05; enhance supervisory convergence and cooperation; remove remaining barriers to fully integrate financial services markets; expand the EC's external influence in the world's financial markets; and implement a better regulation process based on open consultations, transparency, impact assessment, and evidence-based policy-making. Overall, the strategy aims to provide the most advanced legislative apparatus for EC financial services providers, and to lower the cost of financing for all users of financial services.[165]

118. Further integration, in particular in the equity market, is hindered by the fragmentation of national securities clearing and settlement systems. In response, a Code of Conduct on Clearing and Settlement was established in 2006 to improve their safety and efficiency and to lower their cost.[166] It contains commitments in three areas: price transparency; access and interoperability; and service

[160] European Commission (2007d).

[161] Such as Deutsche Bank, HSBC, BNP, and ING.

[162] The lack of integration of retail financial markets is reflected in significant price variations and the relatively low volume of cross-border transactions. This is due to cultural and consumer preferences, but also to differences in regulatory frameworks. Direct lending to consumers in other Member States is less than 1% of mortgage activity, mostly on holiday homes or properties at the border (OECD, 2007b).

[163] These include: barriers and discriminatory rules in payment cards; consumers in some Member States pay banks fees on payment card transactions that are three or four times higher than in other Member States; close cooperation between banks, which may restrict competition, and possible tying practices (European Commission, 2007d).

[164] The main elements of the FSAP and other complementing measures are described in WTO (2004).

[165] WTO (2007).

[166] The reasons for the high cost of cross-border transactions are technical, legal, and fiscal obstacles, e.g. double taxation of income flows of associated companies established in different Member States.

unbundling and accounting separation. The Commission has also adopted a directive to improve the transparency and legal certainty of the supervisory approval of acquisitions in banking, insurance, and securities.[167] Other initiatives under the new financial services strategy include: the introduction of the Single Euro Payments Area (SEPA) in 2008, aimed at making cashless payments in euros as easy and safe as within a single country, and enhancing competition in the EC payments markets[168]; a White Paper on mortgage credit, published in December 2007; and amendments to Decisions establishing the Committee of European Banking Supervisors (CEBS), the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), and the Committee of European Securities Regulators (CESR), to be adopted in 2009.

119. The global financial market turmoil that emerged in August 2007, largely due to the sub-prime mortgage crisis in the United States, revealed a number of weaknesses in the regulatory and supervisory framework worldwide. In response, in October 2007, the Ecofin Council endorsed a list of actions to be completed in 2008: enhancing transparency; improving valuation standards; reinforcing prudential rules and risk management in the financial subsector; and improving market functioning. At the international level, some Member States and their partners are to address specific issues, such as improving liquidity management of financial institutions.[169] On 13 October 2008, the Commission published guidance on how Member States can best support financial institutions in the current financial crisis, while respecting EC state aid rules (Chapter III(4)(ii)). On 15 October 2008, the Commission adopted a proposal to amend the Deposit Guarantee Schemes Directive to increase the protection of individuals' deposits up to €100,000 and shorten the payout period to three days. On the same day, the Commission modified the EC accounting rules to help financial institutions cope with problems resulting from mark-to-market valuation of assets. A proposal for a Regulation on Credit Rating Agencies was adopted on 12 November 2008, establishing the conditions for the authorization, operation, and supervision of credit-rating agencies in the EC. Further measures in response to the global financial crisis are expected.

(a) Banking

120. The number of credit institutions in the EC-27 declined from 9,054 in 2003 to 8,348 in 2007, mainly as a result of mergers and acquisitions, while the number of branches went from 206,956 to 233,581 during the same period. The number of persons employed in banking went down from 3.1 million in 2003 to 2.8 million in 2007. In 2007, about one quarter of the total number of EC banks were in Germany (2,026), followed by Italy (821), France (808), and Austria (803), with Estonia having the lowest number (15). The EC banks' total assets reached €41,072 billion in 2007, up from €26,605 billion in 2003 (Table IV.16), or 334% of GDP, led by the United Kingdom (24.6% of the total), Germany (18.4%) and France (16.3%).[170]

[167] Directive 2007/44/EC, 5 September 2007, amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC, and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector.

[168] The ultimate goal of SEPA is to create a harmonized and efficient payments area without any separation between cross-border and domestic payments.

[169] On 11 April 2008, the G7 meeting endorsed 67 recommendations in five areas: strengthening prudential oversight of capital, liquidity and risk management; enhancing transparency and valuations; changes in the role and uses of credit ratings; strengthening the authorities' responsiveness to risks; and dealing with stress in the financial system (European Central Bank, 2008b).

[170] The increase in banks' total assets and the fall in the number of banks signal the emergence of larger institutions. The European Central Bank (ECB) has identified 46 important banking groups accounting for 68% of the EC banking assets. The average return on equity for large banking groups increased from 17.2% in 2004 to 19.6% in 2006. European Commission (2007d).

Table IV.16
Number of banks and total assets, 2003-07

	Number of banks					Total assets of banks (€ billion)				
	2003	**2004**	**2005**	**2006**	**2007**	**2003**	**2004**	**2005**	**2006**	**2007**
EC-27	**9,054**	**8,908**	**8,689**	**8,514**	**8,348**	**26,605**	**29,160**	**33,159**	**37,101**	**41,072**
Euro area	**6,623**	**6,427**	**6,271**	**6,157**	**6,128**	**18,910**	**20,454**	**22,671**	**24,962**	**28,313**
Austria	814	796	818	809	803	586	635	721	790	891
Belgium	108	104	100	105	110	829	914	1,055	1,122	1,298
Bulgaria	35	35	34	32	29	9	13	17	22	31
Cyprus	408	405	391	336	215	42	47	61	75	91
Czech Republic	77	70	56	57	56	78	87	101	115	140
Denmark	203	202	197	191	189	569	629	746	822	978
Estonia	7	9	11	14	15	6	9	12	15	21
Finland	366	363	363	361	360	186	212	235	255	288
France	939	897	854	829	808	3,999	4,419	5,073	5,728	6,682
Germany	2,225	2,148	2,089	2,050	2,026	6,394	6,584	6,827	7,121	7,562
Greece	59	62	62	62	63	213	230	281	315	383
Hungary	222	217	214	212	206	55	68	78	94	109
Ireland	80	80	78	78	81	575	723	942	1,178	1,337
Italy	801	787	792	807	821	2,125	2,276	2,509	2,793	3,332
Latvia	23	23	25	28	31	8	11	16	23	31
Lithuania	71	74	78	78	80	6	9	13	17	24
Luxembourg	169	162	155	156	156	656	695	792	840	915
Malta	16	16	19	18	22	18	21	27	30	38
Netherlands	481	461	401	345	341	1,474	1,678	1,695	1,873	2,195
Poland	660	744	730	723	718	112	142	163	190	236
Portugal	200	197	186	178	175	349	345	360	397	440
Romania	39	40	40	39	42	15	23	35	52	72
Slovakia	22	21	23	24	26	24	31	38	42	50
Slovenia	33	24	25	25	27	22	24	30	35	43
Spain	348	346	348	352	357	1,503	1,717	2,149	2,516	2,945
Sweden	222	212	200	204	201	519	600	653	774	846
United Kingdom	426	413	400	401	390	6,288	7,085	8,527	9,869	10,093

Source: ECB (2008), *EU Banking Structures October 2008*, Frankfurt.

121. According to the ECB[171], the most important developments in the EC banking subsector over the last few years include: consolidation has continued but there are signs of deceleration[172]; the overall number of mergers and acquisitions has been declining since 2000, with the exception of cross-border deals between EC banks in third countries[173]; concentration, as measured by the weighted average of the Herfindahl-Hirschman Index (HHI), rose from 545 in 2003 to 628 in 2007[174]; domestic credit institutions continue to account for the majority of the EC's banking assets, with a market share of 71.3% in 2007 (down from 73.4% in 2005)[175]; branches are being redesigned in terms of location and services to become more cost-efficient and better integrated into the new distribution

[171] European Central Bank (2008a).

[172] In some Member States, domestic consolidation among large banks may be gradually coming to an end since the respective banking markets are already very concentrated. Therefore, cross-border consolidation has become the main expansion strategy, despite the remaining barriers.

[173] Mainly China (P. R.), Croatia, Russian Federation, Serbia, Turkey, Ukraine, and the United States.

[174] The HHI is far below the threshold of 2000, which is generally regarded as an indication of a highly concentrated market. Nonetheless, in some Member States, the HHI is close to, or over 2000, i.e. Belgium, Estonia, Lithuania, the Netherlands, and Finland. The banking subsector in the majority of the new Member States is more concentrated than in other EC members (European Central Bank, 2008b).

[175] In 2007, foreign branches and subsidiaries from other Member States and third countries accounted for 14.2% and 14.5% of total assets, respectively. However, there are big differences among Member States, with foreign branches and subsidiaries controlling over 60% of total assets in the new Member States. The banking system is almost entirely foreign-owned in the Czech Republic, Estonia, Lithuania, and the Slovak Republic (European Central Bank, 2008a).

channels used by banks[176]; and, while the structure of banks still varies significantly within the EC, the gap between Member States is closing.[177]

122. The revised framework for the International Convergence of Capital Measurement and Capital Standards (Basel II[178]) was released in June 2004. Basel II has been introduced into EC legislation by recasting the Codified Banking Directive and the Capital Requirements Directive. Member States have amended national law to incorporate the new rules, which became applicable from 2007. Nonetheless, the legal framework needs to be complemented by strong regulatory cooperation and convergence across borders and sectors.[179] On 1 October 2008, the Commission adopted a proposal to amend the Capital Requirements Directives, covering large exposures, supervision of cross-border groups, quality of banks' capital, and risk management. The amendments are aimed at strengthening the regulatory framework for EC banks in response to the financial crisis.

123. The Committee of European Banking Supervisors (CEBS), which began operating on 1 January 2004, to help improve EC financial market regulation, is tasked with: providing advice to the European Commission on EC legislation in the banking subsector; contributing to consistent implementation of EC legislation; and promoting convergence of supervisory practices and of cooperation between supervisors. Following the adoption of the Capital Requirements Directive (CRD)[180], the CEBS is to engage increasingly in monitoring the application of its guidelines on implementation of the CRD, and in furthering convergence of supervisory practices across the EC.

124. Regulation of the banking system in the EC is based on the single European passport principle, and prudential supervision of banks is according to the home-country control principle.[181] Member States must not apply more favourable EC provisions to foreign bank branches than those applied to branches of credit institutions with their head office within the EC. However, the EC may agree to apply identical provisions to branches with their head office within or outside the EC.[182] In addition, banks are subject to EC rules on competition and state aid (Chapter III(4)(ii)).

125. Banking secrecy is not regulated by EC law, but is left to the discretion of its Member States. Banks are required to treat their customers' affairs as confidential or secret towards ordinary third parties and without time limit. In some Member States (i.e. Belgium, Germany, Hungary, Italy, the

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[176] This also includes an increasing use of electronic channels, notably internet banking (21% of individuals in the EC used internet banking in 2006, up from 16% in 2004), and cooperation with third parties, such as retailers, financial companies, and financial agents/services groups.

[177] According to the ECB, these differences (e.g. in terms of concentration, ownership structure, foreign presence, fees on banking products) are expected to diminish gradually both as a consequence of increased mergers and acquisitions, and due to the increasing importance that banks have been attaching to the creation of shareholder value. In the long-term, this might affect EC banks' performance and risk-return trade-offs, with a possible bearing on the capacity of banks to absorb shocks.

[178] Basel II is a global regulatory framework designed to encourage best practices in risk management and minimum capital requirements in banking.

[179] European Commission (2007d).

[180] The CRD, adopted in June 2006, implements Basel II for credit institutions and investment firms.

[181] According to the principle of home-country control, banks in the EC are regulated by, and conform to, the regulation and legislation of their home country. If a bank does business in another Member State, the regulatory authorities of the host country recognize the primacy of the home country. According to the "single passport", a bank licensed to do business in any Member State is allowed to do business in any other Member State on whatever basis it considers most advantageous. Banks, including foreign banks, may establish branches or subsidiaries, or may acquire other banks, in other Member States. Subsidiaries thus incorporated in a Member State can then have a sub-branch – or provide banking services directly – in another Member State, while remaining under the regulatory/supervisory control of the Member State where they are incorporated.

[182] Directive 2006/48/EC, Article 38.

Netherlands, and the United Kingdom), bank secrecy is based purely on the relationship between the bank and its customer (e.g. contract, common law), whereas it has been reinforced by statute in Austria, Cyprus, Czech Republic, Denmark, Finland, France, Greece, Luxembourg, Malta, Poland, Portugal, Slovak Republic, Spain, and Sweden.[183]

126. Under the EC Savings Directive, which became applicable on 1 July 2005, each Member State provides information automatically to others on interest paid from that Member State to individuals who are resident for tax purposes in the others.[184] For a transitional period, Austria, Belgium, and Luxembourg are allowed to apply a withholding tax instead of providing information, at a rate of 15% for the first three years, 20% for the subsequent three years and 35% thereafter. Belgium is to switch to exchange of information before the withholding rate reaches 35%.[185]

127. Agreements were also signed with five non-EC countries (Andorra, Liechtenstein, Monaco, San Marino, and Switzerland) for the application, in such countries, of equivalent measures to those applied in the EC. The same measures as those of the Savings Directive are also applied by ten dependent or associated non-EC territories through bilateral agreements concluded by each EC Member State with those territories, i.e. Anguilla, Aruba, the British Virgin Islands, the Cayman Islands, Guernsey, the Isle of Man, Jersey, Montserrat, the Netherlands Antilles, and the Turks and Caicos Islands. With the aim of ensuring a level playing field throughout the world, the Commission has launched discussions with Hong Kong (China), Singapore, and Macao (China), while negotiations with Norway are to start soon.[186]

128. The EC and its Member States support the UN Global Programme against Money Laundering. The European Commission and some Member States are parties to the Financial Action Task Force (FATF).[187] The EC and/or some of its Member States are parties to the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime (Strasbourg Convention of 8 November 1990); the UN Convention against Transnational Organized Crime (Palermo Convention of 15 November 2000); the 1999 International Convention for the Suppression of the Financing of Terrorism; and the Select Committee of Experts on the Evaluation of Anti-Money-Laundering Measures (also known as Moneyval).

(b) Insurance

129. In 2007, there were around 5,300 insurance companies in the EC (some 5,000 in 2004), with 1.3 million people employed in the insurance and pension fund subsector.[188] Insurance firms wrote €1,122 billion of gross premiums in 2007 (excluding reinsurance), up from €764 billion in 2001, making the EC insurance market the largest in the world, followed by the United States and Japan.[189] Life and non-life insurance represented 68% and 32%, respectively, of total direct gross premiums in

[183] In general, statutory provisions on bank secrecy in EC members are of general application, i.e. are not limited to particular customers or market segments (OECD, 2008b).

[184] Directive 2003/48/EC.

[185] OECD (2007c).

[186] According to the authorities, the key objective is to promote the adoption, by these jurisdictions, of measures equivalent to the EC Directive on taxation of savings income.

[187] The FTAF, created in 1989, is an intergovernmental body aimed at developing and promoting national and international policies to combat money laundering and terrorist financing (FTAF online information. Viewed at: http://www.fatf-gafi.org/pages/0,2987,en_32250379_32235720_1_1_1_1_1,00.html).

[188] Classification of Economic Activities in the EC (NACE) Division 66 of Eurostat.

[189] The insurance subsector of many new Member States is underdeveloped in terms of premium per capita, but the demand for insurance products is expected to raise during the integration process.

2007.[190] On a per capita basis, average spending on life insurance is highest in the United Kingdom; average spending is more uniform in the non-life area. Total assets under management by insurance corporations rose from €5,736 billion in 2003 to €6,960 billion in 2007, while total assets under management by investment funds increased from €3,921 billion to €6,780 billion over the same period (Table IV.17).

Table IV.17
Total assets under management by insurance corporations and by investment funds, 2003-07
(€ billion)

	Total assets under management by insurance corporations					Total assets under management by investment funds				
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
EC-27	**5,736**	**6,217**	**7,130**	**7,591**	**6,960**	**3,921**	**4,435**	**5,580**	**6,488**	**6,780**
Euro area	**3,263**	**3,542**	**3,915**	**3,922**	**3,718**	**3,421**	**3,832**	**4,791**	**5,550**	**5,779**
Austria	64	68	77	83	88	109	123	153	166	161
Belgium	140	164	185	202	..	84	95	110	124	118
Bulgaria	..	0.3	0.4	0.6	0.8	..	..	..	..	0.5
Cyprus	4	4	5	..	..	0.5	0.4	0.7	1	1
Czech Republic	7	8	10	10	11	3	4	5	3	4
Denmark	108	124	146	153	163	49	77	107	124	137
Estonia	0.2	0.3	0.5	0.6	0.8	0.2	0.3	0.6	1	1
Finland	42	44	50	52	57	15	22	33	46	49
France	946	1,029	1,152	1,281	1,357	703	799	943	1,156	1,201
Germany	1,060	1,092	1,139	1,023	1,018	827	862	975	1,029	1,054
Greece	10	11	15	18	19	14	16	22	17	13
Hungary	4	5	6	7	9	3	3	5	7	9
Ireland	74	92	121	..	..	225	282	394	482	516
Italy	384	445	508	575	531	319	321	350	341	291
Latvia	0.2	0.2	0.3	0.3	0.5	0.04	0.05	0.09	0.08	0.2
Lithuania	0.4	0.4	0.5	0.8	0.9	0	0.04	0.1	0.2	0.3
Luxembourg	33	40	50	61	..	818	975	1,426	1,726	1,933
Malta	0.6	0.8	1	1	1	0.8	1	1	1	1
Netherlands	294	316	345	332	342	97	98	105	114	100
Poland	12	17	21	26	33	7	9	16	26	37
Portugal	32	36	43	49	53	28	31	37	41	40
Romania	0.5	0.6	1	1	2	0.6	1	2	3	4
Slovakia	2	2	3	4	5	..	0.1	2	2	2
Slovenia	2	2	3	3	4	1	2	2	3	4
Spain	182	204	228	243	249	179	208	240	306	298
Sweden	195	214	240	267	276	93	117	145	161	165
United Kingdom	2,139	2,296	2,780	3,196	2,740	342	389	505	609	637

.. Not available.

Source: ECB (2008), *EU Banking Structures, October 2008*, Frankfurt.

130. The EC insurance market is partly integrated: consumers and smaller businesses are generally confined within their national market, and therefore would benefit from more competition; while on the supply side, large insurance companies, in some cases belonging to pan-European groups, compete at a multi-domestic level. In life insurance, the average market share of the five largest insurance groups was 54.7% in 2005 (43.9% in 1995); non-life insurance is slightly less concentrated with the five-firm market share at 52.4%.[191] EC insurance companies are substantially more internationally oriented than banks, with ten out of the top fifteen insurance groups earning most of

[190] The aggregate return on equity for life was 14.7% in 2005 (almost unchanged since 2004), while the return on equity for non-life increased from 11.9% in 2004 to 13.1% in 2005 (European Commission, 2007d).

[191] There are wide differences among Member States in terms of concentration, with the five largest insurance groups in smaller markets, such as the Baltic countries, having a share of more than 85% (European Commission, 2007d).

their premiums in foreign countries.[192] Moreover, EC reinsurance companies had 46% share of the global market (in terms of gross reinsurance premiums) in 2005. Life insurance products are mostly distributed via "bancassurance" networks, while non-life products are largely distributed via agents and brokers.

131. Insurance undertakings have also benefited from the single passport since 1994. The EC has two objectives in the subsector: to provide all EC citizens with access to the widest possible range of insurance products on offer in the EC, while guaranteeing them the legal and financial protection required; and to guarantee that an insurance company authorized to operate in any of the Member States can pursue its activities throughout the EC, in terms of the rights to establish and to supply services. In order to achieve these objectives, the EC has dealt with life insurance and non-life insurance separately to take account of their specific characteristics. In addition, it has separate legislation on specific areas: motor-vehicle liability insurance, annual accounts and consolidated accounts of insurance undertakings, legal protection insurance, and credit and suretyship insurance.[193]

132. The key legislative development in the subsector during the review period was the adoption, in July 2007, of the Insurance Solvency II project, which aims to overhaul EC regulation and supervision, in order to bring it more into line with international developments in supervision and financial reporting, including Basel II rules for banks. Risk-based calculations of the solvency requirements for insurance undertakings are to be introduced, and calculation of insurance liabilities (technical provisions) will be harmonized, while fostering the convergence of supervisory practices. The Commission aims to have Solvency II in operation in 2012.[194]

133. The EC Insurance Directives rules regarding third country insurance undertakings cover only the establishment of branches and agencies in the EC. The freedom to provide services in third countries is not regulated at EC level. Matters not dealt with in EC legislation remain within the competence of the Member States, subject to the general provisions of the EC Treaty. The EC Directives specifically prohibit Member States from introducing price controls, i.e. Member States are not allowed to require prior approval or systematic notification of policy conditions in their national provisions.

(c) Securities

134. The stock exchanges of five Member States – London Stock Exchange (LSE), NYSE Euronext[195], Deutsche Börse, Borsa Italiana, and Euronext Amsterdam – are among the world's ten largest in terms of market capitalization.[196] The value of equity market capitalization in the EC totalled US$16.3 trillion at the end of 2007, compared with US$19.9 trillion in the United States. The cross-country dispersion of the equity returns in the EC has dropped significantly since 2000, and during 2004-07 the average difference between the index returns went from around 4.5% to 21.5%.

[192] However, the relative importance of cross-border mergers and acquisitions has fallen recently, which may explain why the consolidation process has been accompanied by a falling market share of foreign companies.

[193] See European Commission online information. Viewed at: http://ec.europa.eu/internal_market/insurance/index_en.htm.

[194] Under Solvency II, insurers would be required to take account of all types of risk to which they are exposed and to manage those risks more effectively. Insurance groups would have a dedicated "group supervisor" that would enable better monitoring of the group as a whole.

[195] Euronext Paris and the NYSE were merged on 4 April 2007. The new group, called NYSE Euronext, is the world's biggest global stock exchange.

[196] The EC stock market is highly concentrated, with the five largest stock exchanges having a market share of 85% in terms of capitalization, and over 90% on the basis of trading activity in 2006, (European Commission, 2007d).

Consolidations involving some leading European exchanges have continued in recent years, even in a wider trans-Atlantic context.[197]

135. The EC's single securities market was to be completed in 2004.[198] To fulfil this objective, the Markets in Financial Instruments Directive (MiFID) was adopted on 27 April 2004, but only entered into force on 1 November 2007 replacing the 1993 Investment Services Directive. All Member States, except Poland[199], have fully transposed the MiFID and its implementing directive. The MiFID gives investment firms an effective single passport, allowing them to operate throughout the EC on the basis of authorization in any Member State. It also aims to ensure that investors enjoy a high level of protection when employing investment firms, wherever they are located in the EC, and to establish a comprehensive regulatory framework governing, *inter alia*, investor transactions by exchanges. MiFID is also expected to increase competition among exchanges, multilateral trading facilities, and investment firms.[200] In this respect, according to the authorities, some changes have already taken place, notably a significant number of multilateral trading facilities have entered the market with the aim of increasing competition in trading on the European equity market.

136. Mutual funds (UCITS) are also under the single passport regime, and new UCITS rules entered into force (UCITS III Directive) in 2004, to make UCITS more competitive.[201] However, a single market for investment funds is still to be completed, as only 14% were considered "true" crossborder funds in 2005 (38% of net inflows). As a result, in July 2007, the Commission proposed to increase the efficiency of the current legislative framework by: (i) removing administrative barriers to the cross-border distribution of UCITS in order to reduce costs[202]; (ii) creating a framework for mergers between UCITS funds and allow the use of master-feeder structures to promote savings and economies of scale [203]; (iii) replacing the Simplified Prospectus by a new concept of Key Investor Information (KII)[204]; and (iv) improving cooperation mechanisms between national supervisors. Total assets under management in UCITS went from €4,436 billion in 2004 to €6,490 billion in 2006 (Table IV.17), i.e. half of the EC's GDP and 11.5% of European household financial assets. Currently, 40% of the new sales of UCITS take place in third countries, mainly Asia, the Gulf region and Latin

[197] The Nordic and Baltic stock exchanges merged between 2004 and 2006 creating OMX Nordic Exchange. In 2007, Borsa Italiana accepted a takeover from the London Stock Exchange; and the New York-based International Securities Exchange announced its acquisition by Deutsche Börse. In February 2008, Nasdaq acquired OMX.

[198] This deadline was agreed during the Stockholm European Council meeting of March 2001, following the presentation, on 15 February 2001, of the final report of the Committee of Wise Men chaired by Alexandre Lamfalussy. The report criticized the legislation for being complex and ill-adapted to requirements, owing to the lack of harmonization.

[199] Poland's relevant law is pending formal approval.

[200] For investment firms based or active in some of the Member States where transposition of MiFID is under way, transitional arrangements have been made by the CESR to ensure that business based on the old Investment Services Directive passport can continue (Europa Press Release IP/07/1625, 29 October 2007).

[201] WTO (2007), p. 116.

[202] The EC funds are, on average, five times smaller than US funds and the cost of managing them is twice as high as in the United States; red tape and burdensome notification procedures in the EC cost around €45 million. The new notification procedure will be reduced to a simple, electronic, regulator-to-regulator communication (Europa Press Release IP/07/1625, 29 October 2007).

[203] It is estimated that these new management opportunities will allow UCITS to make up to €6 billion in savings and economies of scale.

[204] KII will be a simple document giving key facts to investors in a clear manner, to assist them in making an informed investment decision.

America. If the proposal is adopted by the EC Council of Ministers and the European Parliament in the second quarter of 2009, its provisions are expected to come into force in mid-2011.[205]

(iii) Telecommunications and postal services

137. The EC's telecommunications services market, valued at €347.2 billion, is roughly on a par with the United States market. The subsector accounts for 4% of EC jobs, and investments in telecoms by incumbents and new market entrants was €46.4 billion in 2007[206], also on a par with the United States. However, the situation across Member States remains uneven in terms of main fixed telephone lines, cellular mobile subscribers, and internet users (including through broadband penetration) (Table IV.18).[207] Since 2000, the EC's weighted average charge for a three-minute fixed local call has decreased by 39%, while that of a ten-minute call has fallen by 44%. There is very little difference in telecoms prices between old and new Member States. [208]

Table IV.18
Selected telecommunications indicators, 2007

	Main fixed telephone lines ('000)	Main fixed telephone lines per 100 inhabitants	Cellular mobile subscribers ('000)	Cellular subscribers per 100 inhabitants	Internet users ('000)	Internet users per 100 inhabitants	Broadband subscribers ('000)
Austria	3,374.0	40.36	9,768.0	116.83	4,227.0	51.16	1,577.0
Belgium	4,667.6	44.63	10,230.5	97.83	5,220.0	49.92	2,715.3
Bulgaria	2,300.0	30.11	9,897.4	129.57	1,898.6	24.85	563.4
Cyprus	376.0	43.99	962.2	112.59	380.0	44.46	81.0
Czech Republic	2,887.6	28.28	13,074.7	128.36	4,400.0	43.2	1,625.0
Denmark	2,823.6	51.89	6,242.6	114.71	3,500.0	64.31	1,977.4
Estonia	495.5	37.11	1,981.8	148.42	780.0	58.41	277.8
Finland	1,740.0	32.97	6,080.0	115.22	3,600.0	68.22	1,759.0
France	34,800.0	56.45	55,358.1	89.80	30,100.0	49.57	15,550.0
Germany	53,750.0	65.07	97,151.0	117.62	42,500.0	51.45	19,800.0
Greece	6,227.3	55.87	11,997.3	107.63	2,540.0	22.79	1,017.5
Hungary	3,250.6	32.41	11,029.9	109.97	4,200.0	41.88	1,510.0
Ireland	2,112.0	49.11	4,940.0	114.86	1,708.0	39.71	705.3
Italy	26,890.3	46.25	78,571.0	135.14	32,000.0	54.35	10,860.0
Latvia	644.0	28.28	2,217.0	97.36	1,176.8	51.68	146.1
Lithuania	799.4	23.58	4,912.1	144.90	1,333.2	39.33	507.6
Luxembourg	248.2	53.20	604.2	129.50	345.0	73.95	112.7
Malta	198.1	48.72	371.5	91.38	158.0	38.86	61.4
Netherlands	7,334.1	44.67	17,300.0	105.91	15,000.0	91.36	5,507.0
Poland	10,336.3	27.14	41,388.8	108.68	16,000.0	42.01	2,911.2
Portugal	4,138.9	38.96	13,413.0	126.26	3,549.0	33.41	1,607.5
Romania	4,300.0	20.06	22,875.1	106.70	12,000.0	55.98	2,132.3
Slovak Republic	1,150.7	21.35	6,068.1	112.58	2,350.0	43.6	443.8
Slovenia	857.1	42.83	1,928.4	96.35	1,300.0	64.95	344.8
Spain	18,583.3	41.97	48,813.0	110.24	19,690.0	44.47	7,944.7
Sweden	5,506.0	60.38	10,371.0	113.73	7,000.0	76.76	3,131.0
United Kingdom	33,682.1	55.43	71,992.5	118.47	40,200.0	66.15	15,528.7

Source: ITU (2008), *Telecommunications Indicators*, Geneva.

[205] Europa Press Release IP/08/1161, 16 July 2008.
[206] This figure does not include the Czech Republic, due to lack of data.
[207] On average, about 28% of the EC population in rural areas, do not have broadband access, while 10% of EC citizens still have no broadband access at all (Europa Press Release IP/07/1677, 13 November 2007).
[208] European Commission online information. Viewed at: http://ec.europa.eu/information_society/doc/factsheets/tr9-listofmarkets.pdf [11 August 2008].

138. Competition in the EC's fixed voice market is still based largely on indirect access to wholesale products, such as carrier-preselection (CPS) and carrier-selection (CS)[209]; only 13.5% of the subscribers used an alternative network infrastructure in July 2007. In the mobile market, competition has increased, with new players in the market.

139. The EC's telecoms regulatory framework has not changed since its last review and still is based on the regulation of markets rather than of technologies, and is aimed at, *inter alia*, establishing a harmonized regime across Member States; promoting more competitive markets as a means to promote innovation and investment; applying technology-neutral regulation; and guaranteeing basic consumer interests, in areas such as universal services, processing of personal data and rights to privacy. It consists of six directives[210], and other legislative instruments including: a Commission Recommendation that proposes a reduced number of relevant markets to be analysed by national regulatory authorities (NRAs)[211]; Commission guidelines on market analysis and the assessment of SMP, which set out a common methodology and principles for the NRAs charged with these tasks[212]; the EC Roaming Regulation, which entered into force on 30 June 2007, to ensure, *inter alia*, that roaming charges are reduced by 60% as of 1 July 2009[213]; and the Commission recommendation on relevant product and service markets susceptible to ex ante regulation adopted on 17 December 2007.

140. Four institutions continue to be in charge of the management, implementation, and further development of the telecoms regulatory framework: the Communications Committee; the Radio Spectrum Committee; the European Regulators Group (ERG); and the Radio Spectrum Policy Group.[214]

141. On 13 November 2007, the Commission tabled the Telecoms Reform Package recognizing that, *inter alia*, the telecoms regulatory framework has failed to reach its full potential and risks falling behind; competition bottlenecks persist, in particular on the broadband segment; and the radio

[209] CPS and CS services allow customers to use an alternative operator for calls, while still using the access line provided by the incumbent operator. Thus, direct access competition, where the alternative operator provides services through its own network (e.g. cable), is still relatively weak.

[210] In 1999, the Commission launched a major review of the telecoms subsector that resulted in the adoption of a new regulatory framework in March 2002. The deadline for implementing it was 25 July 2003 for EC-15, 1 May 2004 for the ten new Member States, and 1 January for Bulgaria and Romania. Most Member States have notified to the Commission their telecoms market reviews, as required by the new regulatory framework (WTO, 2007).

[211] Recommendation 2007/879/EC. The objective is to regulate less, but more effectively, by reducing regulation where competition has already delivered results, and address the main bottlenecks. The relevant markets to be regulated have fallen from 18 to 7 by removing: national/local residential telephone services from a landline; international residential telephone services from a landline; national/local business telephone services from a landline; international business telephone services from a landline; the minimum set of leased lines; transit services in the fixed telephone network; wholesale trunk segments of leased lines; access and call origination on mobile networks; international roaming on mobile networks; and broadcasting transmission. The markets that have remained under regulation because competition is not yet effective and where consumer benefits are still largely lacking are: access to the fixed telephone network; call origination on the fixed telephone network; call termination on individual fixed telephone networks; wholesale access to the local loop; wholesale broadband access; wholesale terminating segments of leased lines; and voice call termination on individual mobile networks.

[212] National regulators, in cooperation with the Commission, monitor the regulatory regime, along with the national competition authorities, and ensure that rules are applied consistently in all Member States.

[213] Consumers under the Eurotariff save, on average, 36.4% for outgoing calls, and 42.9% for incoming calls, compared with prices for EC roaming services in early 2007. The Commission has recently proposed to extend the scope of this regulation to cover SMS and data roaming services (Europa Press Release, IP/08/136, 23 September 2008).

[214] WTO (2007).

spectrum is under-utilized. The package is being debated in the European Parliament and by Member States in the Council[215]; it is expected to become law by end-2009, and to be in place as from 2010.[216]

142. EC postal turnover amounted to €57.4 billion in 2006 (latest available figures), i.e. 0.49% of GDP (€58.4 billion in 2004, or 0.55% of GDP), with the subsector providing 1.1 million jobs.[217] The number of letter boxes, post offices, letter volumes, and public tariffs (for which only minimum guidelines are specified at EC level) vary widely between Member States. In 2006, there were 143,649 post offices in the EC, led by Germany (23.4% of the total), while the average price of a standard 20g letter (first class, domestic service) was €0.52, ranging from €0.14 in Romania to €0.70 in Finland.[218] Routing times for domestic priority mail delivered next day, as a percentage of total domestic mail, range from 63.6% in Cyprus to 96.6% in the Netherlands. There are big differences with regard to mail volume developments between Member States. Addressed mail volumes in the twelve Member States that joined the EC in 2004 and 2007 grew, on average, by 6.5% over 2004-06. In the other Member States, addressed mail volumes have grown slightly, stagnated, or even declined in the case of Luxembourg, the Netherlands, Sweden, and the United Kingdom.

143. The EC framework for postal services, as out by the Postal Directive[219], was aimed at improving the quality of service, maintaining the universal postal services for EC citizens, and completing the internal market for postal services. The framework planned for progressive opening of the market by gradually reducing the scope of the reserved area (initially mail under 350g, amended in 2002 to 100g and reduced on 1 January 2006 to 50g). A key element of the Directive is the creation of a strong regulatory framework with independent national regulators.

144. On 20 February 2008, the European Parliament and Council adopted the Directive on the full accomplishment of the internal market of postal services.[220] It set 31 December 2010 as the final date for full internal market opening, with the possibility for some Member States to postpone it by a maximum of two years.[221] The Directive requires Member States to continue to ensure universal services for all customers, including collection and delivery of mail at least five days per week at affordable prices throughout the territory. It also reinforces consumer protection and increases the role of independent national regulatory authorities.

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[215] For information on the telecoms reform package proposals see European Commission online information. Viewed at: http://ec.europa.eu/information_society/newsroom/cf/itemlongdetail.cfm?item_id=3723. For progress in its adoption see: http://ec.europa.eu/information_society/policy/ecomm/tomorrow/next/index_en.htm.

[216] Europa Press Release IP/07/1677, 13 November 2007.

[217] Additional revenues of approximately €150 billion, and 3.5 million jobs come from postal-related or induced services (e.g. direct mail creation and printing services). European Commission online information. Viewed at: http://ec.europa.eu/internal_market/post/doc/legislation/assessment-summary_en.pdf [11 November 2008].

[218] The average price of a standard letter (intra-EC service) was €0.70 in 2006, ranging from €0.35 in Belgium to €1.80 in Portugal (Eurostat, 2008c).

[219] Directive 97/67/EC as amended by Directive 2002/39/EC.

[220] Directive 2008/6/EC (Europa Press Release IP/08/323, 27 February 2008).

[221] OJ C 265/26, 18 October 2008.

(iv) Transport

(a) Overview

145. In 2006, transport accounted for about 7% of EC's GDP and employed about 8.8 million persons[222], and was responsible for 31% of total final energy consumption in 2005.[223] Private households spent €914 billion in transport services in 2006, i.e. 13.8% of their total consumption. During 1995-06, transport grew by 2.8% per year for goods and 1.7% for passengers.[224] However, there is unequal growth in the different modes of transport. In 2006, road transport accounted for 45.6% of total goods transport (including intra-EC air and sea transport), followed by maritime transport (37.3%), rail (10.5%), inland waterways (3.3%), oil pipelines (3.2%), and air (0.1%) (Table IV.19). On the passenger transport market, road accounted for 83.4%, air for 8.6%, rail for 7.4%, and maritime transport for 0.6%.

Table IV.19
EC freight transport by mode, 2000-06
(Billion tonne-km and per cent)

Mode of transport	2000	2001	2002	2003	2004	2005	2006
Total (btkm)	**3,529**	**3,607**	**3,668**	**3,717**	**3,918**	**4,020**	**4,143**
Road (btkm)	1,519	1,556	1,606	1,625	1,747	1,800	1,888
Road (%)	43.0	43.1	43.8	43.7	44.6	44.8	45.6
Sea (btkm)	1,348	1,400	1,417	1,445	1,488	1,530	1,545
Sea (%)	38.2	38.8	38.6	38.9	38.0	38.1	37.3
Rail (btkm)	401	385	382	391	413	413	435
Rail (%)	11.4	10.7	10.4	10.5	10.5	10.3	10.5
Inland waterways (btkm)	133	132	132	123	136	138	138
Inland waterways (%)	3.8	3.6	3.6	3.3	3.5	3.4	3.3
Oil pipelines (btkm)	126	132	128	130	131	136	135
Oil pipelines (%)	3.6	3.6	3.5	3.5	3.3	3.4	3.2
Air (btkm)	2.7	2.7	2.6	2.6	2.8	2.9	3.0
Air (%)	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Source: European Commission (2008), *Energy and transport in figures 2007*, Brussels.

146. The 2001 White Paper, "European transport policy for 2010: time to decide", proposed an action plan to bring about substantial improvements in the subsector by developing a modern, sustainable, transport system for 2010. On 22 June 2006, the mid-term review of the White Paper concluded that additional measures were required.[225] Since then, some of the key developments in the subsector include: the adoption, in October 2007, of about 30 measures aimed at making freight transport more efficient and sustainable[226]; and the adoption, on 25 June 2008, of the second package

[222] Almost two thirds (63%) worked in land transport (road, rail, and inland waterways), 2% in sea transport, 5% in air transport, and 30% support and auxiliary transport activities (e.g. cargo handling, storage and warehousing, travel and transport agencies, tour operators). European Commission (2008c).

[223] Road transport consumed 82% of the EC's total transport energy in 2005 (down from 83.7% in 1990), with air transport being the fastest growing subsector consuming 13.8% (up from 10.4% in 1990). Transport is also the largest consumer of oil products in the EC, consuming 60% of total oil product deliveries to final consumers, including feedstock and petrochemicals (European Commission, 2008d).

[224] About €440 billion was spent for the operation of personal transport equipment (e.g. to buy fuel for cars), €297 billion to buy vehicles, and €155 billion on transport services (European Commission, 2008c).

[225] See WTO (2007).

[226] The proposals advocate innovation in logistics, simplify administrative procedures, and, in general, encourage the use of rail, maritime and inland waterway transport in the context of co-modality (Europa Press Release IP/07/1550, 18 October 2007).

of legislation for a "single European sky" (SES II).[227] In addition, a White Paper on a Common European Maritime Space is to be published in 2008.

147. The Marco Polo and Galileo programmes are two of the key measures that resulted from the 2001 White Paper. Galileo was originally a joint initiative by the EC (represented by the Commission), and the European Space Agency (ESA); since 2008, Galileo has been managed, financed, and owned by the EC. It is to be fully operational from 2013, and is the first global satellite navigation system designed for civil use to, *inter alia*, alleviate mobility transport, network and synchronization problems by providing positioning, navigation, and timing services.[228] Financial aid of €3,400 million have been allocated to the development (€1,255 million) and procurement (€2,145 million) of the Galileo system during 2007-13.[229]

148. Trade in all modes of transport services between the EC Member States has been substantially liberalized since 1993, though a few restrictions remain (there is not yet cabotage in rail freight transport, nor market opening in rail passenger transport). Liberalization of cabotage in the other modes of transport in the EC occurred in stages.[230]

149. The European Regional Development Fund (ERDF) and the Cohesion Fund contribute to the financing of transport infrastructure in the EC. Member States have planned to invest up to €81.9 million using these two funds.

150. In general, trade in transport services with third (non-EC) countries is governed by bilateral agreements either with the EC or with its individual Member States. Foreign companies that establish themselves as legal entities in the EC are subject to the same transport regulatory framework as EC companies. The liberalization of maritime transport between ports of the same Member State has made it possible for any EC ship-owner to provide services in another Member State. The majority of agreements with third countries include measures on market access to maritime transport services, and on the right of establishment of maritime companies. Cargo sharing is incompatible with EC law.

(b) Road transport

151. Road transport contributes 1.6% to EC's GDP. Turnover was €344 million in 2005, and 4.6 million people were employed in the subsector (59.8% in freight and the remainder in passenger transport). It dominates the carriage of goods and passengers in the EC. Road freight transport is expected to increase by 55% between 2000 and 2020.[231] The EC has about 61,600 km of motorways, with Germany, France, and Spain accounting for over half of the total. The most dense motorway networks are in the Netherlands, Luxembourg, and Cyprus. Total road freight amounted to 1,888 billion tonne-km (tkm) in 2006 (1,747 billion tkm in 2004), 67.3% was national traffic and the

[227] SES I, adopted in 2004, has not delivered the expected results, and the recent sharp increase in fuel prices calls for more efficient use of airspace, to reduce costs. SES II aims to further improve safety, reduce delays, lower fuel consumption, save up to €16 million tonnes of CO_2 emissions, and reduce annual costs by €2.4 billion (Europa Press Release IP/08/1002, 25 June 2008).

[228] The European Commission is responsible for the political dimension of Galileo and for setting objectives; the ESA is responsible for the technical definition, development, and validation of Galileo. The Galileo Joint Undertaking is responsible for the development of the Galileo programme and the selection of a commercial operator. Galileo will comprise 30 satellites orbiting at an altitude of nearly 24,000 km. Ground stations will be responsible for management and control.

[229] Europa Press Release MEMO 06/213, 24 May 2006.

[230] See WTO (2004) and (2007).

[231] By 2006, road freight transport was already 24% above the 2000 level. European Commission (2006b).

remainder international; the average distance travelled was 109 km. Over 70 billion tkm of dangerous goods were transported in the EC in 2006.

152. Cabotage on EC territory (except Malta and Romania) rose from 14.6 billion tkm in 2004 to 15.3 billion tkm in 2006, led by hauliers from Germany (14.8% of the total), the Netherlands (14.2%), and Luxembourg (13.9%).[232] Cabotage by the twelve Member States that joined the EC after 2004 (except Malta and Romania) was only 14.6% of the total, and over half of this was carried by Polish hauliers (1.3 billion tkm). This is because hauliers from most of the new Member States still face legal restrictions.[233]

(c) Rail transport

153. Rail transport in the EC employs almost one million persons. The total length of railway lines in the EC is about 215,000 km, of which 44% are electrified. Germany and France have the longest networks with 17.7% and 14.3% of the total, while railway network density is highest in the Czech Republic, Belgium, and Germany.[234] Over 900,000 persons were employed in railways in 2005. New high-speed rail services have resulted in a significant increase in long-distance passenger transport. Rail transport is key for achieving a balanced intermodal transport system in the EC.[235]

154. On 23 October 2007, the European Parliament and the Council of Transport Ministers adopted the legislative proposals of the third railway package.[236] It includes a further opening of the market for international passenger transport by rail, a regulation on the rights and obligations for passengers in international rail traffic, a regulation on rail freight quality, and a directive for train driver licences.[237] The EC aims to establish an integrated European railway area by, *inter alia*, liberalizing cross-border passenger rail services by 2010; and joining the Intergovernmental Organization for International Carriage by Rail (OTIF).[238] Rail subsector associations, the European Rail Traffic Management System (ERTMS), and the Commission reached a joint commitment to test and legalize a fully interoperable ERTMS no later than 2012.[239]

(d) Maritime transport

155. Maritime transport (including inland waterway transport) accounts for over 90% and 40% of EC external and internal trade, respectively. The subsector had a turnover of €88,657 million in 2005,

[232] Cabotage by road is the carriage of goods in a country by hauliers whose vehicles are registered in another country. Half or more of the international transport tonnage in Belgium, France, Italy, Sweden, and the United Kingdom is taken by carriers from other EC countries.

[233] The cabotage between EC-15 and the new twelve Member States will be completely liberalized five years after their accession. However, it is already allowed for Cyprus, Malta, and Slovenia, and in case of bilateral agreements between two States (Eurostat, 2008k).

[234] Eurostat (2008g).

[235] Europen Commission online information. Viewed at: http://ec.europa.eu/transport/rail/overview/current_en.htm [13 August 2008].

[236] The first and second railway packages were adopted in February 2001, and January 2002, respectively. For a description of both packages, see WTO (2004).

[237] European Commission online information. Viewed at: http://ec.europa.eu/transport/rail/package2003/index_en.htm [13 August 2008].

[238] The OTIF drafts regulations on, for example, the carriage of dangerous goods by rail.

[239] The European Railway agency will draft criteria to accredit a reference test laboratory for ERTMS. In this context, the Commission is to develop a European Deployment Plan for ERTMS based on existing national deployment plans of Member States. The deployment plan is to define steps for a fully interoperable and functional ERTMS on the medium run.

employing over 222,000 persons.[240] In 2006, 398 million persons passed through EC-25 ports (down from 413 million in 2003)[241], while the transport of goods through EC-27 ports reached 3,834 million tonnes (3,393 million tonnes in 2003). With 584 million tonnes, the United Kingdom handled the most seaborne goods (15% of EC-25 maritime transport), followed by Italy (14%), the Netherlands (12%), and Spain (11%). The number of vessels at EC-27 ports exceeded 2 million in 2006.[242] Nevertheless, maritime transport capacity in the EC remains largely under-used.[243]

156. In 2006, the EC had 9,900 vessels, i.e. 35.5% of the world's total controlled fleet, with a capacity of 332.1 million dead-weight tonnage (dwt). Greece and Germany accounted for 69.2% of the EC's total dwt. The EC-flagged fleet has increased significantly since 1997 with the adoption of guidelines for state aid, allowing staff working on EC-registered ships to benefit from reduced tax and social security contributions. Nonetheless, the foreign-flag share was 67.7% in 2006. In 2004, the Commission adopted improved guidelines to speed up the re-flagging process by encouraging shipowners to maintain the tonnage they register under an EC flag, or risk losing out state aid they may receive for additional ships sailing under third-country flags.[244]

157. On 7 June 2006, the EC adopted a Green Paper on maritime policy, with the main aim of developing an integrated maritime transport strategy around a "common maritime space".[245] Some of its key objectives are: removing remaining obstacles to internal trade; permitting the EC to set high social, environmental, safety, and security standards; and promoting a competitive infrastructure and industry. The Commission is also considering other actions, such as: establishing a comprehensive European ports policy; reducing pollutant emissions from waterborne transport; further fostering short-sea shipping routes and motorways of the sea, with particular emphasis on landward connections; and implementing the action plan on river transport.

158. In September 2006, a block exemption from EC competition law, afforded to liner shipping conferences (through which carriers have been able to jointly decide on capacity and prices), was lifted, with effect as from October 2008. This decision aims to bring greater economic benefits through lower prices and more competitive exports by stimulating competition. Prior to the removal of the exemption, the Commission intends to issue guidelines to explain how the maritime subsector may operate in compliance with EC competition rules.

159. The EC has recently concluded agreements with Korea (Rep. of), the Russian Federation, and Ukraine, that allow for mutual access for maritime transport services, and provide the right to establish maritime companies. The EC also concluded a shipping agreement with China in 2002, and is currently in similar negotiations with India. The Commission coordinates the EC's point of view in the International Maritime Organization (IMO), while the European Maritime Safety Agency (EMSA)

[240] The subsector, including shipbuilding, ports, fishing and related industries, and services, employs about 3 million persons (European Commission, 2006c).

[241] Passengers are counted twice, once as they embark and again as they disembark, overestimating the actual journeys made.

[242] Eurostat (2008e).

[243] Maritime transport also plays a key part in intermodality, since it allows a way around bottlenecks such as in the Pyrenees between France and Spain, or in the Alps between Italy and the rest of Europe.

[244] In particular, the guidelines address shipowners who operate less than 60% of their tonnage under EC flags, in Member States where EC registration of shipping has decreased in the preceding three years (European Commission, 2006c).

[245] COM (2006) 275 final, 7 June 2006.

provides the Commission and Member States with scientific and technical support relating to legislation for maritime safety, pollution prevention, and pollution-response.[246]

(e) Air transport

160. With more than 130 scheduled airlines and a network of over 450 airports, air transport in the EC had a turnover of €111,437 million in 2005, employing around 400,000 persons. Passengers numbers reached 792.6 million in 2007 (650.4 million in 2004), with the United Kingdom accounting for 19.9% of the total, followed by Germany (15%), Spain (14.9%), France (11%), and Italy (7.9%). The top ranked EC airport in terms of passenger numbers in 2007 was London/Heathrow with 67.9 million (about 10% of total EC air passenger transport, 55.8% being extra-EC passengers), followed by Paris/Charles de Gaulle (59.6 million), and Frankfurt (53.9 million).[247] Air freight is very limited compared with volumes forwarded in the other modes of transport, but is of considerable importance for mail and express parcels, perishable goods, and articles with a high value added.[248] The restructuring process of airlines has continued, including through mergers and alliances.[249]

161. Air transport in the EC has been liberalized in three successive stages: the first package, adopted in December 1987, started to relax the established rules[250]; the second package, in 1990, allowed greater flexibility over the setting of fares and capacity sharing[251]; and the third package, applied as from 1993, introduced the freedom to provide services within the EC, including cabotage within individual Member States. Air carriers can set fares and rates freely, and do not have to submit them to national authorities for approval. A regulation modernizing and simplifying, in a single legislative text, the legal framework of the EC's aviation market entered into force in November 2008.

162. The completion of the Single European Sky Air Traffic Management Research (SESAR) is aimed at reorganizing airspace according to air traffic patterns, setting common technical and procedural rules, and fostering the development of a harmonized European air traffic management (ATM) system over the next 30 years. SESAR is being developed over three phases: (i) the definition phase (2004-08), to deliver an ATM master plan defining the content, development, and deployment of the next generation of ATM systems[252]; (ii) the development phase (2008-13), to develop the new equipment and standards to ensure, through the regulatory mechanisms of the single European sky, the replacement of the existing ground and airborne systems, and interoperability with those outside Europe; and (iii) the deployment phase (2014-20), to consist of large-scale production, procurement, and implementation of the new ATM infrastructure and of the corresponding aircraft equipment. The key performance targets are: enabling a three-fold increase in capacity; improving safety by a factor of ten; reducing by 10% the environmental impact per flight; and cutting ATM costs by 50%.[253] In

[246] EMSA's duties include looking after the EC's SafeSeaNet project for monitoring of maritime traffic around Europe (EMSA online information. Viewed at: http://www.emsa.europa.eu/).

[247] Eurostat (2008b).

[248] In 2004, air freight (including mail) in the EC-25 reached 10.7 million tonnes (up from 9.7 million in 2003 (WTO, 2007).

[249] In July 2008, British Airways and Iberia indicated that they were in talks to merge as they seek to cut costs to meet the challenge of soaring fuel prices and slowing demand. BBC News, 30 July 1998.

[250] For intra-EC traffic, it limited the right of governments to object to the introduction of new fares, and gave some flexibility to airlines on seat capacity-sharing.

[251] It also gave EC carriers the right to transport an unlimited number of passengers or cargo between their home country and another EC Member State.

[252] This phase is led by Eurocontrol, the European Organization for the Safety of Air Navigation, and is being co-financed by the EC (€30 million from the budget for trans-European transport networks). See European Commission (2007k).

[253] European Commission (2007j).

June 2008, the Commission proposed a package of measures, "Single European Sky II", to improve the performance and sustainability of the aviation system.

163. Extending the single aviation market to other countries is a key EC objective built on three pillars: (i) updating Member States' bilateral agreements to ensure legal certainty and to put all EC airlines on equal footing for flights to countries outside the EC; (ii) establish, by 2010, a common aviation area with neighbouring countries in the Mediterranean and the south-east[254]; and (iii) setting up open aviation areas with other international partners, such as the United States[255], Canada[256], China[257], India[258], as well as with Australia, New Zealand, and Chile.[259]

164. The European Aviation Safety Agency (EASA), established in 2002, assists EC policymakers in the development of common aviation safety rules. To enhance air safety and passenger protection, and, following a series of aircraft accidents involving EC citizens, a common air transport policy entered into force in January 2006.[260] The EC is party to the International Civil Aviation Organization (ICAO), and the Montreal Convention on passenger rights (including liability of airlines for death and injury in case of accidents, and baggage delays). In February 2005, common rules entered into force on compensation and assistance to air passengers in the event of denied boarding and cancellation or long delays of flights.[261]

165. In October 2006, the Commission revised the block exemption for passenger tariff conferences for the purpose of interlining[262], as well as for slot allocation and airport scheduling. For routes within the EC, tariff conferences are no longer exempted as of 1 January 2007. The Regulation exempted tariff conferences on routes between the EC and the United States or Australia until 30 June 2007, and routes between the EC and other non-EC countries until 31 October 2007.

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[254] An agreement establishing the European Common Aviation Area (ECAA) was signed in June 2006. The non-EC ECAA partners (Albania, Bosnia and Herzegovina, Croatia, FYR of Macedonia, Montenegro, Serbia, the UN Interim Administration Mission in Kosovo (UNMIK), Iceland, and Norway) will adopt EC air transport laws and regulations, while air transport between the EC and its ECAA partners is gradually liberalized. ECAA partners fully implement the EC's aviation rules, ECAA airlines will have open access to the enlarged EC single market. In addition, in December 2006 the EC signed an air agreement with Morocco, while negotiations were launched with Ukraine in February 2007 (European Commission, 2007f).

[255] The objective is to establish an open aviation area between the EC and the United States. A first-stage air transport agreement, signed in April 2007, removes all restrictions on flying between the EC and the United States, and promotes cooperation in various areas (e.g. competition, security, and tackling the climate change impact of aviation). It is estimated that the agreement will create up to €12 billion worth of benefits for consumers on both sides of the Atlantic.

[256] Negotiations with Canada on a comprehensive aviation agreement started in November 2007.

[257] In 2005, a joint declaration on cooperation was signed at the EC-China aviation summit.

[258] In 2005, a joint action plan was agreed with India for closer cooperation in the future.

[259] In September 2005, the Commission proposed opening comprehensive aviation negotiations with these three countries (European Commission, 2007f).

[260] It authorizes the Commission to ban or restrict the activities of unsafe airlines within the EC.

[261] The legislation covers scheduled and non-scheduled flights, and applies to all airlines leaving an EC airport, and all airlines licensed by an EC Member State and flying from outside the EC to the EC. Airlines are obliged to inform passengers of their rights under this regulation, which could include financial compensation, reimbursement or re-routing, meals and hotels, as well as general assistance. Airlines are not obliged to pay compensation if they can prove that the cancellation is caused by extraordinary circumstances that could not have been avoided even if all reasonable measures had been taken (e.g. political instability, meteorological conditions, security risks, and unexpected flight safety shortcomings).

[262] Interlining occurs when a passenger travels with more than one airline or alliance on the same ticket.

(v) Tourism

166. The EC remains the world's main source and destination of international tourist flows. However, tourist arrivals are growing at as lower rate than the world average, and the EC's share in the world market declined from 57% in 2004 to 54% in 2007. In 2006, tourism receipts in the EC reached €243.2 billion (Table IV.20), with higher growth of tourism receipts in the new Member States. Tourism expenditure amounted to €244.4 billion in 2006 (€226 billion in 2004).[263] In 2007, Spain, Italy, France, the United Kingdom, and Germany were among the world's top ten in terms of arrivals, while the same five plus Austria were also in the top ten in terms of receipts. The subsector contributes about 4% to the EC's real GDP, ranging from 2% in several Member States to 12% in Malta, and accounts for 30% of the total value of external trade in services.[264] About two million tourism enterprises, 99% of which are SMEs, employ around 4.4% of the EC's labour force, representing more than nine million jobs. As regards tourism by EC citizens, on average, three out of four remain within the EC every year. The number of bed places in the EC increased from 9.9 million in 2003 to about 12 million currently, while the number of nights spent was 2,373 million in 2007 (up from 2,116 million in 2003).[265]

Table IV.20
Tourism receipts, expenditure, and nights spent, 2000-06

	2000	2001	2002	2003	2004	2005	2006
Receipts (€ billion)							
EC-27	215.3	217.2	218.1	213.5	224.7	235.3	243.2
EC-15	194.8	196.3	199.1	195.5	205.1	213.5	219.5
Expenditure (€ billion)							
EC-27	211.4	216.3	218.0	218.1	226.0	239.5	244.4
EC-15	201.2	205.1	207.1	207.6	213.9	226.0	228.9
Nights spent by non-residents ('000)							
EC-27	891,931	891,427	877,963	871,733	879,703	910,221	955,303
EC-15	824,531	818,624	807,578	791,666	792,706	818,259	863,224

Source: Eurostat (2008), *Panorama on Tourism 2008 edition*, Luxembourg.

167. In March 2006, the Commission tabled a new strategy to boost tourism in the EC, and the Tourism Sustainability Group Report concerning an "Agenda 21 for tourism" was published in February 2007. The new policy aims to help improve the competitiveness of EC tourism and create more and better jobs through the sustainable growth of the subsector. It is based on: (i) more policy coordination between Member States and tourism stakeholders; (ii) improved use of available EC financial instruments; (iii) better regulation; (iv) enhancing understanding of the importance of tourism by providing all decision-makers with high quality data; (v) improving the visibility of tourism through events organized by, *inter alia*, the EC presidencies and the Annual European

[263] Since 2003, EC tourism expenditure has exceeded revenues, although the new Member States have consistently recorded surpluses. Although lower in absolute terms, tourist nights spent in Bulgaria and the Baltic States have had the highest growth in recent years (Eurostat, 2008f).

[264] Tourism also has an important indirect effect on employment in transport and other related services. If these related activities are taken into account, tourism contributes around 11% to GDP and provides about 12% of all jobs. Europa online information. Viewed at: www.europa.eu/enterprise/tourism/index_en.htm.

[265] In 2007, 70.9% of the nights were spent in five Member States: Spain (17.3% of the total), Italy (15.8%), Germany (13.6%), France (12.9%), and the United Kingdom (11.3%). The twelve new Member States together accounted for 8.1% of the total, led by the Czech Republic with 1.7% (Eurostat, 2008j).

Tourism Forum; and (vi) better promotion of EC destinations.[266] The Commission will present its evaluation of the progress made in 2011.[267]

168. Numerous tourism initiatives receive funding from EC programmes; the most important programmes are the Cohesion Policy programmes (i.e. ERDF and ESF). For 2007-13, about €6.4 billion have been allocated to the subsector through the ERDF (compared with €7.7 billion over 2000-06). In addition, many local tourism activities benefit from financial support through other EC programmes, such as those aimed at improving the competitiveness of SMEs, restoration of cultural heritage, and environmental protection. With the exception of most actions under the Structural Funds, the Commission decides on projects or actions to be supported on the basis of co-financing, with resources from national, regional, and local sources, both public and private.

(vi) Professional services

169. Professional services play an important role in improving the EC's competitiveness, and have spill-over effects across the whole economy.[268] In general, there are significant differences between Member States in terms of regulation of professional services and between the various professions. Moreover, the subsector is characterized by high levels of restrictive regulations, such as licensing restrictions (e.g. entry requirements and reserved tasks), and rules governing conduct, including price-fixing by professional associations. As a result, the Commission, together with national competition authorities, is reviewing the current regulation framework in the subsector, which is often set by national governments, to remove unjustified regulatory restrictions.[269]

(a) Legal services

170. The principal services provided by the legal professions are legal advice and representing clients before the courts and other authorities in all aspects of the law. In most Member States, these extend to conveyancing of title to real estate, wills and family matters (e.g. marriage contracts, tax advice). Member States have made some GATS commitments regarding legal services, with no restrictions on the provision of consulting services by foreign lawyers in either home-country or under international law as regards consumption abroad. Certain market access and national treatment limitations are specified for the other modes of supply.[270]

171. In general, Member States have high entry requirements, including up to five years of both university education and professional experience. Successful completion of a professional entrance examination and a compulsory membership in a professional association are also required, as well as certain personal qualifications, such as independence, solvency, and absence of penal convictions. In many cases, entry restrictions are coupled with reserved rights to provide certain services (e.g. notaries have an exclusive right for conveyancing of title to real estate), and in some cases are even subject to quantitative entry restrictions based on demographic or geographic criteria.[271]

[266] As many tourists see Europe as a single destination, the Commission has a web portal to promote EC destinations (www.visiteurope.com). It is managed by the European Travel Commission.

[267] European Commission (2007b).

[268] Precise data on the subsector are not available, but the Italian Antitrust Authority has estimated that in Italy an average of 6% of exporting firms' costs are due to professional services (European Commission, 2004a).

[269] European Commission online information. Viewed at: http://ec.europa.eu/comm/competition/sectors /professional_services/overview_en.html.

[270] WTO document S/DCS/W/EEC, 22 April 2003.

[271] Notaries do not exist in all Member States, but where they do exist governments, in general, regulate the numbers of notaries or their branches (European Commission, 2004a).

172. The fees charged by legal professions are not completely liberalized, although prices are no longer set officially in all Member States. In some cases, there are minimum prices for lawyers (e.g. Austria, Germany, Italy), and notaries (e.g. Belgium, France, Greece, Spain); maximum prices for lawyers (Italy, Latvia), and notaries (Austria, Belgium, France, Germany); and recommended prices for lawyers and/or notaries (Austria, Belgium, Portugal, Spain).[272]

(b) Accounting and auditing services

173. Under the GATS, Member States maintain no restrictions on consumption abroad for accounting and auditing services, whereas certain market-access and national-treatment limitations are specified for the supply of those services through cross-border, commercial presence, and movement of natural persons.[273] Entry regulations include: a minimum period of university education (three years in the case of accountants and tax advisers, and four to five years for auditors); relevant experience (from three to six years); and successful professional examination. Membership in the relevant professional association is compulsory in most Member States.

174. Fixed prices exist only for statutory audit in Greece and Portugal and for tax consultants in Germany. Italy is the only Member that applies minimum and maximum prices on public accountants services, while recommended prices exist for both accountancy and auditing services in Austria, Greece, Portugal, and the Slovak Republic.[274]

(c) Architectural and engineering services

175. Under the GATS, Member States maintain no restrictions on consumption abroad for architectural and engineering services, and no limitations on national treatment for both professions through commercial presence. Some market-access and national-treatment limitations are specified for the supply of architectural and engineering services through cross-border supply and movement of natural persons.[275] In general, architects and engineers in Member States are required to meet considerable entry requirements. The process of becoming qualified or licensed architect/engineer may take up to nine years, and consists mostly of five years of university education (in some Member States engineering qualifications can be obtained after three years); on average, a further three years of minimum professional experience (five years for design and construction supervisors); and in the case of architects, successful completion of a professional examination (this is not generally a prerequisite for engineers). In some Member States, licensed architects/engineers have numerous exclusive rights (e.g. blueprints, urban and landscape planning), some of which are shared with similar professions.

176. Prices are no longer set for architectural and engineering services in the EC. Nonetheless, minimum prices are applied in some cases (e.g. Germany, Italy) for architectural and engineering services (e.g. Cyprus, Germany, Italy, Luxembourg), while Germany is the only Member that applies maximum prices on both professions. Recommended prices for architects services exist in Austria, Belgium, Czech Republic, Denmark, Germany, Hungary, Ireland, Latvia, Slovak Republic, Slovenia, and Spain, while Austria, Hungary, Luxembourg, and the Slovak Republic have recommended prices for engineering services.[276]

[272] A number of Member States have removed recommended prices (such as Finland and the Netherlands), and have refrained from setting prices (e.g. France).
[273] WTO document S/DCS/W/EEC, 22 April 2003.
[274] European Commission (2004a) and (2004b).
[275] WTO document S/DCS/W/EEC, 22 April 2003.
[276] European Commission (2004a) and (2004b).

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APPENDIX TABLES

Table AI.1
Destination of exports, 2003-07
(€ million and percent)

	2003	2004	2005	2006	2007
Total (€ million)	869,235.7	952,954.2	1,053,187.8	1,159,276.0	1,240,098.1
			(per cent)		
America	34.6	32.8	32.2	31.7	29.5
United States	26.2	24.7	24.0	23.2	21.1
Other America	8.4	8.1	8.2	8.5	8.4
Canada	2.5	2.3	2.3	2.3	2.1
Brazil	1.4	1.5	1.5	1.5	1.7
Mexico	1.7	1.5	1.6	1.6	1.7
Europe	17.6	18.1	18.1	18.2	18.3
EC(25)	0.0	0.0	0.0	0.0	0.0
EFTA	11.7	11.4	11.4	11.2	11.3
Switzerland	8.3	8.0	7.9	7.7	7.6
Norway	3.2	3.2	3.2	3.3	3.5
Other Europe	5.9	6.7	6.6	6.9	6.9
Turkey	3.5	4.2	4.2	4.3	4.2
Croatia	1.0	1.0	1.0	1.1	1.1
Commonwealth of Independent States (CIS)	6.2	7.0	7.8	9.1	10.4
Russian Federation	4.3	4.8	5.4	6.2	7.2
Ukraine	1.0	1.1	1.3	1.6	1.8
Africa	8.0	8.0	8.2	7.9	8.3
South Africa	1.6	1.7	1.7	1.7	1.7
Middle East	7.9	8.0	8.4	7.9	7.9
United Arab Emirates	1.9	2.0	2.4	2.2	2.2
Saudi Arabia	1.6	1.3	1.5	1.5	1.6
Israel	1.4	1.4	1.3	1.2	1.2
Asia	24.1	24.4	23.6	23.5	23.7
China	4.8	5.1	4.9	5.5	5.8
Japan	4.7	4.6	4.2	3.9	3.5
Six East Asian Traders	8.6	8.6	8.4	8.2	8.0
Korea, Rep. of	1.9	1.9	1.9	2.0	2.0
Hong Kong, China	2.1	2.0	1.9	1.9	1.7
Singapore	1.6	1.7	1.7	1.7	1.7
Chinese Taipei	1.3	1.4	1.2	1.1	1.1
Other Asia	6.0	6.2	6.2	6.0	6.4
India	1.7	1.8	2.0	2.1	2.4
Australia	2.0	2.1	2.0	1.8	1.8
Other	1.5	1.6	1.7	1.7	1.9
Areas n.e.s	1.5	1.6	1.7	1.7	1.9

Source: WTO Secretariat estimate, based on EUROSTAT data.

Table AI.2
Structure of exports, 2003-07
(€ million and per cent)

	2003	2004	2005	2006	2007
Total (€ million)	869,235.7	952,954.2	1,053,187.8	1,159,276.0	1,240,098.1
			(per cent)		
Total primary products	11.6	11.7	12.5	13.7	13.6
Agriculture	6.9	6.5	6.3	6.4	6.2
Food	5.8	5.3	5.2	5.2	5.2
1124 Spirits	0.6	0.5	0.5	0.6	0.5
Agricultural raw material	1.1	1.1	1.1	1.2	1.1
Mining	4.6	5.2	6.2	7.4	7.4
Ores and other minerals	0.6	0.7	0.8	1.0	1.0
Non-ferrous metals	1.0	1.2	1.3	1.5	1.6
Fuels	3.0	3.3	4.2	4.9	4.8
3340 rest of 334 not defined	2.0	2.4	3.3	4.0	3.9
Manufactures	83.4	83.3	82.7	81.6	74.8
Iron and steel	2.2	2.5	2.9	2.9	2.9
Chemicals	15.5	15.2	15.0	15.2	14.8
5429 Medicaments, n.e.s.	3.4	3.3	3.3	3.5	3.5
5157 Other heterocyclic compounds; nucleic acids	1.7	1.6	1.5	1.6	1.4
5416 Glycosides; glands, etc. and extracts; antisera/vaccines, etc.	0.6	0.6	0.6	0.7	0.7
Other semi-manufactures	8.5	8.4	8.1	8.1	7.7
6672 Diamonds (excl. industrial, sorted) not mounted/set	1.5	1.5	1.5	1.3	1.3
Machinery and transport equipment	43.6	43.8	44.1	42.9	37.9
Power generating machines	2.8	2.8	2.8	2.7	2.8
7149 Parts of engines and motors of 714.41 and 714.8	0.9	0.9	0.9	0.9	1.0
Other non-electrical machinery	12.2	12.7	12.5	13.0	13.1
7478 Taps, cocks, valves and similar appliances, n.e.s.	0.4	0.4	0.4	0.5	0.5
Agricultural machinery and tractors	0.5	0.5	0.5	0.6	0.6
Office machines & telecommunication equipment	8.2	8.4	8.9	7.8	2.8
7599 Parts and accessories of 751.1, 751.2, 751.9 and 752	1.2	1.1	1.1	1.0	0.7
Other electrical machines	4.6	4.7	4.6	4.8	4.6
Automotive products	10.4	10.2	9.9	9.8	9.8
7812 Motor vehicles for the transport of persons, n.e.s.	6.6	6.3	6.0	5.9	5.7
7843 Other motor vehicle parts and accessories of 722, 781 to 783	2.1	2.1	2.0	2.0	1.9
7821 Goods vehicles	0.5	0.6	0.6	0.6	0.7
7132 Internal combustion engines for vehicles of 78; 744.14, 744.15, 891.11	0.5	0.5	0.5	0.5	0.6
Other transport equipment	5.3	5.1	5.5	4.8	4.9
7924 Aeroplanes, etc. (excl. helicopters), >15,000 kg unladen	1.8	1.8	2.1	1.6	1.4
7932 Ships, boats, etc. (excl. pleasure craft, tugs, etc.)	0.7	0.6	0.6	0.7	0.7
Textiles	1.8	1.7	1.5	1.5	1.3
Clothing	1.7	1.5	1.5	1.4	1.4
Other consumer goods	10.1	10.0	9.6	9.5	8.7
Other	4.3	4.5	4.2	4.3	4.4
Gold	0.1	0.2	0.2	0.1	0.2

Source: WTO Secretariat estimate, based on EUROSTAT data.

Table AI.3
Origin of imports, 2003-07
(€ million and per cent)

	2003	2004	2005	2006	2007
Total (€ million)	935,245.5	1,027,522.1	1,180,004.8	1,351,744.4	1,425,547.9
			(per cent)		
America	24.7	23.3	21.6	20.9	20.9
United States	16.9	15.5	13.9	13.0	12.7
Other America	7.8	7.8	7.7	7.9	8.2
Canada	1.7	1.6	1.5	1.5	1.6
Brazil	2.0	2.1	2.0	2.0	2.3
Chile	0.5	0.7	0.7	0.9	0.9
Europe	15.8	15.8	15.5	15.4	15.3
EFTA	12.1	11.7	11.6	11.4	11.0
Switzerland	6.4	6.1	5.7	5.4	5.5
Norway	5.5	5.4	5.7	5.9	5.4
Other Europe	3.7	4.0	3.9	4.0	4.2
Turkey	2.9	3.2	3.1	3.1	3.3
Commonwealth of Independent States (CIS)	9.3	10.3	11.9	13.2	12.9
Russian Federation	7.6	8.2	9.5	10.4	10.1
Kazakhstan	0.4	0.7	0.9	1.0	0.9
Africa	8.9	8.5	9.3	9.3	9.0
Libyan Arab Jamahiriya	1.2	1.3	1.7	1.9	1.9
Algeria	1.6	1.5	1.8	1.8	1.5
South Africa	1.6	1.5	1.4	1.4	1.5
Middle East	4.3	4.7	5.7	5.1	4.7
Saudi Arabia	1.4	1.6	1.9	1.7	1.3
Iran Islamic Rep.	0.7	0.8	1.0	1.1	1.0
Asia	36.3	36.7	35.5	35.5	36.5
China	11.4	12.5	13.6	14.4	16.2
Japan	7.7	7.3	6.3	5.7	5.5
Six East Asian Traders	10.8	10.7	9.9	9.7	9.1
Korea, Rep. of	2.8	3.0	2.9	3.0	2.8
Chinese Taipei	2.4	2.3	2.0	2.0	1.8
Singapore	1.6	1.6	1.6	1.4	1.3
Malaysia	1.7	1.5	1.4	1.3	1.3
Thailand	1.3	1.3	1.1	1.1	1.2
Other Asia	6.4	6.2	5.7	5.7	5.7
India	1.5	1.6	1.6	1.7	1.8
Indonesia	1.1	1.0	0.9	0.9	0.9
Other	0.8	0.7	0.6	0.6	0.6

Source: WTO Secretariat estimate, based on EUROSTAT data.

Table AI.4
Structure of imports, 2003-07
(€ million and per cent)

	2003	2004	2005	2006	2007
Total EU27 (€ million)	935,245.5	1,027,522.1	1,180,004.8	1,351,744.4	1,425,547.9
			(per cent)		
Total primary products	29.5	30.4	33.8	36.2	35.4
Agriculture	9.0	8.4	7.7	7.3	7.6
Food	7.0	6.5	6.0	5.7	6.0
Agricultural raw material	2.0	1.9	1.7	1.6	1.6
Mining	20.5	22.0	26.0	28.9	27.8
Ores and other minerals	1.7	2.0	2.0	2.3	2.5
Non-ferrous metals	2.0	2.2	2.0	2.9	3.0
6841 Aluminium and aluminium alloys, unwrought	0.6	0.6	0.6	0.7	0.8
6821 Copper anodes; alloys; unwrought	0.3	0.4	0.4	0.8	0.7
Fuels	16.9	17.8	22.1	23.7	22.2
3330 Crude oils of petroleum and bituminous minerals	10.5	11.5	14.6	15.4	14.5
3340 rest of 334 not defined	1.9	2.1	2.9	3.2	2.9
3432 Natural gas, in the gaseous state	2.6	2.1	2.2	2.6	2.3
3212 Other coal, whether or pulverized, not agglomerated	0.7	0.9	1.0	0.9	0.9
Manufactures	65.6	65.4	62.5	59.8	60.6
Iron and steel	1.4	1.9	1.9	2.2	3.0
Chemicals	8.5	8.5	8.1	8.0	8.3
5429 Medicaments, n.e.s.	1.4	1.5	1.4	1.3	1.2
Other semi-manufactures	5.5	5.5	5.4	5.1	5.6
6672 Diamonds (excl. industrial, sorted) not mounted/set	1.3	1.4	1.4	1.1	1.1
Machinery and transport equipment	33.7	33.6	32.0	29.7	28.9
Power generating machines	2.0	1.9	1.8	1.5	1.6
7149 Parts of engines and motors of 714.41 and 714.8	0.9	0.8	0.7	0.7	0.7
Other non-electrical machinery	4.5	4.5	4.3	4.2	5.6
Office machines & telecommunication equipment	14.2	14.4	13.8	13.2	11.3
7641 Electrical apparatus for line telephony/telegraphy	0.5	0.5	0.5	0.5	2.5
7599 Parts and accessories of 751.1, 751.2, 751.9 and 752	2.3	2.1	2.1	2.1	1.4
7764 Electronic integrated circuits and microassemblies	2.5	2.2	1.8	1.5	1.1
7649 Parts and accessories for apparatus of division 76	0.9	0.9	1.0	1.3	1.0
7648 Telecommunication equipment, n.e.s.	0.8	0.8	0.8	0.7	0.8
7611 Color television receivers	0.4	0.5	0.5	0.5	0.7
7527 Storage units for data processing	1.1	0.9	0.8	0.6	0.6
Other electrical machines	4.2	4.3	3.8	3.7	3.7
Automotive products	4.1	4.1	3.8	3.8	4.0
7812 Motor vehicles for the transport of persons, n.e.s.	2.5	2.6	2.3	2.4	2.4
Other transport equipment	4.6	4.4	4.5	3.2	2.9
Textiles	1.7	1.6	1.5	1.4	1.4
Clothing	4.9	4.7	4.5	4.4	4.3
Other consumer goods	9.8	9.5	9.2	8.9	9.1
Other	5.0	4.2	3.7	4.0	4.0
Gold	1.1	0.7	0.3	0.3	0.4

Source: WTO Secretariat estimate, based on EUROSTAT data.

Table AII.1
EC notifications to the WTO, January 2007-May 2008

Agreement and requirement	Symbol	Date
Agreement on Agriculture		
Articles 10 and 18.2 - export subsidies (ES:1 to ES:3)	G/AG/N/EEC/55	16/03/2008
Article 16.2 - Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net-Food Importing Developing Countries (NF:1)	G/AG/N/EEC/56	18/04/2008
Article 5.7 and 18.2 – Special safeguard provisions (MA:5)	G/AG/N/EEC/54	14/02/2008
Agreement on Sanitary and phytosanitary Measures		
Regulation	G/SPS/N/EEC/196/Add.6	27/03/2008
Regulation	G/SPS/N/EEC/328	18/03/2008
Regulation	G/SPS/N/EEC/327	18/03/2008
Regulation	G/SPS/N/EEC/319/Add.1	13/03/2008
Regulation	G/SPS/N/EEC/326	03/03/2008
Regulation	G/SPS/N/EEC/325	03/03/2008
Regulation	G/SPS/N/EEC/322/Add.1	29/02/2008
Regulation	G/SPS/N/EEC/324	27/02/2008
Regulation	G/SPS/N/EEC/190/Add.1	05/02/2008
Regulation	G/SPS/N/EEC/323	05/02/2008
Regulation	G/SPS/N/EEC/322	25/01/2008
Regulation	G/SPS/N/EEC/321	22/01/2008
Regulation	G/SPS/N/EEC/308/Add.1	02/01/2008
Regulation	G/SPS/N/EEC/301/Add.1	02/01/2008
Regulation	G/SPS/N/EEC/316/Add.1	19/12/2007
Regulation	G/SPS/N/EEC/310/Add.1	19/12/2007
Regulation	G/SPS/N/EEC/306/Add.1/Corr.1	30/11/2007
Regulation	G/SPS/N/EEC/309/Add.1	30/11/2007
Regulation	G/SPS/N/EEC/320	30/11/2007
Regulation	G/SPS/N/EEC/306/Add.1	23/11/2007
Regulation	G/SPS/N/EEC/319	23/11/2007
Regulation	G/SPS/N/EEC/196/Add.5	22/11/2007
Regulation	G/SPS/N/EEC/103/Add.20	21/11/2007
Regulation	G/SPS/N/EEC/318	21/11/2007
Regulation	G/SPS/N/EEC/317	20/11/2007
Regulation	G/SPS/N/EEC/289/Add.1	13/11/2007
Regulation	G/SPS/N/EEC/72/Add.4	02/10/2007
Regulation	G/SPS/N/EEC/303/Add.1	01/10/2007
Regulation	G/SPS/N/EEC/304/Add.1	01/10/2007
Regulation	G/SPS/N/EEC/305/Add.1	01/10/2007
Regulation	G/SPS/N/EEC/72/Add.3	25/09/2007
Regulation	G/SPS/N/EEC/196/Add.4	03/08/2007
Regulation	G/SPS/N/EEC/311/Add.1	02/08/2007
Regulation	G/SPS/N/EEC/314	01/08/2007
Regulation	G/SPS/N/EEC/315	01/08/2007
Regulation	G/SPS/N/EEC/316	01/08/2007
Regulation	G/SPS/N/EEC/103/Add.18	31/07/2007
Regulation	G/SPS/N/EEC/103/Add.19	31/07/2007
Regulation	G/SPS/N/EEC/313	31/07/2007
Regulation	G/SPS/N/EEC/312	26/07/2007
Regulation	G/SPS/N/EEC/311	24/07/2007
Regulation	G/SPS/N/EEC/302/Add.1	05/07/2007
Regulation	G/SPS/N/EEC/102/Rev.1/Add.1	03/07/2007
Regulation	G/SPS/N/EEC/310	03/07/2007
Regulation	G/SPS/N/EEC/299/Add.1	06/06/2007
Regulation	G/SPS/N/EEC/309	06/06/2007
Regulation	G/SPS/N/EEC/300/Add.1	05/06/2007
Regulation	G/SPS/N/EEC/308	05/06/2007
Regulation	G/SPS/N/EEC/298/Add.3	04/06/2007
Regulation	G/SPS/N/EEC/298/Add.4	04/06/2007
Regulation	G/SPS/N/EEC/307	04/06/2007
Regulation	G/SPS/N/EEC/306	08/05/2007
Regulation	G/SPS/N/EEC/72/Add.2	04/05/2007
Regulation	G/SPS/N/EEC/298/Add.1	18/04/2007
Regulation	G/SPS/N/EEC/298/Add.2	18/04/2007
Regulation	G/SPS/N/EEC/304	18/04/2007
Regulation	G/SPS/N/EEC/305	18/04/2007
Regulation	G/SPS/N/EEC/303	05/04/2007

Table AII.1 (cont'd)

Agreement and requirement	Symbol	Date
Regulation	G/SPS/N/EEC/295/Add.1	28/03/2007
Regulation	G/SPS/N/EEC/296/Add.1	28/03/2007
Regulation	G/SPS/N/EEC/288/Add.1	20/03/2007
Regulation	G/SPS/N/EEC/283/Add.1	19/03/2007
Regulation	G/SPS/N/EEC/285/Add.1	19/03/2007
Regulation	G/SPS/N/EEC/286/Add.1	19/03/2007
Regulation	G/SPS/N/EEC/287/Add.1	19/03/2007
Regulation	G/SPS/N/EEC/209/Add.1	19/03/2007
Regulation	G/SPS/N/EEC/297/Add.1	16/01/2007
Regulation	G/SPS/N/EEC/103/Add.17	03/01/2007
Regulation	G/SPS/N/EEC/281/Add.1	03/01/2007
Regulation	G/SPS/N/EEC/282/Add.1	03/01/2007
Regulation	G/SPS/N/EEC/284/Add.1	03/01/2007
Regulation	G/SPS/N/EEC/302	03/01/2007
Agreement on Government Procurement 1994		
Article XXIV:6 (Thresholds (GPA/1, Annex 3)	GPA/W/299/Add.4	29/01/2008
Agreement on Implementation of Article VI of the GATT 1994		
Article VI (Article 16.4)	G/ADP/N/171	27/05/2008
Article VI (Article 16.4)	G/ADP/N/166/EEC	15/04/2008
Article VI (Article 16.4)	G/ADP/N/169	18/03/2008
Article VI (Article 16.4)	G/ADP/N/168	27/02/2008
Article VI (Article 16.4)	G/ADP/N/165	21/12/2007
Article VI (Article 16.4)	G/ADP/N/164	13/11/2007
Article VI (Article 16.4)	G/ADP/N/162	25/09/2007
Article VI (Article 16.4)	G/ADP/N/158/EEC	29/08/2007
Article VI (Article 16.4)	G/ADP/N/160	27/07/2007
Article VI (Article 16.4)	G/ADP/N/157	08/05/2007
Article VI (Article 16.4)	G/ADP/N/154/Corr.1	30/04/2007
Article VI (Article 16.4)	G/ADP/N/156	20/04/2007
Article VI (Article 16.4)	G/ADP/N/153/EEC	20/03/2007
Article VI (Article 16.4)	G/ADP/N/155	16/03/2007
Article VI (Article 16.4)	G/ADP/N/154	06/02/2007
Article VI (Article 16.5)	G/ADP/N/14/Add.24	14/10/2007
Article VI (Article 18.5)	G/ADP/N/1/EEC/2/Suppl.8	07/02/2007
Agreement on Import Licensing Procedures		
Article 7.3 – Replies to Questionnaire	G/LIC/N/3/EEC/10	26/09/2007
Article 7.3 – Replies to Questionnaire	G/LIC/N/3/EEC/10/Add.1	26/09/2007
Article 7.3 – Replies to Questionnaire	G/LIC/N/3/EEC/10/Add.1/Corr.1	23/09/2007
Agreement on Safeguards		
Article 12.6	G/SG/N/1/EEC/1/Suppl.3	07/02/2007
Agreement on Subsidies and Countervailing Measures		
Article 25	G/SCM/N/155/EEC/Add.21/Corr.2	14/02/2008
Article 25	G/SCM/N/155/EEC/Add.21/Corr.1	30/01/2008
Article 25	G/SCM/N/155/EEC/Add.2	21/12/2007
Article 25	G/SCM/N/155/EEC/Corr.1	21/12/2007
Article 25	G/SCM/N/155/EEC/ Add.21	26/11/2007
Article 25	G/SCM/N/155/EEC/ Add.22	26/11/2007
Article 25	G/SCM/N/155/EEC/ Add.24	26/11/2007
Article 25	G/SCM/N/155/EEC/ Add.25	26/11/2007
Article 25	G/SCM/N/155/EEC/ Add.26	26/11/2007
Article 25	G/SCM/N/155/EEC/ Add.27	26/11/2007
Article 25	G/SCM/N/155/EEC/ Add.9	23/11/2007
Article 25	G/SCM/N/155/EEC/ Add.10	23/11/2007
Article 25	G/SCM/N/155/EEC/ Add.11	23/11/2007
Article 25	G/SCM/N/155/EEC/ Add.12	23/11/2007
Article 25	G/SCM/N/155/EEC/ Add.13	23/11/2007
Article 25	G/SCM/N/155/EEC/ Add.14	23/11/2007
Article 25	G/SCM/N/155/EEC/ Add.15	23/11/2007
Article 25	G/SCM/N/155/EEC/ Add.16	23/11/2007
Article 25	G/SCM/N/155/EEC/ Add.17	23/11/2007
Article 25	G/SCM/N/155/EEC/ Add.18	23/11/2007
Article 25	G/SCM/N/155/EEC/ Add.19	23/11/2007
Article 25	G/SCM/N/155/EEC/ Add.20	23/11/2007
Article 25	G/SCM/N/155/EEC/ Add.23	23/11/2007
Article 25	G/SCM/N/155/EEC/Add.1	22/11/2007
Article 25	G/SCM/N/155/EEC/Add.3	22/11/2007
Article 25	G/SCM/N/155/EEC/Add.4	22/11/2007

Table AII.1 (cont'd)

Agreement and requirement	Symbol	Date
Article 25	G/SCM/N/155/EEC/Add.5	22/11/2007
Article 25	G/SCM/N/155/EEC/Add.6	22/11/2007
Article 25	G/SCM/N/155/EEC/Add.7	22/11/2007
Article 25	G/SCM/N/155/EEC/Add.8	22/11/2007
Article 25	G/SCM/N/155/EEC	21/11/2007
Article 25.11 – Semi-annual	G/SCM/N/170/EEC	16/04/2008
Article 25.11	G/SCM/N/172	26/02/2008
Article 25.11 – Semi-annual	G/SCM/N/162/EEC	04/09/2007
Article 25.11	G/SCM/N/158	01/05/2007
Article 32.6	G/SCM/N/1/EEC/2/Suppl.7	08/02/2007
Agreement on Technical Barriers to Trade		
Article 10.6	G/TBT/N/EEC/171/Add.1	26/05/2008
Article 10.6	G/TBT/N/EEC/195	19/05/2008
Article 10.6	G/TBT/N/EEC/194	30/04/2008
Article 10.6	G/TBT/N/EEC/193	17/04/2008
Article 10.6	G/TBT/N/EEC/192	17/04/2008
Article 10.6	G/TBT/N/EEC/191	14/04/2008
Article 10.6	G/TBT/N/EEC/190	07/04/2008
Article 10.6	G/TBT/N/EEC/189	04/04/2008
Article 10.6	G/TBT/N/EEC/188	14/03/2008
Article 10.6	G/TBT/N/EEC/187	12/03/2008
Article 10.6	G/TBT/N/EEC/186/Corr.1	10/03/2008
Article 10.6	G/TBT/N/EEC/186	07/03/2008
Article 10.6	G/TBT/N/EEC/185	07/03/2008
Article 10.6	G/TBT/N/EEC/184	27/02/2008
Article 10.6	G/TBT/N/EEC/183	25/02/2008
Article 10.6	G/TBT/N/EEC/182	20/02/2008
Article 10.6	G/TBT/N/EEC/181	15/02/2008
Article 10.6	G/TBT/N/EEC/180	06/02/2008
Article 10.6	G/TBT/N/EEC/179	04/02/2008
Article 10.6	G/TBT/N/EEC/178	16/01/2008
Article 10.6	G/TBT/N/EEC/177	16/01/2008
Article 10.6	G/TBT/N/EEC/176	14/01/2008
Article 10.6	G/TBT/N/EEC/175	11/01/2008
Article 10.6	G/TBT/N/EEC/174	11/01/2008
Article 10.6	G/TBT/N/EEC/173	21/12/2007
Article 10.6	G/TBT/N/EEC/172	20/12/2007
Article 10.6	G/TBT/N/EEC/171	13/12/2007
Article 10.6	G/TBT/N/EEC/170	04/12/2007
Article 10.6	G/TBT/N/EEC/169	22/11/2007
Article 10.6	G/TBT/N/EEC/168	15/11/2007
Article 10.6	G/TBT/N/EEC/167	15/11/2007
Article 10.6	G/TBT/N/EEC/166	30/10/2007
Article 10.6	G/TBT/N/EEC/165	24/10/2007
Article 10.6	G/TBT/N/EEC/164	16/10/2007
Article 10.6	G/TBT/N/EEC/163	14/09/2007
Article 10.6	G/TBT/N/EEC/162	07/08/2007
Article 10.6	G/TBT/N/EEC/161	01/08/2007
Article 10.6	G/TBT/N/EEC/159	18/06/2007
Article 10.6	G/TBT/N/EEC/158	08/06/2007
Article 10.6	G/TBT/N/EEC/157	05/06/2007
Article 10.6	G/TBT/N/EEC/156	01/06/2007
Article 10.6	G/TBT/N/EEC/155	25/05/2007
Article 10.6	G/TBT/N/EEC/154	24/05/2007
Article 10.6	G/TBT/N/EEC/153	16/05/2007
Article 10.6	G/TBT/N/EEC/152	16/05/2007
Article 10.6	G/TBT/N/EEC/151	04/05/2007
Article 10.6	G/TBT/N/EEC/150	25/04/2007
Article 10.6	G/TBT/N/EEC/149	25/04/2007
Article 10.6	G/TBT/N/EEC/148	13/03/2007
Article 10.6	G/TBT/N/EEC/147	05/02/2007
Article 10.6	G/TBT/N/EEC/146	05/02/2007
Article 10.6	G/TBT/N/EEC/145	17/01/2007
Article 10.6	G/TBT/N/EEC/144	15/01/2007
Article 10.6	G/TBT/N/EEC/143	15/01/2007
Article 10.6	G/TBT/N/EEC/142	15/01/2007
Article 10.6	G/TBT/N/EEC/141	15/01/2007

Table AII.1 (cont'd)

Agreement and requirement	Symbol	Date
Article 10.6	G/TBT/N/EEC/140	15/01/2007
Article 10.6	G/TBT/N/EEC/139	10/01/2007
Article 10.6	G/TBT/N/EEC/139	10/01/2007
Multiple article	G/TBT/N/EEC/52/Add.5	30/04/2008
Multiple article	G/TBT/N/EEC/52/Add.4	13/06/2007
Multiple article	G/TBT/N/EEC/52/Add.3/Rev.1	09/07/2007
Multiple articles	G/TBT/N/EEC/52/Add.3	22/01/2007
Unspecified article	G/TBT/N/EEC/89/Add.3	20/12/2007
Unspecified article	G/TBT/N/EEC/89/Add.2	05/02/2007
Unspecified article	G/TBT/N/EEC/33/Add.1	01/08/2007
TRIPS		
Article 63.2	IP/N/1/EEC/3	28/02/2007
Article 63.2	IP/N/1/EEC/G/3	28/02/2007
Article 63.2	IP/N/1/EEC/2	23/01/2007
Article 63.2	IP/N/1/EEC/E/2	23/01/2007
Article 63.2	IP/N/1/EEC/E/4	23/01/2007
Article 63.2	IP/N/1/EEC/E/3	23/01/2007
GATS		
Article V:7(a)	S/C/N/397	3/07/2007
GATT 1994		
Article XXIV:7(a) - Interim Agreement (Free-Trade Areas) (Albania)	WT/REG226/N/1	22/03/2007
Article XXIV:7(a) - Interim Agreement (Free-Trade Areas) (Montenegro)	WT/REG236/N/1	17/01/2008

Source: WTO documents.

Table AIII.1
Applied MFN tariff averages by HS2, 2008

Code	Description	No. of lines	No. of lines used	Average tariff (%)	Range (%)	Std-dev (%)
	Total/Average	9,699	9,557	6.7	0-604.3	14.1
01	Live animals	54	49	9.8	0-59.1	15.0
02	Meat and edible meat offal	227	164	29.7	0-204.2	32.1
03	Fish and crustaceans, molluscs and other aquatic invertebrates	329	329	9.8	0-23	5.7
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	166	126	33.2	0-189.7	32.4
05	Products of animal origin, not elsewhere specified or included	20	20	0.3	0-5.1	1.1
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	38	38	6.0	0-10.9	3.5
07	Edible vegetables and certain roots and tubers	106	106	13.5	0-168.4	21.6
08	Edible fruit and nuts; peel of citrus fruit or melons	117	117	10.0	0-30.5	8.0
09	Coffee, tea, maté and spices	43	43	3.0	0-12.5	4.2
10	Cereals	55	55	49.4	0-138.2	34.5
11	Products of the milling industry; malt; starches; insulin; wheat gluten	80	75	21.7	3.8-68.4	14.0
12	Oil seeds and oleaginous fruits; misc grains, seeds and fruit; industrial or medicinal plants; straw and fodder	69	69	1.6	0-9.1	2.5
13	Lac; gums, resins and other vegetable saps and extracts	13	13	3.1	0-19.2	5.8
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	5	5	0.0	0	0.0
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	124	123	9.6	0-161.9	18.3
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	89	87	18.6	0-74.7	10.2
17	Sugars and sugar confectionery	42	41	35.7	0.1-604.3	95.0
18	Cocoa and cocoa preparations	27	27	11.9	0-95.6	17.2
19	Preparations of cereals, flour, starch or milk; pastry cooks' products	51	51	18.0	7.6-57.8	12.7
20	Preparations of vegetables, fruit, nuts or other parts of plants	296	296	23.7	0-280.9	26.6
21	Miscellaneous edible preparations	39	38	9.6	0-29.5	6.1
22	Beverages, spirits and vinegar	177	161	10.2	0-218.3	25.9
23	Residues and waste from the food industries; prepared animal fodder	65	57	15.4	0-145.5	28.9
24	Tobacco and manufactured tobacco substitutes	30	30	28.6	10-74.9	17.4
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	86	86	0.4	0-8	1.2
26	Ores, slag and ash	47	47	0.0	0	0.0
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	111	111	1.4	0-8	1.9
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	256	256	4.4	0-5.5	1.9
29	Organic chemicals	536	536	4.5	0-89.8	5.5
30	Pharmaceutical products	59	59	0.0	0	0.0
31	Fertilizers	34	34	4.4	0-6.5	2.8
32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks	64	64	5.4	0-6.5	2.1

Table AIII.1 (cont'd)

Code	Description	No. of lines	No. of lines used	Average tariff (%)	Range (%)	Std-dev (%)
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	49	49	2.9	0-17.4	3.8
34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, dental waxes and dental preparations with a basis of plaster	34	34	2.1	0-6.5	2.3
35	Albuminoidal substances; modified starches; glues; enzymes	32	32	8.3	0-29.4	7.6
36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	10	10	6.3	5.7-6.5	0.3
37	Photographic or cinematographic goods	57	57	6.0	0-40.2	5.5
38	Miscellaneous chemical products	148	148	6.3	0-63.3	6.9
39	Plastics and articles thereof	249	249	5.5	0-6.5	2.2
40	Rubber and articles thereof	102	102	2.3	0-6.5	2.1
41	Raw hides and skins (other than furskins) and leather	77	77	2.7	0-6.5	2.7
42	Articles of animal gut (other than silk-worm gut)	37	37	5.0	1.7-9.7	2.7
43	Furskins and artificial fur; manufactures thereof	36	36	1.5	0-3.7	1.3
44	Wood and articles of wood; wood charcoal	177	177	2.2	0-10	2.8
45	Cork and articles of cork	12	12	3.1	0-4.7	2.1
46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	24	24	2.7	0-4.7	1.4
47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper and paperboard	24	24	0.0	0	0.0
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	171	171	0.0	0	0.0
49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans	25	25	0.0	0	0.0
50	Silk	25	25	5.2	0-7.5	2.6
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	70	70	4.0	0-8	3.1
52	Cotton	149	149	6.4	0-8	2.3
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	37	37	3.3	0-8	3.0
54	Man-made filaments	87	87	6.0	3.8-8	2.0
55	Man-made staple fibres	147	147	6.4	4-8	1.9
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	64	64	6.1	3.2-12	2.2
57	Carpets and other textile floor coverings	40	40	7.8	3-14.5	1.6
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	54	54	7.3	5-8	0.9
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	42	42	6.3	4-8	1.3
60	Knitted or crocheted fabrics	57	57	7.9	6.5-8	0.3
61	Articles of apparel and clothing accessories, knitted or crocheted	147	147	11.6	8-12	1.1
62	Articles of apparel and clothing accessories, not knitted or crocheted	194	194	11.6	6.3-12	1.4
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	80	80	9.8	0-12	3.4
64	Footwear, gaiters and the like; parts of such articles	82	82	9.8	3-17	5.2
65	Headgear and parts thereof	14	14	2.7	0-5.7	1.6

Table AIII.1 (cont'd)

Code	Description	No. of lines	No. of lines used	Average tariff (%)	Range (%)	Std-dev (%)
66	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof	9	9	4.3	2.7-5.2	0.9
67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	8	8	2.8	1.7-4.7	1.2
68	Articles of stone, plaster, cement, asbestos, mica or similar materials	73	73	1.2	0-3.7	1.0
69	Ceramic products	51	51	4.8	0-12	2.4
70	Glass and glassware	134	134	5.1	0-11	3.2
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	63	63	0.7	0-4	1.4
72	Iron and steel	344	344	0.2	0-7	1.0
73	Articles of iron or steel	262	262	1.6	0-3.7	1.6
74	Copper and articles thereof	64	64	3.3	0-5.2	2.0
75	Nickel and articles thereof	18	18	0.6	0-3.3	1.2
76	Aluminium and articles thereof	62	62	6.2	0-10	1.9
78	Lead and articles thereof	13	13	2.6	0-5	2.2
79	Zinc and articles thereof	12	12	3.1	0-5	1.6
80	Tin and articles thereof	8	8	0.0	0	0.0
81	Other base metals; cermets; articles thereof	67	67	3.1	0-9	2.5
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	105	105	3.1	1.7-8.5	1.8
83	Miscellaneous articles of base metal	43	43	2.3	0-3.7	0.9
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	925	925	1.7	0-9.7	1.3
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	552	552	3.0	0-14	3.5
86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds	39	39	1.8	0-3.7	0.7
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	189	189	6.3	0-22	5.3
88	Aircraft, spacecraft, and parts thereof	21	21	2.1	0.9-4.2	1.1
89	Ships, boats and floating structures	38	38	1.1	0-2.7	1.0
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	253	253	1.8	0-6.7	1.7
91	Clocks and watches and parts thereof	56	56	4.6	1.9-10.1	1.7
92	Musical instruments; parts and accessories of such articles	30	30	3.2	1.7-4	0.5
93	Arms and ammunition; parts and accessories thereof	27	27	2.2	0-3.2	1.2
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates	82	82	2.2	0-5.7	1.9
95	Toys, games and sports requisites; parts and accessories thereof	66	66	2.1	0-4.7	1.7
96	Miscellaneous manufactured articles	70	70	3.3	0-7.7	1.5
97	Works of art, collectors' pieces and antiques	7	7	0.0	0	0.0

Source: WTO Secretariat estimates, based on *Official Journal of the European Union*, 31 October 2007, L 286.

Table AIII.2
Zero-rated goods and services by Member States, 2008

Country	
Belgium	Daily and weekly newspapers of general information
	Certain recovered materials and by-products
Cyprus	Food and drinks intended for human consumption (excluding supplies made in the course of catering, certain products such as alcoholic beverages, manufactured beverages, ice-cream, chocolate, confectionery, biscuits and savory products)
	Pharmaceutical products, medicines and vaccines falling within C.N. codes 30.02, 30.03 and 30.04
Denmark	Sales of newspapers normally published more than once per month
Finland	Newspapers and periodicals provided that they are sold on subscription for a period of at least one month
	Printing services for publications of non-profit making organizations
Ireland	Books and pamphlets (excluding newspapers, periodicals, catalogues, diaries, etc)
	Food and drink indented for human consumption (excluding certain products such as alcoholic beverages, manufactured beverages, ice-cream and confectionery)
	Seeds, plants, trees, etc. used for food production
	Fertilizer in units of not less than 10 kg
	Animal feeding stuffs (excluding pet food)
	Orally administered medicines for human consumption
	Orally administered medicines for animal consumption (excluding those for pets)
	Certain articles of feminine hygiene
	Medical equipment such as wheelchairs, crutches, orthopaedic appliances and other artificial parts of the body (excluding false teeth)
	Clothing and footwear for children under the age of ten (excluding clothes made of fur or skin and articles of clothing and footwear not marked with the size or age)
	Wax candles (plain, white and undecorated)
	Certain services provided by the Commissioners of Irish Lights
Italy	Unwrought gold (in ingots, etc.)
	Land not capable of being used as building land
Malta	Food products for human or animal consumption, except for supplies of pre-cooked dishes and certain highly processed products, such as ice-cream, chocolates, manufactured beverages or beverages subject to excise duty, and pet foods
	Seeds or other means of propagation of plants classified under the above paragraph
	Live animals of a type generally used as, or yielding or producing, food for human consumption
	Water other than water for enterprises, distilled or mineral water
	Pharmaceuticals, medicines only where prescribed
	Aids to handicapped persons (excluding hearing aids, dental prostheses, spectacles, etc.)
Poland	Books and specialist periodicals subject to certain conditions
Sweden	Services with regard to production (basically printing services) of membership periodicals, staff periodicals and periodicals issued by non-profit organizations, including services related to such production, such as distribution services
	Medicine supplied on prescription or sold to hospitals or imported into the country to be supplied on prescription or sold to hospitals
United Kingdom	Books, newspapers, periodicals, sheet music, maps, etc.
	Food products for human or animal consumption, except for supplies of pre-cooked dishes and certain highly processed products such as ice-cream, chocolates, manufactured beverages or beverages subject to excise duty and pet foods
	Seeds or other means of propagation of plants classified under the above paragraph
	Live animals of a type generally used as, or yielding or producing, food for human consumption
	Water other than water for enterprises, distilled or mineral water
	Pharmaceuticals and/or medicines only where prescribed
	Medical and surgical instruments, aids only to handicapped persons (excluding hearing aids, dental prostheses, spectacles, etc.)
	Children's clothing and footwear
	Construction of buildings for residential purposes; approved alterations to listed buildings
	Certain services, excluding maintenance and repair work
	Goods donated to or by charity organizations to be sold
	Magnetic tape and tape recorders, for the Royal National Institute for the Blind
	Radio receivers supplied to a charity organization dealing with the blind
	Sewage services
	The transport of passengers in any vehicle, vessel or aircraft carrying at least 12 passengers; or by the Post Office; or by any scheduled service
	The transport of passengers or freight from or to a place outside the United Kingdom
	Certain caravans and houseboats
	Boots and helmets for industrial use
	Motor-cycle and cycle helmets
	The issue of bank notes

Source: European Commission (2008), *VAT rates applied in the Member States of the European Community*. Viewed at: http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/how_vat_works/rates/vat_rates_en.pdf.

Table AIII.3
Selected state-owned enterprises in the EC, October 2008

Country	Enterprises	Main activity	State Ownership (%)
Austria	Austrian National Bank	Banking	70.3
	Austrian Federal Railways (ÖBB-Holding AG)	Railways	100
	Verbund (Österreichische Elektrizitätswirtschafts-AG)	Utility	51
	Austrian Airlines Group	Transport	42.75
	OMV AG	Oil and gas	31.50
	Telekom Austria Group	Telecom	27.4
	Österreichische Post AG	Postal	51
	Vienna International Airport (Flughafen Wien AG)	Airport operation	40
Belgium	Belgacom Group	Telecom	53.5
	Flemish Radio- and Television Network (VRT)	Telecom	100
	Belgian Broadcasting Corporation of the French Community (RTBF)	Telecom	100
	Belgian Broadcasting Corporation of the German-speaking Community (BRF)	Telecom	100
	Société nationale des chemins de fer belges (SNCB) Holding	Transport and infrastructure management	99.9
	La Société des transports intercommunaux de Bruxelles (STIB)	Transport	100
	La Poste S.A.	Postal	50 + 1
	Port autonome de Namur (PAN)	Transport	100
	Port autonome de Charleroi (PAC)	Transport	100
	Société wallonne des aéroports (SOWAER)	Airport operation	100
	Société wallonne de gestion et de participations (SOGEPA)	Specialised company	100
	Société publique d'aide à la qualité de l'environnement (SPAQuE)	Waste management	100
	Regional Investment Company of Wallonia (SRIW)	Investment	98.66
	Société régionale wallonne du transport (SRWT)	Transport	100
	Société wallonne du crédit social (SWCS)	Housing renovation	100
	Société wallonne du logement (SWL)	Housing	100
	Agence wallonne des télécommunications (AWT)	Telecom	100
	Brussels Airport Company SA	Airport operation	30
	Belgocontrol	Air traffic control	100
	Office national du ducroire (ONDD)	Credit insurance	100
	Regional Investment Company of Flanders (GIMV)	Investment	27.06
	Brussels Regional Investment Company (SRIB)	Investment	76
	Belgian National Lottery	Lottery	100
	Fluxys	Utility	golden share
	Sibelga	Utility	70
	Belgian National Agency for Radioactive Waste and enriched Fissile Material (ONDRAF/NIRAS)	Radioactive waste management	100
Bulgaria	Bulgarian Energy Holding	Energy	100
	Bulgarian State Railways (BDZ)	Transport	100
	Air Traffic Services Authority (ATSA)	Air navigation	100
	National Company Railway Infrastructure	Infrastructure management	100
	Port Varna	Transport	100
	Port Bourgas	Transport	100
	Port Complex of Lom	Transport	100
	Port Vidin	Transport	100
	Port Complex of Ruse	Transport	100
	Sofia Airport	Airport operation	100
	Plovdiv Airport	Airport operation	100
	Airport Gorna Oryahovitsa	Airport operation	100
	Bulgarian Posts	Courier and delivery services	100
	Transport Construction and Rehabilitation	Transport construction	100
	Telecommunication Construction and Rehabilitation	Telecom construction	100
	Port Infrastructure	Infrastructure management	100
	Bobov Dol Mines	Mining	100
	Sofia Heating Utility	Utility	100
	Pernik Heating Utility	Utility	100
	Shoumen Heating Utility	Utility	100
	Bulgartabac Holding	Tobacco	79.83

Table AIII.3 (cont'd)

Country	Enterprises	Main activity	State Ownership (%)
	Kintex	Defence	100
	Teraton	Engineering	100
	Plovdiv International Fair	Fair operator	51
	Radioactive Wastes	Waste management	100
	Bulgarian Export Insurance Agency (BAEZ)	Credit Insurance	100
	Ecoengineering	Liquidation of mining activities	100
	LB Bulgaricum	Dairy products research and production	100
	Minproekt	Research institute	100
	NITI	Defence	100
	Slanchev Bryag	Sea resort	100
	District Water Supply and Canal Companies	Utilities	100
	District Irrigation Systems companies	Water extraction	100
	Bulgarian Sports Totalizator	Lottery	100
	Arsenal	Defence	35.80
	Terem	Defence	100
	EVN Electrosupply	Utility	33
	EVN Bulgaria Electrodistribution	Utility	33
	E.ON Bulgaria Grid	Utility	33
	CEZ Distribution Bulgaria	Utility	33
	CEZ Electro Bulgaria	Utility	33
	Kremikovtzi	Steelmaker	25.29
	Balkancar Erma	Mechanical engineering	67
	Balkancar ZPDEA G.Kostov	Mechanical engineering	34.71
	Bulgarplod-export	Trade intermediary	85.22
	Plod I zelenchuk	Trade intermediary	100
	Bulgargeomin	Ore extraction	100
	Ovcha Kupel	Tourism services	100
	Sortovi Semena – Elit	Seed selection	100
	Bulgarian State Lottery	Lottery	100
Cyprus	Cyprus Telecom Authority (ATHK)	Telecom	100
	Cyprus Broadcasting Corporation (PIK)	Telecom	100
	Cyprus Airways	Transport	69.62
	Electricity Authority of Cyprus (A.H.K.)	Utility	100
	Water Development Department	Utility	100
	Cyprus Post	Postal	100
	Cyprus Oil Terminal Ltd.	Petroleum	100
	Cyprus Ports Authority	Administration and operation of ports	100
	Cyprus Grain Commission	Payment agency	100
	Cyprus Milk Industry Organization	Payment agency	100
	Wine Products Council	Payment agency	100
	Cyprus Potato Marketing Board	Planning and marketing	100
	Cyprus Olive Products Marketing Board (SEKEP)	Producer organisation	100
	Cyprus Carrot and Beetroot Marketing Board	Producer organisation	100
	Transmission System Operator-Cyprus	Utility	100
Czech Republic	Czech Export Bank	Banking	73
	Czech Television (Česká televise)	Telecom	100
	Czech Railways (České dráhy, a.s.)	Transport	100
	Prague Public Transport Company, a.s.	Transport	100
	Czech Airlines	Transport	91
	Czech Power Company (ČEZ, a. s.)	Utility	67.61
	Czech Radio (Český rozhlas)	Telecom	100
	Czech Press Agency (ČTK)	Media	100
	Prague Airport Administration (Správa Letiště Praha, s.p.)	Airport operation	100
	Budweiser Budvar (České Budějovice)	Brewery	100
	Moravské naftové doly (MND)	Oil mining	100
	State Securities Printer	Printing	100
	Pražská energetika a.s. (PRE)	Utility	51

Table AIII.3 (cont'd)

Country	**Enterprises**	**Main activity**	**State Ownership (%)**
	Railway Infrastructure Administration	Infrastructure management	100
	Czech National Grid Company (ČEPS)	Utility	100
	OSINEK, a.s.	Steel	100
	MERO ČR, a. s	Utility	100
	ČEPRO, a.s.	Utility	100
	State Fund of Transport Infrastructure (SFDI)	Transport infrastructure development	100
	OTE a.s.	Utility	100
	Diamo	Mining	100
	Škodaexport a.s.	Engineering	99.75
	Czech Post (Česká pošta ČP)	Postal	100
	Czech Export Bank (CEB)	Banking	73
	Czech health insurer (Všeobecná zdravotní pojišťovna VZP)	Health insurance	100
	Export Guarantee and Insurance Corporation EGAP	Insurance	100
	Commercial Credit Insurance Company (Komerční úvěrová pojišťovna EGAP KÚP)	Insurance	100
	State Woodlands (Lesy České republiky, státní podnik LČR)	Forestry	100
	VOP-026 Šternberk, s.p.	Defence	100
	VOP 025 Nový Jičín, s.p.	Defence	100
	State Agriculture Intervention Fund (SZIF)	Payment agency	100
	Export Guarantee and Insurance Corporation (EGAP	Credit insurance	100
	Technoexport	Turn-key complete plants for crude oil and gas processing	98.85
	Strojimport	Machine tools	99.22
	LOM Praha s.p.	Aircraft repair	100
	State Agricultural Intervention Fund (SZIF)	Intervention agency	100
	Radioactive Waste Repository Authority (Správa úložišť radioaktivních odpadů, SÚRAO)	Radioactive waste disposal	100
Denmark	Danish Broadcasting Corporation (DR)	Telecom	100
	TV2 Denmark A/S	Telecom	100
	Energinet.dk A/S	Utility	100
	Danish State Railways (DSB)	Transport	100
	Scandlines AG	Transport	50
	Air Greenland	Transport	25
	DONG Energy	Utility	73
	Post Danmark	Postal	75
	Copenhagen Airports A/S (Københavns Lufthavne)	Airport operation	39.5
	Bornholm Airport	Airport operation	100
	Eneginet.dk A/S	Utility	100
	Danish Civil Aviation Administration (Statens Luftfartsvæsen - SLV)	Aviation regulator	100
	Danske Spil A/S	Gaming	80
	Rail Net Denmark (Banedanmark)	Infrastructure holder / Railway system development	100
	National Rail Authority (Trafikstyrelsen)	Public transport authority	100
	Eksport Kredit Fonden (EKF)	Credit insurance	100
	The Copenhagen Metro (Metroselskabet)	Transport	100
Estonia	Estonian Grain Board (AS Eesti Viljasalv)	Agriculture	100
	Estonian Public Broadcasting (Eesti Rahvusringhääling)	Telecom	100
	Energy Company (Eesti Energia AS)	Utility	100
	AS Eesti Telekom	Telecom	24.17
	Heating Farctory AS Kohtla-Järve Soojuse	Utility	59.2
	Narva Power Plants (AS Narva Elektrijaamad)	Utility	100
	Estonian Railways (Eesti Raudtee EVR)	Transport	100
	Estonian Air	Transport	34
	Tallinn Bus Company Ltd. (Tallinna Autobussikoondise AS (TAK))	Transport	100
	Estonian Post (Eesti Post)	Postal	100
	Tallinn Airport Ltd. (AS Tallinna Lennujaam)	Airport operation	100
	Port of Tallinn Ltd. (Tallinna Sadam)	Transport	100
	Paldiski Southern Port	Transport	100

Table AIII.3 (cont'd)

Country	**Enterprises**	**Main activity**	**State Ownership (%)**
	Electrical Railways (AS Elektriraudtee)	Transport	100
	Estonian Pilot (Eesti Loots AS)	Pilotage service	100
	Estonian Lottery (Eesti Loto)	Gaming	100
	Credit & Export Guarantee Fund Estonia (KREDEX)	Insurance	100
	Eesti Energija	Utility	100
Finland	Altia Corporation	Alcoholic beverages	100
	Finnish Broadcasting Company (YLE)	Telecom	99.9
	VR Group Ltd.	Transport	100
	Destia Oy (formerly Finnish Road Enterprise)	Transport	100
	Finnair Group	Transport	55.8
	Kemijoki Oy	Utility	50.10
	Helsinki Water	Utility	100
	Fortum Oyj	Utility	50.86
	Ilmailulaitos Finavia (Civil Aviation Administration)	Transport	100
	Gasum Oy	Utility	24
	Posti / Itella Corporation (formerly Finland Post Corporation)	Postal	100
	Finnvera Plc	Credit insurance	100
	Fingrid Oyj	Utility	12
	Alko	Alcohol beverages	100
	Kemira	Chemicals	16.52
	Metso	Paper	11.1
	Neste Oil	Oil refining	50.1
	Outokumpu	Steel	31.11
	Patria	Defence	73.2
	Ruukki	Mechanical engineering	39.69
	Sampo Group	Insurance	13.86
	Stora Enso	Paper	12.3
	Finish National Betting Agency (Weikkaus Oy)	Lottery	100
	Teollisuuden Voima Oyj (TVO)	Nuclear power plant operator	43
France	Caisse des depôts et consignations	Banking	100
	Charbonnages de France (CdF)	Mining	100
	France Télécom	Telecom	26.69
	Société nationale de radiodiffusion	Telecom	100
	Radio France International (RFI)	Telecom	100
	Radio France	Telecom	100
	France Télévisions	Telecom	100
	Arte France	Telecom	25
	Société nationale des chemins de fer français (SNCF)	Transport	100
	Réseau ferré de France (RFF)	Transport	100
	Régie autonome des transports parisiens (RATP)	Transport	100
	Voies navigables de France	Transport	100
	Air France KLM	Transport	15.7
	Electricité de France (EDF)	Utility	84.85
	Gaz de France SUEZ	Utility	35.66
	Société nationale maritime Corse-Méditerranée (SNCM)	Transport	25
	Aéroports de Paris	Airport operation	68.4
	Autoroutes et tunnel du Mont-Blanc (ATMB)	Tunnel exploitation	57.9
	Port de Bordeaux	Transport	100
	Port autonome de Dunkerque	Transport	100
	Port autonome du Havre	Transport	100
	Port autonome de Marseille	Transport	100
	Port atlantique Nantes-Saint-Nazaire	Transport	100
	Port autonome de Paris	Transport	100
	Port de Rouen	Transport	100
	Défense onseil international (DCI)	Defence	49.9
	DCNS	Military / navy	100
	Nexter	Military	99.9
	Safran	Defence	30.8
	Groupe SNPE	Defence	99.9
	Groupe La Poste	Postal	100
	Française des Jeux	Lottery	72
	Imprimerie nationale	Printing	100

Table AIII.3 (cont'd)

Country	Enterprises	Main activity	State Ownership (%)
	Laboratoire français du ractionnement et des biotechnologies (LFB)	Pharmaceuticals	100
	Rungis	International market	56.9
	RTE	Utility	100
	EADS	Defence	25.08
	Renault	Automotive	15.01
	Safran	Defence and telecom	30.20
	Thalès	Defence and security	27.10
	Développement des agro-industries du Sud (DAGRIS SA)	Agroindustry	13.7
	ANDRA (French National Agency for Radioactive Waste Management)	Radioactive waste management	100
Germany	West LB	Banking	100
	NRW Bank	Banking	100
	Bayerische Landesbank	Banking	100
	KfW Bankengruppe	Banking	100
	Deutsche Post World Net	Logistics	30.5
	HSH Nordbank	Banking	59.51
	Landesbank Baden-Württemberg	Banking	100
	IKB Deutsche Industriebank	Banking	45.5
	Association of Public Law Broadcasting Organizations (ARD)	Telecom	100
	Zweites Deutsches Fernsehen	Telecom	100
	German Railways (Deutsche Bahn AG)	Transport	100
	Deutsche Telekom AG	Telecom	31.7
	Arcor	Telecom	18.17
	Fraport AG (Frankfurt Airport)	Airport management	51.75
	Berlin Airports	Airport operation	100
	Düsseldorf International Corporation	Airport operation	50
	Munich Airport	Airport operation	100
	North West German Class Lottery (NKL)	Lottery	100
Greece	Agricultural Bank of Greece	Banking	82.35
	Hellenic Broadcasting Corporation (ERT)	Telecom	100
	Hellenic Railways Organization (OSE)	Transport	100
	Olympic Airlines	Transport	100
	Attiko Metro S.A.	Transport	100
	Thessaloniki Port Authority (ThPA)	Transport	74.27
	Piraeus Port Authority	Transport	74.14
	Patras Port Authority	Transport	100
	Public Power Corporation (DEI)	Utility	84
	Public Gas Corporation (DEPA)	Utility	65
	The Hellenic Union of Municipal Enterprises for Water Supply and Sewerage	Utility	100
	Athens Water Supply and Sewerage Company (EYDAP)	Utility	61.03
	Hellenic Aerospace Industry Ltd	Defence	100
	Hellenic Petroleum SA	Energy	35.48
	Athens International Airport	Airport operation	55
	Thessaloniki International Airport	Airport operation	100
	Athens Urban Transport Organisation (OASA)	Transport	100
	Greek Organisation of Football Prognostics (OPAP)	Lottery	34
	Hellenic Post	Postal	100
Hungary	Hungarian Development Bank (MFB)	Banking	100
	Hungarian Export-Import Bank (EXIMBANK)	Banking	100
	Hungarian National Railways (MÁV Group)	Transport	100
	HungaroControl (Hungarian Air Navigation Services)	Transport	100
	Hungarian Power Companies Ltd. (Magyar Villamos Mûvek Zártkörûen Mûködô Részvénytársaság MVM)	Utility	99.87
	Volánbusz	Transport	100
	Szerencsejáték	Lottery	100
	Hungarian Export Credit Insurance (MEHIB)	Credit insurance	100
	Magyar Távirati Iroda (MTI)	Media	100
	Currus Armoured Vehicle Techniques Company	Defence	100
	Budapest Airport	Airport operation	25 + 1 vote
	Debrecen Airport	Airport operation	100
	Sármellék International Airport	Airport operation	100

Table AIII.3 (cont'd)

Country	Enterprises	Main activity	State Ownership (%)
	Budapest Transport Company (BKV)	Transport	100
	Debrecen Transport Company (DKV)	Transport	100
	Miskolc City Transportation Company (MVK)	Transport	100
	Mecsekerc	Soil remediation	100
	Matyar Posta (Hungarian Post)	Postal	100
Ireland	Teagasc (The Agricultural and Food Development Authority)	Consultancy in agriculture	100
	IDA (Industrial Development Agency) Ireland	Finance management	100
	Irish Productivity Centre	Consultancy	100
	An Post	Postal, banking	100
	Radio Telefís Éireann	Telecom	100
	Córas Iompair Éireann	Transport	100
	Aer Lingus	Transport	25.1
	Electricity Supply Board	Utility	100
	Bord Gáis Éireann	Utility	100
	EirGrid Plc	Utility	100
	Bord na Móna Plc (Peat Board)	Energy, horticulture	100
	Dublin Airport Authority	Airport operation	100
	Coillte Teoranta	Forestry	100
	Dublin Port Company	Port management and operation	100
	The Irish Gas Board	Utility	100
	Railway Procurement Agency	Infrastructure development	100
	Northern Ireland Transport Holding Company (NITHCo)	Transport	100
	VHI Healthcare (Voluntary Health Insurance Board)	Health insurance	100
Italy	RAI	Telecom	100
	Alitalia	Transport	49.4
	Ferrovie dello Stato SpA (FS)	Transport	100
	Eni	Energy	20.31
	Enel, SpA	Utility	21.1
	Servizi Assicurativi del Commercio Estero (SACE)	Credit insurance	100
	Finmeccanica, S.p.A.	Defence and security	33.72
	Eni S.p.A.	Utility	20.31
	SEA	Airport management	84.56
	Gestore dei Servizi Elettrici (GSE Spa)	Utility	100
	State Monopolies Autonomous Administration (AAMS)	Gaming control	100
	ENEA (Italian National Agency for New Technologies, Energy and the Environment)	Energy	100
	SOGIN (Società gestione impianti nucleari per azioni, Nuclear Plant Management Co)	Nuclear power plants decommissioning	100
	Poste Italiane (Italian Post)	Postal	65
Latvia	Mortgage and Land Bank of Latvia	Banking	100
	Lattelekom	Telecom	51
	Latvijas Radio	Telecom	100
	Latvijas Televizija	Telecom	100
	Latvian Railway (Latvijas Dzelzceļš)	Transport	100
	Liepaja Tram Ltd.	Transport	100
	Riga International Airport	Airport operation	100
	Liepaja International Airport	Airport operation	100
	Ventspils International Airport	Airport operation	100
	AirBaltic Corporation (airBaltic)	Transport	52.6
	Latvenergo AS	Utility	100
	Liepaja Water Ltd.	Utility	100
	Latvian State Forests (LVM)	Forestry	100
	Latvian State Roads (Latvijas valsts ceļi)	Transport	100
	Latvia Post	Postal	100
	Latvijas Loto	Lottery	100
Lithuania	Turto Bankas	Banking	100
	Lithuanian Radio and Television	Telecom	100
	JSC Lithuanian Railways	Transport	100

Table AIII.3 (cont'd)

Country	Enterprises	Main activity	State Ownership (%)
	Lithuanian Shipping Co	Transport	56.66
	Lithuanian Power Plant (Lietuvos Elektrine AB)	Utility	96.48
	Rytu Skirtomieji Tinklai (RST)	Utility	71.35
	Lithuanian Gas (AB Lietuvos Dujos)	Utility	17.7
	Lietuvos Energija	Utility	96.62
	Ignalina Nuclear Power Plant	Utility	100
	Klaipeda State Seaport Authority (KSSA)	Port authority	100
	AB Mazeikiu Nafta	Oil refinery	9.98
	Lithuanian Maritime Safety Administration	Maritime institution	100
	Vilnius International Airport	Airport operation	100
	Kaunas International Airport	Airport operation	100
	International Siauliai Airport	Airport operation	100
	Palanga International Airport	Airport operation	100
	Ignalina Nuclear Power Plant (INPP)	Energy	100
	LEO LT (Lithuanian Electricity Organization, Lietuvos elektros organizacija)	Energy	61.7
	Radioactive Waste Management Agency (RATA)	Radioactive waste management	100
	Lithuanian Mint (Lietuvos Monetij Kalykla UAB)	Mint	100
	Lithuanian Post (Lietuvos paštas)	Postal	100
Luxemburg	Société Nationale de Crédit et d'Investissement (SNCI)	Banking	100
	Soteg SA	Utility	21
	Cegedel (Compagnie Grand-Ducale d'Electricité de Luxembourg)	Utility	44.7
	P&T Luxembourg	Postal	100
Malta	Public Broadcasting Services	Telecom	100
	Air Malta	Transport	96
	Enemalta Corporation	Utility	100
	Water Services Corporation	Utility	100
	Malta Maritime Authority	Maritime services	100
	Bank of Valletta	Banking	25.23
	Malta International Airport	Airport operation	20
	Maltapost	Postal	100
Netherlands	N.V. Bank Nederlandse Gemeenten (BNG)	Banking	more than 50
	BVN TV	Telecom	100
	Radio Nederland Wereldomroep	Telecom	100
	Nederlandse Spoorwegen (Dutch Railways)	Transport	100
	NV Nederlandse Gasunie	Utility	100
	TenneT	Utility	100
	Port of Rotterdam Authority	Port authority	100
	N.V. Nederlandse Gasunie	Utility	100
	NS Railinfratrust Company (RIT)	Transport	100
	Schiphol Group	Airport operator	100
	Central Organization for Radioactive Waste (COVRA)	Radioactive waste management	100
Poland	Bank of Food Economy (BGZ)	Banking	37.28
	National Economy Bank (BGK)	Banking	100
	State Savings Bank (PKO)	Banking	51.49
	Polish National Insurance Group / Grupa Powszechny Zakład Ubezpieczeń (PZU)	Insurance	55.09
	Polskie Radio	Telecom	100
	Telewizja Polska	Telecom	100
	Polish State Railways (Polskie Koleje Państwowe PKP S.A.)	Transport	100
	Polish Motor Communications (PKS)	Transport	100
	Polish Power Grid Company (PSE-Operator S.A.)	Utility	100
	The Southern Poland Power Company (Poludniowy Koncern Energetyczny, PKE)	Utility	85.06
	State Atomic Energy Agency (Państwowej Agencji Atomistyki, PAA)	Utility	100
	Radioactive Waste Management Plant	Nuclear fuel waste management	100
	Polish Oil and Gas Company (PGNiG)	Utility	84.75
	Brown Coal Mine Bełchatów (Kopalnia Węgla Brunatnego SA)	Mining	16
	Polish Energy Group (PGE)	Energy	100

Table AIII.3 (cont'd)

Country	Enterprises	Main activity	State Ownership (%)
	Huta Stalowa Wola SA (HSW)	Defence	87.62
	POLICE Chemical Plant	Chemicals	68.24
	Oil and Gas Exploration and Production Co Ltd (Petrobaltic Sp. z o.o.)	Oil and gas exploration	30.32
	PKN Orlen	Energy	27.52
	Polish Airports State Enterprise (PPL)	Airport management	10.20
	Export Credit Insurance Corporation JSC (KUKE SA)	Credit insurance	100
	Nafta Polska S.A.		100
	Grupa LOTOS S.A.	Petroleum	58.84
	Kędzierzyn Nitrogen Works, JSC (ZAK S.A.)	Chemicals	86.28
	Zakłady Azotowe w Tarnowie - Mościcach S.A.	Chemicals	85
	ANWIL SA	Chemicals	5.56
	Rafineria Trzebinia SA	Refinery	9.194
	Rafineria Nafty Jedlicze SA	Refinery	10
	Inowrocław Salt Mines „Solino" SA	Oil and fuel storage operator	25.19
	Gaz-System	Utility	100
	Polish Press Agency	Media	100
	EADS PZL "Warszawa-Okęcie" S.A.	Defence	18
	PZL-Świdnik" S.A.	Helicopter production	87.62
	Military Mechanical Works (Wojskowe Zaklady Mechaniczne)	Defence	100
	Naval Shipyard Gdynia S.A	Shipbuilding	100
	Marine Technology Center (OBR Centrum Techniki Morskiej)	Defence	100
	The Polish National Energy Conservation Agency (KAPE)	Consultancy	100
	Industrial Development Agency	Development Agency	100
	National Fund for Environmental Protection and Water Management	Nature protection	100
	KGHM Polska Miedź S.A.	Mining and metallurgy	41.79
	FŁT - Kraśnik S.A.	Machine tools	100
	Capital Group Energa	Utility	85
	Kompania Węglowa S.A.	Coal mining	100
	Mint of Poland (Mennica Polska S.A)	State Mint	31.64
	Polish Security Printing Works (PWPW)	Secure documents	100
Portugal	Caixa Geral de Depósitos (CGD)	Banking	100
	Radiotelevisão Portuguesa	Telecom	100
	REFER, Rede Ferroviária Nacional, E.P	Transport	100
	Comboios de Portugal	Transport	100
	Air Portugal (TAP Portugal)	Transport	100
	Redes Energéticas Nacionais. SGPS, S.A (REN)	Utility	51
	Portuguese State Agency Parpública, Participações Públicas (SGPS), S.A	Real estate management	100
	Águas de Portugal, SGPS, SA	Utility	100
	EDP, Energias de Portugal	Utility	25.79
	Aeroportos de Portugal, S.A. (ANA)	Airport operation	100
	APA - Administração do Porto de Aveiro, S.A. (APA, S.A)	Transport	100
	Port Authority of Douro and Leixões (APDL - Administração dos Portos do Douro e Leixões, S. A.)	Transport	100
	APL - Administração do Porto de Lisboa, SA	Transport	100
	APS - Administração do Porto de Sines, SA	Transport	100
	APSS - Administração dos Portos de Setúbal e Sesimbra,SA	Transport	100
	Centro Hospitalar Cova da Beira, EPE	Health	100
	Centro Hospitalar de Coimbra, EPE	Health	100
	Centro Hospitalar de Lisboa Central, EPE	Health	100
	Centro Hospitalar de Lisboa Norte, EPE	Health	100
	Centro Hospitalar de Lisboa Ocidental, EPE	Health	100
	Centro Hospitalar de Setúbal, EPE	Health	100
	Centro Hospitalar de Trás-os-Montes e Alto Douro, EPE	Health	100
	Centro Hospitalar de Vila Nova de Gaia/Espinho, EPE	Health	100
	Centro Hospitalar do Alto Ave, EPE	Health	100
	Centro Hospitalar do Alto Minho, EPE	Health	100
	Centro Hospitalar do Baixo Alentejo, EPE	Health	100
	Centro Hospitalar do Barlavento Algarvio, EPE	Health	100
	Centro Hospitalar do Médio Ave , EPE	Health	100
	Centro Hospitalar do Médio Tejo, EPE	Health	100
	Centro Hospitalar do Nordeste, EPE	Health	100
	Centro Hospitalar do Porto, EPE	Health	100

Table AIII.3 (cont'd)

Country	Enterprises	Main activity	State Ownership (%)
	Centro Hospitalar do Tâmega e Sousa, EPE	Health	100
	Companhia Carris de Ferro de Lisboa, SA	Transport	100
	Institute for Mobility and Surface Transport (Instituto da Mobilidade e dos Transportes Terrestres – IMTT, I.P.)	Rail regulator	100
	CTT Group (Portugese Post)	Postal	100
Romania	EximBank	Insurance	95.37
	Romtelecom SA	Telecom	45.99
	Romanian Television (TVR)	Telecom	100
	SNTGN Transgaz SA	Utility	75.01
	National Radiocommunications Company	Telecom	100
	SC Romaero SA	Aircraft manufacturing and repair	100
	Daewoo Automobile Romania SA	Motor vehicles manufacturing	100
	Savings and Consignation Bank (CEC SA)	Banking	100
	Romanian Insurance (ASIROM)	Insurance	6.37
	Airplane Factory of Craiova (SC Avioane Craiova SA)	Aircraft and ship construction and repairs	80.98
	S.C. IAR S.A. Ghimbav	Aircraft and ship construction and repairs	64.89
	ISCIR-CERT S.A.	Technical analysis and testing operations	100
	SC Antibiotice SA Iasi	Drug manufacturing	53.02
	Master SA	Piston heat engines research institute	66.69
	Milk Processing Plant of S.A. Bistrița	Dairy industry	50.86
	SPID S.A. Târgu Mureş	Construction	57
	CASSTIL S.A. Bucharest	Research and development	65.55
	Termoproiect Iasi	Technical services	100
	The National Institute of Wood, Bucharest	Research institute	100
	I.P.I.U. – Consullting Engineering Bucharest	Consultancy	100
	I.C.S.I.T.P.M.L Craiova	..	90.63
	National Glass Institute	Research institute	75.14
	IAR Braşov	..	64.89
	Mechanical Factory of Bucharest	Automative	63.40
	INAR Braşov	Automative	57.11
	Cuprumin Abrud.	Mining	100
	Moldomin Moldova Nouã	Mining	100
	Carfil Braşov	Arms	100
	Cepiem Bucharest	Technical services	56.48
	SC IPROCHIM SA Bucharest	Chemicals	72.99
	Mangalia Shipyard (SC SANTIERUL NAVAL MANGALIA SA)	Ship construction and repair	100
	SC Romarm SA Bucharest	Defence industry	100
	ICPE SA Bucharest	Physical research	62.13
	Nitrofertilizer SA	Chemicals	79.05
	Nitroexplosives SA	Chemicals	79.05
	Nitroservice SA	Chemicals	79.05
	Nitrotrans SA	Chemicals	79.05
	Nitrocontrol SA	Chemicals	79.05
	Institute for Information Technology (ITC SA Bucharest)	Research institute	69.92
	S.C. Prelucrarea Cãrnii Splai S.A. Bucharest	Meat retail trade	70.21
	SC Electroputere S.A. Craiova	Electrical machinery	62.8
	National Salt Company SA Bucharest	Salt extraction	100
	Petrom S.A.	Oil company	20.64
	Neptun resort	Hotel, restaurant and pool	54
	INTEC SA Bucharest	Physical research	70.11
	INAR	Road vehicles research institute	57.10
	ICPT TEHNOMAG – CUG SA Cluj Napoca	Research institute	76.68
	Electrica Muntenia Sud SA	Utility	67.5

Table AIII.3 (cont'd)

Country	Enterprises	Main activity	State Ownership (%)
	Electrica Muntenia Nord SA	Utility	100
	Electrica Translilvania Nord SA	Utility	100
	Electrica Translilvania Sud SA	Utility	100
	SC FAMOS SA Suceava	Equipment and medical instruments	98.74
	S.N.G.N Romgaz	Utility	85.90
	Compania Nationala de Transport al Energiei Electrice "Transelectrica" S.A.	Utility	73.7
	Societatea Comercială de Producere a Energiei Electrice în Hidrocentrale Hidroelectrica S.A.	Utility	100
	Cosmote Romanian Mobile Telecommunications S.A.	Telecom	100
	CFR CĂLĂTORI S.A.	Transport	100
	Romanian Air Traffic Services Administration – ROMATSA S.A.	Air traffic management	100
	Romania's Air Transportation National Company TAROM	Transport	97.27
	National Company "Bucharest Henri Coanda International Airport" S.A.	Transport	100
	Compania Română de Aviaţie Romavia R.A.	Transport	100
	Traian Vuia International Airport (Societatea Naţională Aeroportul Internaţional Timişoara – Traian Vuia S.A.)	Transport	100
	National Railway Freight Company, "CFR Marfa"- S.A.	Transport	100
	CFR Călători	Transport	100
	Compania Nationala de Cai Ferate "CFR" SA	National rail infrastructure manager	100
	Romanian Railway Authority – AFER	Transport	100
	Societatea Comerciala de Transport cu Metroul Bucuresti – METROREX S.A	Metro	100
	Romaian Road Authority (Autoritatii Rutiere Romane – A.R.R.)	Road authority	100
	National Housing Agency (ANL)	Housing management	100
	Romanian Civil Aeronautical Authority	Aeronautical authority	100
	Port of Constanţa	Transport	100
	National Company Administration of Shipping Channels	Shipping administration	100
	National Company Administration of Romanian Roads	Road administration	100
	National Company Administration of the River Danube Ports	River administration	100
	Romanian Automobile Registry (Registrul Auto Roman – R.A.R.)	Technical specialized body	100
	Sulina Free Zone Administration	Free zone	100
	National Institute for Building Research	Research institute	100
	Arad International Airport	Airport operation	100
	Baia Mare International Airport	Airport operation	100
	Cluj-Napoca International Airport	Airport operation	100
	Iasi International Airport	Airport operation	100
	Sibiu International Airport (Aeroportul Sibiu R.A.)	Airport operation	100
	Bucharest Aurel Vlaicu Airport (sSocietatea Nationala Aeroportul International Bucuresti Baneasa – Aurel Vlaicu S.A.)	Airport operation	100
	Bucharest Henri Coanda International Airport	Airport operation	100
	Bacau airport	Airport operation	100
	Constanta International Airport	Airport operation	100
	Caransebeş Airport	Airport operation	100
	Craiova Airport	Airport operation	100
	Oradea International Airport	Airport operation	100
	Satu Mare International Airport	Airport operation	100
	Suceava Airport	Airport operation	100
	Targu-Mures Airport	Airport operation	100
	Traian Vuia Timişoara International Airport	Airport operation	100
	Tulcea Airport	Airport operation	100
	National Lottery (National Company Loteria Romana S.A)	Gaming	68
	National Printing House	..	68
	Romanian Post Office (Poşta Română)	Postal	100
	Distrigaz Sud S.A.	Utility	49
	E.ON Gas România S.A.	Utility	49
	Rompress	Media	100
	Aerostar SA	Aircraft repair	100
	MFA S.A. Mizil	Defence	100

Table AIII.3 (cont'd)

Country	Enterprises	Main activity	State Ownership (%)
	Romtehnika S.A.	Defence consultancy and trading	100
	Societatea Nationala Nuclearelectrica (SNN)	Utility	100
Slovenia	Nova Kreditna Banka Maribor	Banking	42.31
	Telekom Slovenije	Telecom	52.53
	Slovenske Železnice	Transport	100
	Adria Airways	Transport	87
	Elektro-Slovenija, d.o.o. (ELES d.o.o.)	Utility	100
	GEN energija	Utility	100
	GEO PLIN d.o.o.	Utility	31.4
	Planika Kranj d.d.	Footwear	57
	Slovenska izvozna druzba, d.d. (SID Bank, Inc)	Credit insurance	91.15
	Geoplin	Utility	37.6
	Javni Holding Ljubljana, d.o.o.	Utility	100
	Slovenska tiskovna agencija (STA)	Media	100
	Ljubljana Airport	Airport operation	64.85
	Pension Management Fund (Kapitalska družba, d.d. KAD)	Insurance and asset management	100
	Sava	Rubber manufacturing	29.77
	Luka Koper, d.d.	Port and logistics services	70.58
	Slovene Restitution Fund (Slovenska odškodninska družba, d.d., SOD)	Finance	100
	Hit Group	Entertainment	60
	Intereuropa	Logistics	16
	Banka Celje	Banking	9.36
	Nova Ljubljanska Banka (NLB, d.d.)	Banking	43.07
	Triglav Insurance Group (Zavarovalnica Triglav, d.d.)	Insurance	62.78
	Petrol	Energy	28.6
	Sava Re	Reinsurance	99.86
	Primorske novice	Media	30.77
	Večer	Media	10
	Institute for Commodity Reserves (ZRSBR)	Commodity reserve	100
	Agency for Compulsory oil Stocks (ZORD)	Stockholding entity	100
	Slovene Enterprise Fund (SEF)	Development investment	100
	Slovenian Tourist Board	Tourism	100
	Pošta Slovenije d.o.o. (Slovene Post)	Postal	100
Slovakia	Slovenská Televízia	Telecom	100
	Železničná spoločnosť Slovensko, a.s. (ZSSK)	Transport	100
	Slovak Railways (Železnice Slovenskej Republiky ŽSR)	Rail infrastructure operator	100
	Železničná spoločnosť Cargo Slovakia, a.s. (ZSSK Cargo)	Transport	100
	Slovenský Plynárenský Priemysel	Utility	51
	Slovenské elektrárne, a.s.	Utility	34
	Vodohospodárska výstavba, š.p.	Utility	100
	Press Agency of the Slovak Republic (TASR)	Media	100
	Letecké opravovne Trenčín, a.s. (Aircraft Repair Company Trenčín JSC)	Aircraft repair	100
	Slovenský letecký inštitút, a.s.	Military aviation testing institute	100
	ZTS TEES Martinske strojarne a.s..	Defence	100
	Vojenský opravárenský podnik 015 Nováky	Military repairs	100
	Vojenský opravárenský podnik 027 Trenčín	Military repairs	100
	LOBB Banská Bystrica a.s.	Defence	100
	Konstrukta-Defence, a.s.	Defence	100
	Slovak electricity transmission system, Plc. (Slovenska elektrizacna prenosova sustava, a.s. SEPS)	Utility	100
	State Fund for Market Regulation	Intervention agency	100
	Slovenská pošta, a. s. (Slovak Post)	Postal	100
Spain	Instituto de Crédito Oficial	Banking	100
	Agencia de Desarrollo Económico de Castilla y León	Banking	100
	Sociedad para el Desarrollo Industrial de Extremadura	Banking	81.3
	Galician Institute for Economic Promotion (Instituto Gallego de Promoción Económica, IGAPE)	Banking/consultancy	100

Table AIII.3 (cont'd)

Country	Enterprises	Main activity	State Ownership (%)
	Sociedad para el Desarrollo de Navarra (SODENA)	Consultancy/banking	80
	Sociedad para el Desarrollo Económico de Canarias (SODECAN)	Consultancy/banking	100
	SODEAN	Energy consultancy	100
	Grupo Radio Televisión Española	Telecom	100
	Radio and Television Corporation (Corporación Radio Televisión Española, RTVE)	Telecom	100
	Administrador de Infrestructuras Ferroviarias (Adif)	Infrastructure administration	100
	RENFE Operadora	Transport	100
	FEVE (Ferrocarriles Españoles de Vía Estrecha)	Transport	100
	Basque Railways EuskoTren (Eusko Trenbideak / Ferrocarriles Vascos)	Transport	100
	Ferrocarrils de la Generalitat Valenciana (FGV)	Transport	100
	Metro de Bilbao	Transport	100
	Metro de Madrid	Transport	75
	Entitat Metropolitana del Transport (EMT)	Transport	100
	SODIGA Galicia	Venture capital	67.3
	Institute for Diversification and Saving of Energy, IDAE (Instituto para la Diversificación y Ahorro de la Energía)	Energy efficiency	100
	Sotavento Galicia, Plc.	Wind farm	51
	Instituto Enerxético de Galicia (INEGA)	Energy efficiency	100
	Sociedad Estatal de Participaciones Industriales (SEPI)	Association of state-owned companies	100
	Compañía Española de Seguros de Crédito a la Exportación, S.A. (CESCE)	Credit insurance	50.25
	Red Eléctrica de España S.A. (REE)	Utility	20
	Estibarna	Loading company	50.85
	Agencia EFE	Media	100
	Alimentos y Aceites S.A.	Management of participation	91.96
	Astilleros Españoles	Shipyard	100
	Cetarsa	Tobacco	79.18
	Cofivacasa	Portfolio management	100
	Defex	Defence	51
	Equipos nucleares ENSA	Maintenance services	100
	Enusa Industrias Avanzadas, S.A.	Energy	60
	Group Izar	Shipbuilding	100
	Hipodromo de la Zarzuela	Leisure	95.78
	Grupo Hinosa	Mining	100
	Infoinvest	Real estate management	100
	Iniexport	Foreign trade	100
	Minas de Almadén y Arrayanes (Mayasa)	Mining	100
	Mercasa	Foodstuff distribution	51
	Navantia	Shipbuilding	100
	Presur	Mining	100
	Anónima Estatal de Caución Agraria (SAECA)	Agriculture financing	80
	Sedettur	Tourism	100
	Sepides	Finance	100
	Sodian	Industry	60.29
	Tragsa	Infrastructure management	51
	Enresa	Radioactive waste handling	20
	Sociedad Estatal Correos y Telégrafos (Spanish Post)	Postal	100
Sweden	Swedish Rail Administration (Banverket)	Rail traffic authority	100
	Swedish Road Administration (Vägverket)	Road transport administration	100
	SJ AB (Statens Järnvägas)	Transport	100
	Vattenfall AB	Utility	100
	Swedish Tourist Authority (Turistdelegationen)	Tourist authority	100
	Posten AB	Postal	100
	Nordea Bank AB	Banking	19.9
	V&S Vin&Sprit AB	Alcoholic beverages	100

Table AIII.3 (cont'd)

Country	Enterprises	Main activity	State Ownership (%)
	Vasakronan AB	Property management	100
	LKAB AB	Mining	100
	Sveaskog AB	Land and forest management	100
	Green Cargo AB	Logistics	100
	SBAB	Residential mortgage	100
	Swedish Export Credit Corporation (SEK)	Banking	100
	AB Svenska Spel	Gaming	100
	A-Banan Project AB	Transport	100
	Akademiska Hus AB	Real Estate	100
	ALMI Företagspartner AB	SME financing and counselling	100
	Apoteket AB	Pharmaceuticals	100
	Arbetslivsresurs AB	Rehabilitation of unemployed	100
	AB Bostadsgaranti	Construction and housing insurance	50
	A/O Dom Shvetsii	Property management	36
	AB Göta Kanalbolag	Canal and property activities	100
	Imego AB	Research	100
	Innovationsbron AB	Commercialisation of research and development	16
	IRECO Holding AB	Management of state shares in industrial research institutes	100
	Kasernen Fastighets AB	Housing for students and Armed Forces employees	100
	Kungliga Dramatiska Teatern AB	National theatre	100
	Kungliga Operan AB	Opera and ballet	100
	Lernia AB	Training	100
	Norrland Center AB	Business sector development	33.3
	OMX AB	Securities	6.6
	Samhall AB	Job creation for impaired	100
	SIS Miljömärkning AB	Labelling systems marketing	10
	SOS Alarm Sverige AB	SOS services	50
	SP Sveriges Tekniska Forskningsinstitut AB	Testing and research	100
	Specialfastigheter Sverige AB	Special property management	100
	Statens Bostadsomvandling AB (Sbo)	Housing	100
	Statens Väg- och Baninvest AB	Investment in infrastructure facilities	100
	Förvaltningsaktiebolaget Stattum	Management	100
	Swedcarrier AB	Maintenance and technical systems services	100
	Swedesurvey AB	Property information systems development	100
	Swedfund International AB	Risk capital contribution	100
	Swedish National Road Consulting AB (SweRoad)	Consultancy	100
	AB Svensk Bilprovning	Vehicle inspection services	52
	Swedish Environmental Management Council (AB Svenska Miljöstyrningsrådet)	Management of environmental systems	85
	Swedish Space Corporation (Svenska Rymdaktiebolaget)	Aerospace Services, Satellite Operation, Space and Airborne Systems	100
	Swedish Ships Mortgage Bank (Svenska Skepshypotekskasan)	Banking	100
	Systembolaget AB	Alcoholic beverages	100

Table AIII.3 (cont'd)

Country	Enterprises	Main activity	State Ownership (%)
	Teracom AB	Telecom	100
	Vasallen AB	Management of military property	100
	Venantius AB	Credit market	100
	VisitSweden AB	Tourist marketing	50
	Voksenåsen A/S	Cultural activities between Sweden and Norway	100
	Svenska Kraftnät	Utility	100
	The Swedish Export Credits Guarantee Board (Exportkreditnämnden EKN)	Credit insurance	100
United Kingdom	National Savings and Investments	Banking	100
	The Export Credits Guarantee Department UK (ECGD)	Credit Insurance	100
	British Energy Group	Utility	35.2
	CDC (Capital for Development)	Banking	100
	Scottish Enterprise	Investment agency	100
	Highlands and Islands Enterprise	Development agency	100
	Skills Development Scotland	Skills related services	100
	Royal Mail Group plc	Postal	100
	Defence Science and Technology Laboratory (DSTL)	Research	100
	British Broadcasting Corporation	Telecom	100
	Northern Ireland Transport Holding	Transport	100
	Transport for London	Transport	100
	National Air Traffic Services (NATS)	Air traffic services	48.9
	Northern Ireland Transport Holding Company	Transport	100
	British Nuclear Fuels Plc (BNFL)	Nuclear technology services and solutions	100
	Department for Regional Development, Water Service (Northern Ireland)	Utility	100
	Camelot Group	National lottery operator	20
	Arts Council of Wales	Art funding	100
	Nuclear Decommissioning Authority (NDA)	Nuclear sites decommissioning)	100

.. Not available.

Note: There are national state-owned enterprises, with more than one government controlling capital, such as SAS (Denmark, Norway and Sweden), TeliaSonora (Sweden and Finland), Svensk-Danska Broförbindelsen AB SVEDAB (Sweden, Denmark) and Thalys International (France, Belgium, Germany). These are not considered to be owned by any one of the member States.

Sources: Various websites of EC Member States.

Table AIII.4
EC membership in IPR treaties and conventions

	Treaty	Date of the treaty	EC Contracting Parties
1.	Berne Convention for the Protection of Literary and Artistic Works	9 September 1886, as amended in 1979	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
2.	Convention Relating to the Distribution of Programme–Carrying Signals Transmitted by Satellite (Brussels Convention)	21 May 1974	Austria, Belgium, Cyprus, France, Germany, Greece, Italy, Portugal, Slovenia, Spain
3.	Treaty on the International Registration of Audiovisual Works (Film Register Treaty)	20 April 1989	Austria, Czech Republic, France, Greece, Hungary, Poland, Slovakia
4.	Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods	14 April 1891	Bulgaria, Czech Republic, France, Germany, Hungary, Ireland, Italy, Poland, Portugal, Slovakia, Spain, Sweden, United Kingdom
5.	Nairobi Treaty on the Protection of the Olympic Symbol	26 September 1981	Austria, Bulgaria, Cyprus, Czech Republic, Estonia, Greece, Hungary, Italy, Poland, Portugal, Romania, Slovenia, Spain
6.	Paris Convention for the Protection of Industrial Property	20 March 1883	Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
7.	Patent Law Treaty	1 June 2000	Austria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
8.	Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms (Phonograms Convention)	29 October 1971	Austria, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
9.	International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome Convention)	26 October 1961	Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
10.	Trademark Law Treaty	27 October 1994	European Community, Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
11.	WIPO Copyright Treaty	20 December 1996	Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia
12.	WIPO Performances and Phonograms Treaty (WPPT)	20 December 1996	Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia
13.	Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure	28 April 1977, amended on 26 September 1980	Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg¸ Netherlands, Poland, Portugal, Romania, Slovakia¸ Slovenia, Spain¸ Sweden, United Kingdom
14.	Hague Agreement Concerning the International Registration of Industrial Designs		European Community, Belgium, Bulgaria, Denmark, Estonia, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Romania, Slovenia, Spain
15.	Lisbon Agreement for the Protection of Appellations of Origin and their International Registration	31 October 1958, revised at Stockholm on 14 July 1967, and amended on 28 September 1979	Bulgaria, Czech Republic, France, Hungary, Italy, Portugal, Romania, Slovakia, Spain
16.	Madrid Agreement Concerning the International Registration of Marks	14 April 1891, as revised and amended	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, France, Germany, Hungary, Italy, Latvia, Luxembourg, Netherlands, Poland¸ Portugal, Romania, Slovakia, Slovenia, Spain

Table AIII.4 (cont'd)

	Treaty	Date of the treaty	EC Contracting Parties
17	Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (Madrid Protocol)	27 June 1989, as amended	European Community, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
18.	Patent Cooperation Treaty	19 June 1970, as amended and modified	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy¸ Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania Slovakia, Slovenia, Spain, Sweden, United Kingdom
19.	Locarno Agreement Establishing an International Classification for Industrial Designs	8 October 1968, amended on 28 September 1979	Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Luxembourg, Netherlands, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
20.	Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks	15 June 1957, as revised and amended	Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
21.	Strasbourg Agreement Concerning the International Patent Classification	24 March 1971, amended on 28 September 1979	Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
22.	Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks	12 June 1973, as amended on 1 October 1985	Austria, Belgium, Bulgaria, Denmark, France, Germany, Hungary, Italy, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovenia, Sweden
23.	Convention Establishing the World Intellectual Property Organization	14 July 1967, as amended on 28 September 1979	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
24.	Convention on the grant of european patents (European Patent Convention)	5 October 1973, as revised	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
25.	International Convention for the Protection of New Varieties of Plants (UPOV Convention)	1 December 1961, as revised	European Community, Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom

Source: World Intellectual Property Rights Organization online information. Viewed at http://www.wipo.int/treaties/en/.

Table AIV.1
Applied MFN tariffs, by ISIC Rev.2 category, 2008
(Per cent and US$ million)

ISIC code	Description	Number of lines	Simple average	Range	Standard deviation
			(Per cent)		
	Total	9,699.0	6.7	0-604.3	14.7
1	Agriculture, hunting, forestry & fishing	565.0	9.3	0-139.6	13.8
11	Agriculture and hunting	422.0	9.9	0-139.6	15.5
12	Forestry and logging	36.0	0.3	0-3.2	0.9
121	Forestry	14.0	0.7	0-3.2	1.3
122	Logging	22.0	0.0	0-0	0.0
13	Fishing	107.0	9.7	0-23	6.4
1301	Ocean and coastal fishing	97.0	10.0	0-23	6.5
1302	Fishing n.e.c.	10.0	7.0	0-12	4.7
2	Mining and quarrying	124.0	0.2	0-8	1.2
21	Coal mining	6.0	0.0	0-0	0.0
22	Crude petroleum and natural gas production	10.0	0.9	0-8	2.5
23	Metal ore mining	27.0	0.0	0-0	0.0
2301	Mining of iron ores	2.0	0.0	0-0	0.0
2302	Non-ferrous ore mining	25.0	0.0	0-0	0.0
29	Other mining	81.0	0.3	0-8.0	1.2
2901	Mining of feldspar	40.0	0.0	0-1.7	0.3
2902	Mining of fertilizer and chemical minerals	14.0	0.1	0-1.7	0.5
2903	Salt mining	5.0	3.5	0-8.0	3.6
2909	Mining and quarrying n.e.s.	22.0	0.0	0-0	0.0
3	Manufacturing	9,009.0	6.7	0-604.3	14.8
3 - 31	- Manufacturing (excluding food processing)	7,247.0	3.8	0-89.8	4.0
31	Manufacture of food, beverages and tobacco	1,762.0	19.4	0-604.3	30.4
311	Food products	1,433.0	20.5	0-485.6	27.2
3111	Meat products	290.0	25.4	0-204.2	29.2
3112	Dairy products	150.0	32.4	0-189.7	33.2
3113	Fruit and vegetable canning	383.0	21.5	0-485.6	32.2
3114	Fish products	276.0	10.9	0-26	6.6
3115	Manufacture of oil and fats (veg. and animal)	128.0	10.2	0-161.9	21.8
3116	Grain mill products	118.0	33.8	4.2-111.4	27.4
3117	Manufacture of bakery products	33.0	15.3	7.6-57.9	11.4
3118	Sugar products	11.0	32.9	0-94.7	37.0
3119	Cocoa and chocolate confectionery	44.0	13.0	0-95.7	14.1
312	Other food products and animal feeds	139.0	17.5	0-604.3	55.7
3121	Other food products	97.0	19.1	0-604.3	63.2
3122	Manufacture of animal feeds	42.0	12.9	0-91.6	23.5
313	Beverages	181.0	10.7	0-218.3	26.0
3131	Distillation of spirits and alcohol production	56.0	2.5	0-39.9	8.5
3132	Manufacture of wines	108.0	16.2	0-218.3	33.1
3133	Manufacture of malt liquors and malt	8.0	10.8	0-33.8	12.8
3134	Soft drinks and mineral waters	9.0	6.7	0-16.8	6.7
314	Tobacco manufacturing	9.0	41.8	10-74.9	25.5
32	Textile, wearing apparel and leather industries	1,351.0	7.6	0-17	3.5
321	Textiles	962.0	7.4	0-14.5	3.0
3211	Textile spinning, weaving and finishing	536.0	6.0	0-8	2.4
3212	Made-up textile goods except wearing apparel	85.0	9.9	2-12	2.8

Table AIV.1 (cont'd)

ISIC code	Description	Number of lines	Simple average	Range	Standard deviation
			(Per cent)		
3213	Knitted and crocheted fabrics	204.0	10.6	6.5-12	1.9
3214	Carpets and rugs	40.0	7.8	3-14.5	1.6
3215	Cordage, rope, etc	23.0	8.3	5.8-12	1.6
3219	Textiles n.e.c.	74.0	5.6	3.2-8	1.4
322	Manufacture of wearing apparel, except footwear	216.0	10.8	0-12	2.7
323	Leather products, except footwear and wearing apparel	116.0	3.4	0-9.7	2.6
3231	Tanning and dressing of leather	60.0	3.5	0-6.5	2.6
3232	Fur dressing and dying	27.0	1.7	0-3.7	1.1
3233	Leather products except footwear	29.0	4.8	2-9.7	2.7
324	Footwear, except vulcanized rubber or plastic footwear	57.0	7.7	3-17	3.8
33	Wood and wood products, including furniture	215.0	2.3	0-10	2.4
331	Wood and wood products, except furniture	177.0	2.3	0-10	2.5
3311	Sawmills and woodmills	123.0	2.2	0-10	2.7
3312	Wooden case containers and cane ware	29.0	2.7	0-4.7	1.4
3319	Wood and cork products	25.0	2.3	0-4.7	2.0
332	Manuf.of furniture & fixtures, except primarily of metal	38.0	2.0	0-5.6	2.0
34	Paper, paper products, printing and publishing	225.0	0.5	0-7	1.7
341	Paper products	188.0	0.5	0-7	1.8
3411	Pulp, paper and paperboard	127.0	0.8	0-7	2.2
3412	Containers, paperboxes, paperboard	9.0	0.0	0-0	0.0
3419	Articles n.e.s.(stationery)	52.0	0.0	0-0	0.0
342	Printing and publishing and allied industries	37.0	0.0	0-0	0.0
35	Chemicals, petroleum, coal, rubber, plastics	1,747.0	4.5	0-89.8	4.5
351	Industrial chemicals	1,123.0	4.8	0-89.8	4.1
3511	Basic industrial chemicals	806.0	4.7	0-89.8	4.6
3512	Fertilizers and pesticides	61.0	5.1	0-6.5	2.3
3513	Synthetic resins, plastic materials except glass	256.0	4.9	0-6.5	2.6
352	Other chemicals, incl. pharm.	398.0	3.7	0-63.3	5.7
3521	Paints, varnishes and lacquers	29.0	5.2	0-6.5	2.3
3522	Drugs and medicines	140.0	1.1	0-6.5	2.4
3523	Soaps	36.0	2.1	0-6.5	2.6
3529	Other chemicals n.e.s.	193.0	5.7	0-63.3	7.1
353	Petroleum refineries	66.0	2.3	0-6.5	2.1
354	Manuf. of miscellaneous petroleum & coal products	20.0	0.7	0-4.6	1.7
355	Rubber products	103.0	5.4	0-17	5.5
3551	Tyre and tube industries	28.0	3.7	0-4.5	1.0
3559	Rubber products n.e.s.	75.0	6.0	0-17	6.3
356	Manufacture of plastic products n.e.s.	37.0	5.8	0-6.5	1.7
36	Non-metallic mineral products except of petrol. & coal	286.0	3.9	0-12	3.0
361	Pottery and china	26.0	5.8	3-12	2.3
362	Manufacture of glass and glass products	133.0	5.0	0-11	3.2
369	Other non-metallic mineral products	127.0	2.3	0-7	2.1
3691	Structural clay products	32.0	3.9	0-7	2.0
3692	Cement, lime and plaster	11.0	1.4	0-1.7	0.7
3699	Non-metallic mineral products	84.0	1.8	0-7	1.9
37	Basic metal industries	658.0	1.2	0-10	2.3
371	Iron and steel basic industries	427.0	0.2	0-7	0.9
372	Non-ferrous metal basic industries	231.0	2.9	0-10	2.9

Table AIV.1 (cont'd)

ISIC code	Description	Number of lines	Simple average	Range	Standard deviation
		(Per cent)			
38	Fabricated metal products, machinery & equipment	2,487.0	2.6	0-22	2.8
381	Fabricated metal products, except machinery & equipment	353.0	2.7	0-8.5	1.9
3811	Manufacture of cutlery and hardware	88.0	3.2	1.35-8.5	2.1
3812	Metal furniture and fixtures	14.0	1.0	0-3.7	1.5
3813	Structural metal products	36.0	2.4	0-7	1.8
3819	Fabricated metal prod. except mach. & equipment. n.e.c.	215.0	2.7	0-6	1.7
382	Non-electrical machinery including computers	916.0	1.7	0-9.7	1.3
3821	Engines and turbines	33.0	2.7	2.05-4.5	0.9
3822	Agricultural machinery	66.0	0.5	0-7	1.1
3823	Metal and woodworking machinery	209.0	2.3	0-4.5	0.6
3824	Special industrial machinery	224.0	1.3	0-6	0.9
3825	Office machinery	60.0	0.8	0-6	1.2
3829	Non-electrical machinery and equipment, n.e.s.	324.0	1.9	0-9.7	1.6
383	Electrical machinery apparatus, appliances & supplies	565.0	3.0	0-14	3.4
3831	Electrical motors and apparatus	121.0	1.9	0-4.7	0.8
3832	Radio, television and communication equipment	249.0	3.6	0-14	4.9
3833	Electrical appliances and houseware	39.0	2.7	1.35-6.9	0.9
3839	Electrical apparatus n.e.s.	156.0	2.8	0-5.7	1.4
384	Transport equipment	336.0	4.3	0-22	4.6
3841	Ship building and repairing	65.0	1.5	0-6.2	1.4
3842	Railway and tramway	39.0	1.8	0-3.7	0.7
3843	Motor vehicles	163.0	6.3	0-22	5.4
3844	Motorcycles et bicycles	34.0	6.1	0-15	3.1
3845	Aircraft manufacture	29.0	1.6	0.85-3.85	0.7
3849	Other transport equipment n.e.c.	6.0	1.5	0-2.7	1.2
385	Professional and scientific equipment	317.0	2.2	0-10.1	2.0
3851	Prof., scientif., measuring equipment	191.0	1.1	0-4	1.3
3852	Photographic and optical goods	72.0	3.3	0-6.7	1.6
3853	Watches and clocks	54.0	4.6	1.85-10.1	1.7
39	Other manufacturing industries	278.0	2.7	0-17	2.3
3901	Jewellery and related articles	25.0	1.5	0-4.7	1.6
3902	Musical instruments	31.0	3.2	1.7-4	0.6
3903	Sporting goods	40.0	3.9	0-17	4.1
3909	Other manufacturing n.e.c.	182.0	2.5	0-10.9	1.9
4	Electrical energy	1	0	0-0	0

a The total of imports is higher than the sum of sub-items, as certain imports, to the value of €55,077.7 million are not classified in the Harmonized System.

Note: Calculations include the *ad valorem* component of alternate rates.

Source: data WTO Secretariat estimates, based on *Official Journal of the European Union*, 31 October 2007 L 286; imports from EUROSTAT online information. Viewed at: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0,1136217,0_45571467&_dad=portal&_schema=PORTAL.