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## EU import measures and the developing countries

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**World Trade Organization**  
Trade Policy Review Division

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**EU Import Measures and the Developing Countries**

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EU Import Measures and the Developing Countries

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Abstract

The EU's import policies towards developing countries are complex, stemming from important sectoral and country variations in policy. Average tariffs are modest, and, while there are tariff peaks and escalation in some areas of interest to developing countries, these are being reduced as a result of the implementation of the results of the Uruguay Round. The use of non-tariff measures has fallen, particularly as a result of agricultural tariffication, and is being further reduced in textiles and clothing. The elimination of VERs has not led to an increase in the use of alternative measures. Contingency protection falls more heavily in chemicals, iron and steel, certain textile items and certain electrical consumer goods and on Asian, Central and Eastern European and former Soviet Union countries. The operation of various factors appears to be working to mitigate the use of trade defence measures in recent years, helping to counter pressures that seem likely to arise as liberalization proceeds.

Key words: European Union; trade policy; developing countries.

JEL Reference: F13

[Table and charts are at the end]

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## EU Trade Measures and the Developing Countries

Marc Auboin and Sam Laird, World Trade Organization

### I. Introduction

1. The EU's import policies towards developing countries are complex, stemming from important sectoral and country variations in policy. However, the general trend is towards greater liberalization and simplification of its trade regime; this results from the EU's participation in the WTO multilateral system as well as the Single Market process. With the general elimination in the use of voluntary export restraints (VERs), anti-dumping, which affects only a small share of trade, remains as the key trade defence instrument; its use appears to be less intense in sectors subject to higher tariffs and other measures affecting imports, and there are also variations in its application as between partners. While liberalization has led to further pressures for contingency protection in some countries, there are a number of developments in the EU which may help to counter any such pressures should they arise, not least the need to increase the EU's own competitiveness on global markets. On the other hand further liberalization in textiles and clothing and agriculture may lead to pressures for anti-dumping action.

2. In Section II, we look briefly at import patterns of the EU, including the intensity of its imports from various country and product groups, comparing this with indices of revealed comparative advantage. The main part of the paper, Section III, discusses the sectoral and partner country variations in the EU's import regime. There is a discussion of the tariff regime, including peaks, escalation and preferential arrangements. This is followed by an overview of the use of non-tariff measures (NTMs), in particular trade defence instruments. Section III briefly mentions domestic support measures, which, used in tandem with import measures, reduce demand for import especially in agriculture, while export measures are used to dispose of surpluses. Section IV contains some concluding remarks.

### II. Trade Patterns

3. An overview of the structure of the EU's trade by broad groups of trading partners from 1975 to 1995 is shown in Tables I and II.<sup>1</sup> The grouping of trading partners is linked to the preferential treatment afforded under trade agreements and unilateral preferences, as discussed later. Trade within the EU, with EFTA and with other developed countries has slowed in recent years. The fastest growing areas of trade are the Central and Eastern European countries and the Rest of the World, which essentially groups China, Former Soviet Union (FSU), Cuba and other transition economies in Asia (although some of these, including China are GSP beneficiaries, but treated separately from other GSP countries for this paper). Trade with the ACP countries has been declining in value terms over the last 15 years, probably in part due to lower prices for their exports.

4. As might be expected, EU intra-trade (based on import statistics, as recorded by the UN Statistical Division, UNSTAT) is of the greatest importance, being worth some US\$1.1 trillion in 1995, followed by imports from GSP beneficiaries (US\$294b.) and "other" developed countries, to which the EU accords m.f.n. treatment, i.e., Australia, Canada, Japan, New Zealand and the United States (US\$247b.).

5. Table III shows trade in 1995 with the same broad groups of countries, disaggregated by major product groups including some which are of particular interest to developing countries. Trade in manufactures is by far the most important for all groups of countries except African, Caribbean and Pacific (ACP) countries, for which agricultural products (mainly food items) are the most important.

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<sup>1</sup> These are sourced from the UNSTAT Comtrade database in which values are expressed in US dollars. UNSTAT and Eurostat both obtain data from national sources there are some differences in processing; however, major currency movements mean that ECU values show somewhat different trends.

6. We have also computed a measure of the intensity of the EU's imports from the same groups of countries and for the same product groups as are covered in Table III, using the intensity of trade index, pioneered by Brown (1949) and popularized by Kojima (1964) and Drysdale (1969). Using the same notation as Kojima and Drysdale, the intensity of trade index ( $I_{ij}$ ) is defined for country i's exports to country j as the share of i's exports going to j, ( $X_{ij}/X_i$ ), relative to the share of j's imports ( $M_j$ ) in world imports net of i's imports ( $M_w - M_i$ ), that is,

$$I_{ij} = \frac{X_{ij} / X_i}{M_j / (M_w - M_i)} - 1$$

This index allows us to compare the EU's imports of specific products groups from trading partner groups in total imports of the product group relative to the export performance of those products in the partner group's exports to the world. A characteristic of the index is that a value of more (less) than unity indicates a bilateral value of imports that is higher (lower) than might be expected given the trading partner's importance in world trade as a whole or for the specific product group.

7. The results for the trading partners only for the years 1975, 1985 and 1995 are shown in Table IV, while the results for partner groups and product groups for 1995 only are shown in Table V. The only clear time trend was the very substantial growth in intensity of trade with the ACP countries over the last 20 years, to produce the second highest TII in 1995; this occurs, despite the decline in the total value of trade between the EU and ACP countries in the last 15 years, because ACP trade has fallen even more with the rest of the world. Trade is also relatively more intense with the remaining three EFTA countries, the CEECs, Mediterranean countries (excluding Israel and Turkey), and the ACP countries. The lowest TIIs are with GSP beneficiaries, the m.f.n. developed countries and the Rest of the World. In 1995, trade was most "intense" with the Baltic States, but it was not possible to compute the trade intensity index (TII) for earlier years; the high ratios may be explained by trade with Finland and the re-orientation away from the FSU, but there may also be some data errors.

8. In terms of broad product groups, the TII in agriculture is typically lower than the overall measure for all groups of trading partners except the Baltic States. Apart from high value imports of agriculture and fuel items, the TII for the ACP countries is relatively high for a range of manufactures, although clothing is the most important import group. For the Mediterranean countries and Turkey, the highest value, high TII product group is also clothing.

9. To compare the intensity of trade with the export profile of the developing countries, Table VI contains Balassa indices of the revealed comparative advantage (RCAs) of the EU and of the same groups of trading partners and products as covered in Table III for the year 1995. It is interesting to note that in the clothing sector, the CEECs, the Baltic States and all developing countries are shown to have comparative advantage (RCAs greater than unity) and for all these country groups except the GSP beneficiaries the TII is also relatively high. In the case of the ACP countries, comparative advantage is "revealed" only in the case of agriculture, fuels and the clothing sectors, while the TII is relatively high for all sectors. Again, the Mediterranean countries have relatively high TIIs in many more sectors than they have RCAs greater than unity.

10. There are a number of possible explanations of the intensity of trade, including geographical proximity, cultural and historical ties, the structure of trade barriers and preferences among different partners also play a role. These are examined in the next section.

### III. Import Measures including Contingency Protection

11. The EU's import regime provides for differential treatment of trading partners and product

sectors by means of tariffs and non-tariff measures (as explained later). To gauge the significance of any particular measure, including the main trade defence mechanisms allowed under the WTO (anti-dumping, countervailing and safeguard measures), it is necessary to see it in the context of this general background of protection. Thus, the main trade defence instruments are, to some extent, "fail-safe" mechanism when tariffs or non-tariff measures prove inadequate to allow import-competing industries time to adapt to a changing competitive environment. As we shall see, they are relatively rare in sectors such as agriculture and textiles and clothing where high tariffs are combined with non-tariff measures.

12. It may also be noted that, apart from the main trade defence mechanisms, the WTO system has a number of other contingency measures which allow members to maintain trade restrictions and impose new ones under certain circumstances. In total, Finger (1995) lists some 20 categories of exceptions, and he notes that his list could have been longer had he included the 10 or so sub-categories of Article XX on General Exceptions, which include, inter alia, measures to protect public morals and the environment. Apart from specific provisions, countries could also ask for a waiver of a rule; however, under an Understanding negotiated in the Uruguay Round, members have agreed to make the granting of waivers much more limited than in the past.

13. Two new kinds of contingency measures were introduced in the Uruguay Round, in the areas of agriculture (special safeguards under Article 5.1 of the WTO Agreement on Agriculture) and transitional safeguards which may be applied selectively under the WTO Agreement on Textiles and Clothing. In practice, neither the special safeguards under the Agriculture Agreement nor the transitional safeguards for textiles and clothing are used by the EU, but tariff quotas have come into use in the agricultural sector as a result of the elimination of non-tariff measures against imports.

(i) Tariffs

14. Tariffs provide differential conditions of access for EU trading partners in several ways. Generally, tariff protection is modest, although some sectors are protected more heavily than others, including on items such as textiles and clothing which are of particular interest to developing countries, whereas in other areas developed countries are more affected. Second, escalation provides greater effective protection for processing industries than is evident from the nominal rates. Third, and perhaps most importantly in the case of the EU, the pyramid of preferences provides for graded treatment of the EU's trading partners, developed and developing, allowing many of them to avoid, at least in part, the negative biases caused by the structure of protection.

15. Following tariffication of agricultural non-tariff measures, including variable levies, under the WTO agreements, the simple average EU tariff in 1995 across all products, agricultural and manufacturing, has been estimated at 9.6 per cent; this is a notional increase compared to the 7.3 per cent prior to the Round, but is explained by the conversion of non-tariff measures to tariffs ("tariffication") in agriculture rather than an increase in the overall level of protection. The simple average for industrial products was 6.4 per cent.<sup>2</sup> In agriculture, the EU (like all industrialised countries) is committed to making tariff cuts of 36 per cent on average between 1995 and 2000,<sup>3</sup> while, in manufacturing, the EU agreed to cuts averaging nearly 40 per cent, include the elimination of tariffs

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<sup>2</sup>WTO (1995). With variable levies converted into tariffs, the new rates on most agricultural products are expressed predominantly in specific ecu amounts rather than ad valorem terms. Ad valorem equivalents of most of the specific rates were calculated by the Commission, based on average import prices for EU(12) over the period 1991 to 1993. The averages must, therefore, be regarded as indicative and treated with caution, as the actual protection afforded by specific tariffs varies with fluctuations in world prices and individual shipments.

<sup>3</sup>Developing countries are committed to making tariff reductions of 24 per cent.

on construction equipment, agricultural equipment, medical equipment, pharmaceuticals, most steel categories, paper products, furniture, selected toys and soaps and detergents.

16. The new tariff profile for agriculture shows peaks for meat and meat products, dairy products, sugar and derivatives, and tobacco products (Chart I(a)). On individual sensitive items, tariffs can be considerably higher than these HS chapter averages, reaching over 100 per cent for some meat and dairy products, some cereals, bananas and certain fruit and vegetable juices (WTO, 1997). By contrast, tariffs will remain low or zero on oilseeds, fruit and vegetables, and plants. In the two latter cases, however, the estimated averages of about 10 per cent mask seasonal peaks that afford higher effective protection to EU producers.<sup>4</sup> Furthermore, the price (and demand) effects of low tariffs on coffee, tea, mate and spices (HS Chapter 09) may be offset in some member States by high excise taxes.<sup>5</sup>

17. Nominal tariffs on industrial products are now generally low, except for a range of "sensitive" products (Chart I(b)). These include textiles and clothing area, motor vehicles, and consumer electronics where the negotiated reductions are generally less deep than in others. Nevertheless, as a result of the tariff eliminations referred to above, complemented by substantial tariff cuts for machinery, technical instruments, many textile fibres and other manufactured articles, the Communities' unweighted average tariff on industrial products is to decline from 6 per cent in 1995 to 3.7 per cent in 2000. Apart from these Uruguay Round commitments, the new Information Technology Agreement, announced at the WTO Ministerial meeting in Singapore in December 1996, should also lead to substantial tariff reduction for a wide range of products covered by the agreements.

18. Tariff escalation in the EU also provides higher effective protection for its processing industries than suggested by the nominal rates. Escalation is of particular importance for leather, rubber, textiles and metals, as is evident from Chart II, showing m.f.n. tariff rates for processing industries before and after implementation of Uruguay Round commitments. In general the implementation of the Uruguay Round will result in a reduction in the degree of tariff escalation. Thus, while the simple average of ad valorem duties on raw materials is set to decline from 6.4 per cent in the base period (1986-88) to 4.5 per cent in 2000, the corresponding averages for manufactures are to come down from 7.6 to 4.8 per cent (WTO, 1995). Indeed, as a result of the Information Technology Agreement, industrial tariffs may fall to around 3 per cent on average by the turn of the century. However, escalation will remain important in textiles and clothing, where the tariff average of about 10 per cent on fully processed items contrasts with less than 1 per cent on raw materials following full implementation of Uruguay Round commitments. Preliminary calculations for food products following tariffication in 1995 showed average tariffs of some 15 per cent on raw materials and over 30 per cent on fully processed food items (WTO, 1995). Since benefits under the EU's preferential arrangements (see next), in particular GSP, focus on raw materials rather than on processed products, in particular in "sensitive" areas, they may reinforce escalation effects (*idem*).

19. While many of the EU's trading partners benefit from some or other form of preferential treatment, including under free trade arrangements, most imports enter at m.f.n. rates. The United States and Japan, which receive most-favoured nation (m.f.n.) treatment, are the EU's most important trading partners, supplying 19.6 per cent and 10.8 per cent of its imports from extra-EU source in 1995 (based

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<sup>4</sup>For example, the base rate for oranges varies between ECU 89 per tonne plus 13 per cent (from 1 to 30 April) and an ad valorem rate of 4 per cent (1 June to 15 October); they are to be reduced to ECU 71 per tonne plus 10.4 per cent and 3.2 per cent, respectively, by 2000. Similarly, the base rate for tomatoes is set at either ECU 372 per tonne plus 18 per cent (1 November to 14 May) or ECU 372 per tonne plus 11 per cent (rest of the year); the corresponding rates from 2000 are ECU 298 per tonne plus either 14.4 or 8.8 per cent.

<sup>5</sup>For example, the ad valorem equivalent of the German coffee tax was estimated at 110 per cent in 1991.

on extra-EU trade only). Other m.f.n. partners combined supply somewhat more than 10 per cent of imports. However, we estimate that some 17 per cent of imports from preferential partners enter under an m.f.n. rate of zero, while 9 per cent of imports eligible for GSP treatment enter at non-zero m.f.n. rates (e.g., because of limits on GSP application). An overview of the EU's trade and trading relationship is shown in Chart III.

20. The complexity of the EU's free trade, association and other preferential agreements is the result of a wide array of historical, economic and geo-political factors. Thus, in WTO (1995) it was noted that in a recent Communication to the Council, highlighting the need to assess future agreements in the light of the strengthened WTO rules, such assessment "should take into account not only direct costs and benefits but also wider strategic considerations of an economic and political nature". Free-trade agreements (FTAs) were said to be especially beneficial when they help bolster the EU presence in fast growing economies and attenuate the "threat" of others establishing privileged relations with countries of special importance to the Union. Reinforcing links with other regional sub-groups was also thought to help ensure that integration occurred in a way compatible with EU interests.

21. Under these preferential arrangements a number of sensitive sectors were excluded, but the current tendency is to extend the product coverage, reducing and even eliminating such exclusions. Thus, the agreement on European Economic Area (EEA) in 1994 extended the prior EU-EFTA Protocol, which had provided for free trade in industrial goods, by taking in services (other than aviation and maritime transport), although agriculture and fisheries remains excluded for the time being. Under the agreements to establish bilateral free-trade areas between the EU and several Central and Eastern European countries (CEECs), as a first step toward these countries' membership of the EU, all industrial products are allowed to enter the EU free of duty and of quantitative restrictions (QRs). By January 1998, all quantitative restrictions on industrial products will have been eliminated. In agriculture, the Europe Agreements consolidate preferences granted under the GSP, with certain improvements. The agreement with the Baltic States, signed in July 1994, established two-way free trade in industrial goods between the parties, with the EU removing tariffs and quantitative restrictions on 1 January 1995; the three Baltic States signed Europe Agreements with the EU in June 1995.

22. The EU's policy towards Mediterranean countries is not as advanced as the policy towards the CEECs and the Baltic States, but this has gained impetus with the inception of the new Euro-Mediterranean partnership providing for the establishment of a free-trade area by 2010, covering manufactured products and trade liberalization in agriculture, services and capital. A number of new association agreements are currently under way with the Mediterranean countries with a view to establishing free-trade areas with the EU in a relatively short time-frame. The Customs Union Agreement with Turkey which entered into force in January 1996 provides, among other things, for freedom of movement of industrial goods and opening the services sector, and more slowly in agriculture. Cyprus and Malta have long had associate member status with the EU. The agreement with Israel, initially providing for free trade in industrial products, is expanding coverage of agricultural products, and there is a commitment to open negotiations for further liberalization of services and public procurement.

23. The trade régime of the Lomé Convention provides for duty-free access and freedom from quantitative restrictions, or measures having equivalent effect, for almost all products originating in the ACP States. For a number of agricultural products, the Convention provides for preferential reductions of border charges applied under the Common Agricultural Policy.

24. The Generalised System of Preferences (GSP) scheme ranks low in the EU's pyramid of preferences and is its only non-contractual preferential scheme (benefits are autonomous and non-binding). The current scheme, which took effect on 1 January 1995 covers mainly industrial products imported from 145 countries and territories. The current scheme is based on a tariff modulation mechanism, which replaced the former system of duty-free quotas and ceiling in 1995, and takes into account the sensitivity of products for which four categories are defined: (i) "very sensitive" products (textiles, clothing and ferro-alloys) for which the preferential rate of duty is 85 per cent of the regular duty; (ii) "sensitive" products, covering a wide range of products including footwear, electronics and motor vehicles, for which the preferential duty is 70 per cent of the regular duty; (iii) "semi-sensitive" products, also very diverse, for which the preferential duty is 35 per cent of the regular duty; and (iv) "non-sensitive" products which benefit from duty-free treatment. In addition, there is a graduation scheme based on the overall level of development as well as the level of export specialisation in specific product categories.<sup>6</sup> Changes to the graduation scheme in 1995 were intended to strengthen its role as a development tool.

25. Least-developed countries qualify for total exemption from customs duties on industrial products and a range of agricultural products. While 45 countries are included in the list of least-developed countries, many of these receive greater benefits under the Lomé Convention. There are also special preferences for Andean Group countries allowing temporary duty-free access in the industrial and agricultural sectors, and special provisions for industrial and agricultural products also exist for Central America.

26. The EU also uses the GSP to foster certain social and environmental policies introduced in 1995. Thus, supplementary preferential margins may be granted to countries that meet the requirements of specified International Labour Organization Conventions and of standards set by the International Timber Trade Organization for tropical wood. Moreover, GSP benefits may be withdrawn to discourage practices such as forced labour, exports of products manufactured in prisons, unfair trading practices, or manifest shortcomings in control of drug movements.

27. Non-preferential Partnership and Co-operation Agreements (PCAs) with the republics of the Commonwealth of Independent States (CIS) and other countries of the former Soviet Union (FSU) provide for m.f.n. treatment and removal of quantitative restrictions (except on steel and textile products), subject to a safeguard mechanism. Separate agreements cover textiles and, in certain cases, trade in nuclear products, and coal and steel products.

28. Rules of origin applied by the EU vary considerably between trading arrangements and specific products. However, but efforts are being made to bring some order and consistency to the rules. For example, the EU has undertaken to harmonize the rules of origin in the Europe Agreements with those of EFTA and to link these with the EEA countries through a system of diagonal accumulation. This would allow manufacturers in any of the CEECs or Baltic States to claim origin status for products incorporating components imported from another such country.

(ii) Non-tariff Measures (NTMs)

29. By their nature non-tariff measures provide differential treatment for trading partners, but in the case of the EU the use of such measures is not systematically biased against developing countries. There is also a clear cut trend towards reduced use of NTMs in the EU as a result of the implementation of the Uruguay Round agreements and the Single Market programme. Thus, in agriculture, non-tariff measures against imports were tariffed under the WTO Agreement on Agriculture, while trade restrictions under

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<sup>6</sup>For a description of the graduation mechanism, see Annex II.2 of WTO (1995).

the MFA are being progressively reduced under the WTO Agreement on Textiles and Clothing.

30. An overview of the use of different non-tariff measures by the EU before and after the Uruguay Round is provided in Table VII, while the sectoral breakdown of relative restrictive measures is shown in Table VIII.<sup>7</sup> These computations show a very substantial reduction in the use of NTMs between 1988 and 1996. Export restraints which includes restraints under the MFA as well as voluntary export restraints on quantities (VER)s, are relatively important in the table, but their use has fallen since VERs have largely disappeared, except as discussed below. There are still some voluntary export price restraints (VEPRs), usually resulting from negotiated settlements in anti-dumping cases, but these are of minor importance and their use has also diminished. The sector most affected by NTMs continues to be textiles and clothing, and there is no sign of reduction in the use of measures, as computed by the OECD; however, the methodology does not capture the expansion of quotas within existing tariff items, the main method being used during the initial phased liberalization of the WTO Agreement on Textiles and Clothing.<sup>8</sup> The substantial reduction in NTM coverage in agriculture as well as food, beverages and tobacco (and the reduction in variable levies) is the evident result of tariffication under the WTO Agreement.

31. While the Uruguay Round contributed in an important manner to the reduction in the use of NTMs, it has also been argued that quantitative restrictions are possibly the area where the Single Market has most directly improved access conditions across a wide variety of "sensitive" product categories (WTO, 1995). All trade restrictions previously maintained by member States have disappeared without substitutes, while at the EU level, apart from measures specifically justified on health, security or environmental grounds, there are at present no restrictions, controls or surveillance actions other than under the arrangements on textiles and clothing (discussed further below), the banana regime, the automotive "consensus" with Japan (the last VER, due to be phased out by the year 2000), restrictions on specified consumer products from China and iron and certain steel categories from Mongolia, Vietnam and some members of the Commonwealth of Independent States (CIS).

32. Under the WTO Agreement on Textiles and Clothing, in 1995 the European Union started phasing out the quantitative restrictions previously maintained under bilateral MFA Agreements and these are to be completely eliminated by January 2005.<sup>9</sup> Already, there are no QRs under the textile agreements with the Baltic States, while trade with the CEECs is to be fully liberalized by January 1998. Bilateral quotas apply to some FSU countries.

33. Remaining quotas on steel products imported from the CEECs have been phased out and are being liberalized on such imports from CIS countries.

(iv) Trade defence instruments

34. The use of trade defence instruments by the EU has been reduced in recent years, as VERs have practically disappeared, while the use of anti-dumping (AD) measures appears to have stabilized.

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<sup>7</sup>For details of definitions and methodology, see OECD (1996).

<sup>8</sup>Elimination of items is now starting to take place and this should be registered by the UNCTAD data base, which is the prime source of the OECD estimates.

<sup>9</sup>To replace national restrictions, Council Regulation 519/94 introduced Community-wide quotas (in value or volume) on various product categories originating in China: working gloves, six types of footwear, tableware of porcelain or ceramic, glassware, car-radios and three types of toys. In 1995, these quotas were expanded in 1995 when Austria, Finland and Sweden acceded to the EU, and imports of certain sport shoes were liberalized.

Safeguard and countervailing measures are of little importance.

35. The main framework of the EU is contained in four regulations approved by the Council of Ministers at the end of 1994. These regulations cover dumping, subsidies and safeguards, and internal procedures for remedial action where other countries are thought to be infringing international rules. Changes to EU rules were made under separate regulations for each of the four areas: Regulation 3283/94 on anti-dumping, Regulation 3284/94 on Subsidies, Regulation 3285/94 on Safeguards and Regulation 3286/94 covering the EU's new Trade Barriers Regulation.

36. Before looking at the specific instruments and to set the changes into context, it is important to appreciate the degree to which trade defence instruments or administrative protection had come to dominate trade regimes. Until 1992, voluntary export restraints (VERs), including under the MFA, were used almost exclusively by the United States and the European Union; they had also become the most important instrument of trade policy (Laird, 1992). This is supported by the OECD estimates in Table VII, showing that in 1988 some 6.2 per cent of imports were affected by (quantitative) export restraint agreements of one kind or another applied at the Community level, while only 2.2 per cent of imports were affected by anti-dumping and countervailing measures or voluntary export price restraints in the same year. By 1996, the import coverage of export restraints, now mainly applied in the textiles and clothing sector, had fallen to 3.0 per cent, while the import coverage of AD measures, including price restraints, had fallen to 0.2 per cent (Table VII).<sup>10</sup>

37. In 1992, the EU (and the United States) largely eliminated the use of VERs other than textiles and clothing restraints, anticipating the WTO Agreement on Safeguards by three years. It was subsequently agreed under the WTO Agreement that the use of all VERS and similar "grey area" measures had to be eliminated within four years, but provision was made for a more flexible use of safeguards but under tighter disciplines. The compromise reached was that safeguards may discriminate among suppliers but only in exceptional circumstances where imports from a member country increase disproportionately. Under such circumstances, the country applying the restrictions may allot to affected exporters shares which reflect historical performance. However, it may also seek agreement on quota allocation among suppliers with substantial interest in the affected product.

38. Since 1992, the only VER maintained by the EU covers imports of cars from Japan (currently filling some 8 per cent of the EU market); this replaces at the EU-level the prior and long-standing Italian trade-balancing agreement between Japan and Italy. The present "consensus", reached in July 1991 and due to expire at the end of 1999, provides for bilateral consultations on market trends and annual "supply forecasts" for both the EC as a whole and five previously restricted markets - France, Italy, Portugal, Spain and the United Kingdom. Japanese shipments to the EU are determined on this basis; an internal declaration by the Commission foresees that EU manufacturers are granted at least one third of the market growth, while Japanese exporters would absorb two thirds of any sudden demand shortfall (GATT, 1993).

39. The main changes introduced to the EU's safeguards rules under Council Regulation 3285/94 are explicit provisions for the establishment of a quota and its allocation between supplier countries (Article 16(3) and (4)); a limit on the duration of a safeguard measure to a maximum of four years with a possible extension of four years after a new investigation (Article 20); regular progressive liberalization of measures applying for more than one year (Article 20(4)); the institution of a mid-term review for any measure with a duration of more than three years (Article 21(1)); and a minimum two-year moratorium on the re-imposition of a measure (Article 22).

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<sup>10</sup>The OECD uses fixed base year weights so that the reduced trade coverage is related to the reduced number of items or countries affected by the measures and not to changes in trade flows.

40. EU safeguard measures under Article XIX are of minor importance, and the elimination of VERs under the WTO Agreement on Safeguards has not so far seen any major return to the use of safeguards as a trade defence instrument. In 1995, the EU notified to the WTO eight safeguard measures which were to be eliminated.<sup>11</sup> These concern restrictions on imports into Spain of live bovine animals, swine and meat of swine, rabbit meat, and coal; limits on deliveries of potatoes to the Canary Islands; quantitative restrictions on lignite maintained by Austria; and Community quotas on both preserved sardines and tuna (section (ii)(a) above). Most of these have now been phased out.

41. Today, anti-dumping (AD) is the EU's main instrument of trade defence, and the EU is the second most important user of such measures, after the United States (WTO, 1996), albeit only a small share of trade is directly covered by such measures.<sup>12</sup> The relative importance of AD actions has increased because the elimination of VERs has not been substituted by other measures, such as safeguards or countervailing measures (discussed later). These other measures have also fallen into disuse in most countries, since domestic industry, seeking redress against rising or low-cost imports, tends to prefer AD actions because, inter alia, the injury test is lower than for safeguards, the AD mechanism allows a better targeting of the foreign suppliers which are the source of "dumped" import, there is no compensation requirement, there is no requirement of adjustment by domestic industry, and, compared to CV measures, there is no need to prove the existence of subsidies (Laird, 1997).

42. Among economists concerns have been expressed about abuse of the anti-dumping mechanism and, in particular, methods being employed to compute anti-dumping duties (see Hindley and Messerlin, 1993, among others). During the Uruguay Round, countries which were the target of the increasing number of anti-dumping cases (mainly Japan, Korea, Hong Kong and a number of other developing countries) sought to have new disciplines imposed. However, the United States and the European Union wanted to be able to clamp down on screwdriver plants and other forms of circumvention. In the end, the WTO Agreement on Anti-dumping (formally, the Agreement on Implementation of Article VI of the GATT 1994) balanced tightened disciplines on the use of the finding of dumping and injury with new rules on cumulation and further discussion aimed at action against circumvention, although the changes are unlikely to satisfy either set of protagonists. It was agreed that the existence of dumping could not be assumed just because there were below-cost sales in the ordinary course of trade or, for example, because sales prices in the export market were not always adjusted immediately to reflect exchange rate movements. More importance was also attached to linking "dumped" imports directly to the injury sustained by the domestic industry. Investigations were not to be launched without evidence that this was what was sought by the domestic industry, generally defined as "the domestic producers as a whole of like products" or "whose collective output constitutes a major proportion of the total domestic production of those products". The Agreement also contains a specification of *de minimis* provisions related to the margin of dumping and volume for terminating proceedings.

43. An important new provision is the "sunset clause", requiring that anti-dumping duties remain in

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<sup>11</sup>GATT document G/SG/N/2 and 3, 24 March 1995.

<sup>12</sup>There is evidence from a number of studies that the effects of VERs and AD actions extend beyond the products and countries directly affected (Messerlin, 1988, Dinopoulos and Kreinin, 1988). Hindley and Messerlin (1993) point out that the share of trade affected by AD actions is a downward-biased measure, substantially understating the overall effect of AD measures. However, using fixed base year weights, as in the OECD study, means that the declining trend is directly related to the reduced scope of AD measures, and this should apply equally to any wider effects.

place for no longer than five years unless a review demonstrates that the removal of duty would likely lead to continuation of dumping and injury. The new agreement also strengthened the disciplines on the process which must be followed in the conduct of an anti-dumping investigation; these procedures will also strengthen the scope for all interested parties to participate in anti-dumping proceedings.

44. While the Agreement itself does not include any specific provisions for anti-circumvention measures, a Ministerial Decision on Anti-Circumvention, recognising the disagreement on a text and the desirability of uniform rules in this area, referred the matter to the Committee on Anti-Dumping Practices for resolution, and discussions on this question have begun.

45. Nothing in the WTO Agreement prevents the conclusion of an anti-dumping case by means of a price undertaking, which has many of the features of a VER, except that the exporters' commitment is with respect to the price rather than the volume. As with VERs, these allow exporters to capture part of the rent associated with the restriction. In the EU's case, these undertakings are concluded between the Commission and exporting countries, unless an objection is raised by member States. Indeed, reaching agreement on prices seems to be the preferred solution, although this is only achieved in the minority of cases.

46. The regulation on anti-dumping (No: 3283/94) included new rules required by the WTO Agreement on the calculation of dumping margins, initiation, investigation procedures, establishment and treatment of facts, imposition of provisional and definitive measures, duty collection, duration and review of anti-dumping measures and public disclosure of information. However, the regulation goes beyond the WTO Agreement in addressing actions against absorption of duties (Article 12) and circumvention (Article 13) of measures. Industry complaints that an anti-dumping measure has brought no or "insufficient" changes in resale or subsequent selling prices in the EU may prompt an examination of the price effect and the measures in force may be amended by simple majority of the Council, acting on a recommendation of the Commission, should the examination confirm increased dumping.

47. Anti-dumping duties may also be extended to imports of like products or parts thereof if existing measures are circumvented. This is defined as a change in trade patterns due to a practice, process or work "for which there is insufficient due cause or economic justification, other than the imposition of the duty". The substantive criteria governing the extension of duties require, among other things, that the parts imported from the country subject to a measure constitute at least 60 per cent of the total value of the parts incorporated in the final product, and that the value added to the imported parts during assembly within the EU does not exceed 25 per cent of the manufacturing cost.

48. Where conditions have "temporarily changed to an extent that injury would be unlikely to resume as a result of the suspension", then anti-dumping measures may be suspended for nine months (Article 14(4)) and subsequently extended.

49. The de minimis clause of the EU regulation, defining "negligible imports", is more restrictive than the WTO provision. It states that proceedings shall not be initiated against countries representing a market share of less than 1 per cent of Community consumption of a product, unless the collective share of such countries amounts to 3 per cent or more (Article 5(7)). The respective limits in the WTO Agreement are 3 per cent for individual countries and 7 per cent for their cumulative share in total imports.

50. A positive feature of the EU regulation requires consideration of Community interest prior to making a determination. Thus, Article 21 requires that any decision to impose measures be based on an appreciation of all interests, including those of users and consumers. Within the time limits indicated in the notice of initiation of an investigation, interest groups (including "representative consumer organizations") may make themselves known, provide information to the Commission, and subsequently

request a hearing. This notion of community or public interest has been proposed for some time to ensure that the national interest as a whole is taken into account in trade defence cases, not just the interest of the industry claiming protection (Laird and Messerlin, 1990). It is intended to institutionalize the process of giving due attention to parties which might be adversely affected by a positive finding, such as consumers and user industries, but which are less well organized than the industry seeking protection. It appears that the inclusion of this clause in the EU regulation has led to the imposition of lesser duties than might otherwise have been imposed in a few cases.

51. Even prior to the regulation designed to implement the Uruguay Round commitments, the EU's decision-making procedures for anti-dumping and countervailing actions had already been streamlined in March 1994 to allow the Council to introduce definitive duties or extend provisional measures by simple majority voting. This change coincided with the entry of Austria, Finland and Sweden and the simplification of decision-making procedures. Substantive issues in anti-dumping (or countervailing) determinations by the Council or Commission may be reviewed by the Court of First Instance on the basis of an action brought by natural or legal persons involved in anti-dumping or anti-subsidy cases. Reviews by the European Court of Justice are restricted to questions of law.

52. While the number of initiations of anti-dumping procedures by the EU has varied from year to year, the number of measures in force increased up to 1992, stabilised at around 150 anti-dumping measures (including price undertakings) between 1993 and 1995, but picked up slightly in 1996 (Table IX). On the other hand, the share of imports affected by measures appears to have declined from 1-2 per cent in the 1980 to some 0.5 per cent today.

53. The Asian region is the most affected by anti-dumping measures, with nearly half of EU measures in force. While measures against China appear to be increasing (more than 30 measures in force at the end of 1996), measures against Japan and other Asian countries (Chinese Taipei, Thailand, Malaysia, Hong Kong, Indonesia, India and Singapore) are on the decline. The second most heavily affected region is Central and Eastern Europe (about a third of EU measures), including countries of the former Yugoslavia, countries members of the former Soviet Union and the CEECs, but there are few measures against the Baltic States. Among the Mediterranean countries, Turkey and Egypt appear to be the only two countries affected by anti-dumping measures. The most affected Latin American country is Brazil, followed by Venezuela, and there is one case against Mexico. There were three cases in force against the United States. The ACP countries are not subject to any anti-dumping measures, reflecting the large share of agricultural products and base materials in EU imports from these countries.

54. One hypothesis discussed by Hindley and Messerlin (1993) is that membership of a regional agreement may reduce the vulnerability of participants to anti-dumping action.<sup>13</sup> Hindley and Messerlin cite the wish to be less exposed to anti-dumping actions as an important motive for the acceptance of the EEA by at least some EFTA countries (most notably Sweden). Other examples appear to support the hypothesis, while yet others are in contradiction. For example, there are relatively few measures against Mediterranean countries and the Baltics which now have close ties with the EU. On the other hand, the CEECs, which rank high in the EU's preferences, and for which reciprocity is deepening, are subject to a number of AD measures.<sup>14</sup> There are no measures against ACP countries, which benefit from non-

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<sup>13</sup>This is raised in the context of a wider discussion on participation in regional agreements for fear of being "left out in the cold" in a GATT-less world, the so-called "insurance" motive.

<sup>14</sup>Under the Europe Agreements, the CEECs are now being treated as other market economies in recognition of the increasing market behaviour among enterprises in these countries. The significance of this change is that, in any anti-dumping case, actual transaction prices are used in the dumping investigation, whereas previously the procedure was to use constructed costs of production, allowing for an assumed profit margin, under Article VI:1(b)(ii) or prices in trade with third countries. It is not clear what the effect of this change will be on the number

reciprocal preferences, but there is a large number of cases against GSP beneficiaries. There is a preponderance of measures against Asian countries with which there are no trade agreements, but there are very few current measures against the United States, the EU's largest (m.f.n.) trading partner. Overall, AD measures against members of a regional agreement account for about a quarter of all EU measures, while measures against countries receiving some form of preferential treatment by the EU cover about 50-60 per cent of all measures (about the same as their share in total EU imports).

55. In general, the main evolution in recent years is the stability or reduction in the use of AD measures against "market economies" and their increased use against "non-market economies" (as determined by the EU), particularly those which are not WTO members. Thus, measures against China and countries members of the former Soviet Union have increased markedly since 1994.

56. Turning to the product breakdown of the EU's anti-dumping cases, the iron and steel, chemicals and textiles (mainly polyester yarns and fibres) industries are most heavily affected by anti-dumping duties, followed by consumer and electrical goods (TVs, micro-wave ovens). Anti-dumping investigations and measures affecting the textiles industry have been increasing in the last year, coinciding with the integration of a second list of textiles products under the WTO Agreement on Textiles and Clothing. The steel industry is characterized by considerable overcapacity, and the main growth in AD actions took place at a time of economic slow-down when exchange rates were also subject to considerable fluctuations and when VERs had been eliminated; the situation now appears to have stabilized in this sector. It is noteworthy that there is not a single anti-dumping case in the agricultural sector, which is covered by high, often specific tariffs and domestic supports. Clothing, which is relatively unaffected, is covered by restrictions under the WTO Agreement on Textiles and Clothing, but is also the subject of an important outward-processing trade between the EU and the CEECs and Mediterranean countries.

57. One of the most significant developments in EU anti-dumping law was the suspension of all anti-dumping actions affecting EFTA countries when the EEA Agreement entered into force on January 1994. The rationale was that these countries had implemented the "*acquis communautaire*" including EC competition law. In effect, this brought anti-dumping back to its roots, when it was thought that anti-dumping would be used to preserve competition by eliminating predatory practices (Viner, 1923).<sup>15</sup> The EU was the first trade grouping to replace the use of AD measures with competition policy under the Single Market programme. This has served as an example for other: thus, Australia and New Zealand have more recently adopted a similar approach in their agreement on Closer Economic Relations. Consideration has been given to following this example by the MERCOSUR countries on their internal trade, but pending agreement on a set of Common Rules on the Defence of Internal Competition, it has been decided to postpone such a decision until 31 December 2000.

58. In response to recent complaints about the politicisation of EU anti-dumping methods, the Trade Commissioner, Sir Leon Brittan has reportedly circulated to other Commissioners an information note to "ensure that decisions in the anti-dumping field are based on economic facts alone, established by means of rigorous investigations, and that our procedures are fair and transparent".<sup>16</sup> The Commission

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of cases.

<sup>15</sup>The adoption of the test of the effect of imports on competition in the domestic market could lead to a reduction in the use of anti-dumping measures. The use of such measures (not specifically in the EU) has been severely criticised by Finger (1993), while Messerlin (1990) focuses on their use as an anti-competitive device.

<sup>16</sup>Europe Report, No. 2246, 1 August 1997. Complaints by Asian exporters about politicisation were reported in the Far Eastern Economic Review, 12 June 1997, following direct intervention by some Member States' Governments in a recent case involving unbleached ("grey") cotton fabric. This occurred after the Council had

document apparently states that EU procedures are in conformity with WTO rules and proposes changes, including an early-warning system, intended to keep Commissioners informed of upcoming cases.

59. The new EU rules on countervailing measures (Council Regulation 3284/94) closely follow the text of the WTO Agreement on Subsidies and Countervailing Measures. In line with the detailed procedural provisions of the agreement, the regulation covers the definition and calculation of a subsidy, its countervailability, and procedures for initiation, investigation and the imposition of measures. The regulation also includes specific provisions defining negligible import volumes, sampling procedures, actions in the event of non-co-operation or circumvention, and Community interest, as in the case of the anti-dumping regulation. As noted in WTO (1995), the EU's countervailing legislation has been used in very few cases.

60. The EU's Trade Barriers Regulation (Regulation 3286/94, which replaced Council Regulation 2641/84) is intended to "ensure the exercise of the Community's rights under international trade rules, in particular those established under the auspices of the World Trade Organization". The regulation provides a channel for EU industries, enterprises and member States to complain about trade measures in other countries. It applies to goods and, to some extent, services as well as to intellectual property rights affecting trade in goods and certain services. Table X lays out schematically the procedures under the Trade Barriers Instrument.

61. The Commission's view is that the main purpose of the regulation is not to protecting the domestic market but, based on complaints by EU enterprises, to achieve greater trade liberalization within the context of international rules. However, among possible options, the regulation lists: suspension or withdrawal of concessions, increased customs duties or import surcharges, and the introduction of quantitative restrictions, or any other measures modifying or affecting trading conditions with the country concerned. Of course, such measures would be taken within the context of WTO rules, which, as discussed earlier, provide for a wide variety of possible contingency measures, including the withdrawal of negotiated concessions under Article XXVIII. Under the regulation, in WTO cases, measures cannot be taken unless the dispute settlement procedure results in a decision in favour of the EU and the measures are authorized by the DSB.

62. Overall, very few procedures have been initiated under the New Commercial Policy Instrument of 1984 (Council Regulation 2641/84) and the Trade Barriers Regulation. No measures have been taken under these provisions, but several proceedings are currently underway.

#### IV. Other Measures

63. EU domestic measures affecting trade operate in various ways on trade flows. For example, the completion of the Single Market in goods and its extension in services have facilitated access to the EU. On the other hand measures to foster domestic production may have a negative impact on its trading partners, by reducing market opportunities; typically, such measures work in tandem with border measures.

64. Agriculture is an important area where domestic support measures are used by the EU. Under the WTO Agreement on Agriculture, there is a commitment to reduce domestic support measures, also intended to enhance the decision on market access by reducing a country's ability to replace import protection with trade-distorting support mechanisms. On the basis of the Aggregate Measurement of Support (AMS), domestic support measures are being reduced by 20 per cent from a 1986-88 base over

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rejected a proposal to impose duties that would have increased costs for a number of European dyers and printers of fabrics.

the implementation period. The agreement was also intended to achieve a long-term change in the nature of domestic support, emphasising the use of measures that are less trade and production distorting than those used till now. To this end, the agreement contains a detailed set of exemptions and exclusions ("green box" subsidies) intended to ensure that reductions apply to those measures that most distort trade. These include: production-limiting programmes; de-linked income support; programmes related to structural adjustment, income insurance and safety nets; regional assistance; environmental payments; domestic food aid; and general services. The agreement also includes the *de minimis* provision, exempting product-specific support which amounts to less than five per cent of the value of production of the product as well as non-product-specific support which is less than five per cent of the total value of agricultural production of a country.

65. The commitment in terms of the AMS places a ceiling on the future use of the most trade-distorting forms of domestic support (which could also be eroded by inflation) since, in practice, in virtually all cases the AMS commitments for the year 2000 had already been met or will be met by OECD countries following minor, if any, policy adjustments (OECD, 1995). Domestic support commitments are, nevertheless, very important, since they restrict the ability of countries to increase domestic support at a time when they may be tempted to use such support to substitute for reductions in import protection or export subsidization.

66. Some latitude does exist for inter-sectoral shifts of funding since the commitment is terms of overall funding rather than being product-specific. On the other hand, the peace clause exemptions do not apply to support to specific commodities in excess of the level decided during the 1992 marketing year (Article 13(b)(ii)). Another limit on longer term moves to less production- and trade-distorting measures derives from the fact that many measures in still in place are largely market-price support measures. While there has been some shift to more direct forms of payment, these are also largely linked to production. Moreover, the exemption of the production-limiting programmes also weakens the shift towards less trade and production distorting measures since they require production to be eligible for the payments, and their effect could be further limited by technological change (since they are generally expressed in acreages rather than quantity produced). Nevertheless, any government facing budgetary constraints will find itself under pressures to switch to de-linked supports in order to reduce its financial expenditures, and this could provide a long-term influence more persuasive than international obligations.

67. Turning to domestic supports in areas other than in agriculture, the EU also uses extensive state aid schemes which bolster domestic production and therefore reduce import demand. Many of these are "green box" measures under the WTO, being applied on a non-sectoral basis for regional or environmental purposes. Many schemes are applied at the Member State level, but the European Commission keeps all such systems under review and may issue decisions and initiate proceedings to terminate or modify them. Certain industries (coal, steel, shipbuilding, synthetic fibres, motor vehicles, air and maritime services) are subject to sector-specific guidelines clarifying and/or tightening the general criteria for authorization.

68. Aid proposals in the textiles sector must be in accordance with a 1977 communication to member States which limits support for capacity increases in branches with excess capacity; aid for sectoral conversion is generally viewed favourable. Under the new Code for the synthetic fibres industry, support - in whatever form - to producers must be notified to the Commission and authorization is dependent on significant capacity reductions.

69. EU Member States also use a number of export subsidies, mainly in agriculture, which may provide increased competition in third country markets for some developing country exporters, but mainly other developed countries. On the other hand, the subsidy element in some of its export measures is appreciated by food-importing developing countries. The main new commitments are in the

area of agriculture, where the WTO Agreement contains reduction commitments for export subsidies ("refunds") and subsidized export volumes, a key feature of the Common Agricultural Policy (CAP). Reductions of 36 per cent (subsidies) and 21 per cent (volumes) are to be phased in by 1 July 2001. It has been variously estimated that there will be little short-term impact on world prices as a result of the WTO Agreement,<sup>17</sup> but in the longer term this will benefit many developing country exporters of temperate zone products. By contrast, food importers (e.g., Egypt and Morocco) were particularly concerned about the possible negative impact on them of higher food prices. It was, therefore, agreed to establish a committee which would, inter alia, monitor the progress with regard to the Ministerial Decision on "Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries". The Ministerial Decision contains commitments on maintaining adequate levels of food aid and preferential treatment in relation to agricultural export credits. It also notes that developing countries may be able to draw on the resources of international financial institutions under existing facilities, or such facilities as may be established, in order to meet any adjustment needs emanating from the Round. In view of the long phase-in period of the reforms in this sector, it should be noted that such facilities are to focus on introducing adjustments designed to improve the supply responses in developing countries.

## V. Conclusions

70. Reflecting a series of historical, economic and geo-political factors, the EU has one of the most complex trade regimes of any regional grouping, with substantial variation in the treatment of sectors and trading partners. However, the regime has been simplified in recent years under the Single Market programme and the implementation of the results of the Uruguay Round, and further simplification of the trade regime is scheduled. There has been substantial rationalization and reduction of tariffs and tariff escalation, more consistent sectoral treatment and rules of origin under regional trading arrangements, the elimination of VERs (other than on Japanese cars, also due to be eliminated) and other non-tariff measures, while a start has been made towards the elimination of textile and clothing restraints under the WTO Agreement. The reduced use of VERs has not so far led to an increase in the use of other trade defence instruments, such as safeguards, countervailing measures or the Commercial Policy Instrument; even for anti-dumping, now the main such instrument, the number of measures in force has generally stabilised and the import coverage is declining, although there was a slight increase in the number of cases in 1996.

71. Over the last 20 years, increased intensity of trade was most marked in the case of ACP, Mediterranean countries and the CEECs, reflecting historical factors, proximity and to a certain extent preferential treatment. The link with the use of trade instruments is less clear. While EFTA and ACP countries are subject to few AD measures, CEECs and Mediterranean countries are, in proportion to their bilateral trade, quite affected by AD measures, reflecting product composition of bilateral trade (steel and textiles). Trade with GSP beneficiaries and m.f.n. partners has been less intense, but in absolute terms has been growing rapidly, and as a group they account for the largest share of EU's trade. For these countries as well the analysis of trade defence instruments is rather inconclusive, with a large number of measures against China, South East Asia and FSU countries, but few on the United States, Canada and other developing countries.

72. In some sectors, there is a layering of high and escalating tariffs with non-tariff measures. For example, agricultural imports are restrained by high, often specific tariffs, tariff quotas and domestic supports; textiles and clothing have export restraints applied by trading partners. However, anti-dumping measures are relatively sparse in these sectors, except for polyester yarns and fibres. Iron and steel, where VERs were important prior to their elimination in 1992, have below average tariffs, but

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<sup>17</sup>See, for example, Hathaway and Ingco (1995).

relatively more AD measures, mostly directed against the CEECs and FSU. Consumer electrical goods also have below average tariffs and a higher incidence of AD measures, directed at Asian suppliers.

73. When one excludes sectors with high tariff protection and a high incidence of NTMs, there does not appear to be a consistent pattern that partnership with the EU in some form of regional agreement is a way of reducing susceptibility to the use of trade defence mechanisms. Trade with ACP and Mediterranean countries, where there are few AD measures, is heavily oriented to agriculture and textiles and clothing (also covered by outward processing). The extreme example where the absence of AD measures goes with a high level of integration is within the EU itself or of the European Economic Area, where competition policy governs potential unfair trade practices in intra-trade, a practice which has attracted attention in other regional groupings.

74. The apparent stabilisation in the number of anti-dumping cases in recent years may be the result of the combined effects of the sunset clause, the public interest clause, the internal market opening and experience from the area of competition policy. There appears to be greater awareness of the potential damage to the broad thrust of EU policies arising from abuse of the application of trade defence mechanism. Experience from the single market programme and the general thrust of competition policy, in particular, have heightened awareness of the need for structural change to increase the global competitiveness of the EU. Together with proposed procedural changes in response to complaints of politicisation, this should go some way towards countering the inevitable pressures that will arise as liberalization proceeds.

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**Table I: EU total trade with major groups of partners, 1975-95 (US\$billion)**

<b>Partner</b>	<b>1975</b>	<b>1980</b>	<b>1985</b>	<b>1990</b>	<b>1995</b>
<b>(a) Imports</b>					
European Union 15	198.7	455.5	417.8	976.5	1158.9
EFTA 3	13.4	37.7	34.5	72.1	87.6
Other Developed	45.6	106.3	93.5	202.3	246.4
Central/E. Europe	6.8	13.3	10.6	19.7	44.6
Baltic States	0.0	0.0	0.0	0.0	4.2
Israel	0.9	2.6	2.3	4.9	6.2
Turkey	0.9	1.6	3.0	8.1	12.0
Med. Agts.	2.6	8.6	7.1	11.6	15.2
ACP Countries	12.4	29.5	23.8	25.1	26.1
GSP Countries	54.5	123.0	109.6	213.9	293.9
Rest of World	8.6	24.6	23.7	37.5	68.6
World	358.0	841.7	722.4	1536.7	1889.8
<b>(b) Exports</b>					
European Union 15	196.4	457.8	420.5	974.8	1240.4
EFTA 3	17.6	44.4	35.7	74.2	90.7
Other Developed	29.3	59.6	94.6	159.2	206.1
Central/E. Europe	9.9	14.0	9.2	18.3	53.5
Baltic States	0.0	0.0	0.0	0.0	4.3
Israel	1.7	2.5	3.1	6.9	12.7
Turkey	2.5	2.8	4.4	10.2	17.0
Med. Agts.	6.0	14.3	12.9	19.1	27.3
ACP Countries	11.9	26.0	16.7	26.6	30.6
GSP Countries	64.5	120.3	102.5	195.1	326.1
Rest of World	10.6	18.2	20.2	26.7	47.9
World	338.1	750.3	704.9	1476.0	1995.5

Source: UNSTAT Comtrade database.

**Table II: Average annual growth of EU total trade with major groups of partners, 1975-95 (%)**

<b>Partners</b>	<b>1975-80</b>	<b>1980-85</b>	<b>1985-90</b>	<b>1990-95</b>
<b>(a) Imports</b>				
European Union 15	18.0	-1.7	18.5	3.5
EFTA 3	23.0	-1.8	15.9	4.0
Other Developed	18.4	-2.5	16.7	4.0
Central/Eastern Europe	14.3	-4.5	13.2	17.8
Baltic States	..	..	..	..
Israel	23.8	-1.9	16.0	4.9
Turkey	13.3	13.9	21.7	8.1
Med. Agts.	27.6	-3.9	10.3	5.6
ACP Countries	18.9	-4.2	1.1	0.7
GSP Countries	17.7	-2.3	14.3	6.6
Rest of World	23.4	-0.8	9.7	12.8
World	18.7	-3.0	16.3	4.2
<b>(b) Exports</b>				
European Union 15	18.4	-1.7	18.3	4.9
EFTA 3	20.3	-4.2	15.8	4.1
Other Developed	15.3	9.7	11.0	5.3
Central/E. Europe	7.2	-8.1	14.8	23.9
Baltic States	..	..	..	..
Israel	7.3	4.9	17.1	13.0
Turkey	2.4	9.2	18.4	10.7
Med. Agts.	19.0	-2.1	8.3	7.4
ACP Countries	17.0	-8.5	9.8	2.8
GSP Countries	13.3	-3.1	13.7	10.8
Rest of World	11.4	2.1	5.8	12.4
World	17.3	-1.2	15.9	6.2

Source: UNSTAT Comtrade database.



**Table III: EU Imports by Partner and Broad Product Group, 1995 (%)**

SITC	Group	EU15	EFTA3	CEECs	Baltics	Israel	Turkey	Med.	Lome	GSP	Dev'd	RoW
0-9	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
0+1+2+4-27-28	Agriculture	15.1	8.2	12.8	27.3	16.7	21.3	18.9	48.1	20.0	11.6	11.3
0+1+2+4	- Food	11.6	5.4	7.1	3.4	10.1	16.8	14.2	34.5	13.4	4.4	3.5
2-22-27-28	- Agriculture Raw Materials	3.5	2.8	5.8	23.8	6.7	4.5	4.7	13.6	6.6	7.2	7.9
3+27+28+68	Mining	3.1	19.8	4.3	23.9	0.9	1.4	14.8	21.4	7.5	1.9	21.0
3	- Fuels	3.1	19.8	4.3	23.9	0.9	1.4	14.8	21.4	7.5	1.9	21.0
5 to 8-68	Manufactures	79.8	69.3	81.8	48.4	81.6	76.9	65.8	30.3	71.4	85.4	65.5
5	- Chemicals	13.7	16.6	7.2	8.0	17.0	2.8	5.9	3.0	4.1	9.2	7.0
65	- Textiles	3.0	2.3	2.8	4.0	3.5	10.6	4.4	1.1	4.2	1.0	2.3
67	- Iron & steel	4.4	2.2	6.6	5.9	0.1	3.0	0.6	1.7	1.8	0.5	3.6
71	- Machinery, non-elec.	12.6	11.7	8.1	2.8	9.7	2.0	1.8	0.4	9.9	24.8	3.9
72	- Elec. machinery	8.1	6.8	8.4	3.2	10.3	5.3	9.6	0.3	11.6	17.4	7.0
73	- Transport equip.	14.5	2.2	6.4	1.3	2.3	3.6	1.5	1.9	3.2	13.1	0.7
82	- Furniture	1.2	0.8	4.8	2.4	0.7	0.6	0.2	0.0	1.4	0.2	0.7
83	- Travel goods & handbags	0.1	0.0	0.3	0.0	0.1	0.2	0.4	0.0	1.0	0.0	2.5
84	- Clothing	2.3	0.6	12.5	11.2	5.6	39.7	33.4	8.4	13.7	0.4	9.8
85	- Footwear	0.8	0.1	1.5	0.5	0.2	0.2	1.5	0.2	2.2	0.1	2.5

Source: UNSTAT Comtrade database.

**Table IV: EU Total Trade Intensity, 1975-95**

<b>Partner</b>	<b>1975</b>	<b>1985</b>	<b>1995</b>
EU15	0.72	0.87	0.93
EFTA3	0.99	1.13	1.13
CEECs	0.80	0.72	1.09
BALTIC States	..	..	3.35
ISRAEL	0.54	0.57	0.64
TURKEY	0.71	0.57	0.67
Mediterranean	0.68	1.16	1.10
ACP Countries	0.53	0.88	2.61
GSP beneficiaries	0.50	0.44	0.34
Developed countries nei	0.19	0.24	0.22
Other	..	..	0.51

Source: UNSTAT Comtrade database.

Notes: Other are principally former socialist countries, not elsewhere included.

**Table V: EU Trade Intensity by Partner and Broad Product Group, 1995**

SITC	Group	EU15	EFTA3	CEECs	Baltics	Israel	Turkey	Med.	ACP	GSP	Dev'd	RoW
0-9	Total	0.93	1.13	1.09	3.35	0.64	0.67	1.10	2.61	0.34	0.22	0.51
0+1+2+4-27-28	Agriculture	0.85	0.83	0.77	4.61	0.42	0.45	0.54	2.02	0.26	0.12	0.54
0+1+2+4	- Food	0.75	0.67	0.75	3.94	0.35	0.38	0.44	1.71	0.26	0.13	0.81
2-22-27-28	- Agriculture Raw Materials	1.08	1.40	0.84	4.87	0.64	0.75	0.84	1.91	0.27	0.10	0.16
3+27+28+68	Mining	1.23	4.82	0.68	2.22	0.14	0.17	1.83	3.14	0.22	0.16	0.27
	3 - Fuels	1.23	4.82	0.68	2.22	0.14	0.17	1.83	3.14	0.22	0.16	0.27
5 to 8-68	Manufactures	0.94	1.07	1.17	3.64	0.67	0.75	1.30	2.81	0.35	0.25	0.50
	5 - Chemicals	0.74	0.82	0.74	1.56	0.60	0.51	0.77	1.94	0.28	0.31	0.24
	65 - Textiles	1.01	1.13	1.47	6.28	0.65	0.55	1.69	1.01	0.31	0.27	0.13
	67 - Iron & steel	0.95	1.00	0.64	1.18	0.54	0.43	0.47	1.86	0.23	0.24	0.18
	71 - Machinery, non-elec.	0.95	1.11	1.19	3.98	0.68	0.90	1.36	2.72	0.44	0.31	0.63
	72 - Elec. machinery	1.33	1.61	1.94	7.09	0.73	1.40	3.03	3.80	0.38	0.24	0.80
	73 - Transport equip.	0.83	0.83	1.14	3.64	0.46	0.57	1.09	4.17	0.41	0.20	0.91
	82 - Furniture	0.74	0.77	0.90	3.64	0.66	1.01	1.67	1.12	0.37	0.14	7.70
	83 - Travel goods & handbags	1.11	1.88	2.26	13.80	0.86	2.13	4.13	5.22	0.46	0.54	2.42
	84 - Clothing	0.93	1.27	2.13	4.00	1.44	3.24	2.98	2.18	0.43	0.14	1.30
	85 - Footwear	1.16	1.32	0.76	6.10	1.18	0.81	4.19	2.03	0.18	0.27	43.12

Source: Calculations by the authors on basis of UNSTAT Comtrade database.

**Table VI: Revealed Comparative Advantage Indicators, 1995**

SITC	Group	EU15	EFTA3	CEECs	Baltics	Israel	Turkey	Med.	ACP	GSP	Dev'd	RoW
0+1+2+4-27-28	Agriculture	1.0	0.6	1.2	3.0	0.6	1.8	2.1	3.1	1.2	1.0	0.9
0+1+2+4	- Food	1.1	0.7	1.2	1.6	0.6	2.2	2.1	3.5	1.2	0.8	0.9
2-22-27-28	- Agriculture Raw Materials	0.7	0.4	1.2	6.0	0.7	0.9	2.2	2.1	1.2	1.4	0.7
3+27+28+68	Mining	0.6	3.4	1.2	0.4	0.0	0.3	2.5	4.1	1.6	0.7	0.8
	3 - Fuels	0.6	3.4	1.2	0.4	0.0	0.3	2.5	4.1	1.6	0.7	0.8
5 to 8-68	Manufactures	1.0	0.9	1.0	0.7	1.1	0.9	0.8	0.4	0.9	1.0	1.1
	5 - Chemicals	1.3	1.8	0.9	0.7	1.4	0.4	1.5	0.6	0.6	0.9	0.6
	65 - Textiles	1.0	0.6	1.2	2.9	0.7	3.6	1.9	0.6	1.8	0.4	3.0
	67 - Iron & steel	1.2	0.5	2.2	1.6	0.1	3.0	0.5	1.1	0.9	0.7	1.2
	71 - Machinery, non-elec.	1.0	1.0	0.5	0.2	0.6	0.2	0.1	0.1	0.7	1.2	0.3
	72 - Elec. machinery	0.7	0.6	0.7	0.5	1.1	0.4	0.3	0.1	1.3	1.2	0.9
	73 - Transport equip.	1.1	0.3	0.7	0.5	0.2	0.3	0.1	0.2	0.4	1.4	0.2
	82 - Furniture	1.3	0.8	3.4	3.6	0.3	0.3	0.2	0.3	1.0	0.6	1.2
	83 - Travel goods & handbags	0.9	0.5	0.8	0.3	0.1	0.7	1.3	0.5	2.1	0.1	8.8
	84 - Clothing	0.8	0.2	2.2	1.9	1.2	9.5	7.4	3.4	2.4	0.2	5.3
	85 - Footwear	1.1	0.2	1.6	0.8	0.2	0.7	1.7	0.3	2.1	0.1	5.8

Source: Calculations by the authors on basis of UNSTAT Comtrade database.

**Table VII: Use of Different Types of Non-tariff Measures (NTMs) by the EU, 1988 and 1996**

NTM type	Frequency ratio		Import coverage ratio	
	1988	1996	1988	1996
All NTMs	26.6	19.1	13.2	6.7
- Core NTMs	25.2	15.1	10.9	4.2
-- Quantitative restrictions (QRs)	19.5	13.1	7.8	3.8
--- Export restraints	15.5	11.4	6.2	3.0
--- Non-automatic licencing	4.4	1.5	2.2	0.8
--- Other QRs	0.2	0.2	0.1	0.0
-- Price control measures (PCMs)	12.4	3.2	6.0	0.5
--- Variable levies	6.3	1.4	1.8	0.1
--- AD/CVs & VEPRs	2.6	0.9	2.2	0.2
--- Other PCMs	4.3	1.0	2.1	0.3

Source: OECD (1997).

**Table VIII: Sectoral incidence of relative restrictive NTMs by the EU, 1988 and 1996**

ISIC	Description	Frequency ratio		Production-weighted frequency ratio	
		1988	1996	1988	1996
1	Agriculture, forestry & fishing	20.6	8.5	18.8	7.2
2	Mining & quarrying	0.0	5.0	0.0	6.7
21	- Coal mining	0.0	42.9	0.0	42.9
22	- Crude petroleum	...	0.0	...	0.0
23	- Metal ore mining	...	4.4	...	4.4
29	- Other mining	0.0	3.6	0.0	3.6
3	Manufacturing	26.2	13.4	12.6	5.4
31	- Food, beverages & tobacco	50.7	17.2	48.5	11.1
32	- Textiles and apparel	73.8	75.2	74.9	75.4
33	- Wood & wood products	0.0	0.0	0.0	0.0
34	- Paper & paper products	2.7	0.7	1.2	1.9
35	- Chemicals & petroleum products	5.4	2.9	3.5	1.6
36	- Non-metallic mineral products	6.6	0.0	4.4	0.0
37	- Base metal industries	37.5	0.6	37.7	0.6
38	- Fabricated metal products	4.1	0.0	4.6	0.0
39	- Other manufacturing	1.4	0.0	1.3	0.0
Total	All Products	25.3	13.0	12.7	5.6

Source: OECD (1997).

**Table IX**  
**Anti-dumping actions, 1990-96**  
**(Number of cases)**

	1990	1991	1992	1993	1994	1995	1996
Initiations	43	20	39	21	43	33	24
Measures taken	27	22	16	19	21	13	26
- definitive duties	18	19	16	19	19	13	26
- price undertakings	9	3	0	0	2	0	0
Findings of no dumping	0	1	1	1	5	0	0
Findings of no injury	13	6	4	1	1	4	0
Measures in force	139	142	158	150	151	147	163

Source: WTO (1997).

**Table X**  
**Procedures under the Trade Barriers Instrument**

	<b>Complainant</b>	<b>Practice</b>	<b>Effects</b>	<b>Relevant market</b>
1st track (complaint Art. 3)	Community industry (or major proportion thereof) providing goods or services	Illicit practices (includes violations of GATT/WTO rules)	Material injury	Community market or third country markets
2nd track (referral Art. 6)	Member States	Exercise of the Community's international rights (includes any commercial practice by a third country)	Depending on the action requested (including "nullification or impairment" or other adverse trade effects in GATT "non-violation" cases)	Community market or third country markets
3rd track (complaint Art. 4)	Community enterprises (includes <u>a fortiori</u> the Community industry as a whole) providing goods or services	Any commercial practice by a third country	Adverse trade effects as defined by the relevant international rules (including "violation" and "non-violation" cases under GATT/WTO) plus "material impact" on the Community	Third country markets (including the country applying or maintaining the practice in question)

Source: WTO (1995), on the basis of information supplied by the European Commission..