

# **PUTTING TRADE POLICY AT THE SERVICE OF DEVELOPMENT**



## **EU Trade Policy and Market Access for Developing Countries 2006-2007**

**Report from DG Trade of the European Commission to the European  
Parliament - April 2008**



## I. STATEMENT BY THE COMMISSIONER



This is the third Trade Policy report of its kind that I have presented to the Parliament as EU Trade Commissioner. It is a sign of my commitment and that of my services, and also I believe of the Parliament, to the issues of trade and development. It has become an important opportunity to take a comprehensive view of the ways in which trade policy can promote development and provide greater opportunities to developing countries in support their own individual development priorities. It is an important statement about the openness of the European market to developing countries, which has reached new levels with the Economic Partnership Agreements for African, Caribbean and Pacific countries.

Duty and quota free access to Europe's market is now available not only to all Least Developed Countries, but also to all ACP countries. This is a degree of openness unmatched by any other major economy and demonstrates our commitment to putting trade at the service of development not only in theory, but in practice. This report sets out how, at each level of trade policy, the EU seeks to respond to the needs of developing countries, to support their sustainable development and their integration into the global trading system. It describes the policies and negotiations in the period up to December 2007 through which we have sought to ensure that all developing countries, the poorer and weaker as well as the more competitive, have the opportunity to share in the benefits of trade with the world's largest single market.

Development will remain an integral feature of European trade policy in 2008. In the World Trade Organisation (WTO), we continue to work for a successful conclusion to the DDA. We have put substantial market access offers on the table, including in Agriculture. We are already the largest importer of agricultural products from developing countries, but have made clear our willingness to go even further as part of a balanced global agreement. We now have an outcome in sight that would generate a substantial pro-development dividend. But it is clear that this can only be realised if our other negotiating partners, including the emerging economies, play their part and make appropriate contributions of their own.

On the bilateral side, we will in the weeks ahead present the interim agreements and Caribbean EPA negotiated in 2007 to the Council and Parliament for the formal process of signature and implementation and will continue to work with our ACP partners to negotiate comprehensive EPAs. Bilateral negotiations for Free Trade Agreements (FTAs) with other partners will continue, offering further opportunities for developing countries to improve their access to the EU market.

In the first half of the year, the Council is expected to decide on the General System of Preferences (GSP) Regulation, giving developing country partners and traders the notice they need to prepare for its entry into force in January 2009. Countries wishing to apply for the GSP+ scheme, which offers additional market access subject to a number of sustainable development criteria, can do so until the end of October. We will provide an assessment as to whether they meet the relevant criteria by mid-December 2008.

We have also been active on Aid for Trade, which is vital to helping developing countries to build capacity so enabling them to address constraints on their trade potential and to compete



in global markets. For weaker and less competitive developing countries, Aid for Trade is particularly important if they are to harness trade to drive economic growth, sustainable development and poverty reduction. That is why we will make a priority in 2008 of promoting the Aid for Trade Agenda internationally in particular in upcoming international development assistance events as the Monterrey Consensus follow-up Conference on Financing for Development, in November-December this year.

Development is and will remain at the heart of EU trade policy. I look forward to pursuing our shared objectives in this area with the Parliament in the months ahead.

**Peter Mandelson**  
European Commissioner for Trade



## II. INTRODUCTION

The idea of providing a regular report by DG Trade on DCs' access to the EU market originates from the dialogue between the Commissioner for Trade and the International Trade Committee of the European Parliament (EP)<sup>1</sup>. In March 2005, Commissioner Peter Mandelson undertook to provide reports on a regular basis to the EP. A first such report was submitted in May 2005<sup>2</sup> and a second in May 2006<sup>3</sup>.

This is therefore the third such report, covering the period from June 2006 until the end of 2007. It is divided into two main sections: firstly, a narrative description of the many relevant EU Trade policy initiatives and activities supporting the development agenda during the above mentioned period; and secondly, an analytical part to provide an updated presentation and analysis of relevant trade data, utilising the most recent available, which is for 2006.

The narrative part describes the main changes and policy developments affecting the market access possibilities and prospects of DCs on the EU market. The report describes the ongoing evolution of trade policy and EU efforts in 2007 to promote development across the board in the framework of the WTO multilateral negotiations and bilateral contexts such as Economic Partnership Agreements (EPAs) and other Free Trade Agreement (FTA) negotiations with other DCs; unilaterally through the GSP; and through horizontal activities and initiatives from which DCs in particular stand to benefit such as Aid for Trade, the Export Helpdesk for DCs and reform of the EU's preferential rules of origin.

The objective of the more analytical part of the report is to describe the evolution of EU imports from main developing country groupings and to examine their use of EU trade preferences in 2006. The EU's two main preferential trading regimes are considered; the Cotonou Agreement, which applied to the African, Caribbean and Pacific (ACP) countries, the trade provisions of which expired at the end of 2007 and the Generalised System of Preferences (GSP) which was available to nearly all DCs and territories. EU imports from three DCs which have concluded bilateral FTA agreements with the EU are also examined.

---

<sup>1</sup> A glossary of acronyms and country groupings is attached as an Annex.

<sup>2</sup> Opening the Door to Development: Developing Country Access to EU Markets 1999-2003 (DG Trade, May 2005)

<sup>3</sup> Preferential Trade in the EU – Making Trade Policy work for Development: Report on EU Market Access for Developing Countries and the Potential for Preference Erosion 2003-05 (DG Trade, May 2006)



### III. EU TRADE POLICY AND MARKET ACCESS FOR DEVELOPING COUNTRIES

As already explained in previous reports to the Parliament, the existing EU market access regime in general is already quite favourable for DCs. The average Most-Favoured Nation (MFN) import duty rate is 6.9% overall (4% for non-agriculture products and 18.6% for agriculture products)<sup>4</sup>. In the context of the EU Generalised System of Preferences (GSP) exports from most DCs receive a discount on this rate (see section on GSP below). Goods from Least Developed Countries (LDCs) enjoy quota and tariff free access to the EU market under the Everything But Arms (EBA) initiative. Since the entry into force of the Lomé Convention in 1975, the EU grants duty-free treatment for the vast majority of ACP exports and this has been further extended thanks to the EPAs.

The most generous tariff preferences for DCs are those granted to LDCs (under EBA) and ACP countries (under the Cotonou trade regime in 2006-07 and since January 2008 under the EPA Market Access Regulation). DCs enjoy important tariff preferences, especially on the European market. Yet the share of the poorest countries in international trade remains marginal, while their relative share in imports to the EU has fallen in the face of competition from other countries, and, in particular, from other DCs. To facilitate their closer integration into the world economy, it is important not only to reduce market access barriers, but also to take into account and address a range of other factors, including those relating to individual DCs' own competitiveness and supply side capacity.

EU trade policy is multi-dimensional – multilateral, regional/bilateral and autonomous. Under each of these dimensions, it includes elements that respond to the particular needs of DCs and support their further development and beneficial integration into the global trading system, including through achieving an improved performance on the EU market. Accordingly, examples of the way that the EU pursues its pro-development policy objectives are to be found at all levels: at the multilateral level through the WTO negotiations, at the regional and bilateral level through the negotiation of trade agreements with other countries or regions such as the EPAs with the ACP countries and support to DCs' own regional integration processes, and at the unilateral or autonomous level through the Generalised System of Preferences. The EU is also very actively engaged in the provision of Aid for Trade to DCs to support them in tackling the challenges of integration both at the regional and global level. In this context, regional integration is one important way to improve the position of DCs and their ability to compete in international markets, by creating larger regional markets and improving the general business environment. This is particularly important for the poorest countries since it can improve their international competitiveness, attract more investment and put them in a better position to take advantage of emerging market opportunities in non-traditional export markets, including those of other DCs.

---

<sup>4</sup> WTO European Communities Trade Policy Review 2007.



## **A. Multilateral negotiations: the WTO Doha Development Agenda (DDA)**

Following the suspension of DDA negotiations in July 2006, notably because of differences between key negotiating partners over the appropriate bargains to be struck in respect of Agriculture and Non-Agricultural Market Access (NAMA), it took until February 2007 before negotiations were able to resume across the board. Steady progress was made during the rest of the year, and not just in Agriculture and NAMA, such that a successful conclusion remains possible in 2008, as long as all key players are ready to play their part in the coming months.

The EC has continued to advocate effective pro-development solutions in all relevant areas of the negotiating agenda and to engage constructively with DCs and LDCs in the search for appropriate solutions to particular problems or needs. This is the way to ensure that the underpinning pro-development mandate of the DDA is fulfilled.

This "development dimension" is as much present in the core negotiating areas of the DDA agenda such as Agriculture, NAMA, Services, Rules and Trade Facilitation as in more overtly development-related areas such as the negotiations on Special and Differential Treatment (SDT) and "Implementation" issues, which have lost relative importance over the course of negotiations, including among DCs.

The likely parameters for a final Agreement have become increasingly clear. What is now effectively in prospect would indeed represent a significant development bonus, through a combination of improved market access possibilities for DCs in both agricultural and non-agricultural goods as well as services, stronger disciplines and rules, including on the subsidisation of Agriculture, and expanded and better targeted Aid for Trade.

The negotiating process in Geneva has continued, however, to be bedevilled by conflicting appreciations of what a pro-development DDA should comprise. Some of these mutually contradictory positions are indeed taken by different groups of DCs. Ways will have to be found in the negotiating process to resolve these differences – and the process of decision-making by consensus means that even the smallest Member of WTO has the chance to make his views count.

The EC has continued to work towards outcomes that would take the realities and needs of DCs into account and pay particular attention to the needs of the LDCs and other weaker and more vulnerable DCs. The emergent parameters of an agreement on Agriculture give the prospect of deep reductions in ceilings for trade distorting farm support, consolidating and locking in autonomous reforms in developed countries, and for some countries requiring them to go further so as to match what others, such as the EU, have already done.

In addition, the commitment to phase out agricultural export subsidies and the prospect of a 50% cut in farm tariffs in developed countries would imply a result far beyond what was achieved in the Uruguay Round. Moreover, it is a result which would combine both trade solutions, to deal with and soften the negative impacts of preference erosion, and parallel action to provide assistance for DCs to take fuller advantage of the developmental possibilities offered by trade. Cotton is a good example of an area where the DDA would support a continuing reform agenda with potentially significant developmental impacts.



The negotiations on non-agricultural tariffs are expected to lead to agreement on an underpinning modality for liberalisation based on a "Swiss formula"<sup>5</sup> approach with different coefficients for developed countries and for a group of DCs which would apply the formula. The ranges under discussion for the coefficients to be used by developed countries are such that the DDA would imply significant reductions in applied MFN (Most Favoured Nation) tariffs, with the effective elimination of tariff peaks and a sharp reduction in tariff escalation. Insofar as particular tariff lines are not already subject to preferences in the EU or other markets, DC exporters would therefore gain additional export possibilities. As in Agriculture, a final agreement should also take appropriately into account concerns of long-standing preference-receiving countries at preference erosion resulting from reductions in MFN tariffs in their major export markets, notably the EC and US.

LDCs will be free from any market opening obligations in Agriculture, NAMA and Services, and other poorer and more vulnerable DCs will also be expected to provide only very limited commitments. These countries however stand to benefit from the market opening offered by others. In this regard it is important to recall that over 60% of import duties levied worldwide are applied by DCs on their imports from other DCs.

South/South trade is therefore where much of the developmental potential of market opening in the DDA actually lies, and where many of the highest tariffs remain. This has two implications: first, the leading emerging economies, which themselves are increasingly competitive in global trade, will have to make an appropriate contribution to market opening if the DDA is to deliver fully on its developmental agenda – although, of course, their contribution should be less substantial than that of developed countries. Second, while the focus on Agriculture as a gateway issue in the negotiations is understandable, this should not obscure the developmental importance of other market access areas such as non-agricultural goods and services, or indeed that of the rules agenda which includes aspects such as trade facilitation, anti-dumping and subsidies, including fisheries subsidies.

It remains however the case that one of the most important underlying difficulties throughout this period in bringing the DDA to a successful conclusion has continued to be the reluctance of a small number of key emerging economies to commit themselves even to a modest and proportionate liberalisation over extended transitional periods. In part for this reason, the necessary balance between commitments by developed and the more advanced DCs has been difficult to find, and the additional opportunities for South-South trade have not at this stage materialised.

## **B. Bilateral trade relations and negotiations**

The EU has continued to have an important negotiating agenda for bilateral and regional trade agreements with a wide range of individual countries or groups of countries themselves forming a regional integration initiative. The EU takes account of the development dimension by putting at the core of these negotiations an emphasis on sustainable development, addressing also social and environmental issues, and broader market opening, by offering improved preferential access to the EU market for products originating in DCs, including as

---

<sup>5</sup> A "Swiss formula" is a particular non-linear tariff reduction and harmonisation formula approach first used in multilateral tariff negotiations in the Tokyo Round during the 1970s.



appropriate through asymmetrical schedules for respective tariff dismantling. Moreover, these negotiations are generally accompanied by Aid for Trade, including Trade-related Technical Assistance (TRTA), to support DCs not only during the negotiating phase but also in taking fuller advantage of the resulting benefits of agreements.

An important focus of effort over 2006 and 2007 was the **EPA negotiations** with ACP countries given the expiry of the Cotonou trade regime on 31 December 2007 and the WTO waiver which covered it until that point. The objectives of the EU and ACP were to agree comprehensive trade and development agreements as foreseen in the Cotonou Agreement in 2000. However, it became clear towards the end of 2007 that this would not be possible in all ACP regions before the end of the year. Therefore, in Council Conclusions on EPAs at the General Affairs and External Relations Council (GAERC) of 19 November 2007, EU Member States endorsed the approach suggested by the Commission in its Communication of 23 October 2007<sup>6</sup> to negotiate a series of Interim Agreements to minimise any possible trade disruption for the ACP arising from the expiry of the Cotonou trade regime while maintaining progress towards comprehensive regional EPAs. Negotiations towards comprehensive regional EPAs will therefore continue in 2008.

Ultimately there was no need for an Interim Agreement in the Caribbean region. The EC and 15 CARIFORUM countries agreed a comprehensive EPA covering trade in goods, trade in services and a range of trade related areas such as investment and intellectual property, as well as development cooperation provisions. In the other ACP regions, there are a series of Interim Agreements based on new WTO compatible goods trade arrangements. All these Interim Agreements are explicitly drafted to provide the basis for subsequent comprehensive regional EPA agreements.

As a result, from 1 January 2008, 99.5% of EU imports from ACP countries are expected to enter EU markets duty-free. Of the 77 ACP countries that benefited from the Cotonou Trade Regime, 35 have concluded negotiations on an EPA or interim agreement and benefit from the EU's EPA market access offer, including improved Rules of Origin. A further 32 Least Developed Countries (LDCs) benefit from the EU's "Everything But Arms" initiative (EBA).

There are just ten ACP countries which are not LDCs and have not concluded negotiations on an EPA or interim agreement. These include seven small island countries in the Pacific with minimal exports to the EU. They have no real pressure for a new goods trade regime immediately from 1 January 2008 and remain more interested in concluding a services-based regional EPA.

This leaves only three ACP countries where the introduction of GSP tariffs on some exports has the potential to cause any degree of trade disruption. They are Nigeria, Congo (Brazzaville) and Gabon. These three countries declined to negotiate interim agreements, but, based on previous export patterns, 99%, 97% and 94% respectively of their exports will still enter the EU duty free under GSP. The impact of the adjusted import regime is therefore likely to be marginal in economic terms, although they will of course miss the benefits of the EPA market access offer and improved Rules of Origin until such time as comprehensive regional EPAs are negotiated.

---

<sup>6</sup> COM (2007) 635



Finally among the ACP countries, there is South Africa which is negotiating with the SADC EPA regional grouping but already has a WTO-compatible FTA with the EU that is not affected by the expiry of the Cotonou trade regime<sup>7</sup>.

The EU is also working to further reinforce trade relations with **Latin America** and thus support its development process via broader market opening in the region and greater export possibilities towards the EU. The EU already has two Association Agreements in place that establish fully fledged FTAs (with Mexico and Chile). Both of these offered a preferential access to the EU market for products originating in these countries through asymmetric schedules for tariff dismantling. The EU has started negotiations in 2007 for Association Agreements with the Andean Community and Central America. Negotiations for an Association Agreement with the MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) are effectively tied to progress in the WTO on the DDA and therefore there have been no active negotiations during 2006 and 2007. The final arrangements for respective tariff reductions and elimination in these agreements will be defined through negotiation taking into account, among other criteria, the degree of competitiveness of particular sectors and are expected to incorporate appropriate asymmetric elements.

Furthermore, potential FTAs with **India** and **ASEAN** would promote the development of these countries by enhancing our trade relations and removing barriers to trade. In particular, such agreements would not only offer increased access to the EU market for goods through the dismantling of tariffs, they would also aim at addressing behind-the-border issues, such as non-tariff barriers, sanitary and phyto-sanitary issues, or technical regulations, with a view to promoting third country exports to the EU. Such FTAs would also foresee the progressive and reciprocal liberalisation of establishment and trade in services, and include provisions on public procurement and capital movement. Lastly, provisions on improved transparency in regulation, good governance, the rule of law, and sustainable development would contribute to realising the respective third countries' export potential to the EU. FTA negotiations with India and ASEAN were launched in 2007; to date, three negotiating rounds have taken place with each partner.

The EU is also negotiating an FTA on a regional basis with the **States of the Gulf Co-operation Council** (GCC). The negotiations are currently ongoing with the goal of a comprehensive FTA, in line with WTO principles and disciplines, covering trade in goods but also trade in services and other trade related topics such as public procurement, investment, Intellectual Property Rights and SPS and TBT requirements. Such an agreement would aim at fostering economic integration between the parties, with a view to diversifying and increasing the mutual trade in a sustainable manner and at the same time promoting development objectives. This FTA would be a balanced agreement aiming to improve better market in goods and services for both partners, taking into account the level of development of the GCC countries which are nearly all considered by the World Bank as high income countries. The FTA would provide for a progressive and reciprocal liberalisation of trade in goods and services aiming at assuring a comparable level of market access opportunities. Furthermore, the FTA is expected to provide for some degree of asymmetry in favour of the GCC countries both in trade in goods and in services. At the most recent negotiating round in November 2007 good progress was made but a number of issues still remain outstanding. The intention is to conclude negotiations as soon as possible in 2008.

Finally, the EU has the objective of establishing a fully-fledged **Euromed** regional Free Trade Area by 2010. So far, Association Agreements exist between the EU and all Mediterranean

---

<sup>7</sup> The Trade and Development Co-operation Agreement.



partners, except for Syria and Libya. These include trade provisions aiming at complete tariff liberalisation for industrial products and substantial liberalisation for agricultural and processed agricultural products, after transitional periods, with differing speeds and timing according to each partner. Although trade liberalisation in goods will not be achieved with all partners by 2010, a critical mass of industrial and agricultural liberalisation will be completed by this date, while agreed dismantling schedules will continue to be implemented later on. Association Agreements concluded with Mediterranean partners do not establish fully comprehensive FTAs. Negotiations are therefore on-going to complement them in the area of services and investment, further liberalisation for agricultural, processed agricultural and fisheries products, and the establishment of a dispute settlement mechanism. Asymmetric concessions will likely be part of the results in some areas.

### **C. Autonomous regimes**

#### **GSP**

The European Union's (EU) Generalised System of Preferences (GSP) is the earliest and most generous scheme implemented of all developed-countries preference systems, facilitating trade for 178 DCs and territories. Its objective is to assist DCs to reduce poverty as well as to promote sustainable development and good governance by helping to generate revenue through the integration into international trade by granting better access to the EU.

On 7 June 2004, following a wide and substantial debate, the Commission adopted a "Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee, on the function of the Community's generalised system of preferences for the ten year period from 2006-2015." The Communication indicated the basic objective and the new implementing instruments of the GSP schemes which would apply in the years 2006-2015, with the view to provide greater continuity and stabilise the GSP scheme, thereby making it more attractive to the beneficiary countries.

Alongside the "standard GSP" for all beneficiaries, there are two special regimes: GSP-plus and EBA. GSP+ is a special arrangement for sustainable development and good governance and targets additional preferences on more vulnerable countries and acts as an incentive to them to achieve sustainable development and good governance objectives. The GSP+ arrangement covers not only slightly more tariff lines than the standard GSP but above all increases the number of tariff lines that benefit from a 100% duty reduction. Meanwhile, EBA has continued to be available to all LDCs; the transitional arrangements for Bananas came to their scheduled end in 2006, those for Rice and Sugar will be completed in 2009.

The current GSP Regulation entered into force on 1 January 2006 and will expire on 31 December 2008. To assure continuity, a successor Regulation should apply for the period 1 January 2009 until the end of 2011. The Commission prepared a draft GSP Regulation for 2009-2011 already during 2007 and submitted it to the Council in December. The Commission proposal does not imply any significant substantive changes to the regime but is limited to technical elements to ease the reading of the Regulation and to facilitate application of the scheme. This is all fully in line with the objective of providing stability and transparency for beneficiary countries, users and economic operators.



## **Preferential Rules of Origin**

### *1. The reform of Rules of Origin for GSP*

Work has continued over the period to follow up the Commission's communication of March 2005 which proposed a general reform of the EC's preferential rules of origin to simplify them and make them more development friendly. This Communication indicated that GSP should be the first concrete application but the results of the reform could subsequently be extended to other preferential trade arrangements. In late 2006 and during the first half of 2007, the Commission financed several studies (a general one from a development point of view and two more sectoral studies for the specific case of the textile and clothing sector and the fishery sector). Consultations were also launched with EU producers of industrial and agricultural products. The information collected served as a basis for the elaboration of an impact assessment, which was presented to EU Member States at the end of October 2007, together with a draft Commission regulation for the reform of GSP rules of origin.

The Rules of Origin contained in the draft regulation are based on an across-the-board Value Added rule requiring 30% local value addition unless otherwise specified. The three exceptions to this rule are:

- a) some agricultural and processed agricultural products, where additional conditions also apply or there is a higher value threshold. This applies to both LDCs and DCs;
- b) fisheries products, where a specific rule applies. This applies to both LDCs and DCs; and
- c) for some specific industrial products originating in non-LDCs only, higher thresholds between 50% and 60%, depending on the products concerned.

At the same time, the draft regulation proposes improved management and control procedures.

The proposal is being currently discussed with Member States.

### *2. New rules of origin for the ACP countries*

During 2007 in the framework of the negotiations for EPAs, the EC negotiated new rules of origin to be applied in these agreements. It was agreed with ACP partners that these rules would be based on the existing model of provisions in the Cotonou Agreement, but that some relaxation would be introduced for key products, such as:

- a) textiles and clothing (where single transformation replaces double transformation in most cases),
- b) fishery products, for which vessels condition were also relaxed (the crew requirement was eliminated), and for the specific case of the Pacific region, global sourcing for some processed fish was introduced, and
- c) some agricultural products, to which alternative more relaxed rules were included

Specific impact assessments were carried out for the textiles and fishery sectors.



The widest cumulation possibilities have been maintained between ACP countries, OCTs and even neighbouring countries and in certain cases improved, though administrative cooperation agreements are needed between the countries involved in order to implement this cumulation.

Before the entry into application of the EPAs and from 1 January 2008 the preferential access of products originating in the ACP countries having initialled EPAs or Interim Agreements is regulated by the rules of origin contained in the Council Market Access Regulation (MAR) for ACP countries adopted in December 2007. The rules of origin of this MAR are in general in accordance with those in the EPAs as described above, permitting already the relaxation explained in the key sectors.

#### **D. Cross-cutting and horizontal themes**

##### **Aid for Trade and the Enhanced Integrated Framework**

The EC has been one of the leading players on the Aid for Trade agenda. Significant efforts have been made by the EU so as to operationalise Aid for Trade: on the one hand, adopting in 15 October 2007 the EU Joint Aid for Trade Strategy<sup>8</sup> and, on the other hand, supporting the whole process to put in place an "Enhanced Integrated Framework" for the LDCs.

**Aid for Trade** is a key instrument of EU trade-related assistance. Increased and more effective Aid for Trade is needed to enable all DCs, but particularly the least developed countries, to better integrate into the multilateral, rules-based trade system and to use trade more effectively with a view to eradicate poverty.

The EU made at the Hong Kong WTO Ministerial of December 2005 an overall commitment to increase its collective annual spending on trade-related assistance (TRA) to €2 billion (€1 billion by the European Communities and €1 billion by the Member States). On the basis of the recommendations of the WTO Aid for Trade Task Force, the EU Council of Ministers adopted the EU Strategy on Aid for Trade, through which the EU intends now to put in operation its pledge on TRA and achieve improvements in both the quality and quantity of EU Aid for Trade more broadly.

Whilst the EC is already the world's largest donor of Trade Related Assistance, the Strategy is a joint EU (Community and EU 27 Member States) policy initiative. As such, it will allow to substantially step up collective EU efforts and impacts in this area, in direct application of the principles of aid effectiveness.

It should be noted that although the Strategy commits the EU to channel more resources to Aid for Trade and to develop more effective delivery modes it does not involve the creation of new financial envelopes beyond ODA. It lays down an approach to support all DCs, in particular the poorest, to better integrate in and benefit from the world's trading system.

The Commission and the Member States are presently detailing the follow up activities in an implementation matrix, including specific indicators to be used to measure progress. In 2006, support by the European Commission and EU Member States for trade-related assistance stood at €40 million and €640 million respectively, indicating good progress towards

---

<sup>8</sup> Add reference to doc



achievement of the combined pledge of €2 billion by 2010. Total Aid for Trade significantly increased in 2005/06 to reach €2.6 billion for the EC and €4.7 billion for the Member States.

The EC has been a leading player in the ongoing work to prepare and launch the **Enhanced Integrated Framework** for trade-related assistance to Least-Developed Countries, a process that was launched at the end of 2005. This work has proved more time-consuming and complicated than initially envisaged – the objective to launch the Enhanced IF by the end of 2006 was not met. Although consensus was achieved – among the various donors, agencies and, most importantly, the LDCs participating in the exercise – on an initial set of institutional proposals in May 2007, further work was still needed to finalise important design elements of the new arrangements. These should all fall into place during the first quarter of 2008, so that we should see the operational launch of the Enhanced IF before the summer.

In parallel, donors have ensured that sufficient funding is available to support the initial, start-up phase of the enhanced programme. Specifically, at a donors' conference in Stockholm in September 2007, more than \$100 million for the multilateral trust fund was pledged for the first two years. Of this, the European Commission will provide €10 million, delivering therefore on the pledge made by Commissioner Mandelson in Hong Kong in December 2005.

### **The Export Helpdesk for developing countries** (<http://exporthelp.europa.eu/>)

The European Commission *Export Helpdesk for Developing Countries* is a very concrete and tangible contribution to the development dimension of EU trade policy, since it can help close the "information gap" on export possibilities in the EU from which many potential exporters in DCs suffer. This free of charge online service offers exporters from DCs a practical instrument to assist them in taking better advantage of existing and future market access opportunities offered by the EU. It is available in four EU languages (English, French, Portuguese and Spanish) and provides detailed information on (1) EU and Member States' import requirements as well as internal taxes applicable to products, (2) EU preferential import regimes benefiting DCs, including information on import tariffs, customs documents and rules of origin, as well as (3) trade data for the EU and its individual Member States. This online service was set-up in 2004 and has been continuously updated and improved since then.

After four years of operation, the record of the Export Helpdesk is positive. An independent external evaluation, conducted in 2007, concluded that the Export Helpdesk is a very comprehensive source of information, and that its approach of providing this range of information systematically by product code was unique among comparable web-based tools. In addition, the success of this instrument is reflected in the statistics of use: from 1500 hits a day in 2004, it has reached in 2007 almost 7500 hits a day. The sections on requirements and taxes, import tariffs and statistics were the most visited. As for the contact mailbox, the Export Helpdesk has provided around 70 detailed tailored answers per month to questions relating mainly to export promotion and marketing, health and consumer standards as well as tax and customs. Main users in the DCs are in Latin America and in Asia. Levels of use in the ACP countries and in the Euromed region are increasing but could still be improved.

DG Trade's objective is to continue to increase awareness of the Export Helpdesk worldwide and in particular in those regions and countries enjoying trade preferences but where the level



of use of the Export Helpdesk is still comparatively low, so that these countries and their exporters will be better able to take advantages of the trade opportunities they enjoy.

#### **IV. TRENDS IN EU TRADE WITH DEVELOPING COUNTRIES**

##### **1. Trends in EU imports from developing countries, total imports**

As noted above, this section describes the evolution of EU imports from main developing country groupings and examines their use of EU trade preferences in 2006. This examination covers the EU's two most important preferential trading regimes (Cotonou for ACP countries and GSP), as well as import trends from three DCs (Chile, Mexico and South Africa), which have concluded specific bilateral FTAs with the EU.

Annex Figure 1 shows that the positive trend in EU imports from DCs, which by and large started in 2003, continues. In 2006, EU imports increased by 16% compared to the level

reached in 2005. If China is excluded, the pattern remains more or less the same (the yearly increase is then 14% instead).

Annex Figure 2 breaks down the increase in EU imports from different categories of DCs. These are the least developed countries (LDCs), the countries of the Gulf Cooperation Council (GCC), a group of three DCs (DC FTA) with which the EU has free trade agreements (Mexico, Chile and South Africa), the ACP countries (excluding South Africa), Latin American countries (the Andean Community, Central America and Mercosur), the Mediterranean countries and Asian countries (ASEAN, India and non-ACP LDCs).

The figure shows that the Asian countries and the Mediterranean countries are close to being of equal importance in terms of EU imports in 2006 (ca €100 billion) and they stand out as the largest sources of EU imports from DCs. The level of EU imports from the ACP countries, the GCC and the grouping DC FTA is fairly similar, especially towards the end of the study period, at around €40 billion. In contrast to the other developing country groupings, EU imports from the GCC decrease in 2006 compared to 2005. EU imports from the Latin American countries are somewhat higher at €55 billion, while the opposite holds for the LDCs at around €20 billion.

In terms of relative changes, the largest increase in EU imports on previous year comes from the group DC FTAs (22%), see Annex Table 1 last column. Annex Figure 3a breaks down this country grouping into its constituent countries. It shows that EU imports from South Africa (€8 billion) are about 50% higher than EU imports from Chile (€2 billion), which in turn is somewhat higher than imports from Mexico (€10 billion). EU imports from Chile have increased substantially on previous year (54%). EU imports from South Africa and Mexico have increased by less, about 10% and 15%, respectively.

Annex Figure 3b shows that EU imports from ASEAN at about €80 billion are close to four times as large as imports from India, while imports from the non-ACP LDCs remain below €10 billion. Over the 2005-2006 period, EU imports from the non-ACP LDCs have increased the most (24%), followed by imports from India (18%), while imports from the ASEAN countries have increased by 10% since 2005.



In Annex Figure 3c, the Latin American grouping, one notes that EU imports from Mercosur of about €36 billion are almost twice as large as from Central America (€4 billion) and Andean Community (€15 billion) combined. EU imports from the Andean Community have been dynamic and increased by more than 35% on previous year, while corresponding figure for Mercosur is about 13%. EU imports from Central America have stagnated and there is practically no increase in EU imports from this country grouping since 2005.

## **2. Trends in EU imports from developing countries, by product categories**

Annex Figure 4 shows that EU imports of Agricultural products and fish and Textiles are of similar magnitude at around €70 billion in 2006, while EU imports of Energy reach twice that level and have doubled in value since 2003 and increased by 21% in 2006 compared to 2005.

In order to gain a better understanding of the developments of EU imports from DCs at aggregate level, Annex Table 2 examines the share of developing country exports to the EU in three broad categories of products (Agriculture and fish, Energy and Textiles) and the change

in such imports between 2005 and 2006.<sup>9</sup> The share of agriculture and fisheries Latin American exports to the EU amounts to some 40%, while Energy dominate GCC (72%) and ACP (42%) exports to the EU. The share of textiles in LDC exports to the EU is important at 35%. For the sub-group of non-ACP LDCs, the share is even higher at 54%. Overall, 70% of all imports from LDCs remain concentrated in three sectors.

The largest increases in EU imports in Agricultural and fisheries products come from the GCC and the Mediterranean countries (ca 18%), while the ACPs saw EU imports of these products decline somewhat between 2005 and 2006. In Energy, Latin America accounts for the most significant relative increase in EU imports (56%) followed by the ACPs at about 31% and the Asian DCs at 28%. EU imports of Energy from the group of DC FTA and the LDCs were reduced compared to previous year. As far as textile imports are concerned, the LDCs account for greatest increase in 2006 compared to 2005 (25%).

## **3. Duty free entry to the EU's market and developing countries' use of EU trade preferences**

EU imports from the DCs are subject to different preferential trading regimes, the coverage of which varies (c.f. above). The extent to which EU imports from these partners are actually afforded preferences depends on the structure of their exports and the preferential margin for those exports. For example, some countries mainly export goods which are subject to zero MFN duties on the EU market and are thus by definition not eligible for preferences. Hence, there is a need to distinguish between the concept of EU imports that enter the union free of duties and the rate of preference utilisation which relates to the share of EU imports that is eligible for preferences and that also enters under preferential treatment.

---

<sup>9</sup> Industrial products make out the bulk of EU imports from the developing countries as whole and are not displayed. Any changes in EU imports in this product category would conceal changes in levels in the other categories of products because of its scale.



Annex Table 3 shows that 97.8% of EU imports from the ACP countries entered the EU free of duties in 2006. In 2006, by and large 85% of EU imports from the Mediterranean countries, South Africa, Mexico, Chile, the LDCs and the GCC also entered the EU duty free. Except for some minor exceptions, the share of EU imports entering duty free from DCs has increased from 2005 to 2006.

Annex Figure 5 shows that the preference utilisation rate in 2006 for all DCs was 80%. It is higher for the individual country groupings, except for GCC. The rate of preference utilisation is particularly high for the Asian countries and the ACPs, over 90%. All country groupings have increased their preference utilisation rate in 2006 compared to 2005. The increase is largest for the Asian countries, the DC FTA group and the LDCs.

As regards GSP, import statistics for 2006 and a comparison with data for earlier years suggest that changes made to the GSP scheme in 2006 are achieving their objective, in particular by targeting benefits on those weaker countries that are therefore most in need of additional benefits. GSP imports from LDCs and GSP+ beneficiaries increased in 2006 by 35% and 15% respectively. Moreover, utilisation rates of these schemes have risen, in particular for GSP+, while imports under EBA have shown the highest annual growth rates.



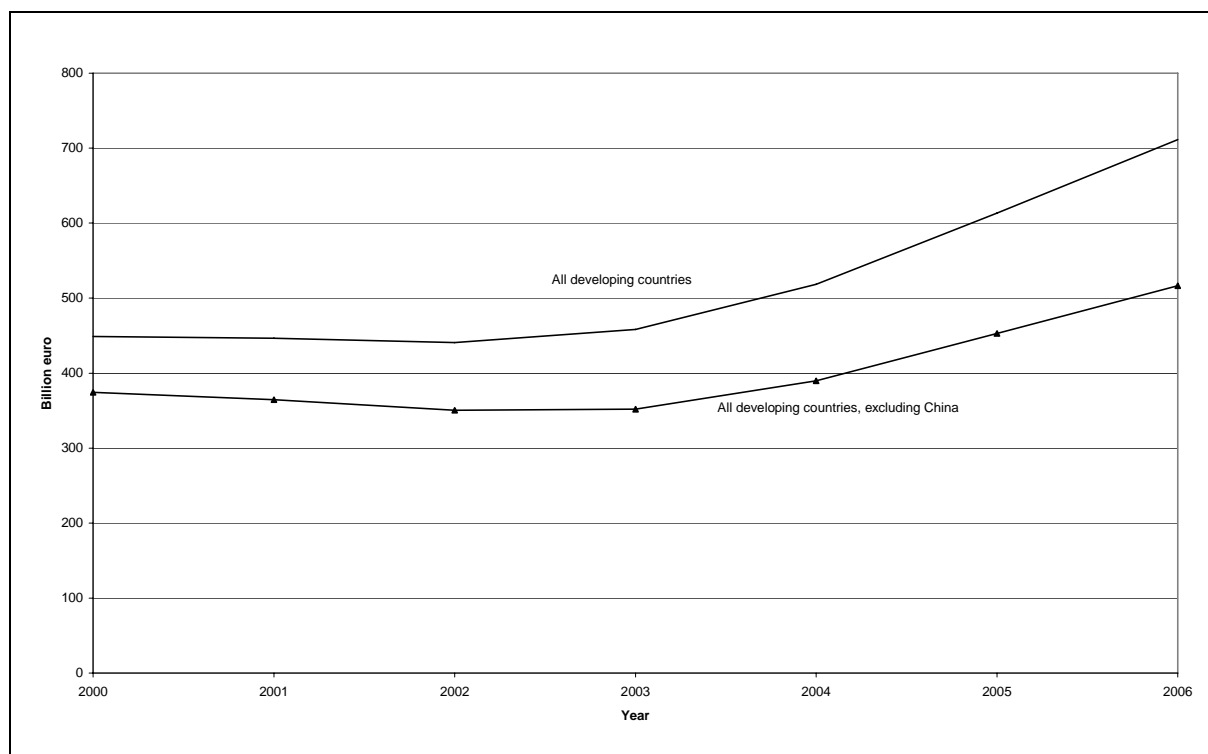
## ANNEX – Glossary of main Acronyms and Country Groupings

ACP	African, Caribbean and Pacific countries
Andean Community	Bolivia, Colombia, Ecuador and Peru
ASEAN	Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam
Central America	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama
DCs	Developing Countries
DDA	Doha Development Agenda
EBA	"Everything but Arms" – specific GSP regime for LDCs
EC	European Communities
EP	European Parliament
EPA	Economic Partnership Agreement (with ACP countries)
EU	European Union
Euro-Med	Euro-Mediterranean regional free trade area (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria and Tunisia)
FTA	Free Trade Agreement
GCC	Gulf Co-operation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates)
GSP	Generalised System of Preferences
GSP+	special GSP arrangement for sustainable development and good governance
IF	Integrated Framework for Trade-related Technical Assistance to Least-Developed Countries
LDCs	Least Developed Countries
Mercosur	Argentina, Brazil, Paraguay, Uruguay
MFN	Most-favoured Nation treatment
NAMA	Non-Agricultural Market Access (a WTO DDA negotiating group)
SDT	Special and Differential Treatment
SPS	Sanitary and Phyto-sanitary measures
TBT	Technical Barriers to Trade
TRA	Trade-related Assistance
WTO	World Trade Organisation



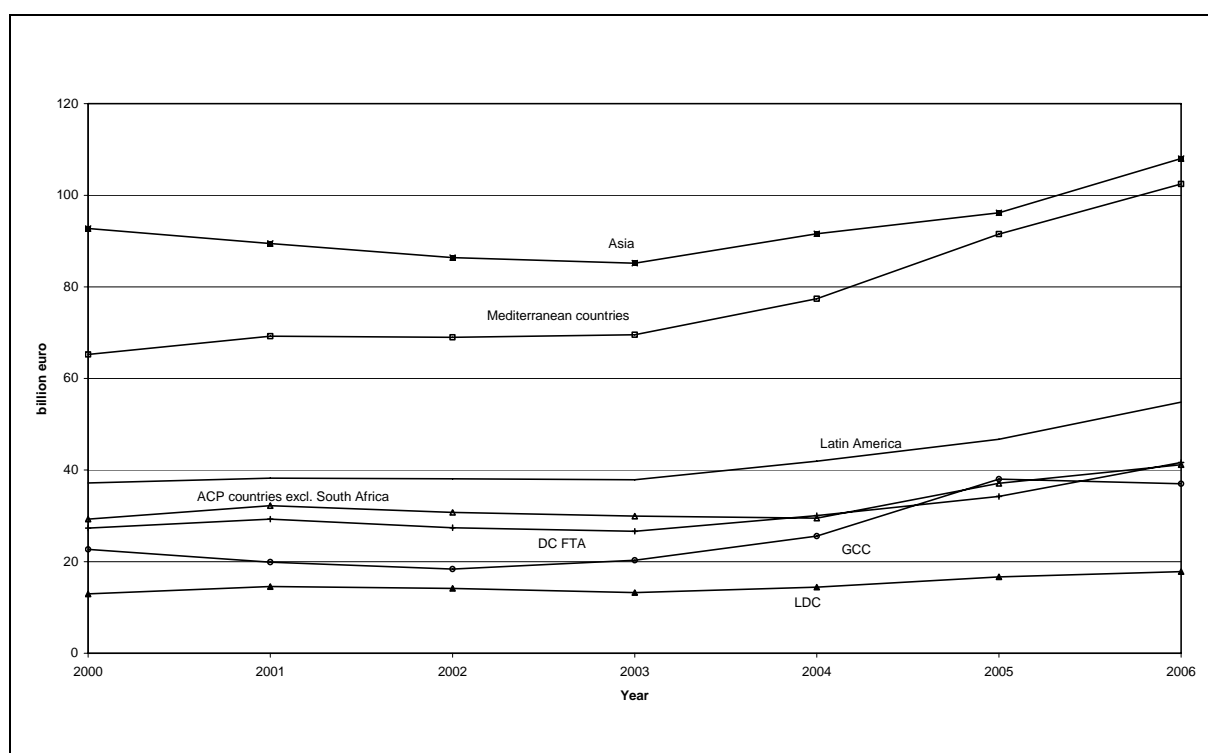
# Statistical Annex

**Figure 1: EU imports from developing countries and developing countries, excluding China, 2000-2006 (€billion)**



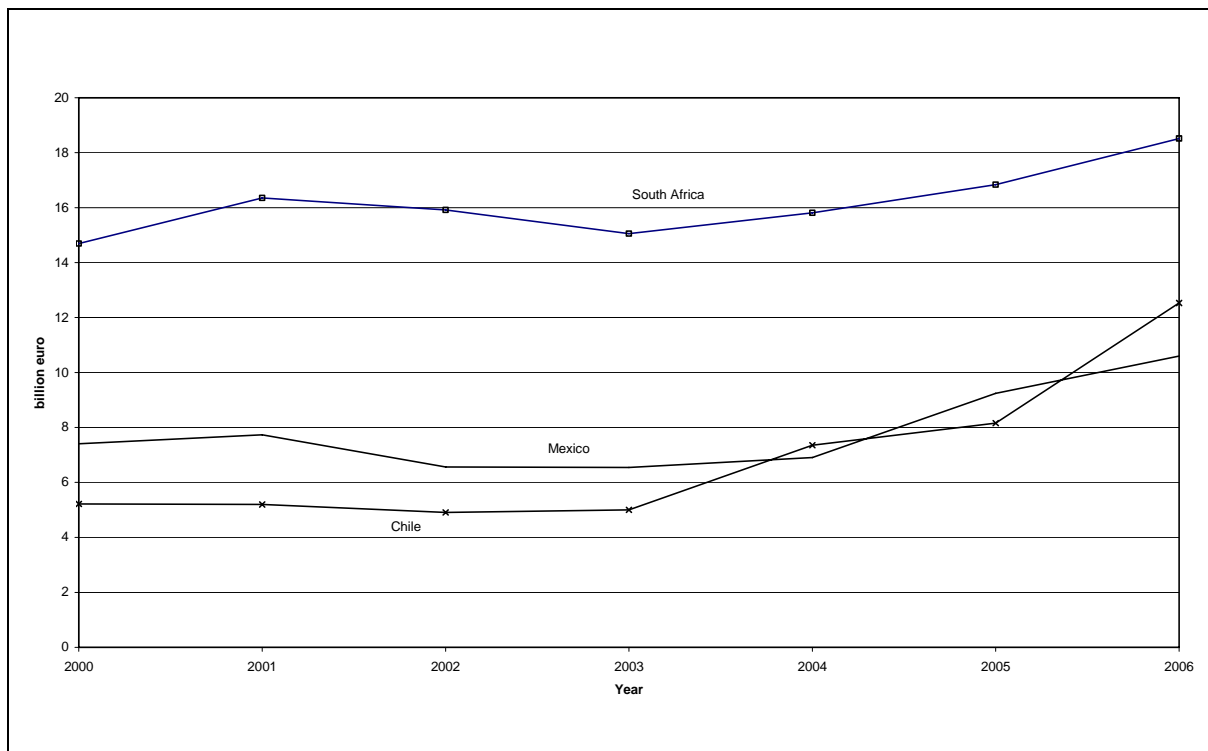
Source: Comext

**Figure 2: EU imports from selected groups of developing countries, 2000-2006 (€ billion)**



Source: Comext

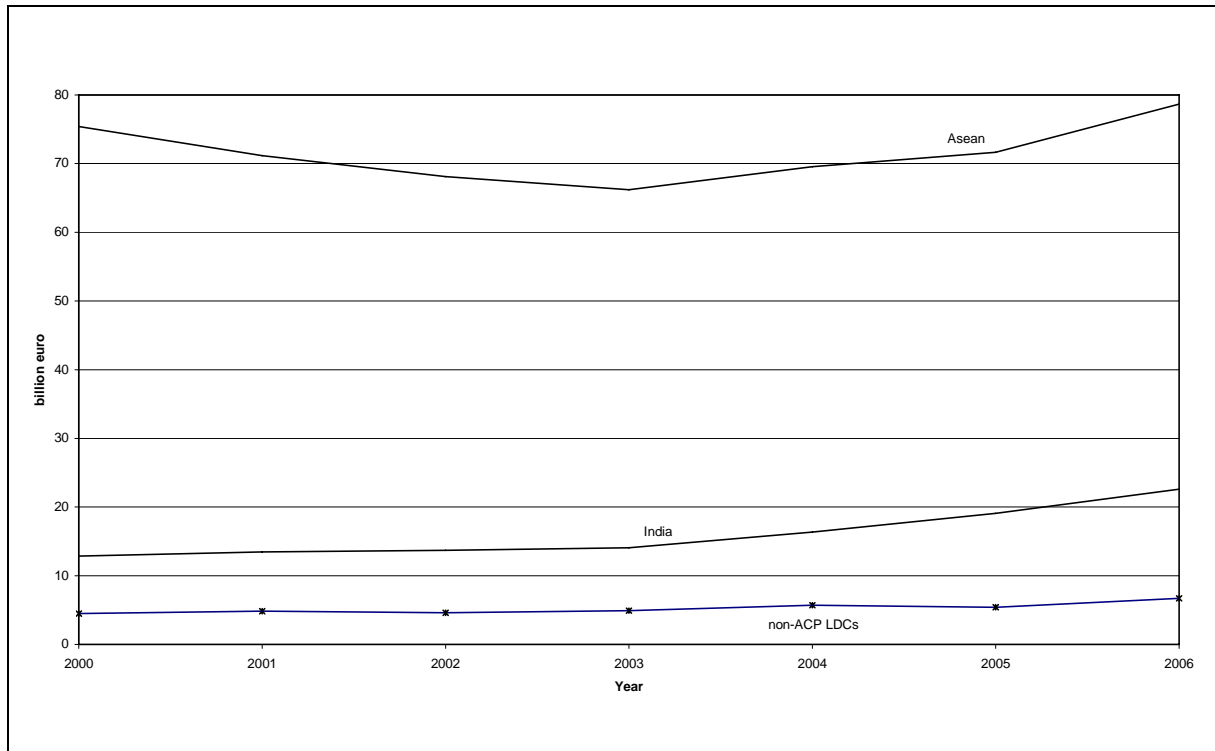
**Figure 3a: EU imports from selected sub-groups of developing countries, 2000-2006 (€billion)**



Source: Comext



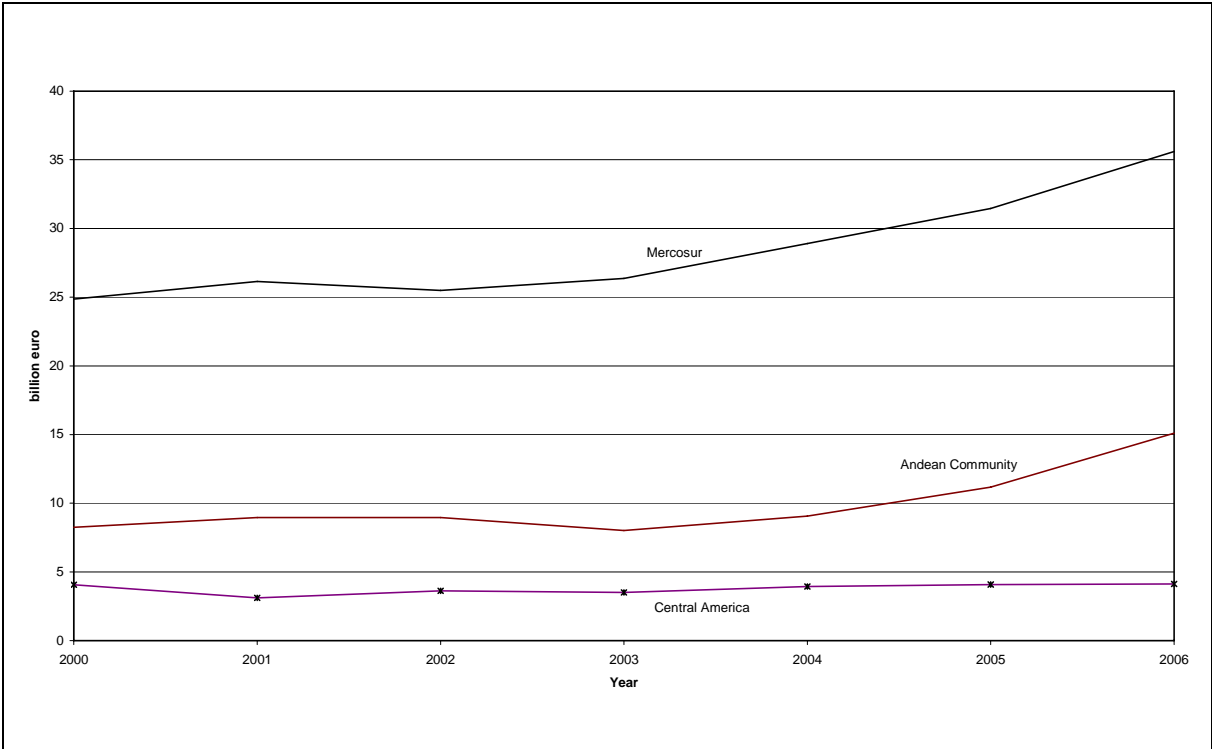
**Figure 3b: EU imports from selected sub-groups of developing countries, 2000-2006 (€billion)**



Source: Comext

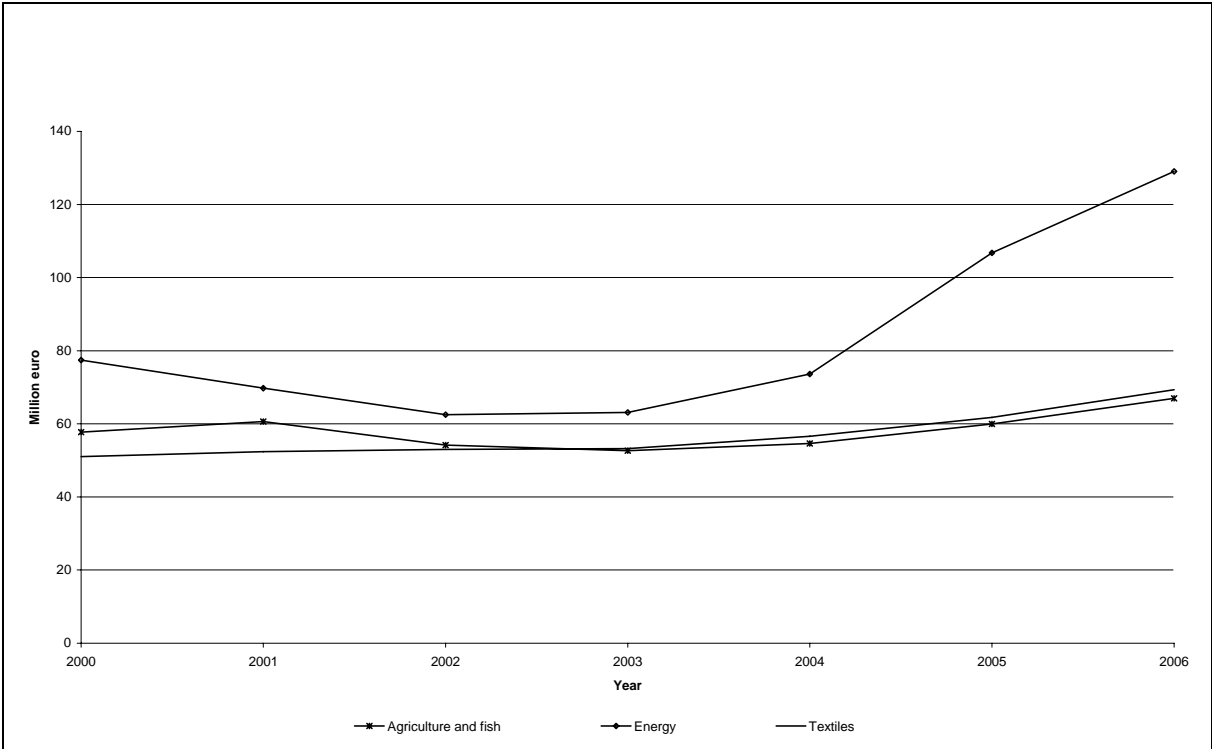


**Figure 3c: EU imports from selected sub-groups of developing countries, 2000-2006 (€billion)**



Source: Comext

**Figure 4: EU imports from developing countries by key sectors, 2000-2006 (€ billion)**



Source: Comext



**Table 1: EU imports from developing countries, 2000-2006 (€billion)**

	2000	2001	2002	2003	2004	2005	2006	Change 2006/2005 %
Developing Countries	449	447	441	458	518	613	712	16.0
Mediterranean countries	65	69	69	70	77	91	102	12.0
ACP countries excl. South Africa	29	32	31	30	30	37	41	11.1
DC FTA	27	29	27	27	30	34	42	21.6
South Africa	15	16	16	15	16	17	19	10.0
Mexico	7	8	7	7	7	9	11	14.6
Chile	5	5	5	5	7	8	13	53.6
LDCs	13	15	14	13	14	17	18	6.9
Latin America	37	38	38	38	42	47	55	17.3
Mercosur	25	26	25	26	29	31	36	13.2
Central America	4	3	4	4	4	4	4	1.2
Andean Community	8	9	9	8	9	11	15	35.0
Asia	93	89	86	85	92	96	108	12.3
non ACP LDCs	4	5	5	5	6	5	7	24.5
Asean	75	71	68	66	70	72	79	9.8
India	13	13	14	14	16	19	23	18.5
GCC	23	20	18	20	26	38	37	-2.7

Source: Comext



**Table 2: Share of developing country exports and changes in EU imports from selected developing countries by key sectors, 2006/2005 (%)**

	Agriculture and fisheries		Energy		Textiles	
	Share	Change	Share	Change	Share	Change
Developing Countries	9.4	11.7	18.1	20.9	9.7	12.3
Mediterranean countries	13.7	18.4	26.4	20.8	18.0	4.0
ACP countries excl. South Africa	20.2	-1.2	42.4	31.4	2.3	4.4
DC FTA	11.6	7.2	12.5	-3.8	0.8	-5.3
South Africa	11.6	-1.8	15.0	-4.7	1.2	-8.3
Mexico	5.8	17.8	23.0	-2.9	0.9	3.7
Chile	16.3	15.2	0.0	131.3	0.1	-17.8
LDCs	14.7	0.8	19.7	-10.5	34.6	25.4
Latin America	40.2	7.1	13.4	55.8	1.1	1.6
Mercosur	45.3	6.2	3.2	39.1	1.0	-8.5
Central America	48.6	14.4	0.3	1.3	1.8	67.1
Andean Community	25.7	7.4	41.1	59.5	1.2	7.6
Asia	8.3	13.8	2.9	27.9	14.4	12.2
non ACP LDCs	5.1	12.8	1.1	14.7	54.3	0.0
Asean	8.6	13.6	2.6	36.2	7.5	19.1
India	8.4	14.9	4.5	14.8	26.7	14.3
GCC	1.0	18.7	71.5	6.6	0.7	3.1

Source: Comext



**Table 2 a-f: EU imports from developing countries by key sectors, 2000-2006 (€billion)**

*a.) Agriculture and fisheries*

	2000	2001	2002	2003	2004	2005	2006
Developing Countries	58	61	54	53	55	60	67
Mediterranean countries	9	10	9	9	10	12	14
ACP countries excl. South Africa	8	9	10	9	8	8	8
DC FTA	4	4	5	4	4	4	5
South Africa	2	2	3	2	2	2	2
Mexico	1	1	1	0	0	1	1
Chile	1	1	1	1	2	2	2
LDCs	3	3	3	2	2	3	3
Latin America	17	19	18	19	20	21	22
Mercosur	12	14	14	14	15	15	16
Central America	2	3	2	2	2	2	2
Andean Community	3	3	3	3	3	4	4
Asia	13	12	7	7	7	8	9
non ACP LDCs	0	0	0	0	0	0	0
Asean	11	10	5	5	6	6	7
India	2	2	2	1	2	2	2
GCC	0	0	0	0	0	0	0

Source: Comext

*b.) Energy*

	2000	2001	2002	2003	2004	2005	2006
Developing Countries	77	70	63	63	74	107	129
Mediterranean countries	18	17	17	16	16	22	27
ACP countries excl. South Africa	9	9	8	8	8	13	17
DC FTA	3	4	3	3	4	5	5
South Africa	1	2	2	2	3	3	3
Mexico	2	2	2	1	2	3	2
Chile	0	0	0	0	0	0	0
LDCs	2	2	2	2	2	4	4
Latin America	3	3	3	2	3	5	7
Mercosur	0	0	0	1	0	1	1
Central America	0	0	0	0	0	0	0
Andean Community	3	3	3	2	2	4	6
Asia	1	1	1	1	1	2	3
non ACP LDCs	0	0	0	0	0	0	0
Asean	0	1	1	1	1	1	2
India	0	0	0	0	0	1	1
GCC	18	14	13	14	18	25	26

Source: Comext



*c.) Textiles*

	2000	2001	2002	2003	2004	2005	2006
Developing Countries	51	52	53	53	57	62	69
Mediterranean countries	15	16	17	17	18	18	18
ACP countries excl. South Africa	2	2	1	1	1	1	1
DC FTA	0	0	0	0	0	0	0
South Africa	0	0	0	0	0	0	0
Mexico	0	0	0	0	0	0	0
Chile	0	0	0	0	0	0	0
LDCs	4	5	4	5	5	5	6
Latin America	1	1	1	1	1	1	1
Mercosur	0	0	0	0	0	0	0
Central America	0	0	0	0	0	0	0
Andean Community	0	0	0	0	0	0	0
Asia	14	14	14	13	14	14	16
non ACP LDCs	4	4	4	4	4	4	4
Asean	6	6	6	5	6	5	6
India	4	4	4	4	4	5	6
GCC	0	0	0	0	0	0	0

Source: Comext

*d.) Industrial products*

	2000	2001	2002	2003	2004	2005	2006
Developing Countries	396	392	392	411	469	559	652
Mediterranean countries	56	60	61	61	68	80	89
ACP countries excl. South Africa	22	24	22	22	22	30	34
DC FTA	24	25	23	23	26	30	37
South Africa	13	14	13	13	14	15	17
Mexico	7	7	6	6	6	9	10
Chile	4	4	4	4	6	7	11
LDCs	11	13	13	12	13	15	16
Latin America	21	20	21	21	23	27	34
Mercosur	14	13	12	13	15	17	20
Central America	2	1	2	2	2	2	2
Andean Community	6	7	6	6	6	8	12
Asia	0	0	0	0	0	0	0
non ACP LDCs	4	5	5	5	6	5	7
Asean	65	62	63	61	65	67	73
India	11	12	12	13	15	18	21
GCC	23	20	18	20	25	38	36

Source: Comext



e.) Other manufacturing

	2000	2001	2002	2003	2004	2005	2006
Developing Countries	263	264	271	289	334	385	446
Mediterranean countries	23	26	26	28	34	39	43
ACP countries excl. South Africa	10	12	11	11	12	14	14
DC FTA	20	21	19	19	21	24	31
South Africa	11	12	11	11	11	11	13
Mexico	5	6	4	5	5	6	7
Chile	4	4	4	4	6	6	10
LDCs	4	5	5	5	5	5	6
Latin America	17	15	16	16	19	21	25
Mercosur	12	12	11	11	13	15	18
Central America	1	0	2	2	2	2	2
Andean Community	3	3	3	3	4	3	5
Asia	65	62	64	63	68	71	78
non ACP LDCs	0	0	0	0	0	0	0
Asean	57	54	56	55	57	59	64
India	7	7	8	8	10	11	14
GCC	5	5	5	6	7	13	9

Source: Comext

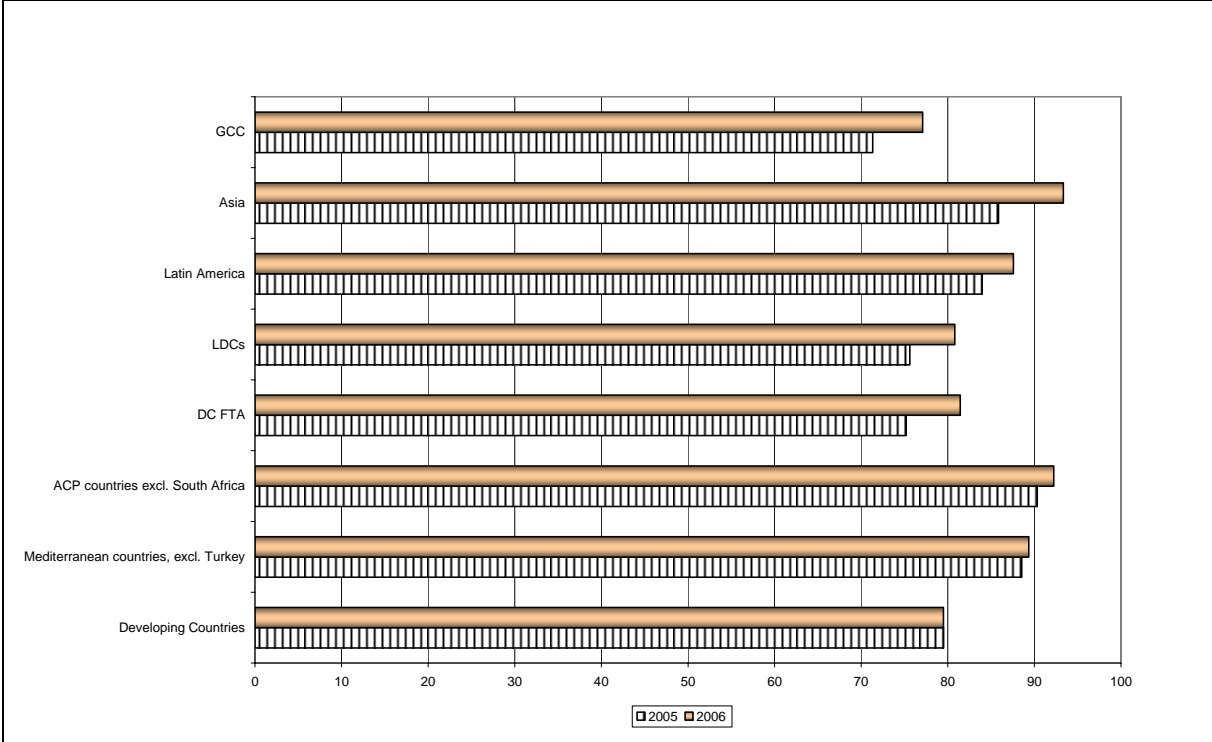
**Table 3: Share of EU imports from selected developing countries entering the EU under zero duties and non-preferential MFN duties, 2005 and 2006 (%)**

	Zero duties		Non-preferential MFN duties	
	2005	2006	2005	2006
Developing Countries	68.3	69.0	27.8	27.0
Mediterranean countries	94.3	94.7	4.3	3.9
ACP countries excl. South Africa	96.5	97.8	2.2	1.8
DC FTA	n.a.	n.a.		
South Africa	86.0	87.5	9.8	7.3
Mexico	88.2	88.8	11.0	10.3
Chile	84.1	88.4	4.5	3.4
LDCs	87.8	88.5	12.2	11.5
Latin America	n.a.	n.a.		
Mercosur	74.9	75.7	19.2	16.7
Central America	81.3	79.4	16.7	18.1
Andean Community	76.8	80.0	19.2	16.1
Asia	n.a.	n.a.		
non ACP LDCs	69.4	73.8	30.6	26.2
Asean	71.3	71.8	19.9	18.1
India	51.9	55.0	18.2	15.8
GCC	91.5	91.5	5.1	4.5

Source: Comext. Note: n.a. enotes not applicable. Excludes imports for which the import regime could not be established.



**Figure 5: Selected developing countries' rate of EU preference utilisation, 2005 and 2006 (%)**



Source: Comext

