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Kommissionen om udviklingslandenes markedsadgang på EU's marke-  
der i perioden 1999-2003.

*Bendt Bendtsen*



EUROPEAN COMMISSION

Directorate-General for Trade

## Opening the Door to Development

### Developing Country Access to EU Markets 1999 - 2003

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# **A Statement to the European Parliament**

## **1. STATEMENT FROM THE COMMISSIONER**

This year will be an important milestone for development and for those developing countries that are willing to integrate fully into the world trade system. From a trade perspective, our aim is to deliver on the Doha Development Agenda at the 6<sup>th</sup> WTO Ministerial Meeting in Hong-Kong (December 2005). The road to Hong-Kong will be marked by two other important steps: the G8 meeting in Gleneagles (July 2005) and the UN High Level Event in New York (September 2005), where trade issues will be discussed in a broader framework and in particular from the development angle.

The EU is making a considerable effort to play a leading role in this field and this needs to be asserted unequivocally.

The idea of having a regular report on developing countries' access to the EU's market originates from the dialogue between the Commissioner for Trade and the newly established International Trade Commission of the European Parliament.

This is the first issue and it covers the 1999-2003 time-span: a period during which the European Union has pursued more strongly than ever its endeavour to lower tariff and non-tariff barriers for exports from developing countries. It won't be an one-off piece of information. In the future, the Commission will make sure that it is regularly updated and improved to meet the European Parliament's need for clear and accurate figures, which would otherwise need to be extrapolated from complex statistical analysis.

One can summarise the content of this report in one phrase: the trade policy of the European Union is really giving developing countries a chance. The figures presented here speak for themselves. Europe is the most important recipient of exports from developing countries. Such primacy demonstrates that our preferential systems grant to developing countries what they ask for - competitive access to the European market. However, they do not only take into account developing countries' trade demands. EU preferential systems, either unilateral (GSP) or based on bilateral and regional agreements (Economic Partnership Agreements and Free Trade Areas) also have at their heart European values, as, more and more, developing countries that base their internal governance on high social and environmental standards will have better access to our market.

Our preferences are generous and they are being used. We will try to improve our record even further, but we should be aware of the limits that are intrinsic to any preferential system.

Trade preferences offer opportunities for developing countries. There is no guarantee that preferences will be translated into practical economic gains. Those opportunities will have to be seized and for this to happen it requires a combination of factors.

Experience shows in fact that preferences alone are not sufficient to promote growth, economic development and poverty reduction. Supply side and

productivity bottlenecks are crucial and thus complementary reforms and investments are needed to stimulate the desired supply side response especially by the private sector and allowing households to take full advantage of preferential market access.

If developing countries are to reap the benefits of trade preferences and liberalisation, it is essential that these countries undergo complementary reforms aimed at increasing the supply response, since most of the benefits of trade reform derive from what countries do themselves (domestic reform). Efficiency gains from own liberalisation are needed to help offset terms of trade losses that may arise because food prices rise, erosion of preferences, or market share is lost to other developing countries that pursue reform.

The relationship between trade preferences and poverty is a very complex issue where extensive research has been carried out and where it is not possible to draw easy conclusions. However, there is now a solid set of studies and empirical evidence on the impacts of increased participation in international trade and investment, from which two main conclusions can be drawn. Firstly, those countries with a higher level of participation in international trade and investment tend to show higher growth rates. Secondly, if trade is to have a sustainable, positive impact on poverty reduction, it must be part of a wider, country-owned strategy, which includes a strong element of human capital development.

To be clear, although trade can contribute to economic growth and to development and poverty alleviation, the link is not automatic, is not immediate, is not direct, and is often not measurable. Many forget to acknowledge the absolutely crucial role of national policies for trade welfare gains to be translated into economic development benefits for society as a whole and to achieve development and poverty alleviation.

Finally, it is important to keep in mind that generation of growth does not simply happen by creating opportunities for trade. Aid for trade is needed to help developing countries benefit from the increased opportunities provided by trade preferences and trade liberalisation and to support the necessary adjustment which result from these new challenges. The European Commission and Member States have actually stepped up their trade-related assistance in the past years and are the main donors providing more than 50% of total aid for trade.

Continued and improved efforts are needed in this direction to support and help developing countries to benefit from the increased opportunities created by our preferential systems. The European Commission has recently recommended the establishment of a special aid for trade facility, which could draw on innovative sources of finance, notably to help achieve the objectives of connecting weak and vulnerable countries in Africa and elsewhere in infrastructure and trade.

## 2. EXECUTIVE SUMMARY

**The EU is both the world's most open market for the world's poorest countries and their largest trading partner.** The EU has offered increasingly generous preferential market access to developing countries for over 30 years under the Cotonou agreement with the African Caribbean and Pacific (ACP) countries (and its predecessors), the Generalised System of Preferences (GSP) and a series of bilateral Free Trade Agreements.

The EU's GSP is the most widely used of all GSP systems. Imports are higher under the EU's GSP scheme than under all other QUAD countries combined. In 2003 EU imports under GSP totalled €50bn, compared to only €16bn under the equivalent US scheme. Our ACP partners benefit from extremely high levels of access – about 97% of their imports enter duty free – and tariff escalation is virtually non-existent. In addition, all goods imported from the world's very poorest economies (those defined by the UN as Least Developed Countries - LDCs) can enter the European Union completely free from tariffs and quotas<sup>1</sup>. The overall impact of all of these schemes meant that 79% of developing country exports to the EU entered duty free in 2003.

The openness of the EU trade regime is evidenced by the fact that trade between the EU and the developing world has more than tripled and substantially diversified since the 1980s and one fifth of all developing country exports now go to the EU. In 2003 the EU imported €362 billion from developing countries, almost 40% of its total imports. It is even more important for the LDCs, as 63% of their overall exports (excluding petrol) to the Quad went to the EU in 2003 and almost 70% of their agricultural exports. Indeed, under the Everything But Arms all agricultural products (except bananas, sugar and rice which are being gradually phased out) from LDCs enter the EU duty free, while ACP countries and the countries benefiting from the GSP Drug access have zero duty rates in substantial sectors of agricultural trade. The result is that almost half (48%) of developing countries agricultural exports to the Quad went to the EU in 2003.

Objective analyses confirm the EU's status as an open market for developing countries. The joint World Bank and IMF 2004 Global Monitoring Report judged the EU both as

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<sup>1</sup> Three products – rice, sugar and bananas are still subject to some quotas, but all will disappear by 2009 at the latest.

the most open major market for exports from developing countries and the trading partner which has made the greatest efforts to reduce its average protection levels in their favour<sup>2</sup>.

**The EU's preferences are used** - The proportion of goods entering the EU at zero tariff or at reduced rates of duty steadily increased between 1999 and 2003 from 71% to 79%. Levels are far higher in some regions – like ACP (from 90% to 97%) and Drug GSP (from 87% to 97%).

Thus the majority of developing country exports are exploiting access. There are some exceptions to this. The most obvious is in the textile and clothing sector. This is linked to the rules of origin, in place to ensure that the beneficiary country retains the majority of the value added of the imports benefiting from preferential access. In the context of the GSP, the Commission is currently reviewing these rules to render them simpler and more development friendly.

**However preferences can only open opportunities for exports.** Developing countries need to have the capacity to supply quality goods at competitive prices if they are to benefit from market access. In spite of years of preferences many of the poorest countries have made little progress in expanding and diversifying their export base. Some ACP countries have not changed their exports significantly for 20 years. They typically consist of a small number of unprocessed primary commodities. The region of greatest concern is Sub – Saharan Africa, whose share of world trade has declined from 3% in 1950 to less than 1% today. At the same time, poverty in this region is actually increasing.

**In order to fully exploit EU market access, preferences must be complemented with domestic reforms in a wide range of areas,** including governance, supply side investment, domestic reform and the development of regional markets. The EU is supporting this process through development assistance, but more needs to be done. This is the underlying rationale of the Economic Partnership Agreements with the ACP, which will provide development aid in tandem with trade policy reforms. It is also why the EC is increasing development assistance and undertaking parallel support to trade reforms, such as the proposed EU – Africa infrastructure partnership.

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<sup>2</sup> Conclusion based on an index covering both tariff and non-tariff barriers to trade. (Global Monitoring Report 2004, Policies and actions for achieving the MDGs and related outcomes, April 16, 2000)

### 3. INTRODUCTION

This report examines the trend of EU imports from developing countries over the period 1999-2003. It will be updated yearly to examine trends, in the light of EU changes in trade policy towards developing countries.

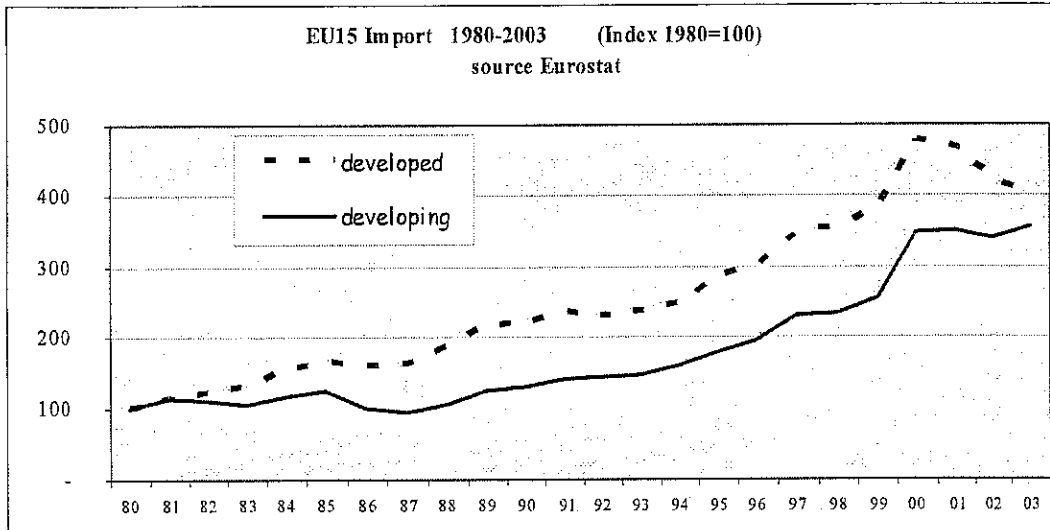
In order to render the trends meaningful, developing countries have been grouped into those benefiting from the EU's Generalised System of Preferences (GSP), those with which the EU has concluded free trade agreements (FTAs) and the Africa, Caribbean and Pacific (ACP) countries with whom the EU is linked through the Cotonou Agreement. Least Developed Countries (LDCs), who benefit from the Everything But Arms (EBA) provisions, have also been the object of separate analysis to render the corresponding data more meaningful.

Where trends require longer periods to allow us to draw the necessary conclusions, the period 1980-2003 has been used.

## 4. EU IMPORTS FROM DEVELOPING COUNTRIES

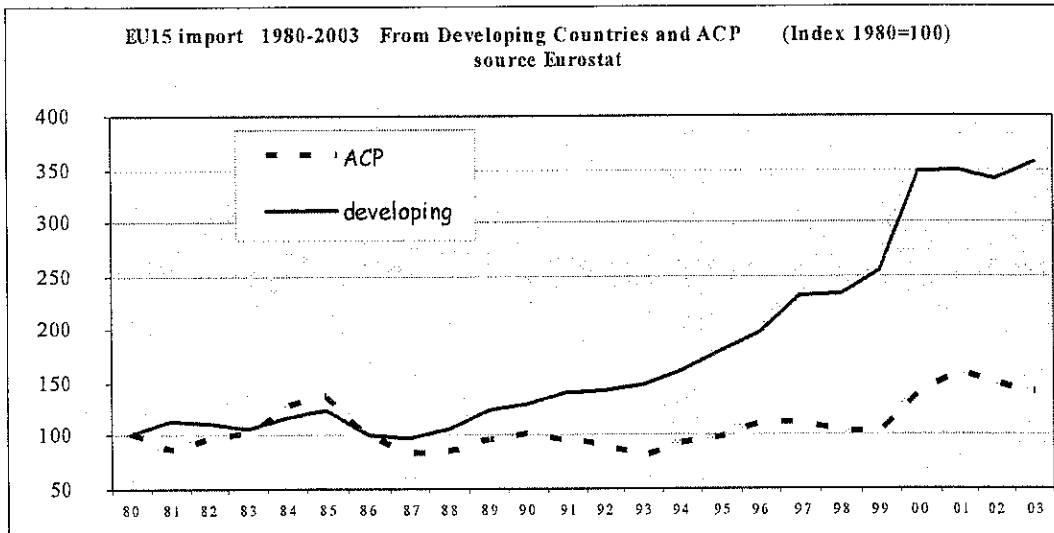
### 4.1. EU Imports Since the 1980s

Since the 1980's EU trade with the world has expanded dramatically, roughly quadrupling over the last 25 years.



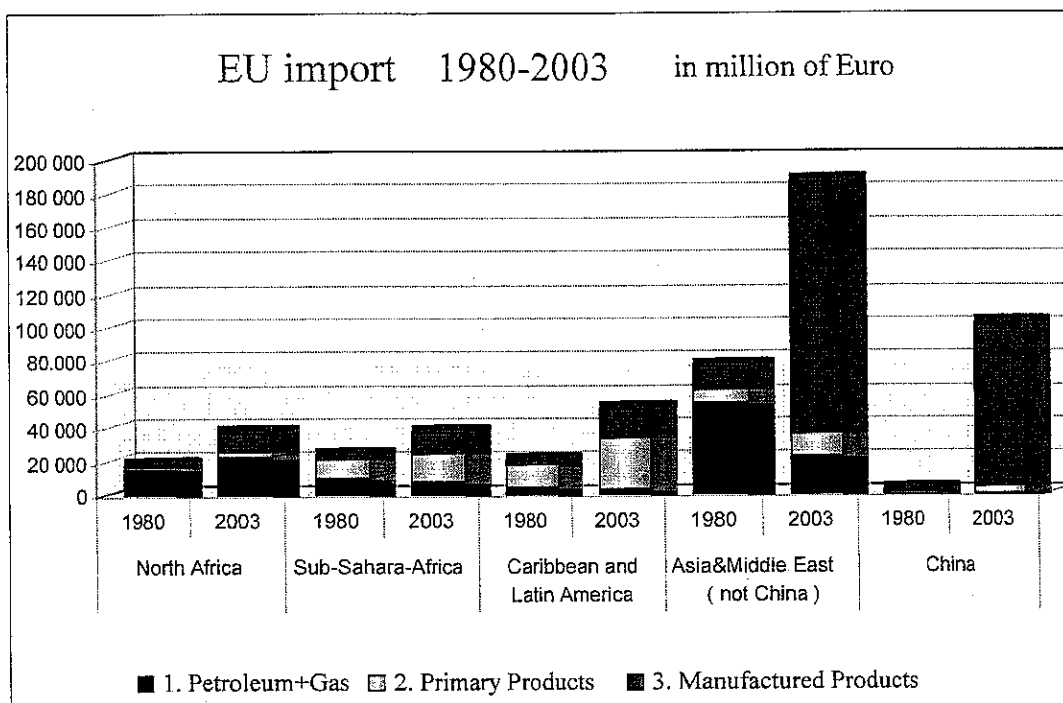
In value terms, these imports in 2003 were worth nearly € 1 trillion. Of this trade € 362 billion, came from the developing world but only € 13 billion of this from the LDCs – 1.3% of the EU total. Imports from the ACP were € 30 billion in 2003, around € 10 billion of this was energy products (oil and gas).

### 4.2. Patterns of EU Imports from Developing Countries



Different groups of developing countries have performed differently in their exports to the EU. EU imports from developing countries benefiting from the EU's GSP as well as those with which the EU has concluded free trade agreements (FTA) expanded roughly in line with total EU imports since 1980. However, imports from the ACP, which includes most of the world LDCs, have largely stagnated. Around a third of ACP exports and half of Africa's go to the EU. Agricultural goods are a particularly important component of these exports. This reflects the importance of the agricultural sector to Africa, where around 70% of people are dependant on it for a living.

#### 4.3. Evolution of Trade with the Developing World

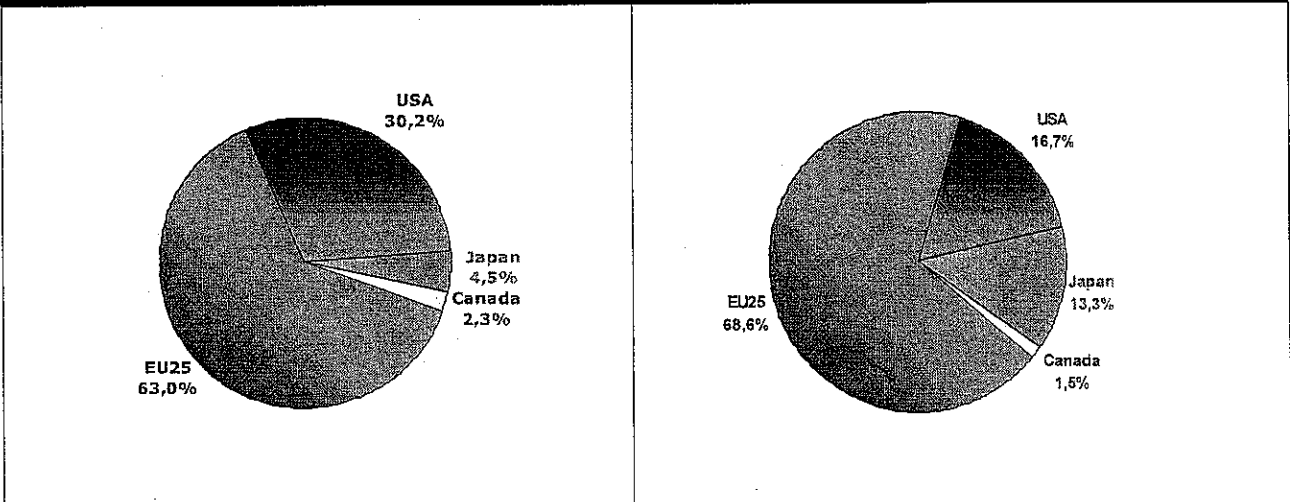


There have been considerable changes in the pattern of EU imports from developing countries since 1980. This reflects changes in the world economy, changing consumption patterns and the growing liberalisation of trade. As the accompanying figure shows, China has risen to be an important exporter to the EU and there has been a relative increase in the levels of manufactured imports from Asian and Middle East countries and to a lesser extent from Latin American countries and from North African countries. It is notable from the graph that Asia has managed to turn a strong reliance on primary products into a specialisation in manufactured products in a little over two decades. It is clearly evident from the graph that imports from all regions expanded quicker than those from the poorer ACP and LDC groups.

#### 4.4. How Does EU Trade Compare with Others?

The extent to which the EU market is open to developing country partners is best judged by actual trade flows. On this measure the EU is the world's number one destination for developing country exports. The figures below show the percentage of trade between the Least Developed Countries and the "Quad" of Japan, the US, Canada and the EU. The EU absorbed 63% of all LDC exports (without petrol) to the Quad in 2003. This figure rises to nearly 70% for Quad imports of agricultural goods.

**Share of QUAD imports (without petrol) from LDCs (2003)**      **Share of QUAD agricultural imports from LDCs (2003)**



#### 4.5. The composition of Trade

It is crucial to look also at the composition of trade. Generally, processed commodities command a higher price than raw commodity exports and show the development of domestic industry. Key characteristics of EU imports from LDC / ACP countries are low volumes of trade, concentration in a few products and a high proportion of unprocessed goods. For example, 67% of EU goods imports from the ACP countries are unprocessed primary products. Excluding South Africa, *three products* (oil, diamonds and cocoa) represent over half the total imports from Sub Saharan Africa. Furthermore, many smaller economies are dominated by a single or few exports, either primary commodities (for example 65% of Malawian exports to the EU are tobacco) or activities such as shipping registration (over 90% of "imports" from Liberia in 2003).

Between 1980 – 2003 the types of different unprocessed primary commodities imported by the EU remained broadly constant when measured by 3 digit SITC codes<sup>3</sup>. However, as the table shows, the numbers of these commodities that were recorded as being processed did change over that period – but not uniformly. China and other countries benefiting from the GSP general scheme have increasingly added value to their exports while EU imports from the poorer

**Number of Commodities Exported to the EU in Processed Form**

Country Group	1980	2003
ACP	5	9
China	33	55
FTA partners	9	37
GSP (23) General	6	50
Non African LDCs	9	12
GSP drug countries	4	11
EU Total imports	42	62

LDC and ACP countries are still highly dependent on primary commodities. Agricultural goods represent around half of non-oil goods imports from the ACP but much remains unprocessed.

In 1980, over 50% of EU imports from each ACP country (excluding South Africa) came on average from just 1.6 products (also measured at the 3 digit SITC level). By 2003 this had only risen to 1.9 products. Not only does this contrast with Thailand (who moved from 2 to 12 products) and India (from 7 to 16 products) but Indian and Thai exports to the EU are also far more diverse at the SITC 5 and 6 digit levels, with dramatically increased manufacturing and services trade.

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<sup>3</sup> SITC is the Standard Information Trade Classification system based on series of 1 – 8 digit codes to describe products. The higher the number of digits, the more detailed the description of the product. 3 digit codes are expressed in terms such as “cotton” “footwear” or “coffee and substitutes”.

## 5. EU PREFERENTIAL TRADE REGIMES

### 5.1. How Developing Countries Can Access the EU Market

#### Developing Country Access to EU Markets in 2003

##### *(i) The Generalised System of Preference (GSP)*

The basic EU preferences are provided under the GSP, which has been in operation since 1971. It includes three key arrangements. It benefits 178 countries under three key arrangements. These are:

- The General Arrangements (for all developing countries).
- The Everything But Arms or "EBA" initiative (for Least Developed Countries).
- The "Drug Regime" (for countries combating drug production and trafficking).

The General Arrangements offer zero duties for "non-sensitive" products and reduced duties on "sensitive" products. These are 3.5% lower for "*ad valorem*" duties, 20% for textiles / clothing and 30% lower for specific duties). Under EBA all products (apart from arms) from Least Developed Countries (LDCs) have complete duty and quota free access to the EU. The only exceptions are rice, sugar and bananas where duties are being phased out over time. Twelve countries benefit from the "drug regime" introduced in 1990. This provides duty-free access for all industrial, textile and clothing products and a large range of agricultural goods. There are also arrangements linked to labour rights and the environment but these are not used extensively. All products imported under the GSP are subject to "Rules of Origin" to ensure that they are primarily produced within the exporting country or region. Finally, preferences under the GSP are not limited by quotas (apart from sugar, rice and bananas which are being phased out under EBA). The EU is currently reviewing its GSP scheme, along the lines of the principles laid down in Commission Communication of 7 July 2004 on the EU's GSP for the period 2006-2015.

##### *(ii) The Cotonou Agreement*

The fifth EU Partnership Agreement with the African Caribbean and Pacific or ACP nations was signed in Cotonou in 2000. Cotonou is a broad economic and development partnership agreement replacing the earlier "Lome" convention. Cotonou trade provisions offer non-reciprocal duty free access to EU markets for nearly 97% of ACP products. Under Cotonou, these trade provisions expire in 2007 and will be replaced by Economic Partnership Agreements (EPAs) between the EU and ACP regions. EPAs will build upon and further enhance the market access conditions currently provided under the Cotonou Agreement (see chapter 8.6).

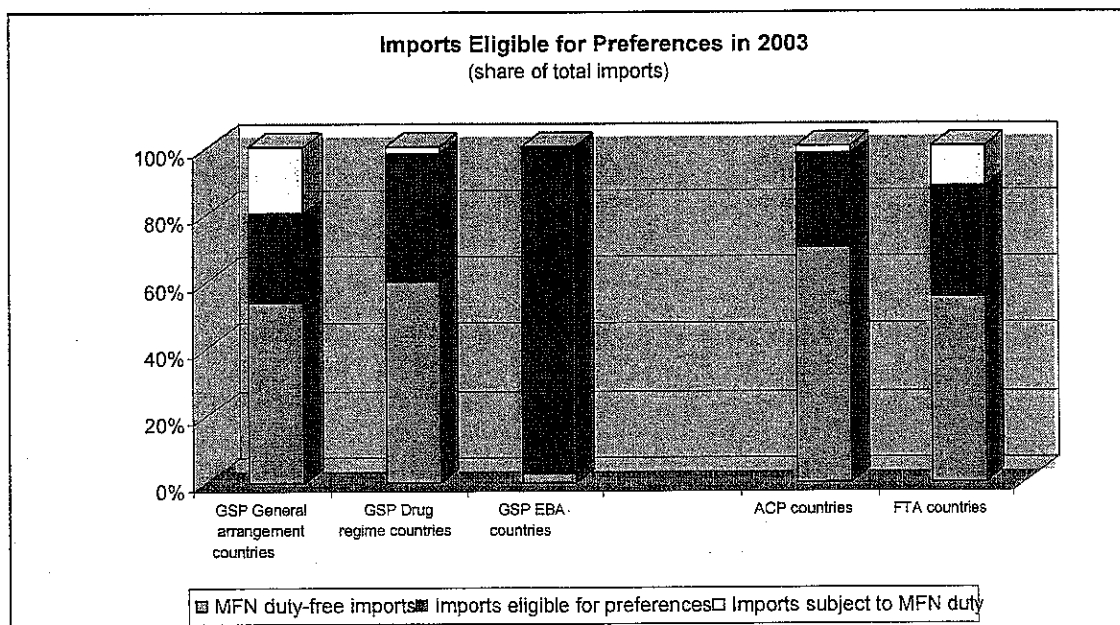
##### *(iii) Free Trade Agreements (FTA)*

The EU has bilateral Free Trade Agreements, mainly with North African and the Middle Eastern but also South Africa and Mexico. These agreements are country specific and improve upon GSP preferences by providing for the elimination of duties and restrictions for substantially all trade between RTA parties.

The EU has provided preferential access to its markets for all developing countries for over 30 years (see chapter 7). Under these schemes duties are removed or reduced on imports from over 170 countries. This gives countries a comparative advantage, stimulating export capacity, raising revenues and helping to integrate them into the world economy and multilateral trading system.

## 5.2. Who Gets What Market Access? Targeting market access for the poorest

The countries that are eligible for the different preferences are listed in Annex 2. The figure below summarises the coverage of these preferences in 2003 (for a more detailed description, see chapter 6.3).



In 2003, all imports from the GSP EBA countries were eligible to enter the EU duty and quota free (except bananas and rice and sugar where customs duties are being gradually phased out between 2006 and 2009 respectively). A total of 97% of imports from the ACP can enter the EU with preferential or MFN zero duties. The next most generous access

### Most Favoured Nation Duties

Countries without preferential access are charged Most Favoured Nation or "MFN" duties. *MFN duties applied by the EU are already zero for roughly 56% of imports from developing countries.*

is given to countries with Free Trade Agreements, 88% of their goods are already eligible to enter the EU with preferential or MFN zero duties (this will rise to over 90%, and in many cases, well over 90% with the gradual extension of duty free treatment under the terms of the agreements). Finally, nearly 80% of imports from countries eligible for GSP general preferences (including China) could enter the EU at preferential or MFN zero duty.

The LDC and ACP Countries have the lowest trade volumes but the most generous trade preferences under EBA / Cotonou. In contrast, larger developing countries, such as India, Indonesia and Brazil, have far greater and more diverse trade but less generous GSP

general preferences. Given that GSP general preferences account for over two thirds of EU preferential trade, this shows how EU preferential trade regimes provide the highest aggregate *value* of preferential trade to the larger countries where the vast majority of the world's poor live, while focusing the highest *level* of preferential access on the smaller countries who are poorest and where the key need is to stimulate development. This is consistent with the need to provide the greatest advantage on the market to those with the most need for support to become competitive.

### 5.3. Rules of The Game

#### Rules of Origin

Rules of Origin ensure preferences are used for goods produced primarily within the beneficiary country or region. This prevents preferences being used simply as a channel for exports from non beneficiary countries/regions. If the rules are too strict then they can restrict exports but if they are too lax then the value of preferences to the beneficiary countries are eroded.

Like all trade agreements, preferential trade arrangements include rules to preserve their integrity. These rules include **Rules of Origin** designed to ensure that the value of preferences goes to beneficiary countries/regions (see box). Therefore, they must be consistent with the overall objective of those preferences of strengthening economic

integration between the partners and in particular of facilitating the full insertion of developing countries into the world economy while supporting their economic and social development. Rules of origin detail the conditions that products must meet to benefit from preferential treatment as well as rules to enable regional sourcing of inputs and processing (called "cumulation"). The Commission is currently reviewing preferential rules of origin to ensure that they are simpler and more development-friendly.

Another issue often referred to in connection with preferential access is tariff escalation. This is the application of increased tariffs to processed goods to protect EU manufacturers from higher value-added products imports. Since substantially all EU imports from LDCs and ACP countries under Cotonou enter the EU duty-free, no **tariff escalation** is applied on imports from these countries.

### 5.4. The decline of trade preferences

Preferences are valuable for developing countries because others are charged MFN tariffs, giving the former a price advantage in EU markets. However, as multilateral liberalisation proceeds and the EU MFN tariffs are reduced, the value of this preferential

access will also inevitably decline. This process is called "preference erosion". Between 1999 and 2003, 673 EU tariff lines became MFN zero-duty, eroding the advantage that previous preference recipients had enjoyed.

Although countries which suffer readjustments in market share due to preference erosion, will also see new potential markets emerging through multilateral liberalisation, thus gains in other parts of the economy will help to mitigate any losses, the Commission has proposed the establishment of a financing facility to support adjustment, in cases where real hardship is likely. In addition, for ACP countries, support will be assured in advance, to help these countries to adjust to the shock of liberalisation.

## 6. MARKET ACCESS IN PRACTICE

### 6.1. Measuring Market Access

Being eligible for preferential access is not the same as actually using it. The best measure of the use of market access in the broadest sense is the proportion of imports entering the EU that are charged full MFN duties. If this figure decreases then more goods are entering the EU either at preferential or MFN zero duty rates. This is a better

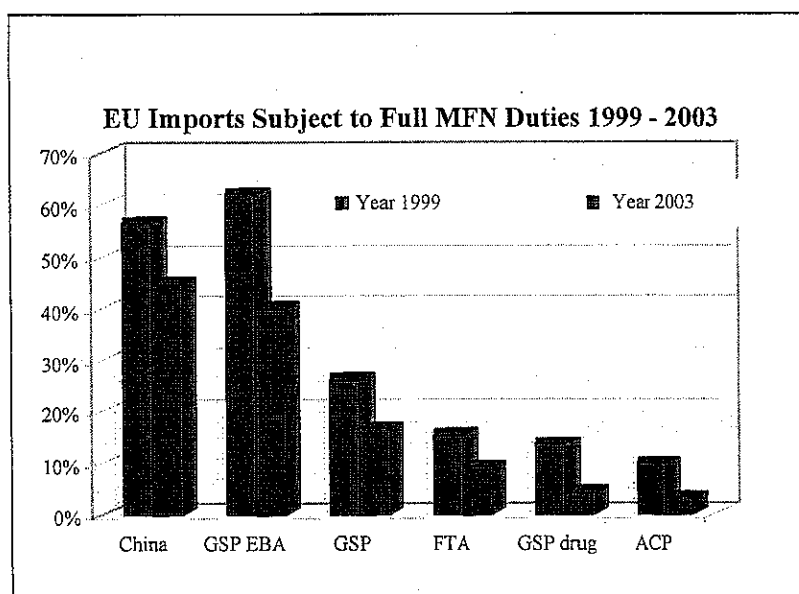
**Changes in the proportion of imports entering the EU that are charged full MFN duties is the best measure of how open the market really is.**

way to indicate access than looking at the uptake of any one specific access arrangement (something often referred to as the “preference utilisation rate”). Calculating the use of one access arrangement does not take account of the increase over time of imports for

which MFN tariff rates are zero or very low (and hence an exporter has no need to use a preferential arrangement) or countries with access to more than one preference arrangement. Longer term figures using the value of trade under preferences (rather than the proportion of trade) also need to be interpreted carefully as trade value is affected by issues such as exchange rates, commodity prices and longer term market changes, while moving to MFN zero rating can reduce the level of trade under preferences. There is a more detailed discussion on interpreting preference data in [Annex 3](#).

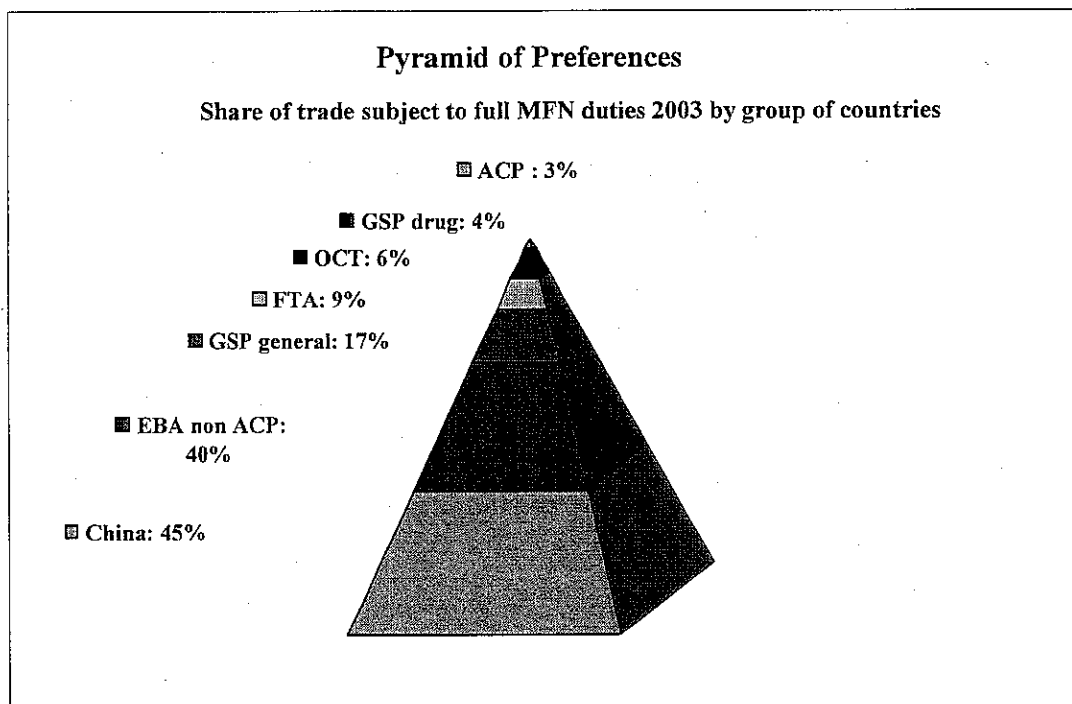
### 6.2. The Successive Opening of EU Markets

The figure shows the proportion of goods entering the EU at full MFN duty rates for different groups of countries in 1999 and 2003. It shows how the proportion of goods entering the EU that were charged full MFN duties has declined steadily for all regions even over only 4 years.



### 6.3. Detail of Developing Country Access to EU Markets in 2003

The figures below shows the relative *proportion* of imports charged full MFN duties for developing countries that used preferential access schemes in 2003. It includes 63 countries that used the GSP, ACP countries that used Cotonou trade provisions and 11 countries with Free Trade Agreements.

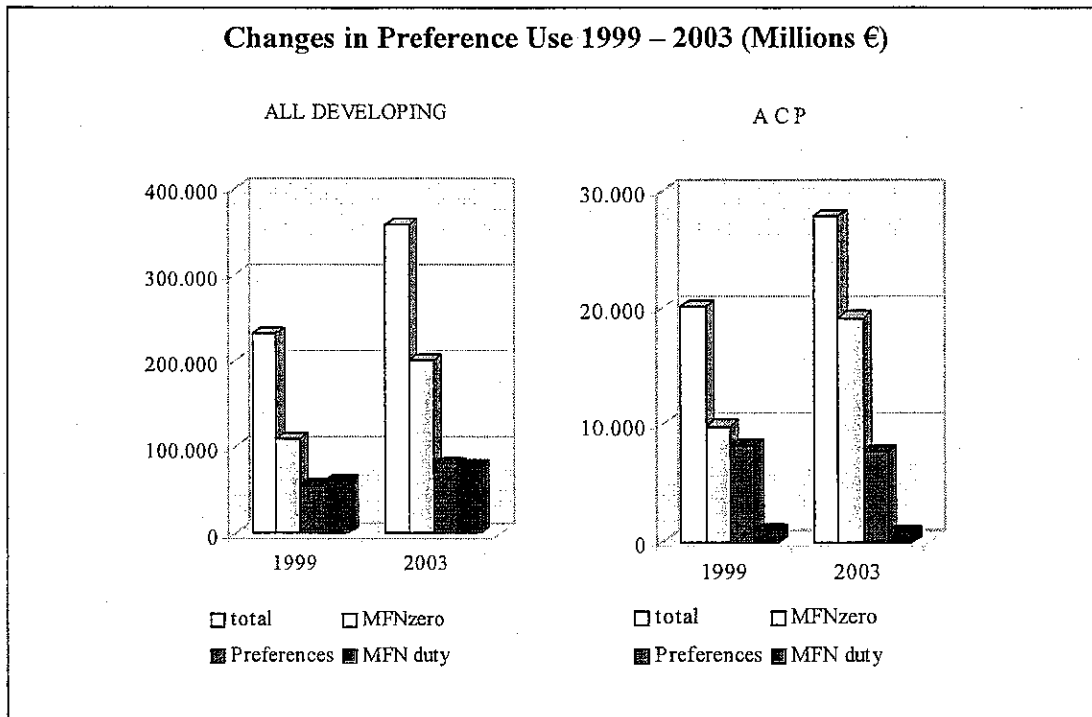


- ACP ranked clearly at the top of the pyramid of preferences, with only 3% of MFN dutiable imports (notably 1% was fisheries - fish taken by third country boats and exported by them to the EU - and 0.5% was tobacco), followed by GSP drug regime and Overseas Countries and Territories (OCT) countries, which had to pay full MFN duties for respectively 4% and 6% of their respective total imports to the EU.
- There are differences in regime between the ACP LDCs and ACP non-LDCs. The ACP LDCs can use GSP EBA access and Cotonou while the ACP non-LDCs can use either GSP general arrangements or Cotonou. In fact different trade compositions mean that the different regimes make little difference to the end result – both only pay duties on 3% of their exports.
- For the LDCs, 72% of exports to the EU entered MFN duty free and 25% entered duty free under either Cotonou or EBA preferences. This left 3% subject to MFN duties.

- For the non LDCs, 68% of their exports to the EU entered MFN duty free and 29% duty free under Cotonou preferences. This left 3% subject to MFN duties.
  - From the GSP drug regime countries 61% of imports entered the EU market MFN duty free and 35% with GSP preferences. This left 4% subject to full MFN duties.
  - Finally, **EU Overseas Countries and Territories (OCTs)** are a smaller group of countries not explicitly discussed in this report. However, they also enjoyed extensive preferential access. 64% of EU imports from the OCTs entered MFN duty free in 2003, and another 29% benefited from GSP preferences or from the duty and quota free access offered to those OCTs associated with the EU under the Overseas Association Decision.
- The second group of most preferred partners comprises developing countries which have an FTA with the EU: under present conditions, only 9% of their total imports were subject to full MFN duties (56% were MFN duty free and 35% at zero or reduced duties under the terms of the agreements).
  - Countries under the general GSP arrangement (without China), which were not part of an FTA or Cotonou, ranged in the middle of preference use by developing countries: 66% of the exports entered at MFN zero tariff and 17% with GSP preferences, so they had to pay full MFN duties on 17% of their imports.
  - Non ACP LDC countries (essentially Bangladesh) paid MFN duties on 40% of their imports to the EU. This is largely due to difficulties in satisfying the rules of origin in the textiles and clothing sector. The Commission is currently reviewing these rules to make them more development friendly.
  - With 45% of imports respectively paying full MFN duties, China is the least preferential developing country partner. This is because a large number of its exports are internationally competitive and have “graduated” from the GSP under agreed rules.

#### 6.4. The ACP Countries

The following charts look at changes in the *value* of preferences in terms of exports between 1999 and 2003 for Developing Countries and in particular for ACPs. They show how both the percentage and value of goods entering the EU both at MFN zero and at preferential rates has increased for all developing countries.



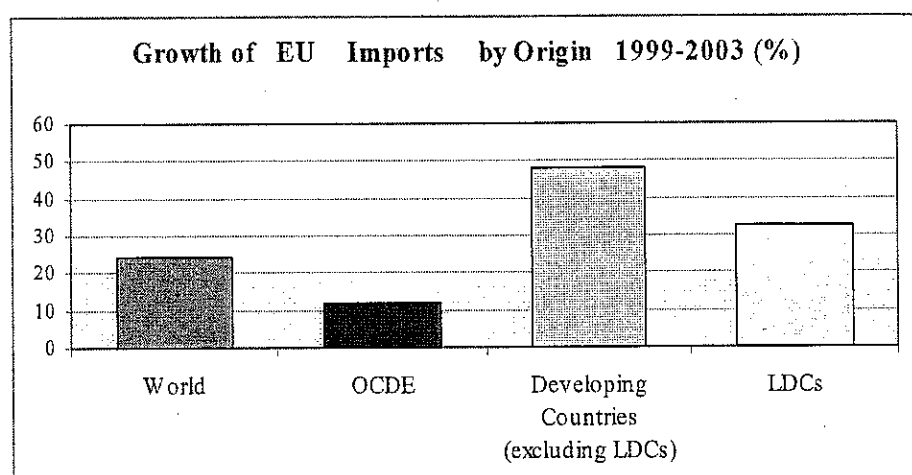
## 7. DETAIL OF EU PREFERENTIAL ACCESS SCHEMES

### 7.1. The Generalised System of Preferences

#### 7.1.1. GSP beneficiaries exports grew by 54% between 1999 and 2003

The overall trend characterising the 5-year period from 1999 to 2003 is one of a marked and steady increase in developing countries' share in EU imports, from 33.4% to 39.6%. While developing countries boosted their total imports by 47.5% from € 246 to 362 billion, OECD imports expanded by only 12.1%, resulting in a drop of their import share from 55.7% in 1999 to 50.3% in 2003.

Countries under the GSP general arrangement have been responsible for the bulk of the growth. Between 1999 and 2003 EU imports from these countries increased from € 172.0 to 264.6 billion (+ 53.9%), expanding their share of world imports into the EU from 23.4% to 28.9%.

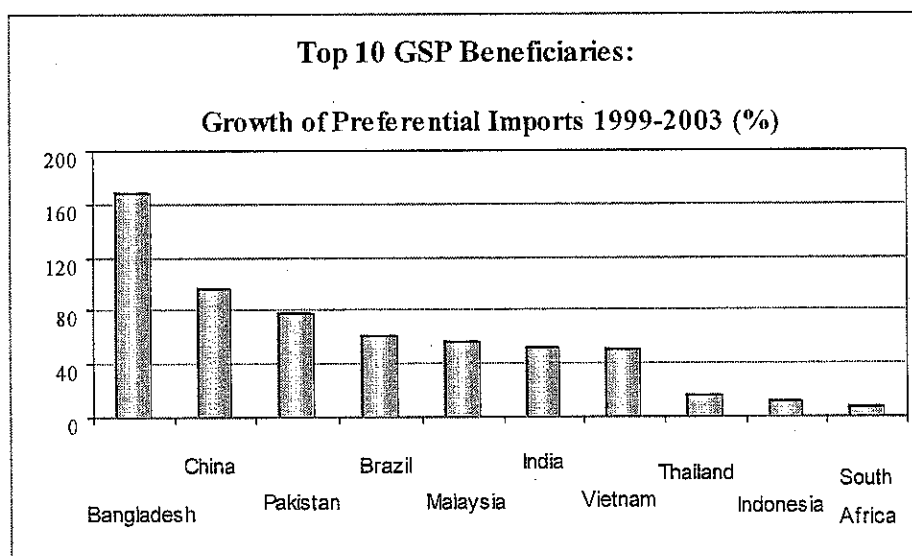


- Beneficiary countries of the GSP drugs regime increased their total imports into the EU from € 9.3 billion in 1999 to € 10.9 billion in 2003. However, their share in total imports into the EU has shrunk from 1.3% in 1999 to 1.2% in 2003.
- All LDCs were able to slightly increase their modest share in total EU imports (1.2% in 1999 vs. 1.3% in 2003). Expanding imports into the EU by 32.8%, LDCs' growth rates were higher than those of OECD countries (12.1%), but substantially below those of more advanced developing countries (48.0%).

- During the 5-year period covered by the study, EU total imports from the non ACP LDCs (Afghanistan, Bangladesh, Bhutan, Cambodia, Laos, the Maldives, Nepal and Yemen) increased by 57.2%, from € 2.8 to 4.3 billion, accounting for 3.2% of developing country imports into the EU in 2003. GSP preferential imports rose by an impressive 166.8%, from € 0.9 to 2.5 billion. These impressive growth rates of both total and preferential imports exceed those of general arrangement and drug regime countries. Moreover, total import growth is also higher than that of ACP LDCs, since the latter already enjoyed quasi-full market access into the EU under the EU-ACP Cotonou Agreement.

*7.1.2. But growth heavily concentrated in a small number of countries*

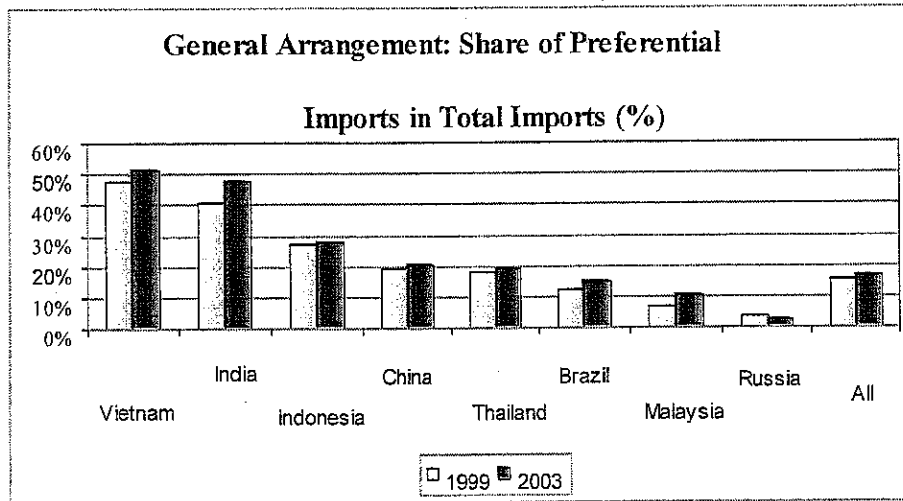
The growth in developing country exports to the EU between 1999 and 2003 was heavily concentrated in a small number of GSP beneficiaries. The top 10 countries accounted for 85.1% of preferential import growth during the 5-year period, with China and India showing the highest absolute growth and Bangladesh and China showing the highest growth rates.



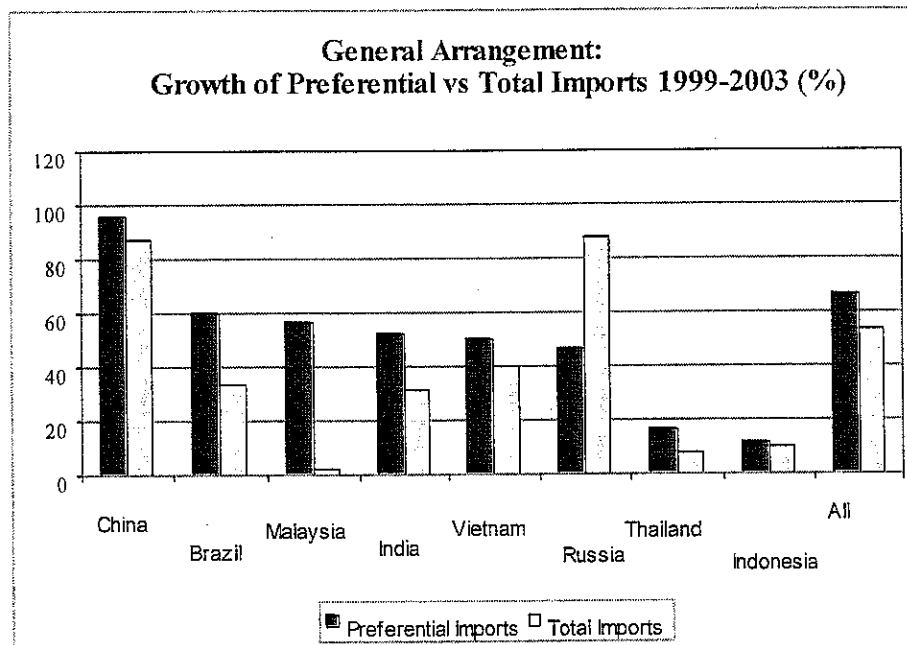
*7.1.3. Share of GSP preferential imports in total imports has progressed*

The share of GSP preferential imports in total imports varies significantly among general arrangement beneficiaries. For Vietnam and India, about half of their total imports received GSP preferences. For other major importers, this share was significantly lower. However, with the exception of Russia (which already has a relatively low share of about

3%), all major players have expanded their share of preferential imports between 1999 and 2003.



This trend is the result of the fact that preferential imports grew more rapidly than total imports from general arrangement countries (+66.3% vs. +53.9%).



For China, the difference between total and preferential import growth rates is not drastic (87.4% vs. 96.0%).

For other GSP beneficiaries, however, the marginal impact of preferences on import growth rates is more visible. For Brazil, India, and Thailand, for example, preferential

imports have risen up to twice as fast as total imports. For Malaysia, they have grown over 20 times as rapidly.

## 7.2. The Cotonou Trade Regime

Under Lomé IV and under Cotonou until end 2007, products originating in the ACP States have been and will be imported into the Community free of customs duties, with the exception of specific preferential arrangements for agricultural products. Cotonou gives duty exemptions to all industrial products in CN chapters 25 to 97 (imports worth €19.5 billion in 2003). In total, 96.5% of all imports originating in the ACP enter the EU duty and quota free. Total EU-ACP trade reached €55.3bn in 2003 (EU imports €28.5bn, EU exports €26.8bn).

The economic significance of agricultural exports is high for ACP countries: agricultural goods (€ 8.9 billion) accounted for just under a third of their exports to the EU in 2003. ACP agricultural exports in proportion to the EU's total agricultural imports are equal to 13.1%.

### Imports of Agricultural goods from ACP countries in 2003

	Total imports from third country (mio€)	Total imports from third country (% all trade)	Imports from Non-LDC ACP (mio€)	Imports from Non-LDC ACP (% all trade)	Imports from Non-LDC ACP as % of total third country)	Imports from LDC ACP (mio€)	Imports from LDC ACP (% all trade)	Imports from LDC ACP as % of total third country)
Agricultural trade	68 917	7%	7 064	34%	10.3%	1 911	25%	2.8%
All trade	984 504	100%	20 785	100%	2.1%	7 731	100%	0.8%

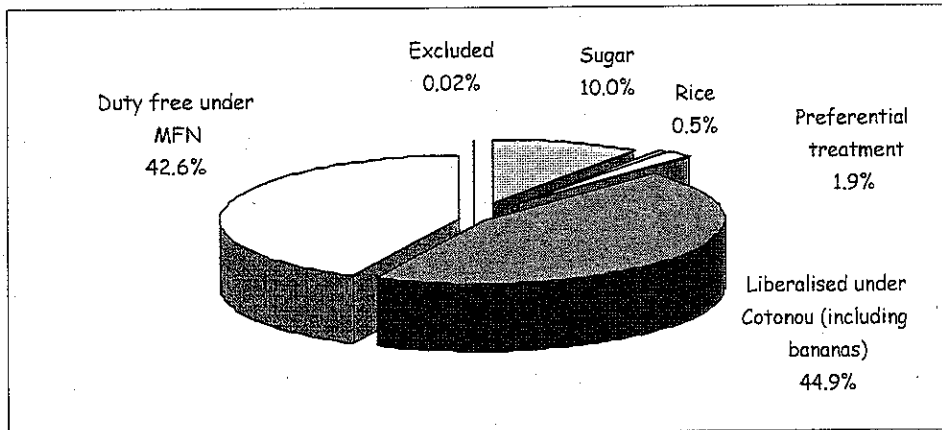
Source: Comext, figures for 2003 Chapters 01-24

#### 7.2.1. Preferences granted to ACP non LDCs for agricultural products

Under EBA, all LDC ACP products (apart from arms) have duty and quota free access (with transitional periods until 2006 for bananas, and 2009 for rice and sugar). Under the Cotonou Agreement, only a limited number of agricultural products continue to face tariff duties. In quantitative terms, over 60% of the approximately 2500 8-digit agricultural products in the Combined Nomenclature are fully liberalised. Of the remaining lines, 33% cover products for which Cotonou provides preferential access,

sometimes at zero duty level within quotas or seasonal restrictions, and 5% cover products which are not included in Cotonou.

In value terms, nearly 88% of the Community's agricultural imports from ACP non-LDCs benefit from complete liberalisation (zero duties and unlimited quantities). If one includes zero-duty tariff quotas for agricultural products, the figure is nearly 98%.



### 7.3. Free Trade Agreements with the EU

The EC signed 23 Regional Trade Agreements (RTAs), most of which have already entered into force, and is currently negotiating nine additional agreements, including the six Economic Partnership Agreements with ACP-countries. Thereby, the EU is the largest user of regional trade agreements worldwide.

More than half of the EU's RTAs are with developing countries. This reflects the importance the EU attaches to promoting sustainable development and its preparedness of making use of available trade instruments to that end. By warranting duty free treatment and dismantling of barriers to substantially all trade originating from the EU's RTA partners, these agreements can spur growth, help build resilient domestic markets and industries, as well as support the countries' integration into the world economy.

In order to allow its partner countries to maximize these positive effects from RTAs, the EU opts, when possible, for signing region-to-region agreements with existing groupings of developing countries. Moreover, the EU's agreements are aimed at deep integration, based on the recognition that behind the border measures – not tariffs – constitute a major hurdle to development for the partner countries. Finally, the EU grants appropriate flexibility for its RTA partners to take on commitments consummate to their level of

development and specific needs, while ensuring full compatibility with the rules for RTAs under the WTO so as to guarantee that the EU RTAs remain supportive of the multilateral rules-based system and do not negatively affect countries who are not parties to the agreements.

The EU approach to trade and economic integration starts from the premise that RTAs should establish long term and mutually beneficial partnerships between the EU and its partner countries. The relationship can neither be one-sided, based simply on short-term economic gains, nor regarded as purely contractual. In this respect the EU also departs from the RTA approach taken by some other OECD countries. The elimination of tariffs and dismantling of other barriers under the EU's RTAs is merely one pillar in deepening existing relations. This is also why EU RTAs usually covers many key aspects beyond trade, including cooperation, technical assistance and political dialogue. The EC is also attentive to the rules dimension of its RTAs. It remains convinced of the economic and governance case for international agreed rules as an instrument to make sure that the benefits derived from increased market access are equitably transmitted to the economies of the RTAs' parties. This is particularly relevant for RTAs involving developing countries.

## 8. OPEN TRADE IS NOT ENOUGH

### 8.1. Reducing Poverty – The Goal of Market Access

The ultimate aim of preferential access is to promote development and reduce poverty. World Bank figures show that, on current trends, at a global level we are set to meet the UN poverty targets of halving the numbers of people living on \$1 a day or less by 2015. However, this masks large regional disparities. While poverty declined significantly in Asia over the 1990s, it showed little change in Africa. On current trends, the numbers living in absolute poverty in Africa will actually rise from 314 million today to 366 million by 2015.

It is not possible to isolate the effect of EU market access on development - the link between the two is indirect and depends on too many external factors. Clearly providing higher levels of market access to developing countries is motivated by a desire to increase their market share and thereby enable them to increase their exports, fostering growth and employment creation. Such a dynamic should reduce poverty. However it is impossible to link market opening to poverty reduction, given how many other factors influence key elements of the equation like trade levels, employment levels, wage levels etc. Historical evidence can give us cause for optimism. Success stories include the five largest GSP beneficiaries in value terms (China, India, Indonesia, Brazil and Vietnam) who have made steady progress in diversifying exports and at the same time have seen often very significant reductions in poverty. However there were clearly other factors at work in these countries which contributed to their successful growth. Indeed, why certain countries grow and others stagnate is a key development question which has been hotly debated for many years. Trade is part of the answer, but many other factors intervene.

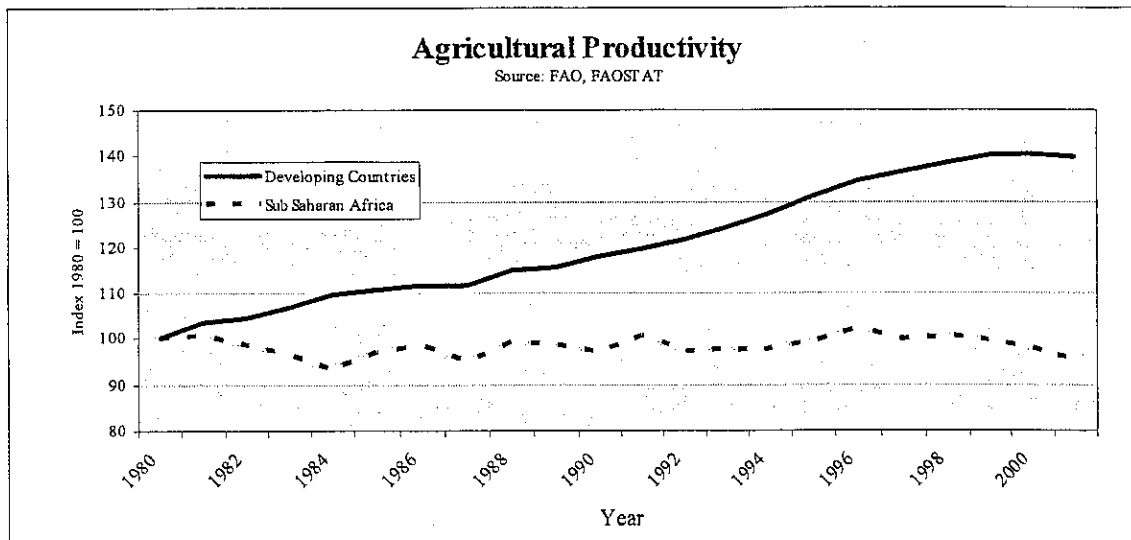
The greatest concern is the regions that have not yet broken out of poverty, especially Africa, where despite significant and increasing access to EU markets, **Sub Saharan Africa's share of world trade has declined from 3.3% in 1950 to less than 1% today.** Some of the reasons for this and similar problems in other ACP countries are explored below.

## 8.2. Difficulties facing Commodity producers

ACP countries remain heavily dependent on a few primary Commodities for their export earnings. This exposes them to high levels of risk because of the general downward trends in the prices of these goods and their high level of volatility. At the same time increasing competition with traditional EU commodity suppliers in the ACP from other developing country producers has eroded their previous comparative advantage and the value added to their commodities exports by poorer countries has not increased. In fact, according to UNCTAD, **the proportion of commodities exported by LDCs that were processed fell from 21% in 1983 to 8% in 1999**. The Commission has analysed this problem extensively in a recent working document<sup>4</sup> which culminated in the EU Action Plan on Commodities<sup>5</sup>

## 8.3. The importance of domestic policies

Many of the factors driving the low effectiveness of preferences to stimulate development are internal to developing countries themselves. In itself the existence of a trade preference cannot guarantee competitive production and often preference receiving



countries have major problems of productivity. The above graph uses FAO data to illustrate how agricultural productivity rose in developing countries as a whole while it

<sup>4</sup> Sec (2003) 908. Agricultural Commodity Trade, Dependence and Poverty, An Analysis of Challenges facing Developing Countries

<sup>5</sup> COM (2004) Agricultural Commodity Chains, Dependence and Poverty - A proposal for an EU Action Plan.

has largely stagnated in Sub Saharan Africa. The latter enjoyed the greatest preferential access to highly priced EU markets over the same period and had high preference utilisation rates.

The World Bank's 2005 World Development Report highlights how a sound investment climate is a key factor in raising productivity and exports. This includes issues such as good governance, clear and transparent domestic policies, effective institutions and simplified regulation. In the absence of this, exporters and governments will not be able to take full advantage of EU preferences even where they offer a price advantage over other regions.

#### **8.4. The Value of Market Access**

Market access is clearly a necessity, but not sufficient condition to secure increased trade which is a powerful mechanism for growth and poverty reduction. Although as we have seen, the empirical evidence suggests that this is not sufficient to stimulate growth and poverty reduction, this does not mean that this access has no value. A large proportion of LDC / ACP exports are sold in Europe and the earnings from preferences are substantial. It does, however, imply that further improvements, such as simplified rules of origin, will deliver value only when accompanied by structural changes in production and the wider conditions that affect productivity. This includes developing strong regional markets and domestic demand - part of the objectives of Economic Partnership Agreements.

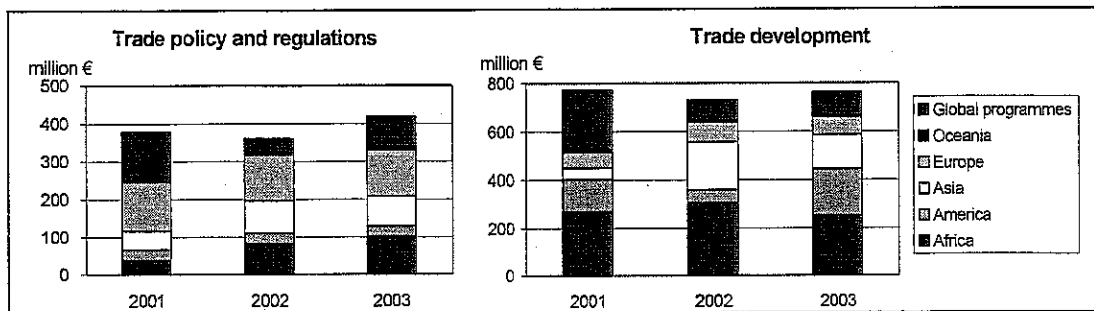
#### **8.5. EU Support – Helping Developing Countries Trade**

The importance of trade related assistance and capacity building (TRA/CB) as a way to improve the benefits from market access was clearly recognised by the Commission in 2002 in its Communication on trade and development<sup>6</sup>. TRA/CB is crucial to help developing countries to capture trade gains and increasing TRA/CB was amongst the commitments made in Monterrey in 2002. The European Commission has significantly stepped up its trade-related assistance in recent years and will continue to pursue these efforts. In the period 1996-2000, the support for trade related projects amounted to around €640m. Since Doha the EC has committed €3bn in the period 2001-2004 for Trade Related Assistance, an average of €750m annually.

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<sup>6</sup> COM (2002) 513 final

## Distribution of EU Trade Related Assistance by region and main category, million €



### 8.6. A More Detailed Look at Africa

As mentioned above, Sub Saharan Africa (SSA) is the region of greatest concern. While the EU market access is almost totally open to SSA exports and while there is no tariff escalation on SAA exports, such access has not been sufficient to deliver the development Africa needs.

#### Economic Partnership Agreements

EPA negotiations and implementation are closely linked with **development cooperation** with a view to improving economic governance, fostering competitiveness and building supply side capacity in a manner consistent with sustainable development objectives. It is also necessary to ensure effective access of ACP goods to EU and other markets by addressing the problems ACP countries are encountering in the area of, among others, rules of origin, technical regulations and standards, by taking into account the external effects of EU legislation and by supporting the efforts of the countries concerned to deal with them.

In addition, EPAs will go beyond “border measures” and include elements of “deep integration”, i.e. efforts to agree to common disciplines for regulatory regimes, thus covering “new subjects” (services, investment, intellectual property rights, government procurement, competition etc.) This is particularly important as simple, transparent and well adapted rules are essential parts of successful economic governance and can help poor countries, notably when they are adopted at a regional level, to build a more attractive environment for economic development.

**Trade will be at the service of development**, leaving a high degree of flexibility to take account of the development challenges in Africa. **Market-building will precede market opening**. Flexibility will be applied as regard asymmetry and progressiveness of ACP tariff reductions, taking into account the level of development of the economies concerned. Appropriate safeguard and food security clauses will be included.

EPA will ensure compatibility and build synergies with multilateral trade negotiations under the **Doha Development Agenda (DDA)**, as well as with the African Union long term project of consolidating the **continental market**, for which they would become regional “building blocs”.

Although preferences have assured that the EU is Africa's main trading partner, they have not been sufficient to deliver the development Africa needs. This is not surprising as preferences alone cannot secure the exports that could encourage economic growth and development if there is insufficient investment in production facilities and infrastructure or the goods do not correspond to market demand.

To address these problems will require a more comprehensive development process, together with an improved trading environment. Africa is overwhelmingly dependent on the EU but it is crucial to improve **trade within Africa by building efficient regional African markets**. This is the rationale behind the launching of the negotiations of six regional **Economic Partnership Agreements (EPAs)**, four of which are in Africa.

Creating transparent and predictable rules, which set, as necessary, limitations for economic actors, is going to be key to attract more local and foreign investment in the ACP countries. Within the framework of EPAs, rules will be discussed with the objective to contribute to regional integration, trade and development of the ACP, according to the road maps jointly agreed. Trying to harmonise rules in a regional framework will in no way impede countries to support SME's or to put in place effective investment and employment policies as well as social safety nets.

Improving customs procedures is also a fundamental step and a priority for the regional integration processes among the ACP countries. There is an acute need for simpler requirements and new techniques in order to reduce the time it takes for imports and exports to be released. Experience shows that developing countries who have successfully simplified and modernised their official trade procedures have: increased overall trade flows, enjoyed higher revenue collection (due to increase in trade volume, and higher detection rates of fraud); rapidly amortised any initial capital costs involved in modernising procedures; and improved overall morale and efficiency of their customs administration. Indeed, studies show that the cost of trade procedures may represent even as much as 4-5 % of the overall costs of trade transaction. This is about the same cost as the current tariff average on trade in industrial goods of industrialised countries, which is 3.8 %. Halving the costs would mean saving 325 billion USD or € a year – money currently being wasted - largely on the shoulders of SMEs and developing country traders.

## 9. ANNEXES

### Annex 1 : Acronyms

<b>ACP</b>	African-Caribbean-Pacific group of countries
<b>EBA</b>	“Everything But Arms” Initiative
<b>EU</b>	European Union
<b>FAO</b>	UN Food and Agriculture Organisation
<b>FTA</b>	Free Trade Agreement
<b>GATT</b>	General Agreement on Tariffs and Trade
<b>GSP</b>	EU Generalized System of Preferences
<b>IMF</b>	International Monetary Fund
<b>LDC</b>	Least Developed Country
<b>MFN</b>	Most Favored Nation
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>SITC</b>	Standard International Trade Classification
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>WTO</b>	World Trade Organization
<b>QUAD</b>	EU, US, Canada, Japan

## **Annex 2 : Countries by Preference Group**

These country groups are accurate for April 2005 but there are three key points to bear in mind for this paper. These are:

- (1) Not all countries eligible for the GSP or with FTAs were included in analyses of trade data because they are not generally considered to be “developing countries” in poverty data or OECD definitions.
- (2) These groups continually evolve over time so statistics can be influenced. For example, Pakistan joined the GSP Drug Regime in 2002.
- (3) Some countries can significantly influence the data for particular groups. Examples include the influence of China on the GSP and South Africa on Sub Saharan African data.

Where any of these issues substantively affect analysis it is noted in the text. Otherwise the groups referred to in the paper include the following:

### **1. GSP Countries Included**

#### General Arrangement

Argentina, Armenia, Azerbaijan, Bahrain, Belarus, Brazil, Brunei Darussalam, China, Cuba, Georgia, India, Indonesia, Iran, Kazakhstan, Kuwait, Kyrgyzstan, Libya, Malaysia, Mongolia, Oman, Paraguay, Philippines, Qatar, Russian Federation, Saudi Arabia, Sri Lanka, Tajikistan, Thailand, Turkmenistan, Ukraine, United Arab Emirates, Uruguay, Uzbekistan, Vietnam.

#### Everything But Arms (non-ACP LDC)

Afghanistan, Bangladesh, Bhutan, Cambodia, Lao People’s Democratic Republic, Maldives, Nepal, Yemen. (Myanmar is currently excluded).

#### Drug Regime Countries

Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Pakistan (joined 2002), Panama, Peru, Venezuela.

### **2. FTA Countries Included**

Algeria, Chile, Egypt, Jordan, Lebanon, Mexico, Morocco, South Africa, Syrian Arab Republic, Tunisia.

### **3. Cotonou / ACP Signatories**

#### LDC

Angola, Benin, Burkina Faso, Burundi, Cape Verde, Central Africa, Chad, Comoros, Congo (Dem Rep), Djibouti, East Timor, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Samoa, Sao Tome Principe, Senegal, Sierra

Leone, Solomon Islands, Somalia, Sudan, Tanzania, Togo, Tuvalu, Uganda, Vanuatu, Zambia.

#### Non-LDC

Antigua and Barbuda, Bahamas, Barbados, Belize, Botswana, Cameroon, Congo Brazzaville, Cook Islands, Côte d'Ivoire, Dominica, Dominican Republic, Fiji, Gabon, Ghana, Grenada, Guyana, Jamaica, Kenya, Marshall Islands, Mauritius, Micronesia Federation, Namibia, Niue, Nauru, Nigeria, Palau, Papua New Guinea, Seychelles, St Kitts-Nevis, St Lucia, St Vincent, Suriname, Swaziland, Tonga, Trinidad and Tobago, Zimbabwe.

#### **4. Least Developed Countries**

This is a sub-group of the Developing Countries defined by the UN according to a set of income and other development criteria. There are 50 LDCs (the ACP LDC and GSP EBA countries listed above). Most of these are African.

#### **5. Developing Countries**

Unless otherwise stated, when referring to "Developing Countries" the paper uses the OECD definition of countries who are recipients of Official Development Assistance. This includes the GSP, FTA and Cotonou / ACP countries listed above, as well as Anguilla, Montserrat and the Turks and Caicos. However, it excludes Belarus, Brunei, Iran, Kuwait, Libya, Qatar, Russian Federation, Ukraine and United Arab Emirates as they are not recipients of Official Development Assistance.

#### **6. Overseas Countries and Territories and countries dependant or administered by third countries**

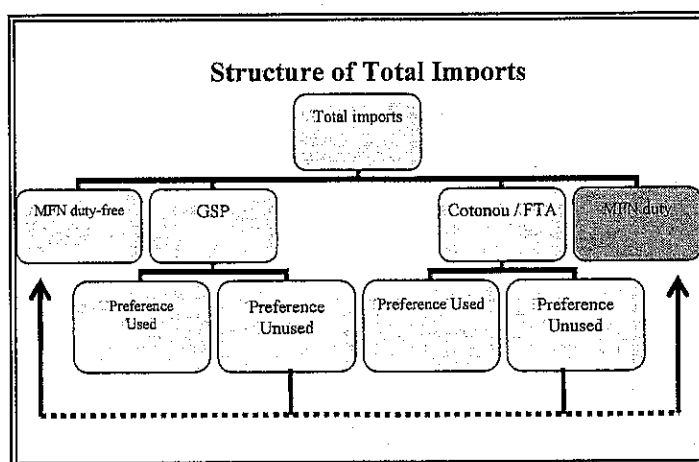
(The OCTs benefiting from duty- and quota-free access under the Overseas Association Decision are mentioned in italics):

Américan Samoa, *Anguilla, Antarctica, Aruba, B.I.O.T., Bermuda, Bouvet Island, Brit.Virg.Isl., Cayman Isles, Christmas Island, Cocos Isl, Falkland Is., Fr. Polynesia, Gibraltar, Greenland, Guam, Heard & McDonald Isl, Mayotte, Montserrat, N. Caledonia, Nl Antilles, Norfolk Island, Pitcairn, S.Pierre, Miq, St. Helena, Tokelau, Turks, Caicos Isl., US Minor outlying Isl, Virgin Isles, Wallis and Futura.*

### Annex 3: Measuring Market Access

Data was taken from EU import data provided by EUROSTAT and TARIC to eliminate problems with reliability and comparability of data from different systems. This provides a measure of import value in Euros at the EU border. However, these nominal values are strongly influenced by external factors, such as fluctuations in exchange rates, global commodity prices and wider economic trends. This makes comparisons between different groups of beneficiaries a more reliable measure of the influence of preferences than a simple time series comparison country by country. Even so, data can be readily dominated by a single country or commodity, particularly for the Least Developed Countries with highly concentrated trade patterns and low trade volumes. China, for example, has a strong influence on developing country figures, while Bangladesh is an important influence on figures linked to the non ACP but GSP-EBA eligible group. One of the most critical influences is also oil, which along with other extractive minerals is MFN duty free.

The extent to which a preferential access arrangement is actually used is usually called the “preference utilisation rate”. While this gives information about a specific arrangement, it does not give information about whether the goods in question were ultimately charged duties.



Because of this, our key interest is in the wider degree of market openness and not simply use of specific preferences. This is because low preference utilisation can come from strict rules of origin, low capacity in exporting institutions or poor access to information but can also be because the MFN tariff is zero, very low or another access arrangement

offers better terms (e.g. EBA or Cotonou). **The total imports entering the EU that are charged full MFN duties is the ultimate measure of how open a market success is.** The above figure shows the structure of imports to the EU that determines this and is the basis for the assessment of preferential access in this paper.

Long term time series of data is further complicated by the evolution of preferential trade arrangements. The expansion of the EU, changes in transition economies and the Russian Federation and differing regional development patterns all affect the interpretation of preference data. Groupings of countries have also changed over time (for example Senegal was reclassified as an LDC and Pakistan joined the GSP Drug Regime). This is why the paper also draws comparisons with overall EU-World trade and some basic trade related development indicators to evaluate the use of preferences.

Finally, the EU preference arrangements do not correspond directly to the definition of Developing Country used by the UN and OECD in figures relating to official development assistance. EU trade figures quoted are not therefore always directly comparable to global development statistics. Where this definition substantively affects the data it is noted in the text.



## Annex 4 : Detail of EU Preferential Access Schemes

### Evolution of EU Market Access

- 1963 The first association of ACP and EC member states in Yaounde offering preferential trade access to a number of ACP countries.
- 1968 UNCTAD recommends creation of GSP to grant trade preferences to all developing countries
- 1971 GATT (WTO predecessor) approves waiver for MFN, first EU GSP scheme introduced with 10 year programmes covering industrial products, agriculture, textiles coal and steel.
- 1975 First Lome Convention with ACP states comes into force establishing a more comprehensive partnership agreement covering political, trade and development issues.
- 1979 WTO "enabling clause" gives a legal framework for GSP schemes.
- 1985 Regional cumulation allowed under the GSP (this change allowed countries to source inputs from their neighbours rather than just within their own borders)
- 1990 GSP "Drug Regime" established giving additional preferences to countries combating drug production.
- 1995 Present 10 year GSP cycle begins with single multiannual regulation. Removal of tariff quotas (limits to preferences).
- 2000 Fifth ACP – EU partnership agreement agreed at Cotonou.
- 2001 GSP simplified and Everything But Arms introduced giving complete duty and quota free access to LDCs.
- 2004 EC communication on the new 10 year GSP cycle issued.
- 2005 Expected entry into force of first regulation for new 2005 – 2008 GSP cycle applying new GSP guidelines.

**Annex 5 : Products Subject to MFN Duties in 2003**

Region	Product	% of EU Imports	% of EU Imports by Country
ACP LDC	Fish and Shrimps	1%	Uganda (11%) ,Tanzania (4%), Guinée (3%), Gambia (9%), Benin (2%)
	Tobacco	0.5%	Malawi (9%), Uganda (2%), Zambia (1%), Mozambique (1%)
ACPnonLDC	Textiles and Footwear	0.3%	Mauritius (5%), Dominican Rp (7%)
	Pineapples	0.3%	Ivory Coast (1.3%), Ghana (2%)
GSP drug	Pineapples	1%	Costa Rica (3%), Honduras (5%), Ecuador (1%)
	Textiles Clothing	0.5%	Honduras (7%), El Salvador (9%), Guatemala (1%)
	Aluminium	0.5%	Venezuela (2%)
GSP 8 EBA	Textiles Clothing	37%	Bangladesh (38%),Cambodia (37%), Laos (38%), Maldives (26%), Nepal (4%), Bhutan (9%)
	Fish and Shrimps	1%	Bangladesh (1,5%),Yemen (5%), Maldives (1%)
GSP(34)	Textiles Clothing	2%	Indonesia (8%), Thailand (7%), Sri Lanka (37%), Vietnam (10%), India (3%), Malaysia (2%), Philippines (4%), U.A. Emirates (5%), Pakistan (5%), Brunei (6%), Mongolia (6%)
	Footwear	1%	Indonesia (5%), Thailand (2%), Vietnam (7%), Brazil (1%)
	Iron and Steel	1%	Russia (2%), Ukraine (12%), Brazil (3%), Belarus (9%)
	Fuels	0.5%	Libya (5%), Russia (1%), U.A. Emirates (1.5%), Kuwait (2.5%)
	Meat	0.5%	Brazil (3%), Argentina (3%), Thailand (1.5%), Uruguay (10%)
	Fruit	0.5%	Argentina (6%), Brazil (1%), Cuba (3%)

Region	Product	% of EU Imports	% of EU Imports by Country
FTA	Textiles Clothing	1.5%	Tunisia (6%), Morocco (4%) , Mexico (1%) , Egypt (1%) , Jordan (5%), Lebanon (2%)
	Radio,TV,Video, Electr Equipment	1.5%	Mexico (7%), South Africa (2%), Morocco (1%)
	Apples	1.25%	Chile (2.5%), South Africa (1.5%)
	Wine	1%	Chile (2%), South Africa (2%), Libanon (1.5%)
	Fuels	0.5%	Egypt (3.5%), Algeria (1.5%)
	Iron & Steel	0.5%	South Africa (2%)
	Motor Cars	0.3%	Mexico (2%)
China	Textiles Clothing	11%	
	Toys	8%	
	Radio,TV,Video, Electr Equipment	5%	
	Bags	3%	
	Footwear	2.5%	
	Iron & Steel	2%	