

Brussels, 4 February 2004

Trade implications of EU enlargement: Facts and Figures

Key Figures (2002)

	EU 15	EU 25
Population – million (% of world)	379 (6.1%)	455 (7.3%)
GDP – billion € (% of world)	8,827 (26.7%)	9,576 (28%)
GDP per capita, €	24.100	21.100
Total trade with the world – billion €	1.977	1.799
Of which with the 10 new MS – billion €	232	
Share in world trade in goods	19.4%	17.7%
Share in world trade in services	24.7%	na
Share in world FDI:		
Inflows	20.5%	na
Outflows	45.2%	
Share of world trade (goods + services)	20.1%	19.8% ¹
Degree of opening to international trade (total trade/GDP)	28.6%	26.9%

Source: COMEXT, FMI

Trade with main partners (2002): no change in the EU's major trading partners

	EU 15		EU 25	
	Mio €	% of total EU-15 trade	Mio €	% of total EU-25 trade
1. USA	416,132	21.0%	429,944	23.3%
2. Switzerland	129,515	6.5%	136,378	7.4%
3. China	116,067	5.8%	119,154	6.5%
4. Japan	110,951	5.6%	119,055	6.4%
5. Russia	78,170	3.9%	97,126	5.3%

Source: COMEXT, FMI

¹ services: EU-15; goods: EU-25

Breakdown of EU trade with each acceding country (2002)

	Ranking in EU -15 trade partners	EU imports		EU exports	
		Mio €	% of total EU-15 trade	Mio €	% of total EU-15 trade
Cyprus	60	714	0.1%	2,892	0.3%
Czech Republic	8	27,524	2.8%	29,230	3.0%
Estonia	44	2,979	0.3%	3,530	0.4%
Hungary	9	25,294	2.6%	25,018	2.5%
Latvia	52	1,949	0.2%	2,587	0.26%
Lithuania	43	2,714	0.3%	4,011	0.4%
Malta	58	1,120	0.1%	2,691	0.3%
Poland	7	28,114	2.8%	37,339	3.8%
Slovenia	29	6,838	0.7%	8,650	0.9%
Slovakia	26	9,710	1.0%	8,743	0.9%

1. What happens on 1st May from a trade perspective ?

The 10 new EU Member States adopt all aspects of the Common Commercial Policy:

- They will apply all the EU bilateral trade agreements, the common external tariff and the EU trade defence measures,
- They will take on board the EU openness in external trade: overall, tariffs will decrease from 9% to 4%,
- In the WTO, the EU will speak for the 25 Member States, instead of 15. The new Member States will take over the EU's multilateral trade commitments and obligations.

Enlargement will bring substantial benefits to the EU:

- The EU-25 will continue to speak with one voice in international trade fora. The addition of 10 Members will increase the EU's authority and influence in trade talks.
- The new Member States are young, dynamic and fast growing economies. This dynamism will benefit the whole of the EU.

No 'big bang', but a smooth transition instead:

- From a trade perspective, **enlargement has already taken place**, in the 1990s, with liberalisation of trade stemming from the Europe Agreements. These provide for bilateral free trade (with minor exceptions in the field of agriculture and processed agricultural goods). Today, over 95% of our trade with the future member states is already liberalised. Patterns are largely stabilised and enlargement will not disrupt trade with third countries.

- The adoption of **EU norms and standards** is a gradual process, which started long before enlargement and should be completed by 1 May so as to ensure a fully functioning internal market.
- From an institutional point of view, the **new Member States** already participate, since April 2003, in the EU's trade decision mechanism. They **share the EU's policy concept**, including of course in WTO talks.
- EU Trade Commissioner Pascal Lamy takes a keen interest in ensuring a smooth transition. By the end of his mandate, he will have visited all new Member States, to ensure that all is well.

Enlargement will bring very significant benefits for our trading partners, through:

- **A larger internal market:** more than 450 million citizens, accounting for roughly 18% of world trade and contributing to more than 25% of the world's Gross Domestic Product. The extension of the 'four freedoms' to the new Member States will simplify and enhance the access by third countries to the EU market. For example, products imported in Estonia in full compliance with EU standards and norms can freely move to Sweden or Greece. A Japanese investor established in Slovenia will have the freedom to provide services throughout the EU 25 at the same conditions than operators from all the other Member States. This was not possible until now.
- **A simplified and enhanced access to the ten new member states' markets:** a single set of trade rules, a single tariff, and a single set of administrative procedures will apply not just across the existing fifteen member states but across the enlarged Union of twenty-five.
- Larger coverage of the EU's open standard of treatment of third countries: the adoption by the new member states of the EU's external customs tariff will amount to **a substantial overall reduction in customs duties**.
 - Example 1: customs duties on imports into Hungary will be halved
 - Example 2: Russia is expected to gain over Euro 300 million in customs duties
 - Example 3: Enlargement will of course extend the benefits of the Generalised System of Preferences / the 'Everything but Arms' initiative to imports into the new Member States
- The adoption of **higher regulatory standards**, notably in the protection of intellectual property rights, access to government procurement markets or in the field of competition, will safeguard better the interests of investors and traders in the new Member States.

2. What is the EU doing in the run up to enlargement ?

Adapting its Free Trade Agreements

- By 1 May 2004, the EU trade agreements will apply to the territory of the new Member States. This requires certain adaptations, notably to secure the level of traditional trade flows. Talks are ongoing with our trading partners, from Chile to South Africa, from Israel to Croatia, with a view to securing such adaptations by 1st May.
- The EU is also making sure that all our trade partners will indeed grant to the new Member States the same trade treatment they give to the current ones, as from 1st May and without any disruption.

Adapting its quotas on steel, textiles and certain industrial products

- The EU will increase its quotas on steel and textiles, as well as those remaining on certain industrial products from China (footwear, tableware and ceramics) to take account of traditional import trade in the new Member States.
- The Commission is looking at an increase in the current steel quotas vis-à-vis Russia, Ukraine and Kazakhstan. In the case of Russia and Kazakhstan, this is a matter for negotiations. We expect of course these countries to reciprocate, i.e. that they recognise all the new Member States as full EU Members and that they extend to each of them all commitments they undertook to the EU.
- For textiles, the increased quotas will apply only until the end of the year, after which all quotas on imports from WTO members will cease to exist with the expiry of the WTO Multi-fiber Arrangements on 1 January 2005.

Discharging its WTO obligations

- WTO rules provide that trade with the EC cannot become more restrictive than before enlargement. The EC will therefore meet with third countries in order to establish arrangements addressing their specific concerns, which are limited, while taking into account the great gain enjoyed by third countries automatically due to the enlargement itself.
- The relevant WTO provisions governing this issue are Articles XXIV.5 and XXIV.6 of the GATT
 - (1)Article XXIV.5: obliges the EC to submit documentation in order to establish that the accession of the 10 new Member States to the EC meet the criteria provided for in Article XXIV.5 that: "the duties and other regulations of commerce imposed at the institutions of any such union ... shall not on the whole be higher or more restrictive than the general incidence of the duties ad regulations of commerce applicable in the constituent territories prior to the formation of such union ..."

- (2)Article XXIV.6: obliges the EC to enter into negotiations with third countries having negotiating rights in any of the acceding countries in order to agree on compensatory adjustment if the adoption of the EC's external tariff regime results in an increase in tariff beyond the level for which the acceding country has bound itself at the WTO, whilst taking due account reductions of duties on the same tariff line made by other constituents of the customs union upon its formation.
- The EC recently notified the relevant trade statistics to the WTO. In accordance with the procedure, third countries will now make claims for negotiating compensation.
- Negotiations will take place during a reasonable period of time. As the negotiations have not yet been commenced, it is difficult to foresee when they will be finalised. If no agreement is reached before the withdrawal or modification of EC concessions, third countries can withdraw substantially equivalent concessions after 30 days and no later than 6 months after the EC withdrawal or modification.

3. What the new Member States must do in the run up to enlargement

Renouncing or amending their bilateral agreements

- As new Member States forego their national trade policies, they must renounce their own bilateral free trade **agreements** with third countries. This work is ongoing and largely complete.
- The new Member States will also have to amend their international agreements with third countries and eliminate any trade or trade-related provision, or any other provision which would conflict with the EU policies.
- This applies in particular to investment protection agreements with certain countries. Negotiations were completed successfully with the United States, with the help of the Commission. Talks must however continue with other partners, including Canada and Japan. Insofar as relevant provisions requiring amendment will be replaced by EU rules, the third countries concerned will maintain their rights and in certain cases even improve them, through the operation of the internal market.

For more information on trade and enlargement

http://europa.eu.int/comm/trade/issues/bilateral/regions/candidates/index_en.htm

For more information on agriculture and enlargement

http://europa.eu.int/comm/agriculture/external/enlarge/index_en.htm

Trade statistics

<http://europa.eu.int/comm/trade/issues/bilateral/data.htm>