SUMMARY

1. At the time of its last Trade Policy Review, in April 2009, the European Union (EU) was in deep economic recession. In spite of intensified protectionist pressures, the EU maintained the overall openness and transparency of its trade and investment regime. Given the EU's leadership position as the world's largest trader, its decision to refrain from tightening restrictions on imports in response to the crisis had a stabilizing effect on the multilateral trading system. Nonetheless, some long-standing barriers to market access and other measures that distort international competition remain in place. The EU has a significant interest in undertaking further trade and investment liberalization, in line with its recognition that an open trade regime is vital to enhance external competitiveness and economic growth.

2. The period since the last Review of the EU has been marked by the sharp contraction and subsequent recovery of global and EU trade. From a long-term perspective, trade performance has varied widely across individual member States, largely reflecting uneven gains in productivity and competitiveness, especially within the euro area. The EU considers that structural reforms are needed to correct this situation and to achieve the economic growth objectives defined in its Europe 2020 strategy. Strengthening the internal market for goods and services is a key priority for structural reform.

3. Since the Lisbon Treaty entered into force in December 2009, the EU's external trade and investment policy has been conducted within a transformed legal and institutional framework. The European Parliament has rights equal with the Council in adopting EU trade legislation, and must give its consent before the Council can ratify international trade agreements. In addition, the Lisbon Treaty broadened the exclusive competence of the EU to encompass foreign direct investment. Several trade policy regulations, including on contingency measures, are being adapted to the new standard "comitology" rules defining procedures for the control by member States of the Commission's exercise of its implementing powers. The Commission considers that the new comitology rules increase transparency and give it greater political responsibility.

4. While the EU's external trade policy attaches top negotiating priority to concluding the Doha Round, it is pursuing an agenda of "competitiveness-driven" free-trade agreements (FTAs). The EU has recently signed such an agreement with Korea, and has concluded negotiations on an FTA with Colombia and Peru, and another FTA with Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. During the period under review, separate FTAs entered into force with Albania, Bosnia and Herzegovina, Montenegro, and Serbia; a comprehensive Economic Partnership Agreement (EPA) with the CARIFORUM region has been applied provisionally since December 2008. Despite the continued growth of the EU's extensive network of preferential trade agreements, some 85% of total EU imports entered under the MFN regime in 2008 (latest year for which data are available), highlighting the fundamental importance of the multilateral trading system for EU trade.

5. In late 2009, the EU eliminated tariff quotas on imports of rice and sugar under Everything But Arms, an arrangement under the EU's Generalized System of Preferences (GSP) that grants duty- and quota-free access to the EU market for least developed countries. Moreover, the EU has introduced new, more flexible rules of origin for products imported under GSP. The new rules, which have been applied since 2011, are simpler and allow additional goods, in particular those processed in the least developed countries, to qualify for preferential treatment. In March 2011, the EU was preparing a proposal to amend its GSP regime. The EU grants duty- and quota-free access (except for sugar, which is subject to a transitional safeguard mechanism) to all African, Caribbean, and

Pacific countries that have initialled an EPA, while negotiations for comprehensive EPAs continue.

6. The EU's main trade policy instruments remained largely unchanged during the period under review. The simple average applied MFN tariff rate was 6.4% in 2011, slightly less than in 2008. The applied MFN rate for agriculture (WTO definition) decreased to 15.2% in 2011 from 17.9% in 2008, reflecting the rise in global commodity prices and the resulting decline in the *ad valorem* equivalent rates. At 4.1%, the average applied MFN rate for non-agricultural goods remained unchanged. However, the structure of the EU's MFN tariff remains complex, and around 9% of tariff lines have peak rates of more than 15%.

7. Both the number of anti-dumping measures in force and the rate at which these are adopted have decreased since 2008. Nonetheless, with 125 measures in force in early 2011, the EU remains an important user of anti-dumping measures. Almost 45% of these measures are applied to a single WTO Member (China). Although there has been a slight increase in the total number of countervailing measures in force, the EU continues to make relatively limited use of this trade policy instrument. The EU has not applied safeguards since 2005.

8. Security considerations have continued to drive changes relating to customs procedures. During the period under review, the EU introduced advance cargo information requirements as part of the so-called "safety and security amendment" to the Customs Code. In addition, the EU is pursuing trade facilitation measures, including preparations for the establishment of single window services, and the introduction of a customs registration number recognized throughout the EU. These and other ongoing trade facilitation initiatives are essential to help minimize transaction costs, especially those resulting from measures to ensure physical security at national borders.

9. The extraordinary intervention by many EU member States in support of domestic firms affected by the economic crisis was directed primarily at the financial sector and sought to avert the systemic consequences of a full-blown financial crisis. Nonetheless, other sectors, notably automobiles, construction, and tourism, received considerable support too. Member States granted part of this support under schemes approved by the Commission, thus increasing transparency and helping to minimize distortions within the EU market. It is important to persevere with ongoing initiatives at EU level to phase out crisis support once the economic recovery has taken hold. This would ensure that support measures do not hinder long-term adjustment and restructuring in the targeted sectors.

10. The EU did not modify its government procurement regime during the period under review; the bulk of government procurement (around 85%) remains under national legislation of EU member States. According to the Commission, member States did not introduce "buy local" procurement requirements at national or sub-national levels in response to the economic crisis. The EU's competition policy has been progressively refined towards a "more economic approach"; arguably, this has moved the EU closer to the antitrust enforcement of some of its major trading partners, thus reducing the scope for inter-jurisdictional conflicts in this area.

11. During the period under review, the EU lowered the registration cost for Community trade marks and strengthened enforcement of intellectual property rights (IPRs). Major copyright and patent reforms are ongoing, but efforts to create a unitary EU patent and a unified patent court have not been successful. The Commission is seeking alternatives to unified patent protection in the EU. The Lisbon Treaty contains a specific provision on intellectual property, which is an important step towards an EU-wide IPR regime.

12. The "Health Check" of the Common Agricultural Policy (CAP), agreed by EU agriculture ministers in November 2008, further reduced the role of the CAP in the market, and extended the systems of support that are decoupled from agricultural prices or production. However, total support remains considerable in both absolute and relative terms and market price support continues to represent a large, though declining, portion of transfers to producers. Furthermore, the reforms of the CAP have focussed on reducing export subsidies and trade-distorting domestic support while MFN tariffs remain relatively high.

13. As part of current efforts to address competitiveness concerns, the EU attaches high priority to the reinforcement of the internal market for goods and services. During the period under review the EU adopted a package of measures that aims to remove regulatory obstacles to intra-EU trade in goods. The package includes EU-wide principles and reference provisions on conformity assessment procedures and a common framework on accreditation. In addition, the EU adopted legislation to minimize the possibility that member States restrict the marketing of goods that are not in compliance with their national technical regulations, but that have been lawfully placed on the market of another member State. At the last Review of the EU, several Members indicated that the EU's regulatory practices have become increasingly burdensome in gaining access to the EU market. It is important that the EU consider carefully the possible trade impact of its regulatory environment, including its high regulatory standards as regards food and product safety, to ensure that its technical regulations and conformity assessment procedures do not create unnecessary obstacles to trade with third countries.

14. Work to implement the Services Directive, a pillar of the internal market for services, continued throughout the period under review. Under the Services Directive, member States must ensure that their authorization schemes for service providers are non-discriminatory, proportionate, and justified by an overriding reason relating to the public interest. Several member States missed the end-2009 deadline to transpose the Directive into national legislation. The publication in early 2011 of the results of a "mutual evaluation process" of the Services Directive found that, despite significant progress, burdensome requirements remain in place and continue to restrict intra-EU services trade. The EU has been at the forefront of deregulation and liberalization in some specific services sectors. For example, under the Third Postal Directive, 16 member States, representing 95% of EU postal markets, abolished all remaining postal services monopolies at the end of 2010. The remaining member States must do so by end-2012.